P4 sp. z o.o. Group

Consolidated financial statements

prepared in accordance with IFRS,

as at and for the year ended December 31, 2025

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Approval of financial statements

We hereby approve the financial statements of the P4 sp. z o.o. Group for the financial year ended December 31, 2025, consisting of the statement of profit and loss showing a net profit of PLN 1,432.6 million, the statement of comprehensive income showing total income of PLN 1,398.3 million, the statement of financial position with assets and liabilities and equity of PLN 21,070.0 million, the statement of changes in equity showing an increase in equity by PLN 397.9 million, the statement of cash flows showing a decrease in net cash by PLN 287.1 million and notes containing a description of material accounting policies and other explanations.

Kenneth Campbell
Management Board President

Paweł Galej
Management Board Member

Beata Zborowska
Management Board Member

Michał Ziółkowski
Management Board Member

Ewa Zmysłowska
Management Board Member

Warsaw, March 23, 2026

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

Consolidated statement of profit and loss

	Notes	Year ended December 31, 2025	Year ended December 31, 2024
Operating revenue	3	**10,544.9**	**10,186.6**
Service revenue		8,704.7	8,325.7
Sales of goods and other revenue		1,840.2	1,860.9
Operating expenses		**(8,493.5)**	**(8,350.6)**
Interconnection, roaming and other service costs	4	(2,435.0)	(2,323.0)
Contract costs		(585.9)	(547.5)
Cost of goods sold		(1,527.7)	(1,494.4)
Employee benefits	5	(645.8)	(652.6)
External services	6	(1,399.6)	(1,536.0)
Depreciation and amortization	7	(1,792.2)	(1,700.4)
Taxes and fees		(107.3)	(96.7)
Other operating income	8	1,720.2	1,783.7
thereof: gains from derecognition of financial assets measured at amortized costs	*8*	*34.7*	*29.0*
Other operating costs	8	(921.1)	(774.3)
thereof: expected credit losses	*8*	*(155.8)*	*(145.7)*
Share of profit of equity-accounted investee		27.9	26.7
Operating profit		**2,878.4**	**2,872.1**
Finance income	9	21.0	23.9
thereof: interest income from assets at amortized cost	*9*	*12.6*	*0.7*
Finance costs	9	(1,135.0)	(1,167.0)
Profit before income tax		**1,764.4**	**1,729.0**
Income tax charge	10	(331.8)	(313.1)
Net profit		**1,432.6**	**1,415.9**
- attributable to owners of P4 sp. z o.o.		*1,423.0*	*1,406.2*
- attributable to owners of non-controlling interest		9.6	9.7

Consolidated statement of comprehensive income

	Notes	Year ended December 31, 2025	Year ended December 31, 2024
Net profit		**1,432.6**	**1,415.9**
Items that will not be reclassified to profit or loss			
Actuarial losses on post-employment benefits		(0.1)	(0.2)
Income tax relating to items not to be reclassified		-	0.2
Items that may be reclassified subsequently to profit or loss			
Effective part of cash flow hedges valuation	30	1.3	94.3
Income tax relating to items that may be reclassified	30	(0.2)	(17.9)
Share of other comprehensive income/(loss) of equity-accounted investee		(35.3)	26.9
Other comprehensive income/(loss), net		**(34.3)**	**103.3**
Total comprehensive income		**1,398.3**	**1,519.2**
- attributable to owners of P4 sp. z o.o.		*1,388.7*	*1,509.5*
- attributable to owners of non-controlling interest		*9.6*	*9.7*

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

Consolidated statement of financial position

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Non-current assets			
Goodwill	11	1,397.0	1,397.0
Other intangible assets	12	4,503.9	4,138.0
Property, plant and equipment	13	3,487.7	3,374.7
Right-of-use assets	22.2	4,700.7	4,665.0
Investment in joint venture	14	1,808.6	1,816.0
Other long term financial assets	15	25.4	31.4
Long term prepaid expenses	20	10.3	5.8
Deferred tax asset		2.2	2.4
Total non-current assets		**15,935.8**	**15,430.3**
Current assets			
Inventories	16	899.6	930.7
Trade and other receivables	17	2,332.4	1,472.6
Contract assets	18	1,152.6	1,638.4
Contract costs	19	569.2	537.3
Current income tax receivables		1.2	0.5
Prepaid expenses	20	78.0	111.2
Cash and cash equivalents	21	94.4	141.7
Other short-term financial assets	15	6.8	12.0
Total current assets		**5,134.2**	**4,844.4**
TOTAL ASSETS		**21,070.0**	**20,274.7**
EQUITY AND LIABILITIES			
Equity			
Share capital	23.1	48.9	48.9
Other supplementary capital	23.2	21.2	(159.0)
Other reserves	23.3	(55.8)	162.4
Retained earnings	23.4	1,307.2	872.7
Equity attributable to the owners of P4 sp. z o.o.		**1,321.5**	**925.0**
Non-controlling interest		16.6	15.2
Total equity		**1,338.1**	**940.2**
Non-current liabilities			
Long-term financial liabilities	24	7,724.5	9,939.7
Long-term lease liabilities	22.2	4,862.6	4,661.9
Long-term provisions	25	431.5	299.7
Deferred tax liability		183.3	294.6
Other non-current liabilities		10.2	8.4
Total non-current liabilities		**13,212.1**	**15,204.3**
Current liabilities			
Short-term financial liabilities	24	3,390.3	1,005.7
Short-term lease liabilities	22.2	366.8	331.5
Trade and other payables	27	1,927.0	2,035.5
Contract liabilities	29	529.7	471.9
Current income tax payable		149.0	106.2
Accruals	28	156.4	148.0
Short-term provisions	25	0.6	31.4
Total current liabilities		**6,519.8**	**4,130.2**
TOTAL LIABILITIES AND EQUITY		**21,070.0**	**20,274.7**

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

Consolidated statement of changes in equity

	Notes	Attributable to owners of P4 sp. z o.o.					Non-controlling interest	Total equity
		Share capital	Other supplementary capital	Other reserves	Retained earnings	Total		
As at January 1, 2025		**48.9**	**(159.0)**	**162.4**	**872.7**	**925.0**	**15.2**	**940.2**
Net profit		-	-	-	1,423.0	1,423.0	9.6	1,432.6
Other comprehensive income/(loss), net		-						
Actuarial losses on post-employment benefits with relating income tax		-	-	(0.1)	-	(0.1)	-	(0.1)
Effective part of cash flow hedges valuation with relating income tax	30	-	-	1.1	-	1.1	-	1.1
Share of other comprehensive loss of equity-accounted investee	14	-	-	(35.3)	-	(35.3)	-	(35.3)
Total comprehensive income		**-**	**-**	**(34.3)**	**1,423.0**	**1,388.7**	**9.6**	**1,398.3**
Acquisition of subsidiaries and change of shares in subsidiaries		-	-	-	(0.1)	(0.1)	0.1	-
Recognition of costs of equity-settled incentive and retention programs	26	-	7.9	-	-	7.9	-	7.9
Increase of other reserves	23	-	-	70.7	(70.7)	-	-	-
Covered losses in share premium	23	-	172.3	-	(172.3)	-	-	-
Dividend payment	23	-	-	(254.6)	(745.4)	(1,000.0)	(8.3)	(1,008.3)
As at December 31, 2025		**48.9**	**21.2**	**(55.8)**	**1,307.2**	**1,321.5**	**16.6**	**1,338.1**

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

	Notes	Attributable to owners of P4 sp. z o.o.					Non-controlling interest	Total equity
		Share capital	Other supplementary capital	Other reserves	Retained earnings	Total		
As at January 1, 2024		**48.9**	**(166.7)**	**7.8**	**914.8**	**804.8**	**9.0**	**813.8**
Net profit		-	-	-	1,406.2	1,406.2	9.7	1,415.9
Other comprehensive income/(loss), net								
Effective part of cash flow hedges valuation with relating income tax	30	-	-	76.4	-	76.4	-	76.4
Share of other comprehensive income/(loss) of equity-accounted investee	14	-	-	26.9	-	26.9	-	26.9
Total comprehensive income		**-**	**-**	**103.3**	**1,406.2**	**1,509.5**	**9.7**	**1,519.2**
Acquisition of subsidiaries and change of shares in subsidiaries		-	-	-	-	-	-	-
Recognition of costs of equity-settled incentive and retention programs	26	-	7.7	-	-	7.7	-	7.7
Increase of other reserves	23	-	-	159.4	(159.4)	-	-	-
Dividend payment	23	-	-	(108.1)	(1,288.9)	(1,397.0)	(3.4)	(1,400.4)
Other		-	-	-	-	-	(0.1)	(0.1)
As at December 31, 2024		**48.9**	**(159.0)**	**162.4**	**872.7**	**925.0**	**15.2**	**940.2**

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

Consolidated statement of cash flows

	Notes	Year ended December 31, 2025	Year ended December 31, 2024
Profit before income tax		**1,764.4**	**1,729.0**
Depreciation and amortization		1,792.2	1,700.4
Interest expense (net)		1,118.5	1,152.1
Gain on financial instruments at fair value		(0.6)	(70.9)
Foreign exchange gains		(2.1)	(4.5)
Share of profit of equity-accounted investee		(27.9)	(26.7)
Gain on disposal of subsidiaries		-	(138.0)
(Gain)/Loss on disposal of non-current assets and termination of lease contracts		179.5	(283.7)
Impairment of non-current assets		10.1	10.4
Change in provisions		62.8	(104.8)
Change in share premium from equity-settled retention programs		7.8	7.6
Changes in working capital and other	34	(881.6)	(315.7)
Change in contract assets	34	485.8	101.6
Change in contract costs	34	(31.9)	(24.5)
Change in contract liabilities	34	57.8	(5.8)
Cash provided by operating activities		**4,534.8**	**3,726.5**
Interest received		11.9	6.2
Interest paid		(0.1)	(0.2)
Income tax paid		(398.9)	(248.9)
Net cash provided by operating activities		**4,147.7**	**3,483.6**
Proceeds from sale of non-current assets		14.7	12.6
Purchase of fixed assets and intangibles (including deposit paid in the auction for telecommunications licenses)		(1,835.0)	(1,640.8)
Cash inflows related to sale of infrastructure		-	549.1
Cash outflows related to assets held for sale		-	(1.0)
Proceeds from sale of subsidiaries		-	313.1
Acquisition of subsidiaries, net of cash and cash equivalents acquired		-	(40.8)
Net cash used in investing activities		**(1,820.3)**	**(807.8)**
Dividends (paid)	23.4	(1,008.3)	(1,400.4)
Proceeds from financial liabilities	35	700.0	982.0
Repayment of financial liabilities	35	(781.9)	(988.9)
Paid interest and other financial costs relating to financial liabilities	35	(847.4)	(846.6)
Repayment of lease liabilities	35	(681.3)	(605.2)
Other proceeds from financing activities		4.4	0.4
Net cash used in financing activities		**(2,614.5)**	**(2,858.7)**
Net change in cash and cash equivalents		**(287.1)**	**(182.9)**
Effect of exchange rate change on cash and cash equivalents		0.1	(0.1)
Cash and cash equivalents at the beginning of the period		**(465.6)**	**(282.6)**
Cash and cash equivalents at the end of the period	33	**(752.6)**	**(465.6)**

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

Notes and explanations

1. P4 and P4 Group

P4 sp. z o.o. (hereafter referred to as "P4" or the "Company") was established under Polish law on September 6, 2004 and registered on September 15, 2004. The Company's registered office is in Warsaw, Poland at ul. Wynalazek 1. P4 sp. z o.o. Group ("the Group", "P4 Group") comprises P4 and its subsidiaries. The Group is a part of iliad Group based in France.

As at December 31, 2025 the Company was controlled directly by Iliad Purple S.A.S. with its registered office in Paris (hereafter referred to as "Iliad Purple"), which held 100% of Company's shares. Iliad Purple S.A.S. is a subsidiary of Iliad S.A. with its registered office in Paris, controlled by Niel Family Group.

The Group's activities include the provision of mobile telephony, mobile and fixed internet, television and business solutions under the "Play" and "Virgin mobile" brands.

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

as at and for the year ended December 31, 2025 and the comparative period, i.e. the year ended December 31, 2024, hereafter the "Financial Statements".

The Consolidated Financial Statements include the following subsidiaries with the consolidation method used as at December 31, 2025:

Entity	Designation	Principal activity	Ownership and percentage of voting rights	
			As at December 31, 2025	As at December 31, 2024
Parent entity				
P4 sp. z o.o.	P4, Company	Telecommunications	not applicable	not applicable
Fully consolidated entities				
Redge Technologies sp. z o.o.	Redge	IT	94.43%	94.70%
Redge Media PPV sp. z o.o.	Redge Media PPV	IT	94.43%	94.70%
Vestigit sp. z o.o.	Vestigit	IT	70.82%	64.17%
MediaTool sp. z o.o.	MediaTool	IT	84.99%	85.23%
Play Investments sp. z o.o.	Play Investments	Holding	100.00%	100.00%
SferaNet sp. z o.o.	SferaNet	Telecommunications	100.00%	100.00%
Syrion sp. z o.o.	Syrion	Telecommunications	100.00%	100.00%
Grupa Phobos sp. z o.o.	Phobos	Telecommunications	51.00%	51.00%
Fibreo S.A.	Fibreo	Telecommunications	-	100.00%
Miconet sp. z o.o.	Miconet	Telecommunications	100.00%	100.00%
Equity-accounted investees				
Polski Światłowód Otwarty sp. z o.o.	PŚO	Telecommunications	50.00%	50.00%
SferaNet Infrastruktura S.A.	SferaNet Infrastruktura	Telecommunications	-	50.00%
MicoInfra sp. z o.o.	MicoInfra	Telecommunications	-	50.00%
Media-Sys sp. z o.o.	Media-Sys	Telecommunications	50.00%	-

As at December 31, 2025, all companies in the P4 Group are based in Poland.

Changes in the Group's structure

Merger of SferaNet and Fibreo
On April 30, 2025 SferaNet as the acquiring company merged with Fibreo. The merger has no impact on the Financial Statements.

Changes in PŚO
During 2025 PŚO merged with its subsidiaries: SferaNet Infrastruktura (July 1, 2025) and MicoInfra (October 1, 2025). Additionally, on September 30, 2025 PŚO acquired 100% of shares in Media-Sys.

2. Basis of preparation

These Financial Statements were authorized for issue by the Company's Management Board on March 23, 2026 and are subject to authorization by the Shareholders' Meeting.

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

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

These Financial Statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union, issued and effective as at December 31, 2025.

The Financial Statements have been prepared under the historical cost convention except for assets and liabilities on account of derivatives which are measured at fair value and equity items relating to equity-settled incentive and retention programs, which are measured at fair value at the grant date.

The preparation of Financial Statements in conformity with the IFRS requires the use of certain material accounting estimates. The areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.2.

These Financial Statements have been prepared in millions of PLN (rounded to one decimal place) therefore, comparative data from the Annual Financial Statements for 2024, which was originally presented in thousands of PLN, have been converted and presented in millions of PLN. The above change in the presentation format has been introduced to enhance the readability of the Financial Statements.

2.1 New standards, interpretations and amendments to existing standards

The accounting policies applied in the Financial Statements have not changed as compared to the policies applied in the Financial Statements for the year ended December 31, 2024, except for new standards and interpretations as described in the table below:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after
Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	August 15, 2023	January 1, 2025	January 1, 2025

New or amended standards and interpretations applied for the first time in 2025 do not have a material impact on the Group's Financial Statements.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2025 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
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	May 30, 2024	January 1, 2026	January 1, 2026
Annual Improvements Volume 11	July 18, 2024	January 1, 2026	January 1, 2026
Amendments to IFRS 9 and IFRS 7. Contracts Referencing Nature-dependent Electricity.	December 18, 2024	January 1, 2026	January 1, 2026
IFRS 18 Presentation and Disclosure in Financial Statements	April 9, 2024	January 1, 2027	January 1, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	May 9, 2024	January 1, 2027	Not endorsed yet
Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures	August 21, 2025	January 1, 2027	Not endorsed yet
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency	November 13, 2025	January 1, 2027	Not endorsed yet

The Group is currently assessing the impact of the aforementioned changes on the consolidated financial statements.

The Group intends to adopt the above-mentioned new standards, amendments to standards and IFRS interpretations issued by the International Accounting Standards Board but not yet effective as of the date of approval for the publication of these Financial Statements, in accordance with their respective effective dates.

2.2 Critical accounting estimates and judgements

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

Recognition of revenue

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

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the stand-alone selling prices.

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

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 contract services (including these bundled with handsets) and prepaid services. The Group has assessed that the dealers act as agents (and therefore do not control the goods or services before they are provided to the end-customer) in this process, for the following reasons:
a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service – the Group is responsible for delivering telecommunications services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,
b) prices of services and equipment delivered to customers are determined by the Group and not by the dealer,
c) dealers are remunerated in the form of commissions,
d) credit risk related to consideration for service and in case of instalment sales model also credit risk related to consideration for equipment is borne by the Group.

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Group to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets (please see Note 22.2s). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets to calculate amortization of right-of-use assets.
For leases with indefinite term the Group estimates the non-cancellable period of such types of leases to be equal to the average or typical market contract term of particular type of lease. When assessing the lease term, the Group takes into account penalty payments specified in the contract as well as materiality of possible economic outflows related to termination of the contracts. The Group will continue to monitor these assumptions in the future as a result of a review of the industry practice and the evolution of the accounting interpretations in relation to estimation of the lease terms among peer telecommunications entities.

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

Expected credit losses

IFRS 9 requires that expected credit losses on financial assets be recognised at the moment of initial recognition.
The Group recognises an allowance for expected credit losses in an amount equal to the expected credit losses over the life of trade receivables, contract assets, lease receivables, cash and cash equivalents. For note receivables, the Group recognises an allowance for expected credit losses equal to 12-months expected credit losses at the current reporting date if there has been no significant increase in risk since initial recognition of the instrument. The Group applies a differentiated approach when estimating expected credit losses for trade receivables, contract assets and instalment receivables.

When measuring expected credit loss for billing (customer/subscriber) receivables the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of overdue invoices as well as forward-looking information such as potential changes in collection procedures, related processes, and macro-economic variables that may affect recovery rates. For receivables that are already in collection, the expected recovery from the collection process is based on historical data together with the expected sale price derived from historical experience and forecasts of future debt-sale prices. Credit-impaired receivables are primarily those from subscribers who have breached or terminated contractual terms or for which the Group anticipates a contract-violation loss.

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

The expected credit loss on contract assets is calculated as the gross carrying amount of the financial-asset component at the valuation date multiplied by the expected credit loss rate. When calculating the impairment allowance for contract assets the Group takes into consideration the risk of uncollectability of payments from customers which would be used to settle the outstanding contract assets balance, e.g. when the customer is deactivated as a result of breach of the contract.

With respect to contract assets and instalment receivables, statistical models are used to estimate the expected value of contract assets to be written-off and expected value of instalment receivables directed to the collection process. These models are based on risk-driver variables, in particular payment-delay data, the expected life of the contract, and client-segment characteristics.

When estimating expected credit losses for the entire contract, the Group also analyses forward-looking factors that could alter loss levels compared with historically observed outcomes. Projections regarding the condition of businesses and factors influencing consumer credit risk (unemployment rate, inflation) are taken into account. As a result, the expected loss resulting from the statistical model is adjusted accordingly.

In the event of a default risk, the expected credit losses equal the total carrying amount of the asset. Receivables are written off when it is not probable that the amount can be recovered. The write-off decision is made on an individual basis for each client/counterparty after all recovery actions have been exhausted or when the claim becomes time-barred.

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

With respect to notes issued in December 2019, December 2020 and February 2025 (please see Note 24.2) the Group had concluded that early redemption option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of notes. Thus, close relation between embedded derivative and host contract was confirmed. Therefore, this early redemption option was not separated from host debt contract of notes issued in December 2019, December 2020 and February 2025 for accounting and valuation purposes.

Valuation of the assets retirement provision

The assets retirement provision relates primarily to the obligation to dismantle the active and passive portions of the telecommunications infrastructure from leased properties.

As at December 31, 2025 the assets retirement provision (please see Note 25**Błąd! Nie można odnaleźć źródła odwołania.**) was calculated using a discount rate of 4.46% for the active portion of infrastructure (6.47% as at

December 31, 2024) and 5.22% for the passive portion of infrastructure (5.79% as at December 31, 2024), equal to the interest rate as at the reporting date for treasury bonds with maturities near the assumed retirement date.

Deferred tax

As part of the process of preparing the financial statements, the Group is required to estimate the P4 Group's income taxes (please see Note 10s). This process involves estimating the P4 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 recognised 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 P4 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 recognised to the extent to which such recovery is probable. Material estimates are required in order to calculate the asset. 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 P4 Group operates and the stability of local legislation are also considered.

Impairment of 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 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, 2025 no impairment indicators were identified.

All of the P4 Group's assets and its business were allocated to the CGU identified as the entire P4 Group. The goodwill was allocated to the CGU identified as the entire P4 Group, as the performance is assessed and decisions on future resource allocation are made for the entire P4 Group.

The Group's assets (including goodwill and intangible assets with indefinite useful life) were tested for impairment as at December 31, 2025.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the P4 Group's latest available financial projections for the years 2026-2030.

The assumptions used in the calculation include, among others: usage revenue, handset margin, customer acquisition and retention costs, interconnection revenues/costs, national and international roaming costs and operating expenses (among others remuneration costs, network maintenance costs, marketing costs and costs of settlements with On Tower Poland sp. z o.o. („OTP",), PŚO and Op Core Poland sp. z o.o. („Op Core")). The pre-tax discount rate used (9.38% as at December 31, 2025, 10.11% as at December 31, 2024) reflects the risks typical of the P4 Group's business. The growth rate used to extrapolate cash flow projections beyond the forecast period (from 2031 onwards) is 1% (as at December 31, 2024: 1%).

The amounts assigned to each of these parameters reflect the Group's past experience adjusted for expected changes during the period covered by the financial projections, but may be affected by unforeseeable political, economic or legal changes.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's assets, including goodwill as at December 31, 2025 As a result no impairment loss has been recognised.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. The future success of the P4 Group's business model is dependent on many factors. The rapid changes of macroeconomic conditions in Poland, the EU and globally, in particular the levels of interest rates, inflation and exchange rates, may have material effect on our operations and financial performance. High level of competition in the mobile and landline network operators market, including market prices for voice and data services, the effects of new operators entering the market or concentration among the existing operators, possible significant changes in mobile technology and a rise in popularity of technologies alternative to mobile voice and text messages, the possible change in the purchasing power of consumers, access to adequate distribution channels – all these factors may impact the P4 Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainty regarding the acquisition and cost of new frequency reservations, the development of unit costs of subscriber devices, and the volatility of operating expenses, in particular costs of electricity, and volatility of costs of expanding the mobile and landline network, all generate uncertainties over achievable cash flows.

The telecommunications services industry is subject to significant legal regulation as well as inspections by the supervisory authority. All future changes in such regulations, e.g. electronic communications law may have an adverse impact on the P4 Group's revenues, require the Group to make additional expenditures and otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of these and other uncertainties the actual recoverable amount of the CGU may differ significantly in the future from the P4 Group's current estimates.

However,

- if inflationary pressures were to cause an increase in fixed costs and salaries in 2026-2030 higher than the Group's projected increase, no impairment charge would be recognised for the CGU.
- If the growth rate used to extrapolate the projected cash flows into the period beyond the existing financial projections was reduced by 1 percentage point (p.p.), no impairment charge would be recognised for the CGU.
- If the revised estimated discount rate applied to the discounted cash flows was increased by 1 p.p., compared with the Group's estimates, with other assumptions unchanged, the Group would not recognise any impairment against the cash-generating unit.

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

3. Operating revenue

Total operating revenue corresponds to revenue from contracts with customers.

	Year ended December 31, 2025	Year ended December 31, 2024
Service revenue	**8,704.7**	**8,325.7**
Usage revenue	8,001.9	7,586.6
Interconnection revenue	702.8	739.1
Sales of goods and other revenue	**1,840.2**	**1,860.9**
	10,544.9	**10,186.6**

	Year ended December 31, 2025	Year ended December 31, 2024
Usage revenue by category		
Retail contract revenue	6,360.6	6,057.1
Retail prepaid revenue	1,006.1	993.5
Other usage revenue	635.2	536.0
	8,001.9	**7,586.6**

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

The vast majority of operating revenue is realized in Poland. Revenue from sales of goods (mobile phones and subscriber equipment) and other revenue relates to the sale of goods at a specific point in time, while revenue from the sale of services relates to services transferred over time.

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

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

	December 31, 2025	December 31, 2024
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	3,354.6	3,098.3
later than 1 year and not later than 2 years	1,346.0	1,470.5
later than 2 years and not later than 3 years	94.8	137.4
later than 3 years	0.1	3.3
	4,795.5	**4,709.5**

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

4. Interconnection, roaming and other service costs

	Year ended December 31, 2025	Year ended December 31, 2024
Interconnection costs, including network sharing	(760.0)	(778.2)
Other service costs	(1,675.0)	(1,544.8)
	(2,435.0)	**(2,323.0)**

Other service costs include fees for using the infrastructure as part of a partnership with PŚO (please see Note 14), international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top-ups), costs related to the distribution of TV shows and audiovisual content and fees paid to providers of content (e.g. TV, VoD, music) in transactions in which the Group acts as a principal.

5. Employee benefits

	Year ended December 31, 2025	Year ended December 31, 2024
Salaries	(538.6)	(546.4)
Social security	(90.4)	(89.2)
Equity settled incentive and retention programs	(16.8)	(17.0)
	(645.8)	**(652.6)**

6. External services

	Year ended December 31, 2025	Year ended December 31, 2024
Network maintenance and energy	(900.6)	(886.9)
Advertising and promotion expenses	(170.6)	(222.2)
Customer relations costs	(101.1)	(107.4)
Office and points of sale maintenance	(35.1)	(37.4)
IT expenses	(73.6)	(139.3)
People related costs	(32.2)	(34.9)
Finance and legal services	(15.5)	(28.1)
Other external services	(70.9)	(79.8)
	(1,399.6)	**(1,536.0)**

A significant portion of the costs of network maintenance and energy was comprised of the costs under passive infrastructure lease and maintenance agreements signed with OTP.

7. Depreciation and amortization

	Year ended December 31, 2025	Year ended December 31, 2024
Depreciation of property, plant and equipment	(671.4)	(712.1)
Amortization of intangibles	(693.0)	(590.0)
Depreciation of right-of-use assets	(427.8)	(398.3)
	(1,792.2)	**(1,700.4)**

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

8. Other operating income and other operating costs

	Year ended December 31, 2025	Year ended December 31, 2024
Other operating income		
Income from partnership	1,324.9	1,297.9
Gain on disposal of subsidiaries	-	138.0
Gains from derecognition of financial assets measured at amortized costs	34.7	29.0
Gain on disposal of non-current assets and termination of lease contracts	0.4	9.2
Income from subleasing of right-of-use assets	20.7	19.1
Other miscellaneous operating income	339.5	290.5
	1,720.2	**1,783.7**
Other operating costs		
Costs related to partnership	(624.1)	(531.0)
Expected credit loss of trade receivables	(128.1)	(78.4)
Expected credit loss of contract assets	(27.7)	(67.3)
Impairment of non-current assets	(12.1)	(10.4)
Other miscellaneous operating costs	(129.1)	(87.2)
	(921.1)	**(774.3)**

The "Income from partnership" and "Costs related to partnership" line items relate to the sale of passive infrastructure under the Built-to-Suit program to OTP ("BTS program"), construction work services to PŚO to expand and build new fiber optic connections and other services rendered under service agreements to PŚO, OTP and Op Core. In 2025, the Group recognised a gain on sale and leaseback of passive infrastructure to OTP in the amount of PLN 510.3 million (203.8 million in 2024).

The gain on the disposal of subsidiaries in 2024 relates to the sale of shares in: SferaNet Infrastruktura, Op Core, PT and MicoInfra.

Gains from derecognition of financial assets measured at amortized cost represent mainly the result on the sale of trade receivables.

Income from subleasing of right-of-use assets relates to agreements classified as operating leases in which the Group, as the lessor, subleases assets that are accounted for as assets under IFRS 16 (please see Note 22.1) in the statement of financial position.

Impairment of trade receivables
The line "Impairment of trade receivables" represents the amount charged to profit or loss according to IFRS 9. When calculating the impairment provision, the Group takes into account, among others, the price it expects to be able to recover in future from sales of receivables.

For movements of the provision for impairment of trade receivables please see Note 17.

Impairment of contract assets
For movements of the provision for impairment of contract assets please see Note 18.

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

9. Finance income and finance costs

	Year ended December 31, 2025	Year ended December 31, 2024
Finance income		
Interest income from assets at amortized cost	12.6	0.7
Income from the net investment in the lease	0.9	1.3
Net gain on financial instruments at fair value	0.7	14.2
- ineffectiveness on cash flow hedges	*0.7*	*14.9*
Exchange rate gains	6.8	7.7
	21.0	**23.9**
Finance costs		
Interest expense, including:	(1,132.4)	(1,156.2)
- on lease liabilities	*(312.1)*	*(286.9)*
- effect of cash flow hedges	*(34.7)*	*(38.5)*
Other	(2.6)	(10.8)
	(1,135.0)	**(1,167.0)**

Interest expenses include the effect of using cash flow hedges (an adjustment related to the accrual of interest and settlement of interest rate swaps) – please see Note 30.

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

10. Income tax

	Year ended December 31, 2025	Year ended December 31, 2024
Current tax charge	(443.1)	(384.1)
Deferred tax benefit	111.3	71.0
Income tax charge	**(331.8)**	**(313.1)**

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

	Year ended December 31, 2025	Year ended December 31, 2024
Profit before income tax	**1,764.4**	**1,729.0**
Tax calculated at the prevailing tax rate applicable to profit (19%)	(335.2)	(328.5)
Expenses not subject to tax	(55.3)	(52.1)
Income not subject to tax	4.9	30.8
Previous years tax income/ (costs) included in current year accounting profit	1.5	(5.1)
Adjustments relating to previous tax years	78.6	66.4
Change in unrecognised deferred tax asset	(26.3)	(24.3)
Tax effect of deconsolidation	-	(0.3)
Income tax charge	**(331.8)**	**(313.1)**
Effective Tax rate	18.8%	18.1%

The items reconciling the income tax amount in the table above represent the tax effect with the application of appropriate tax rates.

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The estimation is based upon the budget for the year 2026 and long-term financial projections.
As at December 31, 2025 and December 31, 2024, the Group did not recognise deferred 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. As at December 31, 2025 the Group did not recognise deferred tax asset on tax losses incurred on the capital activity generated by P4 in 2023-2025. As at December 31, 2025 tax losses for which no deferred tax asset has been recognised amounted to PLN 720,0 million (PLN 581,4 million as at December 31, 2024). The majority of these losses expire in 2028.

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

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 P4 Group. Thus, each of the P4 Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum (thus, a given loss may be fully utilized by a taxpayer within 2 subsequent years at the earliest).

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

Changes in deferred tax assets and liabilities:

	Year ended December 31, 2025	Year ended December 31, 2024
Beginning of period:		
Deferred tax assets	**2.4**	**4.4**
Deferred tax liabilities	**(294.6)**	**(350.8)**
credited to profit or loss	111.3	71.0
charged to equity	(0.2)	(17.7)
change in result of deconsolidation		0.9
End of period		
Deferred tax assets	**2.2**	**2.4**
Deferred tax liabilities	**(183.3)**	**(294.6)**

Deferred tax is due to the following items:

	Consolidated statement of financial position		Consolidated Statement of profit or loss	
	December 31, 2025	December 31, 2024	Year ended December 31, 2025	Year ended December 31, 2024
Carry-forward of unused tax losses	1.4	1.4	-	(1.2)
Fixed and intangible assets	(171.2)	(166.3)	(4.9)	73.0
Right-of-use assets	(891.7)	(884.1)	(7.6)	(50.8)
Contract costs	(108.2)	(102.1)	(6.1)	(4.7)
Contract assets	(219.0)	(311.3)	92.3	19.3
Receivables	(19.6)	(15.9)	(3.7)	21.5
Inventories	3.2	0.8	2.4	(1.9)
Prepaid expenses	(10.0)	(13.9)	3.9	(2.9)
Provisions and accruals	91.2	79.4	11.8	(20.2)
Liabilities	1,109.6	1,089.2	20.6	48.4
Contract liabilities	26.1	26.1	-	(3.6)
Other items	7.1	4.5	2.6	(5.9)
Deferred tax liabilities net	**(181.1)**	**(292.2)**		
Deferred tax recognised in profit and loss			**111.3**	**71.0**

On 1 January 2025, the Act of 6 November 2024 on Top-up Taxation Constituent Entities of Multinational and Domestic Groups (the "Act") entered into force. The Act implements Council Directive (EU) 2022/2523 of 15 December 2022, which establishes a global minimum level of taxation for multinational and large domestic corporate groups operating in the European Union. This Directive transposes the OECD-agreed anti-base-erosion (ABE) rules – the so-called Pillar II – into EU law. Under the Act, a minimum effective tax rate of 15 % must be applied in each tax jurisdiction.

The law imposes obligations directly on obligated entities, for all three top-up taxes, i.e. the global top-up tax, the domestic top-up tax and the tax on under-taxed profits, with voluntary application from January 1, 2024 (for the global and domestic top-up tax).

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

P4, as a component unit of an international group with revenues in excess of EUR 750 million, is subject to the regulations of the aforementioned Act. The provisions of the Act provide for the possibility of applying the so-called temporary safe harbour of CbCR (Country-by-Country Reporting) during the transition period, i.e. recognising that the top-up tax is zero, provided that the results of at least one of the tests specified by the Act are positive.

The Group performed an assessment of its potential income-tax exposure under the Pillar II rules using the financial data available for the 2025 fiscal year. Based on the calculations performed, the Group's constituent entities meet the criteria that allow the simplifications provided for in the Act. Therefore, no full GloBE-type calculations are anticipated for 2025, and no domestic equalisation-tax liability is expected to arise.

Consequently, the Group assumes that it can rely on a temporary safe-harbour based on meeting the simplified effective-tax-rate test, as the calculated simplified effective tax rate for the Polish jurisdiction exceeds the minimum threshold stipulated in the applicable legislation, which is 16 % for 2025.

The Group has applied an exemption from the recognition and disclosure of deferred-tax assets and liabilities arising from income tax under Pillar II, in accordance with IAS 12.

11. Goodwill

Changes in the net carrying amount of goodwill were as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
As at January 1	**1,397.0**	**1,419.5**
Acquisition of subsidiaries	-	37.7
Decreases	-	(60.2)
As at December 31	**1,397.0**	**1,397.0**

As at December 31, 2025 and December 31, 2024, no impairment loss allowance on goodwill was recognised.

12. Other intangible assets

	December 31, 2025			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Telecommunications licenses	4,081.9	(1,767.7)	-	2,314.2
Computer and network software	3,049.0	(2,191.2)	(4.1)	853.7
Other intangible assets	1,896.8	(560.8)	-	1,336.0
	9,027.7	**(4,519.7)**	**(4.1)**	**4,503.9**

	December 31, 2024			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Telecommunications licenses	3,355.5	(1,516.8)	-	1,838.7
Computer and network software	2,767.7	(1,925.6)	(5.2)	836.9
Other intangible assets	1,895.0	(432.6)	-	1,462.4
	8,018.2	**(3,875.0)**	**(5.2)**	**4,138.0**

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

Telecommunications licenses

	License term		Net book value as at	
Frequency band	**from**	**to**	**December 31, 2025**	**December 31, 2024**
1800 MHz	February 13, 2013	December 31, 2027	68.7	103.0
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	506.4	606.1
2600 MHz	January 25, 2016	January 25, 2031	75.3	90.1
2100 MHz	January 1, 2023	December 31, 2037	281.4	304.8
3500-3600 MHz	December 19, 2023	November 30, 2038	421.8	454.4
900 MHz	January 1, 2024	December 31, 2038	260.3	280.3
700 MHz	June 18, 2025	May 31, 2040	700.3	-
			2,314.2	**1,838.7**

The Internet domain play.pl has been classified as an intangible asset with indefinite useful life. The useful life of this asset has been determined as indefinite, because the Group has concluded that there are no legal, regulatory, contractual, competitive or economic factors limiting the period over which this asset is expected to generate net cash inflows for the Group.

Changes in the net carrying amount of other intangible assets were as follows:

	Telecommunications licenses	Computer and network software	Other intangible assets	Total
Net book value as at January 1, 2025	**1,838.7**	**836.9**	**1,462.4**	**4,138.0**
Internal development costs	-	95.6	-	95.6
Other purchases	726.4	201.9	0.1	928.4
Amortization charge	(250.9)	(313.3)	(128.8)	(693.0)
Impairment charge	-	(3.5)	-	(3.5)
Transfers and reclassifications	-	39.9	2.3	42.2
Decreases	-	(3.8)	-	(3.8)
Net book value as at December 31, 2025	**2,314.2**	**853.7**	**1,336.0**	**4,503.9**

	Telecommunications licenses	Computer and network software	Other intangible assets	Total
Net book value as at January 1, 2024	**2,063.6**	**794.7**	**1,590.5**	**4,448.8**
Internal development costs	-	82.2	-	82.2
Other purchases	-	246.5	0.6	247.1
Amortization charge	(224.9)	(236.0)	(129.1)	(590.0)
Impairment charge	-	(4.4)	-	(4.4)
Reclassification to assets held for sale	-	-	(0.1)	(0.1)
Other transfers and reclassifications	-	(45.4)	0.5	(44.9)
Decreases	-	(0.7)	-	(0.7)
Net book value as at December 31, 2024	**1,838.7**	**836.9**	**1,462.4**	**4,138.0**

The line "Transfers and reclassifications" represents movements between property, plant and equipment and intangible assets resulting from the final allocation of costs to the appropriate asset category.

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

13. Property, plant and equipment

	December 31, 2025			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	1,638.6	(423.8)	(20.0)	1,194.8
IT equipment	877.3	(542.1)	-	335.2
Telecommunications infrastructure	3,925.9	(2,564.0)	(7.0)	1,354.9
Other	1,251.6	(648.8)	-	602.8
	7,693.4	**(4,178.7)**	**(27.0)**	**3,487.7**

	December 31, 2024			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	1,443.2	(367.9)	(15.5)	1,059.8
IT equipment	809.8	(478.2)	(0.1)	331.5
Telecommunications infrastructure	3,638.9	(2,312.0)	(4.4)	1,322.5
Other	1,234.3	(571.3)	(2.1)	660.9
	7,126.2	**(3,729.4)**	**(22.1)**	**3,374.7**

The "Land and buildings" group represents mainly 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 and telecommunication towers remaining the Group's property.

A certain proportion of the property, plant and equipment is also used to generate revenue from operating leases where some assets (towers) are also being shared with other operators. Nevertheless, property, plant and equipment that the Group holds is used mainly for its own purposes and therefore the value of items leased to third parties is not material for the Financial Statements.

Contractual commitments for purchase of property, plant and equipment and intangible assets amounted to PLN 154.3 million as at December 31, 2025 and PLN 161.5 million as at December 31, 2024.

Changes in the net carrying amount of property, plant and equipment were as follows:

	Land and buildings	IT equipment	Telecommunications infrastructure	Other	Total
Net book value as at January 1, 2025	**1,059.8**	**331.5**	**1,322.5**	**660.9**	**3,374.7**
Increases	200.4	13.4	481.5	132.3	827.6
Depreciation charge	(72.9)	(95.9)	(351.0)	(151.6)	(671.4)
Impairment charge	(4.5)	0.1	(4.1)	1.8	(6.7)
Reclassification from work in progress	20.0	-	-	-	20.0
Other transfers and reclassifications	(2.6)	86.2	(92.8)	(35.2)	(44.4)
Decreases	(5.4)	(0.1)	(1.2)	(5.4)	(12.1)
Net book value as at December 31, 2025	**1,194.8**	**335.2**	**1,354.9**	**602.8**	**3,487.7**

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

	Land and buildings	IT equipment	Telecommunications infrastructure	Other	Total
Net book value as at January 1, 2024	**922.4**	**285.6**	**1,368.7**	**563.7**	**3,140.4**
Increases	222.4	22.3	462.4	226.3	933.4
Acquisition of subsidiaries	-	-	-	0.3	0.3
Depreciation charge	(68.0)	(88.3)	(350.3)	(205.5)	(712.1)
Impairment charge	(2.0)	(0.1)	(1.6)	(2.1)	(5.8)
Reclassification from/(to) assets held for sale	(0.7)	-	2.2	(0.2)	1.3
Other transfers and reclassifications	3.4	112.2	(153.3)	83.4	45.7
Decreases	(17.7)	(0.2)	(5.6)	(5.0)	(28.5)
Net book value as at December 31, 2024	**1,059.8**	**331.5**	**1,322.5**	**660.9**	**3,374.7**

The line "Transfers and reclassifications" represents movements between property, plant and equipment and intangible assets resulting from the final allocation of costs to the appropriate asset category.

14. Investment in a joint venture

The Group owns a 50% stake in PŚO, which makes its network infrastructure available to other telecommunications operators (including among others Play) on a wholesale access basis. The Group uses fiber optic infrastructure owned by PŚO under agreements signed with PŚO in 2023. These costs are presented in the statement of profit and loss in the "Other service costs" line item (please see Note 4). Under the agreements, the Group continues to provide construction work services to PŚO to expand and build new fiber optic connections. The expenditures incurred for the above works which have not yet been completed are presented in the statement of financial position in the "Work in progress" line item. Revenues and costs resulting from the sale of the above expenditures, as well as revenues and costs resulting from concluded the service agreements with PŚO are presented in other operating income and expenses in the "Income from partnership" and "Costs related to partnership" line items (please see Note 8).

Shares in PŚO were classified as a joint venture and are measured using the equity method. According to the adopted valuation method, the Group presents its shares in PŚO in the consolidated statement of financial position as "Investment in joint venture".

In 2025, within the PŚO capital group, PŚO – as the acquiring entity – merged with its subsidiaries SferaNet Infrastruktura and MicoInfra. In addition, in 2025 PŚO expanded the group structure by acquiring Media-Sys (see Note 1). The financial results of Media-Sys are consolidated at the PŚO level, and the Group recognises in profit (or loss) a 50 % share of the consolidated net result and of the comprehensive income generated by the PŚO Group.

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

Condensed financial information of the joint venture and a reconciliation of the carrying amount of the investment in the joint venture in the Financial Statements are presented below:

	Year ended December 31, 2025	Year ended December 31, 2024
Operating revenue	**724.1**	**652.8**
Operating expenses	**(384.9)**	**(340.5)**
Depreciation and amortization	(134.4)	(101.1)
Operating profit	**339.2**	**312.3**
Finance income	9.3	15.6
Finance costs	(250.8)	(223.2)
Profit before income tax	**97.7**	**104.7**
Income tax charge	(41.9)	(51.3)
Net profit	**55.8**	**53.4**
Other comprehensive income/(loss), net	(70.5)	53.8
Total comprehensive income	**(14.7)**	**107.2**
Share of profit of equity-accounted investee	27.9	26.7
Share of other comprehensive income/(loss) of equity-accounted investees	(35.3)	26.9

	December 31, 2025	December 31, 2024
ASSETS		
Total non-current assets	**6,059.1**	**5,564.1**
Cash and cash equivalents	48.3	77.1
Other short-term financial assets	285.4	217.3
Total current assets	**333.7**	**294.4**
TOTAL ASSETS	**6,392.8**	**5,858.5**
LIABILITIES		
Long-term financial and lease liabilities	2,047.6	1,751.6
Other non-current liabilities	170.0	112.1
Total non-current liabilities	**2,217.6**	**1,863.7**
Short-term financial and lease liabilities	107.2	10.2
Trade and other payables	434.4	336.3
Total current liabilities	**541.6**	**346.5**
TOTAL LIABILITIES	**2,759.2**	**2,210.2**
NET ASSETS	**3,633.6**	**3,648.3**
Group's share of net assets (50%)	1,816.8	1,824.2
Customization adjustments	(8.2)	(8.2)
Carrying amount of investment in joint venture	**1,808.6**	**1,816.0**

The table below presents the change in the value of investments in joint venture during the reporting periods:

	Year ended December 31, 2025	Year ended December 31, 2024
Carrying amount of investment in joint venture as at beginning of period	**1,816.0**	**1,762.4**
Share of profit of equity-accounted investee	27.9	26.7
Share of other comprehensive income/(loss) of equity-accounted investees	(35.3)	26.9
Carrying amount of investment in joint venture as at end of period	**1,808.6**	**1,816.0**

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

15. Other financial assets

	December 31, 2025	December 31, 2024
Long-term receivables	20.2	20.6
Long-term lease receivables	5.0	10.4
Long-term investments	0.2	0.2
Interest rate swaps	-	0.2
Other long term financial assets	**25.4**	**31.4**
Short-term lease receivables	5.3	7.7
Interest rate swaps	1.5	4.3
Other short-term financial assets	**6.8**	**12.0**
	32.2	**43.4**

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

Lease receivables were described in Note 22.1, while interest rate swaps were described in Note 30.

16. Inventories

	December 31, 2025	December 31, 2024
Goods for resale	210.1	192.9
Goods in dealers' premises	29.0	28.1
Materials	14.3	28.3
Work in progress	652.8	689.4
Impairment of goods for resale	(6.6)	(8.0)
	899.6	**930.7**

The Group presents in the "Work in progress" line item, expenditures incurred in connection with the performance of the construction work for PŚO and expenditures for base stations sold to OTP built outside of the minimum limit specified in the BTS program.

The impairment of the P4 Group's inventories relates mainly to handsets and other mobile devices for which the Group assessed that the net realizable value would be lower than the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories intended to be sold in promotional offers are stated at the lower of cost or probable net realizable value estimated taking into account future cash flows, which will be achieved both from sales of goods and from sales of related telecommunications services. Inventories for resale outside of promotional offers are measured at the lower of: the cost of purchase or net recoverable amount.

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

	Year ended December 31, 2025	Year ended December 31, 2024
Beginning of period	**(8.0)**	**(9.4)**
- credited to profit or loss	1.5	1.4
- utilized	(0.1)	-
End of period	**(6.6)**	**(8.0)**

The recognition/reversal of the provision for inventories is recognised in the cost of goods sold.

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

17. Trade and other receivables

	December 31, 2025	December 31, 2024
Trade receivables	2,573.6	1,627.7
Expected credit loss of trade receivables	(242.6)	(162.0)
Trade receivables (net)	**2,331.0**	**1,465.7**
VAT and other government receivables	0.4	4.7
Other receivables	1.0	2.2
Other receivables (net)	**1.4**	**6.9**
	2,332.4	**1,472.6**

The total amount of trade receivables is comprised of receivables from contracts with customers.

Trade receivables include mainly receivables from the provision of telecommunication services as well as instalment receivables relating to sales of handsets and mobile computing devices.
The Group classifies trade receivables within business model in which assets are held to collect contractual cash flows. As part of its receivables management the Group sells past due receivables to third party collection agencies; the receivables are then derecognised. Such sales are aimed at mitigating potential credit losses due to deterioration of credit-standing of the debtors.

Movements of the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Beginning of period	**(162.0)**	**(136.3)**
- acquisition of a subsidiary	-	(0.5)
- charged to profit or loss	(128.1)	(78.4)
- utilized	47.5	53.2
End of period	**(242.6)**	**(162.0)**

Credit risk exposure resulting from the Group's trade receivables as at December 31, 2025 and December 31, 2024 is as follows:

December 31, 2025	Not past due	Overdue			Total
		0 to 3 months	3 to 6 months	over 6 months	
Expected credit loss	2.2%	64.8%	64.9%	85.7%	
Total trade receivables, gross	2,318.9	88.6	37.0	129.1	2,573.6
Accumulated impairment loss	(50.6)	(57.4)	(24.0)	(110.6)	(242.6)
Total trade receivables, net	**2,267.5**	**32.0**	**12.9**	**18.6**	**2,331.0**

December 31, 2024	Not past due	Overdue			Total
		0 to 3 months	3 to 6 months	over 6 months	
Expected credit loss	4.0%	10.4%	44.1%	77.5%	
Total trade receivables, gross	1,317.7	177.2	36.7	96.1	1,627.7
Accumulated impairment loss	(52.9)	(18.5)	(16.2)	(74.4)	(162.0)
Total trade receivables, net	**1,264.8**	**158.7**	**20.5**	**21.7**	**1,465.7**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

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

18. Contract assets

	December 31, 2025	December 31, 2024
Contract assets	1,217.6	1,747.3
Expected credit loss of contract assets	(65.0)	(108.9)
	1,152.6	**1,638.4**

The carrying amount of impairment of contract assets corresponds to the expected credit loss recognised in accordance with IFRS 9 upon initial recognition of the contract asset. Please see also Note 2.2.

All contract assets are at stage 2. Due to the homogeneous group of customers and the type of services provided (telecommunications services), the Group determines the expected credit loss on an aggregate basis for all contractual assets. The lifetime expected credit loss ratio for contract assets as at December 31, 2025, and December 31, 2024 amounted to 6%.

The changes in the impairment of contract assets were as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Beginning of period	**(108.9)**	**(108.8)**
- charged to profit or loss	(27.7)	(67.3)
- utilization	71.6	67.2
End of period	**(65.0)**	**(108.9)**

The “charged to profit or loss” line in the table above represents changes in estimated credit losses that the Group expects to incur in the future, charged to other operating costs (please see Note 8), while “utilization” represents the value of the provision for expected credit losses in respect of customer contracts that were terminated during the period.

Movements in the contract assets balance in the year ended December 31, 2025 and year ended December 31, 2024 were as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Contract assets, net - Beginning of period	**1,638.4**	**1,739.9**
Additions	703.4	1,310.3
Invoiced amounts transferred to trade receivables	(1,161.5)	(1,344.5)
Expected credit loss, charged to profit or loss	(27.7)	(67.3)
Contract assets, net - End of period	**1,152.6**	**1,638.4**

Additions correspond to adjustments to revenue from sales of goods under IFRS 15 when services and devices are sold in bundled packages to customers.

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

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.

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

19. Contract costs

	Year ended December 31, 2025	Year ended December 31, 2024
As at January 1	**537.3**	**512.9**
Contract costs recognised as an asset	562.0	528.2
Contract costs charged to profit or loss	(513.5)	(491.0)
Net impairment charge	(16.6)	(12.8)
As at December 31	**569.2**	**537.3**

Contract costs amortized over time include incremental contract acquisition and maintenance costs (sales commissions).

20. Prepaid expenses

	December 31, 2025	December 31, 2024
Long term prepaid expenses		
Loan origination fees	9.7	4.7
Other	0.6	1.1
	10.3	**5.8**
Short term prepaid expenses		
Costs related to network sharing and use of telecommunications infrastructure	26.7	58.0
Activation and installation costs	15.0	10.6
Network and IT maintenance	13.8	12.3
Loan origination fees	6.4	8.2
Distribution and selling costs	5.2	8.5
Other	10.9	13.6
	78.0	**111.2**

21. Cash and cash equivalents

	December 31, 2025	December 31, 2024
Petty cash	0.9	0.8
Balances deposited with banks	93.3	140.2
Other cash assets	0.2	0.7
	94.4	**141.7**

As at December 31, 2025 and December 31, 2024 balances deposited with banks included, among others, cash related to VAT received through split payment process.

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

22. Leasing

22.1 Group as a lessor

Finance lease receivables

Amounts due from leases when Group acts as a lessor and classifies its leases as finance leases according to IFRS 16 are recognised as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.
As at December 31, 2025 the Group recognised finance lease receivables in relation to dark fiber and IT equipment lease contracts.

Maturity analysis of the lease payments receivable under finance leases is presented below:

	December 31, 2025	December 31, 2024
Year 1	5.9	8.7
Year 2	2.7	5.9
Year 3	1.4	2.7
Year 4	0.6	1.4
Year 5	0.4	0.6
Year 6 and onwards	0.3	0.6
Undiscounted lease payments	**11.3**	**19.9**
Unguaranteed residual values	-	-
Less: unearned finance income	(1.0)	(1.8)
Net investment in the lease	**10.3**	**18.1**

As at December 31, 2025 and December 31, 2024 the Group did not recognise an allowance for expected credit losses on lease receivables because the amount was immaterial to the Financial Statements.
The change in net lease investment in 2025 and 2024 reflects the cash repayments received on those lease receivables.

Operating leases

The Group also enters into lease agreements in which it is the lessor, which are classified as operating leases (i.e. when the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee). Operating leases relate mainly to points of sale, base stations and fiber optic cables and colocation. Operating lease income is presented respectively in the operating revenue or other operating income (please see 8) in the "Income from subleasing of right-of-use assets" line item.

Maturity analysis of operating lease payments which the Group expects to receive as at the respective balance sheet dates is presented below:

	December 31, 2025	December 31, 2024
Year 1	37.4	33.8
Year 2	28.4	26.8
Year 3	12.6	13.0
Year 4	4.5	4.9
Year 5	1.5	1.9
Year 6 and onwards	0.6	0.6
total lease payments	**85.0**	**81.0**

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

22.2 Group as a lessee

	December 31, 2025			
Right-of-Use:	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	6,190.2	(1,748.8)	-	4,441.4
Telecommunications infrastructure	253.1	(58.0)	-	195.1
Other	102.7	(38.5)	-	64.2
	6,546.0	**(1,845.3)**	**-**	**4,700.7**

	December 31, 2024			
Right-of-Use:	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	5,878.4	(1,407.1)	-	4,471.3
Telecommunications infrastructure	173.9	(42.2)	-	131.7
Other	98.4	(36.4)	-	62.0
	6,150.7	**(1,485.7)**	**-**	**4,665.0**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil in 2025 and 2024. In 2025 and 2024 there were no leases with guaranteed residual value or leases not yet commenced to which the Group is obligated. 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 15.2 million in 2025 and PLN 26.3 million in 2024. In certain cases, the contract may be extended or terminated early.

Changes in the net value of right-of-use assets were as follows:

	Right-of-Use:			
	Land and buildings	Telecommunications infrastructure	Other	Total
Net book value as at January 1, 2025	**4,471.3**	**131.7**	**62.0**	**4,665.0**
Increases	457.4	88.6	16.7	562.7
Depreciation charge	(392.7)	(21.8)	(13.3)	(427.8)
Transfers and reclassifications	-	(0.6)	2.8	2.2
Decreases	(94.6)	(2.8)	(4.0)	(101.4)
Net book value as at December 31, 2025	**4,441.4**	**195.1**	**64.2**	**4,700.7**

	Right-of-Use:			
	Land and buildings	Telecommunications infrastructure	Other	Total
Net book value as at January 1, 2024	**4,244.0**	**109.4**	**56.7**	**4,410.1**
Increases	619.0	47.2	20.7	686.9
Depreciation charge	(370.4)	(18.0)	(9.9)	(398.3)
Transfers and reclassifications	-	(0.7)	(0.1)	(0.8)
Decreases	(137.8)	(6.2)	(5.4)	(149.4)
Deconsolidation	116.5	-	-	116.5
Net book value as at December 31, 2024	**4,471.3**	**131.7**	**62.0**	**4,665.0**

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

Lease liabilities

	December 31, 2025	December 31, 2024
Long-term lease liabilities		
Land and buildings	4,771.6	4,579.7
Telecommunications infrastructure	67.1	51.7
Other	23.9	30.5
	4,862.6	**4,661.9**
Short-term lease liabilities		
Land and buildings	321.9	301.0
Telecommunications infrastructure	24.4	11.8
Other	20.5	18.7
	366.8	**331.5**
	5,229.4	**4,993.4**

The prevailing lease periods in each category are consistent with the depreciation period of the right-of-use asset — see Note 42.8. A portion of the agreements are indefinite-term; in those cases the Group estimates the lease term (see Note 2.2).

For information regarding costs related to lease liabilities, please see the notes 9 and 35.

For future payments payable under leases which are in place at the reporting date, please see Note 32.4.

23. Shareholders' equity

23.1 Share capital

As at December 31, 2025 and as at December 31, 2024, Iliad Purple held 100% shares in the Company and the Company's share capital was comprised of 97,713 shares with a par value of PLN 500 per share.

23.2 Supplementary capital

Supplementary capital is credited or charged with effects of measurement and settlements of equity-settled incentive and retention programs. For the detailed descriptions of the programs please see Note 26.

23.3 Other reserves

The Group recognises in other reserves among other the effect of valuation of cash flow hedging instruments in the portion recognised as an effective hedge (please see Note 30), as well as actuarial gains/losses on post-employment employee benefits.

23.4 Retained earnings

On June 16, 2025 the Shareholder Meeting adopted a resolution on the distribution of P4's 2024 profit, according to which the Company's net profit was distributed as follows:

- PLN 1,091.9 million was earmarked for the dividend, of which PLN 541.9 million was paid as an advance dividend on December 11, 2024, while remaining PLN 550 million was paid on June 17, 2025,
- PLN 172.3 million was allocated to share premium to cover previous year losses from valuation of equity-settled retention programs,
- the remaining part of the net profit in the amount of PLN 70.7 million was allocated to other reserves, to be used for interim dividends or future dividends.

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

On November 28, 2025 in accordance with the resolution of the sole shareholder of the Company and on the basis of the resolution of P4 Management Board, the Group paid an advance dividend for the financial year 2025 in the amount of PLN 450 million. For this purpose, the following were used: PLN 254.6 million of reserve capital and the amount of PLN 195.4 million, representing no more than 50% of the profit earned by the Company for the 9-month period of 2025.

24. Financial liabilities

Financial liabilities are recognised initially at fair value, net of the transaction costs incurred. Bank loans and notes liabilities are subsequently measured at amortized cost. Loan origination fees incurred in relation to the loan are included in the calculations of the effective interest rate. The effective interest rate reflects the interest costs as well as amortization of the loan origination fees (see also Note 42.20).

	December 31, 2025	December 31, 2024
Long-term financial liabilities		
Long-term bank loans	6,502.1	7,288.6
Long-term notes liabilities	1,199.3	1,249.0
Interest rate swaps	18.7	0.4
Other debt	4.4	1,401.7
	7,724.5	**9,939.7**
Short-term financial liabilities		
Short-term bank loans	315.6	322.9
Short-term notes liabilities	767.8	3.0
Interest rate swaps	17.3	47.3
Other debt	2,289.6	632.5
	3,390.3	**1,005.7**
	11,114.8	**10,945.4**

Interest rate swaps are described in Note 30.

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

24.1 Bank loans

	December 31, 2025	December 31, 2024
Long-term bank loans	6,502.1	7,288.6
Short-term bank loans	315.6	322.9
	6,817.7	**7,611.5**
the balance of unamortized fees	43.5	15.5
the weighted average effective interest rate	5.93%	7.73%

The table below presents a list of the Group's current loan agreements. "Amount used" represents the nominal value of bank loans as at December 31, 2025.

Agreement	Disbursement date	Final maturity	Repayment type	Interest rate	Amount used	Remaining amount available
Term and Revolving Facilities Agreement – the term part	March 30, 2021	March 26, 2030	At the end of the agreement	floating	3,500.0	-
Term and Revolving Facilities Agreement – the revolving part	March 26, 2021	March 26, 2030	At the end of the agreement	floating	-	2,000.0
Term Facility Agreement	April 1, 2022	March 26, 2030	At the end of the agreement	floating	2,521.8	-
Investment loan					275.0	-
Tranche 1	October 31, 2022	September 20, 2028	Instalments	fixed	81.7	
Tranche 2	December 29, 2022	September 20, 2028	Instalments	fixed	75.4	
Tranche 3	March 31, 2023	September 20, 2028	Instalments	fixed	33.2	
Tranche 4	May 31, 2023	September 20, 2028	Instalments	fixed	46.9	
Tranche 5	July 31, 2023	September 20, 2028	Instalments	fixed	37.8	
Facility agreement for the purchase of electronic equipment					116.1	-
Tranche 1	March 9, 2022	December 22, 2026	Instalments	floating	58.8	
Tranche 2	June 22, 2022	December 22, 2026	Instalments	floating	31.2	
Tranche 3	December 23, 2022	December 22, 2026	Instalments	floating	26.1	
Investment loan from the European Investment Bank					412.9	-
Tranche 1	February 25, 2022	February 25, 2028	Instalments	fixed	107.2	
Tranche 2	June 27, 2022	June 27, 2028	Instalments	fixed	35.7	
Tranche 3	December 22, 2022	December 22, 2030	Instalments	floating	35.0	
Tranche 4	May 31, 2024	May 31, 2034	Instalments	floating	235.0	

Term and Revolving Facilities Agreement, „TRFA"

On March 26, 2021, the Company signed the Term and Revolving Facilities Agreement ("TRFA") for the total amount of PLN 5.5 billion, with Credit Agricole Corporate and Investment Bank, Raiffeisen Bank International AG and Santander Bank Polska acting as Lead Arrangers and Guarantors and with the above banks and Credit Agricole Bank Polska acting as Initial Lenders.

The Term Facility in the amount of PLN 3.5 billion was granted for a period of 5 years, while the Revolving Facility in the amount of PLN 2 billion was available for a period of 3 years and subsequently prolonged till March 26, 2026.

In 2025, the Company entered into amendment agreements to the Term and Revolving Facilities Agreement of 2021 and as a result, the maturity dates of these loans and availability period of the revolving facility were extended to March 26, 2030. The above changes became effective on May 5, 2025. A portion of the bank fees incurred as a result of signing the above amendment agreements has been included in the valuation of loan liabilities and will be amortized over the time using the amortized cost method.

The Facilities are not secured. The proceeds under TRFA may be used for repayment of current debt and for general corporate purposes.

The TRFA contains a financial covenant, under which the P4 Group must ensure that the ratio of the consolidated total net debt (excluding financial liabilities toward shareholders) to the consolidated EBITDAaL ("Leverage Ratio") does not exceed 3.25x as at the test dates. As at December 31, 2025 the covenant has been complied with.

The TRFA also lists certain permitted acquisition transactions. Any acquisition transactions outside the list require prior written consent of the lenders. The TRFA also restricts the Group from making certain type of unusual payments at the same time allowing the Group to run normal operations under permitted payments definition.

Interest on each loan under the TRFA is calculated based on the WIBOR rate relevant for a given interest period plus margin and is payable in 3-month or 6-month periods. The level of the margin depends on the Leverage Ratio.

Term Facility Agreement

On December 10, 2021 the Company entered into a new Facility Agreement for PLN 5.5 billion with BNP Paribas Bank Polska S.A., Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Powszechna Kasa Oszczędności Bank Polski S.A., Raiffeisen Bank International AG, Santander Bank Polska S.A. and Sociéte Générale as lead arrangers and original lenders together with Crédit Agricole Bank Polska S.A. and ING Bank Śląski S.A. The financing has been drawn in full on April 1, 2022.

In 2025, the Company entered into amendment agreements to the Term Facility Agreement of 2021 and as a result, the maturity dates of these loans and availability period of the revolving facility were extended to March 26, 2030. The above changes became effective on May 5, 2025. A portion of the bank fees incurred as a result of signing the above amendment agreements has been included in the valuation of loan liabilities and will be amortized over the time using the amortized cost method.

Interest is calculated using WIBOR plus margin, depending on the level of the Group's leverage ratio, the maximum level of which, calculated as consolidated net debt (excluding financial liabilities toward shareholders) to consolidated adjusted EBITDaL, has been set at 3.25x. The level has not exceeded as at December 31, 2025.

The Company made a voluntary prepayment of the principal on May 5, 2025 in the amount of PLN 478 million with accrued interest.

Investment loan

On October 15, 2021 the Company signed a PLN 500 million bilateral Investment Agreement with Bank Gospodarstwa Krajowego S.A. ("BGK Bank") ("BGK Financing"). Under this agreement, BGK provides a loan from the funds of the Operational Program Digital Poland 2014-2020 to finance investments associated with the construction, expansion or reconstruction of P4's telecommunications infrastructure network in Poland aimed at providing access to broadband Internet, including projects related to the development of the 5G mobile technology. On April 28, 2023, the Company signed an amending agreement no. 1 with Bank BGK, by the power of which the availability period of the funds under the BGK Financing was extended until October 31, 2023.

As at December 31, 2025, the Group used the full amount of available financing. The loan will be repaid in equal quarterly instalments until final repayment on September 20, 2028.

The BGK Financing Agreement contains a financial covenant, under which the P4 Group must ensure that the ratio of net debt (excluding financial liabilities toward shareholders) to the consolidated EBITDAaL (“Leverage Ratio”) does not exceed 3.25x as at the test dates. As at December 31, 2025 the covenant has been complied with.

Facility agreement for the purchase of electronic equipment

On December 22, 2021 the Company entered into a facility agreement with Banco Santander SA, with the insurance support of Korea Trade Insurance Corporation, in the amount of PLN 464.4 million ("ECA Financing"). The funds from the facility agreement were used to partially finance the purchases of electronic equipment from Samsung Electronics Polska Sp. z o.o. in 2021 and 2022.

As at December 31, 2025, the Group used the full amount of available financing. The facility is being repaid in equal semi-annual instalments, and the final repayment will be made on December 22, 2026. The interest rate is variable and based on WIBOR plus margin.

The agreement contains a financial covenant, under which the ratio of the consolidated net debt (excluding financial liabilities toward shareholders) to the consolidated EBITDAaL may not exceed 3.25x as at each test date. As at December 31, 2025 the covenant has been complied with.

Investment loan from the European Investment Bank

On January 14, 2022, P4 signed a bilateral Facility Agreement with the European Investment Bank ("EIB") for the amount of PLN 470 million ("EIB Financing"). Under this agreement, the Company could use the funds to partially finance investments related to the expansion and technological modernization of its mobile network towards ultra-fast broadband services as part of the European Union's "2025 Gigabit Society" projects dedicated to eliminating territorial inequalities in broadband accessibility as well as cybersecurity and other digital transformation objectives announced in the “2030 Digital Compass".

For each tranche, the Company could select to pay interest based on a variable WIBOR rate plus margin or a fixed rate until the final maturity date of the facility.

On May 31, 2024 the last tranche in the amount of PLN 235 million was launched.

The agreement contains a financial covenant, under which the ratio of the consolidated net debt (excluding financial liabilities toward shareholders) to the consolidated EBITDAaL may not exceed 3.25x as at each test date. As at December 31, 2025 the covenant has been complied with.

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

24.2 Notes

	December 31, 2025	December 31, 2024
Long-term notes liabilities	1,199.3	1,249.0
Short-term notes liabilities	767.8	3.0
	1,967.1	**1,252.0**
the balance of unamortized fees	0.9	1.0
the weighted average effective interest rate	6.11%	7.78%

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

The inputs used in determining the fair value of the notes fall within Level 1 of the fair value hierarchy (fully observable inputs for assets and liabilities, e.g. prices from active markets for identical assets and liabilities).

Series A Unsecured Notes due in 2026

On December 13, 2019 P4 issued under the First Bond Issuance Program („Program I”) 1,500 series A unsecured notes, with the nominal value of PLN 500 thousand each and the total nominal value of PLN 750 million. On February 26, 2020, the notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange.

The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin, is paid semi-annually.

Series B Unsecured Notes due in 2027

On December 29, 2020, P4 issued under the Program I 500,000 series B unsecured notes with the nominal value of PLN 1 thousand each and the total nominal value of PLN 500 million. On March 9, 2021, the notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange.

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

Terms and conditions of bonds series A and B (Program I) contain financial covenants, under which the Interest Cover Ratio should be higher than 1.5 and the Leverage Ratio may not exceed 4.5 as at each test date. As at December 31, 2025 the covenants have been complied with.

The Second Bond Issuance Program

On December 23, 2024, the Group established the Second Bond Issuance Program (“Program II”), under which P4 will be able to make multiple bond issues over a three-year period, up to a maximum total nominal value of bonds issued under the Program and outstanding at any time of PLN 3 billion. The Bonds may be qualified as green bonds where funds raised from the issuance will be used to refinance and finance expenditures to increase the energy efficiency of the telecommunications network. In addition, they will enable investments in renewable energy, the closed-loop economy and electric cars in the fleet.

On February 27, 2025, under the Program, P4 issued 700,000 unsecured 5-year series C green bearer bonds with a par value of PLN 1 thousand each and an aggregate par value of PLN 700 million.

The notes maturity date is February 27, 2030 and interest, based on 6M WIBOR plus margin, is paid semi-annually. On March 31, 2025, the notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange and their first listing took place on April 7, 2025.

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

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

Terms and conditions of bonds series C contain financial covenants, under which the Interest Cover Ratio should be higher than 1.5 and the Leverage Ratio may not exceed 4.5 as at each test date. As at December 31, 2025 the covenants have been complied with.

24.3 Other financial liabilities

	December 31, 2025	December 31, 2024
Other financial liabilities - long-term		
Loan from Iliad S.A.	-	1,399.8
Other financial liabilities	4.4	1.9
	4.4	**1,401.7**
Other financial liabilities - short-term		
Loan from Iliad S.A.	1,407.0	9.2
Cash pool	858.4	610.9
Other financial liabilities	24.2	12.4
	2,289.6	**632.5**

Other financial liabilities include, among others:

- liabilities under the loan granted to P4 by Iliad S.A. on May 12, 2023 with a nominal value of PLN 1,400 million. The repayment date is November 12, 2026. Interest is calculated based on 6M WIBOR plus margin,
- liabilities under the cash pooling agreement (cash pool), which was concluded between the Group, Iliad S.A. and BNP Paribas as a settlement agent on March 23, 2023 in the amount of PLN 858.4 million,
- liabilities under instalment purchase contracts relating to property, plant and equipment and intangible assets.

The fair values of the above liabilities are presented in Note 31.

24.4 Assets pledged as security for financial liabilities

The Group's obligations under facility agreements in effect as at December 31, 2025 are not secured.

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

25. Provisions for liabilities

	December 31, 2025	December 31, 2024
Assets retirement provision	95.2	57.0
Other long-term provisions	336.3	242.7
Short-term provisions	0.6	31.4
	432.1	**331.1**

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2025	**57.0**	**242.7**	**31.4**	**331.1**
Increase	42.4	130.2	0.1	172.7
Transfers	-	30.7	(30.7)	-
Decrease:	(4.2)	(67.3)	(0.2)	(71.7)
- reversal of provisions	(3.6)	(55.9)	-	(59.5)
- utilization	(0.6)	(11.4)	(0.2)	(12.2)
As at December 31, 2025	**95.2**	**336.3**	**0.6**	**432.1**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2024	**44.4**	**290.4**	**88.4**	**423.2**
Increase	14.9	37.4	31.0	83.3
Transfers	-	-	-	-
Decrease:	(2.3)	(85.1)	(88.0)	(175.4)
- reversal of provisions	(1.4)	(80.3)	(0.1)	(81.8)
- utilization	(0.9)	(4.8)	(87.9)	(93.6)
As at December 31, 2024	**57.0**	**242.7**	**31.4**	**331.1**

The provision for asset retirement obligations refers primarily to the obligation to dismantle the telecommunications constructions and equipment from the leased property and other space ("sites") which need to be restored to the previous state when the lease ends.

Other long-term and short-term provisions relate to legal, regulatory matters (please see also Note 40.2) or arise under commercial contracts. The Group does not disclose detailed information on the amount of provisions created in relation to individual proceedings because, in the opinion of the Company's Management Board, such disclosure could affect the outcome of ongoing cases.

26. Incentive and retention programs

In 2025 and 2024 the iliad Group operated the incentive and retention programs in which individuals employed in the P4 Group participated.

All free share allocation plans set up by the iliad Group guarantee compliance with a presence condition. This presence condition is met when the beneficiary has retained, without interruption, the status of employee or corporate officer of the entity that set up the free share allocation plan (or one of the iliad Group's entities) until the end of the vesting period provided for by the plan, or, when this plan provides for several tranches, until the end of the vesting period of the tranche concerned.

The main outstanding share allocation plans are described below.

Iliad Purple

Programs 2023

On December 10, 2020, iliad S.A. the sole shareholder of Iliad Purple authorized the implementation of a free share allocation plan covering a maximum of 9.82% of Iliad Purple's share capital for the benefit of employees and managers of Iliad Purple and to employees of P4 Group.

In accordance with this authorization, on May 22, 2023 and then on December 12, 2023, seven free share allocation programs representing a total of 2.96% of Iliad Purple's share capital were set up for the benefit of employees or managers of Iliad Purple and P4 Group.

These allocation programs provide for different vesting periods staggered between May 2024 and May 2027, subject to compliance with (i) presence conditions by each beneficiary, and (ii) for certain allocation plans, compliance with performance conditions.

During the year 2024, Iliad Purple gave the beneficiaries of these plans 329 new shares.
During the year 2025, Iliad Purple gave the beneficiaries of these plans 8 new shares.

Programs 2025

On April 28, 2025, Iliad S.A. the sole shareholder of Iliad Purple authorized the implementation of a free share allocation plan for the benefit of employees and managers of Iliad Purple and to employees of P4 Group.

In accordance with this authorization, on April 30, 2025 and then on November 15, 2025, three free share allocation programs were set up for the benefit of employees or managers of Iliad Purple and P4 Group.

These allocation programs provide for different vesting periods staggered between April 2026 and April 2029, subject to compliance with (i) presence conditions by each beneficiary, and (ii) for certain allocation plans, compliance with performance conditions.

In 2025 the expense recognised by P4 Group for Iliad Purple programs amounted to PLN 4.1 million (PLN 6.8 million in 2024).

Iliad

The Annual General Meeting of July 21, 2020 authorized a share grant plan comprising shares representing up to 2% of Iliad's share capital ("Plan").

Programs 2022

Under the Plan in 2022, two free share allocation programs, representing 0.20% of Iliad's share capital, were set up for the benefit of 430 iliad Group employees.

For each beneficiary, the shares will be fully acquired at the end of a vesting period subject to compliance with a presence condition:

- June 1, 2024: acquisition by the beneficiaries of the first program of all the shares allocated;

- June 1, 2025: acquisition by the beneficiaries of the second program of all the shares allocated.

In 2024 the expense recognised by P4 Group for these programs amounted to PLN 2.8 million. In 2025 no costs were recognised for these programs.

Programs 2023
Under the Plan in 2023 four other free share allocation programs, representing 0.25% of Iliad's share capital, were set up for the benefit of 497 iliad Group employees or executives.

For each beneficiary, the shares will be fully acquired at the end of a vesting period subject to compliance with a presence condition and performance conditions relating to all or part of the shares allocated:

- December 15, 2025: acquisition by the beneficiaries of the first and second program of all the shares allocated, and by the beneficiaries of the fourth program of one third of the shares allocated;
- May 30, 2026: acquisition by the beneficiaries of the third program of all the shares allocated;
- December 15, 2026: acquisition by the beneficiaries of the fourth program of one third of the shares allocated;
- December 15, 2027: acquisition by the beneficiaries of the fourth program of one third of the shares allocated.

On December 15, 2025, iliad distributed the first tranche of shares to the beneficiaries of this program.

In 2025 the expense recognised by P4 Group for these programs amounted to PLN 6.8 million (PLN 7.2 million in 2024).

Programs 2024
Under the Plan in 2024 eleven other free share allocation programs, representing 0.35% of Iliad's share capital, were set up for the benefit of 389 Iliad Group employees or executives.

For each beneficiary, the shares will be fully acquired at the end of a vesting period subject to compliance with a presence condition, and performance conditions relating to all or part of the shares which will be allocated on staggered dates between December 2025 and December 2028.

On December 16, 2025, iliad distributed the first tranche of shares to the beneficiaries of this program.

In 2025 the expense recognised by P4 Group for these programs amounted to PLN 5.9 million (PLN 0.2 million in 2024).

Programs 2025
Under the Plan in 2025 nine other free share allocation programs, representing 0.18% of Iliad's share capital, were set up for the benefit of 227 iliad Group employees or executives.

For each beneficiary, the shares will be fully acquired at the end of a vesting period subject to compliance with a presence condition, and performance conditions relating to all or part of the shares which will be allocated on staggered dates between December 2025 and June 2029.

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

27. Trade and other payables

	December 31, 2025	December 31, 2024
Trade payables	1,588.1	1,592.5
Investment payables	166.0	222.6
Government payables	162.2	203.2
Other	10.7	17.2
	1,927.0	**2,035.5**

28. Accruals

Accruals include accruals for employee bonuses and unused holidays.

29. Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the end customer or the amount is due as well as the value of prepaid products delivered to a distributor but not yet transferred to the end customer.

The balance of contract liabilities as at December 31, 2025 and December 31, 2024 consisted mainly of the Group's obligation to perform services prepaid by contract and pre-paid services.
Other contract liabilities refer mainly to advance payments received from PŚO for the realisation of contract for the construction of new fiber optic connections (see also Note 14).

	December 31, 2025	December 31, 2024
Prepaid services	126.9	123.8
Contract services	281.1	270.7
Other	121.7	77.4
	529.7	**471.9**

The table below presents amounts recognised as service revenue during the reporting periods for which the customers (excluding distributors of prepaid top-ups) had paid in advance and which had been presented as contract liabilities before the beginning of the reporting period.

	Year ended December 31, 2025	Year ended December 31, 2024
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	394.8	403.3

The majority of the amount presented as contract liabilities is realised within 12 months.

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

30. Hedge accounting

The Group has applied hedge accounting to swap instruments used to hedge interest rate risk. The hedge covers both the debt arising under loan agreements as well as liabilities under Series A and C Unsecured Notes (please see Note 24).

As at December 31, 2025, the total value of hedged debt was PLN 5.6 billion (PLN 6.5 billion as at December 31, 2024).
Derivative financial instruments held by the Company are presented below:

Hedged item	Nominal hedging value	IRS Settlement date	Share of hedging item in the hedged item	Financial asset	Financial liability
At December 31, 2025					
Term and Revolving Facilities Agreement, „TRFA"	3,200.0	2026-2027	91%	-	24.0
Term Facility Agreement	1,500.0	2027	59%	-	6.7
Unsecured Notes series A	200.0	2026	27%	-	1.4
Unsecured Notes series C	700.0	2027	100%	1.5	3.9
Total	**5,600.0**			**1.5**	**36.0**
Non-current				-	18.7
Current				1.5	17.3
At December 31, 2024					
Term and Revolving Facilities Agreement, „TRFA"	2,500.0	2025-2026	71%	4.1	18.5
Term Facility Agreement	2,800.0	2025	93%	-	19.1
Unsecured Notes series A	700.0	2025-2026	93%	0.4	4.8
Unsecured Notes series B	500.0	2025	100%	-	5.3
Total	**6,500.0**			**4.5**	**47.7**
Non-current				0.2	0.4
Current				4.3	47.3

The above interest rate swaps have been established as cash flows hedges linked to loans and bonds (hedged instruments) and therefore the Group applies hedge accounting principles to the measurement of these instruments. The contracts provide for a swap of the WIBOR 6M variable rate to a fixed rate and cash settlements over half-year periods.

As at December 31, 2025, the Group recognised both a financial asset and liability arising under interest rate swaps (please see also Notes 15 and 24).

The Group recognises the effect of measurement of the above financial instruments, in the portion determined to be an effective hedge in "Other reserves".

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

A change in the level of the cash flow hedge reserves is presented below:

	Year ended December 31, 2025	Year ended December 31, 2024
Cash flow hedge reserves - Beginning of period	**(26.9)**	**(103.3)**
- before tax	*(33.2)*	*(127.5)*
- deferred tax	*6.3*	*24.2*
Effective part of gains/(losses) on cash flow hedge instruments	(33.4)	55.8
Reclassification to profit or loss - interest expense presented in finance costs	34.7	38.5
Income tax charge	(0.2)	(17.9)
Cash flow hedge reserves - End of period	**(25.8)**	**(26.9)**
- before tax	*(31.9)*	*(33.2)*
- deferred tax	*6.1*	*6.3*

31. 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 Group enters into derivative financial instruments, principally financial institutions with investment grade credit ratings. Since there are no market prices available for unlisted derivative financial instruments (interest rate swaps, foreign exchange forward contracts), the Group classifies them as Level 2 of the fair value hierarchy and their fair values are calculated using standard financial valuation models, based entirely on observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value. For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The nominal values of liabilities and receivables less the allowance for expected credit losses with a maturity up to one year are assumed to approximate their fair values.

The level of the fair value hierarchy within which the fair value measurements are categorized are presented in the table below:

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

	Note	Assets at fair value through profit or loss	Assets at amortized cost	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Fair value	Fair value hierarchy level
		Carrying amount					
December 31, 2025							
Cash and cash equivalents	21	94.4	-	-	-	94.4	Level 1
Trade receivables	17	-	2,331.0	-	-	2,331.0	*
Other receivables	17	-	1.4	-	-	1.4	Level 2
Interest rate swaps	30	1.5	-	(36.0)	-	(34.5)	Level 2
Lease receivables	22	-	10.3	-	-	10.3	Level 2
Long-term receivables	15	-	20.2	-	-	20.2	Level 2
Bank loans	24.1	-	-	-	(6,817.7)	(6,861.2)	Level 2
Notes	24.2	-	-	-	(1,967.1)	(1,984.6)	Level 1
Other debt	24.3	-	-	-	(2,294.0)	(2,294.0)	Level 2
		95.9	**2,362.9**	**(36.0)**	**(11,078.8)**	**(8,717.0)**	
December 31, 2024							
Cash and cash equivalents	21	141.7	-	-	-	141.7	Level 1
Trade receivables	17	-	1,465.7	-	-	1,465.7	*
Other receivables	17	-	6.9	-	-	6.9	Level 2
Interest rate swaps	30	4.5	-	(47.7)	-	(43.2)	Level 2
Lease receivables	22	-	18.1	-	-	18.1	Level 2
Long-term receivables	15	-	20.6	-	-	20.6	Level 2
Bank loans	24.1	-	-	-	(7,611.5)	(7,627.0)	Level 2
Notes	24.2	-	-	-	(1,252.0)	(1,252.5)	Level 1
Other debt	24.3	-	-	-	(2,034.2)	(2,034.2)	Level 2
		146.2	**1,511.3**	**(47.7)**	**(10,897.7)**	**(9,303.9)**	

‘* For other classes of financial assets and liabilities, fair value corresponds to their carrying amount.

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

32. Financial risk management

The P4 Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements. During the current year, there were no significant changes in financial risk management.

32.1 Credit risk

A substantial part of the Group's receivables consists of billing receivables of low individual amounts. According to Group's principles the risk connected with billing receivables is limited by a number of procedures. These procedures include: verification of the financial standing of potential subscribers before signing the contract, imposing credit limits, payment monitoring, sending payment reminders and receivables collection.
Apart from billing receivables, the Group also has receivables from interconnect and international roaming partners, MVNOs, dealers and others. The table below shows the balance of three major not related counterparties at the end of the reporting period and comparative periods and the percentage that the balance represents in total Group's trade and other receivables:

	December 31, 2025	
	%	Balance
Counterparty A	1.1%	25.2
Counterparty B	0.8%	19.7
Counterparty C	0.8%	17.9
	2.7%	**62.8**

	December 31, 2024	
	%	Balance
Counterparty A	1.9%	27.5
Counterparty B	1.7%	24.9
Counterparty C	1.3%	19.7
	4.9%	**72.1**

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

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

Except for balances listed above, the P4 Group has no significant concentrations of credit risk because the Group has an extensive portfolio of receivables of low individual amounts.

Cash is deposited only in leading financial institutions with an investment grade rating.
For additional information about the credit risk please see Notes 2.2, 17, 18.

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

32.2 Interest rate risk

In 2025 and 2024, the exposure to interest rate risk was related primarily to floating rate borrowings under the concluded loan agreements and notes (Note 24). The risk has been partially mitigated by interest rate swaps concluded in order to fix the interest rate in relation to a portion of the debt (see also Note 30). As at December 31, 2025 the value of gross financial debt based on variable interest rate (after taking into account collateral) was PLN 5,004.9 million (PLN 3,759.0 million as at December 31, 2024), and this debt is based on WIBOR. The Group did not have any material assets based on variable interest rate as at December 31, 2025 and December 31, 2024.

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

	Increase / decrease of interest rates (WIBOR)	Effect on profit before tax	Effect on other reserves
Year ended December 31, 2025	+1 p.p.	(32.0)	63.0
	- 1 p.p.	32.0	(63.0)
Year ended December 31, 2024	+1 p.p.	(24.1)	31.9
	- 1 p.p.	24.1	(31.9)

The sensitivity analysis for 2025 assumes that a 1 p.p. change in the WIBOR PLN interest rates has been applied to the appropriate floating rate liabilities as at the end of the reporting period.

Interest rate 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.

The Group is monitoring the progress of the benchmark reform aimed at replacing the WIBOR reference rate with alternative benchmark rates. Once the reform becomes effective, all financing agreements based on WIBOR will be subject to the relevant adjustments. In line with the announced timetable for reference rate changes, the Group assumes that the WIBOR rates on which its debt is based will continue to be published until the end of 2027. Furthermore, the interest rate risk hedging instruments currently in place (interest rate swaps) will expire before the end of 2027; therefore, the Group assesses that, as at the reporting date, the risk associated with the planned benchmark reform is not material.

32.3 Currency risk

While most of the Group's revenue is earned in PLN, the Group is still exposed to currency risk since some operating expenses are denominated in foreign currencies, mainly EUR. Also, international roaming costs and revenues are recorded in foreign currencies.

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

Currency risk is regularly monitored by the Group. The following instruments may be used to minimize the currency risk relating to the Group's foreign exchange transactions:
- forward foreign exchange contracts (also Non Delivery Forwards);

- foreign currency swaps;
- foreign currency options with an approved currency option hedging plan.

The Group did not enter into above contracts of significant value in 2025 and 2024.

The tables below present the items of assets (before expected credit loss) and liabilities with balances in foreign currencies as at December 31, 2025 and December 31, 2024 by currencies in which they are denominated; the values below are translated into PLN.

	PLN (in millions)	EUR presented in PLN (in millions)	other currencies presented in PLN (in millions)	Total
December 31, 2025				
Other long-term financial assets	22.9	3.1	-	26.0
Trade and other receivables	2,499.4	75.5	0.1	2,575.0
Cash and cash equivalents	86.2	6.3	1.9	94.4
Other short-term financial assets	5.1	1.7	-	6.8
Assets	**2,613.6**	**86.6**	**2.0**	**2,702.2**
Long-term lease liabilities	4,752.3	110.2	0.1	4,862.6
Short-term financial liabilities	3,377.3	11.3	1.7	3,390.3
Short-term lease liabilities	293.2	72.2	1.4	366.8
Trade and other payables	1,644.1	242.7	40.2	1,927.0
Liabilities	**10,066.9**	**436.4**	**43.4**	**10,546.7**
December 31, 2024				
Other long-term financial assets	28.5	3.0	-	31.5
Trade and other receivables	1,760.8	28.9	-	1,789.7
Cash and cash equivalents	126.6	12.5	2.6	141.7
Assets	**1,915.9**	**44.4**	**2.6**	**1,962.9**
Long-term lease liabilities	4,487.4	173.8	0.7	4,661.9
Short-term financial liabilities	993.2	12.5	-	1,005.7
Short-term lease liabilities	304.4	25.8	1.3	331.5
Trade and other payables	1,871.3	134.6	29.6	2,035.5
Liabilities	**7,656.3**	**346.7**	**31.6**	**8,034.6**

Other assets and liabilities are denominated in PLN.

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

	Change in EUR rate	Effect on profit before tax
December 31, 2025	+5%	(17.5)
	-5%	17.5
December 31, 2024	+5%	(15.1)
	-5%	15.1

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. The effect on equity would comprise effect on profit before tax resulting from assets and liabilities valuation, as well as corresponding deferred tax effect.

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

32.4 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, including maintaining open and unutilized credit facilities.

As at December 31, 2025 the Group had a credit limit of PLN 2 billion (unused) under the Term and Revolving Facilities Agreement (please see also Note 24.1ssss). In addition, the Group has rights to use funds under the cash pooling agreement concluded with Iliad S.A. – see Note 24.3.

The liquidity risk management process involves forecasting future cash flows on an ongoing basis and securing funds to finance them at specified maturity dates in parallel with an analysis of asset maturities as at the balance sheet date as well as expected cash inflows resulting from contracts with customers for telecommunications services rendered and invoiced after the balance sheet date.

Liquidity risk is regularly measured by analysing the maturities of contractual cash flows from financial liabilities.

The tables below present the maturities of undiscounted cash flows under each category of financial liabilities (excluding cash pool) and lease liabilities, at contractual amounts (i.e. excluding the impact of loan origination fees) including projected interest accrued at a variable rate, which were calculated based on the interest rates applicable as at December 31, 2025 and 2024, respectively.

December 31, 2025	Undiscounted contractual cash flows payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	666.2	7,655.5	122.4	8,444.1
Notes	863.2	1,369.0	-	2,232.2
Lease	662.3	2,275.7	4,818.2	7,756.2
Other debt	1,504.9	4.6	-	1,509.5
	3,696.6	**11,304.8**	**4,940.6**	**19,942.0**

December 31, 2024	Undiscounted contractual cash flows payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	858.9	7,411.8	174.8	8,445.5
Notes	103.8	1,363.0	-	1,466.8
Lease	592.2	2,061.5	4,657.4	7,311.1
Other debt	121.2	1,504.6	-	1,625.8
	1,676.1	**12,340.9**	**4,832.2**	**18,849.2**

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 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.

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

32.5 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, to enable the repayment of debt and to maintain an optimal capital structure to reduce the cost of capital. In the process of capital management, the Group takes into account, among other things, the projected net financial result, the schedule of repayment of financial liabilities, financial market conditions and planned dividend payments. The Group defines capital as the sum of equity and net debt. In net debt, the P4 Group includes debt instruments at their carrying amounts excluding financial liabilities toward shareholders less cash and cash equivalents.

The table below presents the value of net debt (calculated according to the principles above) for the P4 Group:

	December 31, 2025	December 31, 2024
Syndicated bank loans	6,817.7	7,611.5
Notes	1,967.1	1,252.0
Leases	5,229.4	4,993.4
Other debt excluding financial liabilities toward shareholders	28.6	14.3
Total debt	**14,042.8**	**13,871.2**
Cash and cash equivalents	94.4	141.7
Net debt	**13,948.4**	**13,729.5**

33. 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 and net of cash pool liabilities (please see also Note 24.3). Interest accrued and not received is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

	December 31, 2025	December 31, 2024
Cash and cash equivalents in statement of financial position	94.4	141.7
Interest accrued on cash and cash equivalents	-	(0.5)
Cash pool	(847.0)	(606.8)
Cash and cash equivalents in statement of cash flows	**(752.6)**	**(465.6)**

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

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

	Year ended December 31, 2025	Year ended December 31, 2024
(Increase)/decrease of inventories	31.2	(278.0)
(Increase)/decrease of receivables	(856.1)	(210.6)
(Increase)/decrease of prepaid expenses	31.9	34.9
Increase/(decrease) of payables excluding investment payables	(93.1)	137.3
Increase/(decrease) of accruals	8.4	6.0
Increase/(decrease) of deferred income	(6.1)	(5.6)
(Increase)/decrease of long-term receivables	0.4	(1.1)
Increase/(decrease) of other non-current liabilities	1.8	1.4
Changes in working capital and other	**(881.6)**	**(315.7)**
(Increase)/decrease in contract assets	485.8	101.6
(Increase)/decrease in contract costs	(31.9)	(24.5)
Increase/(decrease) in contract liabilities	57.8	(5.8)
	(369.9)	**(244.4)**

In 2025, the changes in the "Changes in working capital and other" item were mainly due to an increase in receivables resulting from increased sales of equipment to end customers in the instalment model. As a result of increased sales of equipment in the instalment model contract assets on subsidy model agreements has decreased.

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

35. Changes in liabilities resulting from financial activities

	Year ended December 31, 2025	Year ended December 31, 2024
Bank loans		
As at January 1	**7,611.5**	**7,580.5**
Cash inflows	-	982.0
Interest accrued	540.9	621.2
Cash outflows: interest paid	(531.6)	(588.2)
Cash outflows: other payments	(54.6)	(20.8)
Cash outflows: repayment of principal	(751.7)	(963.7)
Transaction costs	3.2	0.5
As at December 31	**6,817.7**	**7,611.5**
Notes		
As at January 1	**1,252.0**	**1,252.2**
Cash inflows	700.0	-
Interest accrued	141.9	113.9
Cash outflows: interest paid	(126.4)	(114.1)
Transaction costs	(0.4)	-
As at December 31	**1,967.1**	**1,252.0**
Lease liabilities		
As at January 1	**4,993.4**	**4,599.5**
New leases	386.1	414.3
Modifications or terminations of lease contracts	220.9	183.1
Interest accrued	312.1	286.9
Cash outflows: interest paid	(310.8)	(286.4)
Effect of changes in foreign exchange rates	(1.8)	(3.5)
Deconsolidation	-	118.3
Cash outflows: repayment of principal	(370.5)	(318.8)
As at December 31	**5,229.4**	**4,993.4**
Other debt		
As at January 1	**2,034.2**	**1,904.9**
Cash pool	240.3	118.9
New contracts	45.0	33.6
Interest accrued	140.0	125.9
Cash outflows: interest paid	(134.8)	(123.5)
Effect of changes in foreign exchange rates	(0.5)	(0.4)
Cash outflows: repayment of principal	(30.2)	(25.2)
As at December 31	**2,294.0**	**2,034.2**

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

Other payments relating to loans include fees incurred in connection with the conclusion of new loan agreements – please see Note 24.1.

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

36. Segment reporting

The Company and its subsidiaries provide services of mobile telephony, mobile and fixed internet, television and business solutions.
An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and operating results of which are regularly reviewed by the Management Board to make decisions about resources to be allocated and to assess its performance. The whole P4 Group was determined as one operating segment, as its performance is assessed based on revenue and adjusted earnings before interest, tax, depreciation and amortization (EBITDAaL), only from the perspective of the P4 Group as a whole.

	Year ended December 31, 2025	Year ended December 31, 2024
Operating profit	**2,878.4**	**2,872.1**
Add depreciation of property, plant and equipment	671.4	712.1
Add amortization of intangible assets	693.0	590.0
Add valuation of incentive and retention programs	16.8	17.0
Add impairment of non-current assets	10.1	10.4
Add one-off costs/(revenues) and extraordinary items	56.1	(134.1)
Deduct share of profit of equity-accounted investees	(27.9)	(26.7)
EBITDAaL	**4,297.9**	**4,040.8**

EBITDAaL is a non-IFRS measure. Other entities may calculate EBITDAaL using other methods.

37. Related parties transactions

37.1 Remuneration of management and supervisory bodies

Cost of remuneration (including accrued bonuses) of members of Management Boards and Executive Committee in Group entities incurred in 2025 were PLN 18.6 million (PLN 21.5 million in 2024).

Additionally, members of Management Boards and Executive Committee in Group entities participated in the equity-settled incentive and retention programs (see Note 26). Following the valuation of these programs, the Group recognised costs in the amount of PLN 8.1 million in 2025 (PLN 5.8 million in 2024). Relating costs are included in costs of employee benefits in the consolidated statement of profit and loss.

Cost of benefits for former Members of Boards of Directors or Management Boards and Executive Committee in Group entities incurred after they stepped down from their positions amounted to PLN 2.5 million in 2025 and PLN 0.6 million in 2024.

Cost of benefits for Members of Supervisory Boards in Group entities incurred in 2025 amounted to PLN 0.3 million and PLN 0.1 million in 2024.

Apart from the transactions mentioned above, the Group is not aware of any other material transactions between the Group and members of the Management Board and of the Executive Committee of P4, or Supervisory Boards and Management Board Member of companies within the Group.

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

37.2 Related party transactions with entities linked to Shareholders

Below we present the balances of transactions made with Iliad Purple S.A. ("Parent Company") and its related entities.
The transactions were concluded on the terms that do not differ materially from market terms.

	December 31, 2025	December 31, 2024
Trade receivables	**316.8**	**232.7**
Other related parties	316.8	232.7
Long-term financial liabilities	**-**	**1,404.3**
Parent company	-	4.5
Higher level parent company	-	1,399.8
Long-term lease liabilities	**174.4**	**113.8**
Other related parties	174.4	113.8
Short-term financial liabilities	**2,270.0**	**610.9**
Parent company	4.5	-
Higher level parent company	2,265.5	610.9
Short-term lease liabilities	**7.9**	**8.3**
Other related parties	7.9	8.3
Trade and other payables	**147.5**	**145.3**
Parent company	6.3	6.4
Higher level parent company	9.2	9.4
Other related parties	132.0	129.5

	Year ended December 31, 2025	Year ended December 31, 2024
Dividend payment	**(1,000.0)**	**(1,397.0)**
Parent company	(1,000.0)	(1,397.0)
Retention programmes for employees - accounted in equity	**(9.0)**	**(9.4)**
Higher level parent company	(9.0)	(9.4)
Operating revenue	**16.8**	**6.8**
Other related parties	16.8	6.8
Operating costs	**(728.8)**	**(685.2)**
Parent company	(5.3)	(5.3)
Higher level parent company	(0.3)	-
Other related parties	(723.2)	(679.9)
Other operating income	**701.5**	**521.2**
Higher level parent company	0.8	2.4
Other related parties	700.7	518.8
Finance costs	**(151.4)**	**(130.0)**
Parent company	(0.3)	(0.3)
Higher level parent company	(139.0)	(125.1)
Other related parties	(12.1)	(4.6)
Prepayments received	**121.7**	**77.4**
Other related parties	121.7	77.4
Prepaid expenses	**(26.7)**	**(35.2)**
Other related parties	(26.7)	(35.2)

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

38. Auditor's fees

	Year ended December 31, 2025	Year ended December 31, 2024
Audit fees	1.3	1.4
Other attesting fees	0.2	0.2
	1.5	**1.6**

39. License requirements

39.1 700 MHz license requirements

In the June 3, 2025 decisions, the President of UKE granted P4 reservations of two blocks of spectrum in the 700 MHz band, in total value PLN 726.4 million. The reservation decisions impose obligations on P4, primarily regarding ensuring data transmission service coverage within the reserved area.

39.2 3500-3600 MHz license requirements

The December 19, 2023 decision allocating frequencies in the 3500-3600 MHz band to P4 includes a number of requirements that P4 must meet. They concern among others the implementation of investments in the telecommunications network covering the launch of at least 3,800 stations no later than within 48 months from the date of delivery of the frequency reservation. At least 37% of the investment must be carried out in rural and suburban areas or in cities with fewer than 100,000 inhabitants.

39.3 Other license requirements

As at the date of issuance of these Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservations for the other frequency ranges mentioned in Note 12.

40. Contingencies and legal proceedings

40.1 Tax contingent liabilities

The P4 Group conducts its operations mainly in the area of Polish tax jurisdiction. The Polish tax system is characterized by frequent changes. In recent years, a number of new tax regulations have come into force which were prepared in a relatively short time and implemented with short grace periods. Other tax reporting obligations or new tax regulations may be introduced in the future, which could also affect the P4 Group's operations.

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

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

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

The P4 Group is not aware of any circumstances, which may currently give rise to a potential material liability in connection with application of GAAR clause.

40.2 Legal and regulatory proceedings

In June 2015 P4 filed a statement of claim for PLN 315.7 million to be paid jointly and severally by Orange Polska S.A., Polkomtel sp. z o.o., T-Mobile Polska sp. z o.o. The said amount comprises of PLN 231 million of damages for an act of unfair competition consisting in the setting up excessive fees for voice connections with Play network (and other form of discrimination of such connections) for a period from July 1, 2009 to March 31, 2012 and capitalized interests. In July 2018 P4 extended the claim demanding payment of additional PLN 313.6 million (PLN 258 million of damages and capitalized interests) for a consecutive period from April 1, 2012 to December 31, 2014. On December 27, 2018 the Regional Court in Warsaw dismissed P4's claim with respect to PLN 315.7 million. P4 filed an appeal. In its judgement of December 28, 2020, the Court of Appeal in Warsaw set aside the judgement under appeal and referred the case back for reconsideration. On September 2, 2021, Polkomtel filed a complaint against this judgement with the Supreme Court, which dismissed the complaint on January 25, 2022; as a result, the proceedings are now pending before the Regional Court in Warsaw. The claim for additional PLN 313.6 million is still subject of the proceedings before the Regional Court in Warsaw. In September 2019 P4 withdrew claims against T-Mobile. The claims against Orange and Polkomtel still remain at the previous amounts. As the receipt of the above amounts is not certain, the Group did not recognise any income in relation to this claim.

In December 2018 Polkomtel sp. z o.o. filed a lawsuit in which it demanded that the State Treasury, i.e. the UKE President or P4 (as defendants in solidum) pay missing MTR remuneration that Polkomtel would have received from P4, if UKE had not decreased its MTRs by means of a decision which was subsequently annulled by court as issued in violation of the law (procedural errors committed by UKE), and capitalized interest and statutory interest from the time of filing the lawsuit. The claim against the State Treasury is based on the liability for damages caused by a public authority (UKE) and the claim against P4 is based on the unjust enrichment regime. On March 12, 2025 the District Court in Warsaw dismissed Polkomtel's claim. Polkomtel appealed against the judgement. It is difficult to assess the legal risk of the aforementioned lawsuit at this stage.

On September 2, 2016, the UOKiK President launched proceedings against UPC Polska sp. z o.o. ("UPC") for the use of prohibited clauses regarding: price increases, guarantees of a minimum number of TV programs, technician fee and contract termination. On July 17, 2019, the UOKiK President issued a decision, in which it prohibited the use of the above clauses, imposed on UPC a fine of PLN 33 million and an obligation to compensate the consumers. On September 5, 2019, UPC challenged the above decision. On November 23, 2022, the Regional Court upheld the decision except for the cash compensation obligation (the decision in this respect was set aside). UPC has submitted an appeal. On June 20, 2023, the Court of Appeal in Warsaw reduced the fine imposed on UPC by approximately PLN 4.2 million, reinstated the compensation obligation and waived the obligation to publish a statement on UPC's website. The Court of Appeal in Warsaw suspended the payment of compensation and performance of disclosure obligation. On July 3, 2023, UPC paid the fine in the amount of PLN 28.6 million. On October 16, 2024, the Supreme Court refused to accept P4's (the legal successor of UPC) cassation appeal for review, therefore P4 implemented the decision.

On December 1, 2022, the UOKiK President launched proceedings against P4 in the matter of practices breaching the collective interests of consumers that, according to the UOKiK President, involved the application of a contractual term under which a subscription discount is lost if a payment related to a phone bill is not paid on time.
On December 8, 2025 the President of UOKiK issued a decision in which he imposed a penalty of PLN 108.6 million on P4 and imposed an obligation to reimburse the amounts corresponding to the amount of ungranted discounts in

relation to consumers who concluded an agreement with P4 after 30 September 2019. P4 filed a complaint against the decision.

On August 2, 2023, the UOKiK President launched proceedings against UPC in the matter of practices breaching the collective interests of consumers that, according to the UOKiK President, involved the unauthorized demand that consumers pay an increased subscription fee as a result of UPC unilaterally increasing the number of available TV channels or maximum data transmission speed. On August 27, 2024, the UOKiK President issued a commitment decision under Article 28(1) of the Act on Competition and Consumer Protection, as requested by the Company. The decision is final and was implemented by the Company.

On December 16, 2024 the UOKiK President launched proceedings against P4 for practices that violate the collective interests of consumers, which, according to the UOKiK President, consist in the lack of clear and understandable information on the rules for termination of the contract in group offers.

On December 23, 2024 the UOKiK President launched proceedings against P4 for practices violating the collective interests of consumers regarding the presentation of the subscription price after discounts in marketing communications and telephone sales calls. The UOKiK President disputes the lack of information about discounts, the illegible nature of such information and the communication of such information too late in the contracting process.

On 16 June 2025, the President of UOKiK initiated proceedings against P4 regarding practice infringing the collective interests of consumers by unilateral change of contracts concerning the introduction of a fee for maintaining a number in the Play na Kartę odNOWA prepaid offer without a statutory basis or contractual premise and proceedings for declaring contract terms as unfair with respect to the fee for maintaining the number in the Play na Kartę odNOWA and Play na Kartę 3.0. prepaid offers.

There is a number of other proceedings involving the Group initiated among others by UKE President or President of the Office of Competition and Consumer Protection (UOKiK) and court proceedings resulting from appeals against regulators' decisions. The Group has recognised provisions for known and quantifiable risks related to ongoing proceedings. The amount of the provisions represents the Group's best estimate of the amounts, which are probable to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change in the future. For the total amount of provisions, including the provisions for pending legal cases, please see Note 25.

41. Events after the reporting period

On January 13, 2026 the Group entered into a new loan agreement in the amount of PLN 450 million with Bank Handlowy w Warszawie S.A. as the lender, Citibank Europe PLC, UK Branch, as the facility agent, and Citibank NA, London Branch, as the arranger, with insurance support from the Swedish Export Credit Agency (EKN). The funds obtained under the loan will be used by the Group to partially finance the purchase of telecommunications equipment and services from Ericsson Sp. z o.o. The loan will be repaid in instalments over a period of 12 years, with the final maturity date set for March 2039. The interest on the loan is based on the WIBOR rate plus a margin. The Group had drawn PLN 80 million as at the date of signing these Financial Statements.

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

42. Summary of significant accounting policies

42.1 Consolidation

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangements with the other vote holders of the investee,
- rights arising from other contractual arrangements,
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity. The Group recognises in the statement of profit and loss the total result on sale of subsidiaries at the moment of loss of control according to IFRS 10.25. Any investment retained is recognised at fair value.

The Group's investments in associates, i.e. entities in which the Group has significant influence, as well as investments in joint ventures, are accounted for using the equity method.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered. The accounting policies of subsidiaries are adjusted where necessary to ensure consistency with the policies adopted by the 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 recognised for non-controlling interest over the value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

42.2 Foreign currency transactions

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions which might comprise:
- the actual spot rate applied as at this date resulting from the type of transaction – in the case of foreign currency purchases or sales.
- the average spot exchange rate for a given currency as determined by the National Bank of Poland as at the date preceding the date of transaction – in the case of settlements of receivables and payables as well as other transactions,

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

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, 2025	December 31, 2024
EUR	4.2267	4.2730
USD	3.6016	4.1012

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

Exchange differences arising from foreign currency borrowing directly attributable to the construction of fixed assets and development of intangible assets are eligible for capitalization up to the amount regarded as an adjustment to interest costs.

42.3 Revenue

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

Sales revenue

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

1. Usage revenue, which includes:
   - voice and SMS telecommunications;
   - data transfer;
   - internet access services;
   - television and video on demand;
   - value added services;
   - international roaming;
2. Interconnection;
3. Revenue from sales of goods and other revenue, including sales of handsets and other equipment.

Revenues from voice, SMS telecommunications and data transfer services include charges for telecommunications traffic originated in the Play network or in the networks of roaming partners, 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 regarded as 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 expected to be received in relation to the contract performance during the Adjusted Contract Term (please see Note 42.14). The consideration (transaction price) is allocated between separate performance obligations in a bundle based on their relative stand-alone selling prices. The Group identifies the following performance obligations: delivery of mobile devices, provision of telecommunications services and provision of service of device leasing. Stand-alone selling prices for mobile devices are estimated based on cost of sale plus margin. Stand-alone selling prices for telecommunications services and lease services are set based on prices for non-bundled offers with the same range of services. Please see also Note 2.2.

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

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

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

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

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

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

Revenue from the sale of handsets, other equipment and other goods is recognised when promised goods are transferred to the customer (typically upon delivery). 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 telecommunications services) or instalment sales with monthly instalments paid over the period of the contract plus initial fee paid upon delivery of a handset.

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

Other operating income

As part of its other activities, the Group presents in particular income from partnership with OTP, PŚO and Op Core including:
- construction of passive base stations infrastructure,
- expansion and construction of new fiber optic connections,
- maintenance services.

Revenue from the sale of constructed passive base station infrastructure and fiber optic connections is recognised when these assets are transferred to the customer.

Revenue from maintenance services is recognised in the period in which the service was rendered.

42.4 Interest income

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

42.5 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 rates and tax laws that were enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

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

42.6 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 amounts for financial reporting purposes and for tax losses. Deferred tax is not recognised when 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, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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 recognised 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 recognised 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 recognised 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

42.7 Property, plant and equipment

Property, plant and equipment are stated at their initial cost which represents the purchase price or cost of production, less accumulated depreciation and accumulated impairment. The cost of production includes direct costs (materials, direct labour and work contracted out) and directly attributable own work costs. The Group includes in the initial cost of its non-current assets all eligible borrowing costs (including interest expense and exchange differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest costs) and expenditure that is directly attributable to the acquisition or to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Depreciation of fixed assets begins when they become available for use.

Significant components of property, plant and equipment that require replacement at regular intervals are recognised 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.

Depreciation is calculated using the straight-line method to allocate the surplus of the cost of the asset over its residual values over its estimated useful life.

The predominant estimated useful lives of fixed assets are as follows:

Description	Term in years
Buildings	5-7; 20
IT equipment	3-5
Telecommunications infrastructure	3-7
Other	1-5

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

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

Gains and losses on disposal of fixed assets are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

42.8 Leasing

The Group is a party to lease contracts for, among others:
a) land for telecommunications constructions (including fiber optic networks),
b) buildings:
- space on tower structures used installation of telecommunications equipment,
- office space, warehouses and points of sale space,
- space leased for collocation centres,
- other space for other telecommunications equipment,
c) telecommunications network and equipment – dark fiber optic cables,
d) computers,
e) motor vehicles.

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

Accounting by the lessee
The Group implemented a single accounting model, requiring lessees to recognise assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions for short term leases in relation to among others leases of billboards and to apply exemptions for leases for which the underlying asset is of low value.

Based on the accounting policy applied, the Group recognises a right-of-use asset and a lease liability as at the commencement date of the contract for all leases conveying the right to control the use of identified assets for some period. 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 on 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.

When the Group is a seller-lessee, it determines the right-of-use asset under a sale-leaseback in proportion to the previous carrying value of the asset, which relates to the right-of-use retained by the seller-lessee. Accordingly, the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessee.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation charges 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.

The predominant estimated useful lives are as follows:

Description	Term in years
Land	6-30
Buildings	4-20
IT equipment	3-5
Telecommunications infrastructure	3-20
Motor vehicles	2-3

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 of the lease 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 recognises 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 useful life equal to the average period covered by the lease of the property on which the telecommunications constructions and equipment are located. The Group estimates the fair value of asset retirement obligations using estimated 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;
- lease termination penalties if the lease term reflects the lessee exercising the option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. operating revenue in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of 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 lease liabilities by:
- increasing the carrying amount to reflect interest on the lease liability,

- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Accounting by the lessor
In the 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 from ownership of a leased asset 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 from ownership of a leased asset to the lessee. Examples of situations where the risks and rewards from ownership of a leased asset are considered as having been transferred to the lessee are as follows:

- the lease transfers ownership of the asset to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value on 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 represents a substantial majority of the economic life of the asset even if title is not transferred,
- at the lease inception date the present value of the minimum lease payments represents a substantial majority of the total 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.

42.9 Intangible assets

Telecommunications licenses

Telecommunications licenses are stated at cost less accumulated amortization and accumulated impairment losses. The licenses are amortized using the straight-line method over the period for which they are granted.

Computer software costs

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

Costs associated with maintaining computer software programs are recognised as an expense or loss as incurred.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised in the statement of profit and loss.

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 analysed and assessed by the Management Board. The Group allocates goodwill to the entire P4 Group as a single cash-generating unit.

Intangible assets under construction

Intangible assets under construction represent mainly software under development and are presented in the appropriate intangible asset category.

42.10 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 recognised 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 its 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 (except for the allowance for goodwill) 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 recognised for the asset in prior periods.

42.11 Inventories

Inventories are stated at the lower of the purchase price and net selling price. Net selling price is the expected selling price in the ordinary course of business less the relevant portion of selling expenses. Inventories intended to be sold in promotional offers are measured at purchase prices that are no higher than their net selling prices, which are determined taking into account a future margin expected from telecommunications services with which the item of inventories is offered.
Inventories include handsets and other equipment transferred to dealers who act as agents. They are expensed to costs of goods sold on the date of activation of telecommunications services in relation to which the equipment was sold to the end customer or on the date when the equipment was sold to the end customer without a telecommunications service contract. The Group estimates the prevalent period between the date of transfer of the equipment to a dealer and the date of service activation based on historical data. If no service agreement relating to the mobile device is activated during the period estimated as described above, it is assumed that the mobile device was sold to the end customer without a related service agreement and revenue from sale of goods and corresponding cost of sale are recognised in the statement of profit and loss.

In the "Work in progress" line item, the Group presents expenditures incurred in connection with the performance of the construction work in partnership with PŚO and expenditures for base stations sold to OTP built outside of the minimum limit specified in the BTS program.

42.12 Trade and other receivables

The receivables are recognised initially at fair value (except for trade receivables, which are measured at transaction price) less impairment loss, and then at amortized cost using the effective interest rate. The Group uses a simplified model to determine the expected credit loss and measures the impairment loss equal to the lifetime expected credit losses on trade receivables, lease receivables, cash and cash equivalents and contract assets. The impairment provision is recognised in the statement of profit and loss within "other operating costs".

When measuring impairment provision for billing receivables, the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of overdue receivables and forward-looking information.

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

Trade receivables are derecognised 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 asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset to another entity. In particular, the Group derecognises receivables when they are sold to collection agencies.

The Group reduces the gross carrying amount of receivables if there is no reasonable prospect that the contractual cash flows will be recovered. A write-off is an event that leads to the discontinuation of recognition of receivables in the balance sheet.

42.13 Contract assets

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

The loss allowance for contract assets is measured and recognised under IFRS 9 upon the initial recognition of contract assets. The Company uses professional judgement to calculate probability-weighted estimate of credit losses over the expected life of contract assets.
The Group reduces the carrying amount of a contract asset if there is no reasonable prospect that the contractual cash flows will be recovered. Thus, the asset ceases to be recognised in the balance sheet.

42.14 Contract costs

Contract costs that can be capitalized as costs of bringing a customer to a contract include sales commissions associated with "postpaid" 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 future benefits in connection with the incurred costs. Contract costs comprise sales commissions to dealers and to own salesforce which can be directly attributed to an acquired or retained contract. Capitalized contract costs are recognised as current assets as the Group expects economic benefits from these assets to be received during the normal operating cycle.

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

Commission fees amortized over time are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services when the related revenues are recognised. Contract costs relating to contracts signed with acquired or retained subscribers are amortized:

- for postpaid contracts – over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses,
- for "mix" contracts – over the term during which a customer is expected to fulfil their obligation in relation to all top-ups required under a contract.

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

Contract costs capitalized are impaired if the customer is deactivated or if the asset's present value exceeds projected discounted future cash flows relating to the contract. An impairment loss is recognised in profit or loss to the extent that the carrying amount of an asset exceeds 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 recognised as expenses.

42.15 Prepaid expenses

Prepaid expenses comprise, among others, prepayments made in relation to ordered but not yet delivered services, costs related to network sharing and use of telecommunications infrastructure, costs of fulfilling contracts with customers (including activation and installation costs) and loan origination fees not included in the amortized cost valuation. Prepaid expenses are recognised at fair value of cash or cash equivalents transferred.

The Group recognises prepaid expenses related to the use and sharing of telecommunications infrastructure and fulfilling contracts with customers as current assets as they are expected to be realized in the normal operating cycle.

42.16 Cash and cash equivalents in statement of financial position

Cash and cash equivalents consist of cash on hand, balances in bank accounts, short-term bank deposits with original maturities of 3 months or less, and restricted cash.

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

42.17 Cash and cash equivalents in statement of cash flows

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

42.18 Retirement benefits

Defined contribution plan.

The P4 Group makes contributions mainly to the Polish Government's retirement benefit scheme at the applicable rate during the period, based on gross salary payments (the "State Plan").

The State Plan is funded on a pay-as-you-go basis, i.e. the P4 Group is obliged to pay the contributions as they fall due based upon a percentage of salary. If the P4 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.

Defined benefit plan

Under Polish law, employees are entitled to severance payments. Severance payments are made in a single lump sum at retirement in the amount of one month's salary.
The value of the provision for severance payments is determined using the method of actuarial valuation of projected unit benefits. The valuation is based on demographic assumptions regarding retirement age, employee turnover (estimated on the basis of historical data) and financial assumptions regarding future salary increases and future interest rates.
Gains or losses arising from the actuarial valuation of severance payments are recognised in other comprehensive income in the period in which they arise. Other changes in provisions are recognised as costs.

The P4 Group has no other employee retirement plans.

42.19 Incentive and retention programs

Iliad Purple S.A.S. and Iliad S.A. operate equity-settled share-based incentive and retention programs. Membership in the programs is granted to members of the Management Board and Executive Committee of P4 and key employees of the Group, which results in the necessity of valuation and recognition of equity-settled share-based incentive and retention programs in the P4 Group's financial statements.

Under the terms of the equity-settled share-based programs, participants in the programs are entitled to receive shares if specified conditions are satisfied. The P4 Group's equity relating to the above incentive and retention programs is measured at the fair value at the grant date. The cost is recognised in the statement of profit and loss in line with vesting conditions, which are described in Note 26.

42.20 Financial liabilities

Financial liabilities are recognised initially at fair value, net of the transaction costs incurred. Bank loans and notes liabilities are subsequently measured at amortized cost; any difference between the proceeds from issuing the instrument (minus transaction costs) and the redemption value of the instrument is recognised in the statement of profit and loss over the life of the liability using the effective interest rate method. Related external finance costs that are not capitalized are recognised in profit or loss for the period.

Financial liabilities are classified as current, except where the Group has an unconditional right to make the payment of the liability more than 12 months after the balance sheet date.

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

42.21 Derivative instruments

Derivatives embedded in host contracts

An embedded derivative is presented separately from the host contract if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks inherent in 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 recognised in profit or loss.

In case of an early redemption option embedded in a host debt instrument, the close relation to the host instrument in terms of its economic characteristics and risks 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 the early redemption option does not cover the issuer's approximate present value of lost interest for the remaining term of the host contract (lost interest is the prepaid principal amount 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 host contract.

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

Derivative instruments designated as hedges

The Company applies hedge accounting under IFRS 9. Derivative financial instruments designated as hedging instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value.

When a derivative contract is entered into, the Company distinguishes the following types of hedge relationships:
(i) a hedge against changes of the fair value of a recognised asset or liability (fair value hedge), or
(ii) a hedge of highly probable forecast transactions (cash flow hedge).

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

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

(ii) Cash flow hedge
Some gains or losses from revaluation of derivatives designated and qualifying as cash flow hedges are recognised in the revaluation reserve. On the other hand, the gains or losses considered as ineffective hedges are recognised directly in the statement of profit and loss.

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

The fair values of interest rate swaps used for cash flow hedge are disclosed in Note 30. Movements of the reserve capital are disclosed in Statement of changes in equity.

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

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

42.22 Trade payables

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

42.23 Provisions

Provisions are recognised 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 recognised. In such a case, the Group discloses a contingent liability.

42.24 Contract liabilities

Contract liabilities comprise the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the end customer or the amount is due as well as the value of prepaid products delivered to a distributor but not yet transferred to the end customer.