

P4 Sp. z o.o. Group

Consolidated financial statements

prepared in accordance with IFRS,
as adopted by the European Union

as at and for the year ended December 31, 2023

PLAY

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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, 2023 consisting of the statement of comprehensive income showing total income of PLN 614,888 thousand, the statement of financial position with assets and liabilities and equity of PLN 20,034,643 thousand, the statement of changes in equity showing a decrease in equity by PLN 1,775,377 thousand, the statement of cash flows showing a decrease in net cash by PLN 913,956 thousand and notes containing a description of material accounting policies and other explanations.

Jean-Marc Harion
Management Board President

Mikkel Noesgaard
Management Board Member

Beata Zborowska
Management Board Member

Michał Ziółkowski
Management Board Member

Ewa Zmysłowska
Management Board Member

Warsaw, March 13, 2024

Consolidated statement of comprehensive income

	Notes	Year ended December 31, 2023	Year ended December 31, 2022 Restated
Operating revenue	3	9,797,029	8,934,847
Service revenue		7,870,304	7,144,735
Sales of goods and other revenue		1,926,725	1,790,112
Operating expenses		(8,172,420)	(6,975,054)
Interconnection, roaming and other service costs	4	(2,200,637)	(1,727,112)
Contract costs		(494,419)	(427,055)
Cost of goods sold		(1,563,621)	(1,446,383)
Employee benefits	5	(592,453)	(481,215)
External services	6	(1,558,173)	(1,270,280)
Depreciation and amortization	7	(1,662,091)	(1,459,837)
Taxes and fees		(101,026)	(163,172)
Other operating income	8	1,267,640	835,487
<i>thereof: gains from derecognition of financial assets measured at amortized costs</i>	8	44,934	13,913
Other operating costs	8	(546,832)	(348,744)
<i>thereof: impairment of financial assets</i>	8	(156,229)	(110,063)
Share of profit of equity-accounted investee		22,868	-
Operating profit		2,368,285	2,446,536
Finance income	9	88,689	32,560
<i>thereof: interest income from assets at amortized cost</i>	9	16,457	31,443
Finance costs	9	(1,257,734)	(966,310)
Profit before income tax		1,199,240	1,512,786
Income tax charge	10	(414,712)	(348,533)
Net profit		784,528	1,164,253
<i>- attributable to owners of P4 sp. z o.o.</i>		780,641	1,163,603
<i>- attributable to owners of non-controlling interest</i>		3,887	650
<u>Items that will not be reclassified to profit or loss</u>			
Actuarial gains/(losses) on post-employment benefits		(742)	768
Income tax relating to items not to be reclassified		(143)	(48)
<u>Items that may be reclassified subsequently to profit or loss</u>			
Gains/(losses) on cash flow hedges	23.3, 30	(181,734)	25,851
Income tax relating to items that may be reclassified	23.3, 30	34,529	(4,912)
Share of other comprehensive loss of equity-accounted investee		(21,550)	-
Other comprehensive income/(loss), net		(169,640)	21,659
Total comprehensive income		614,888	1,185,912
<i>- attributable to owners of P4 sp. z o.o.</i>		611,001	1,185,262
<i>- attributable to owners of non-controlling interest</i>		3,887	650

Consolidated statement of financial position

	Notes	December 31, 2023	December 31, 2022 Restated
ASSETS			
Non-current assets			
Goodwill	11	1,459,966	1,152,369
Other intangible assets	12	4,416,427	3,866,755
Property, plant and equipment	13	3,140,287	3,044,322
Right-of-use assets	22.2	4,409,075	4,120,877
Investment in joint venture	14	1,762,317	-
Other long term financial assets	15	44,992	80,460
Long term prepaid expenses	20	20,614	48,238
Deferred tax asset	10	4,390	908
Total non-current assets		15,258,068	12,313,929
Current assets			
Inventories	16	615,326	326,502
Trade and other receivables	17	1,220,409	931,366
Contract assets	18	1,739,942	1,603,203
Contract costs	19	512,866	449,277
Current income tax receivables		29,809	128
Prepaid expenses	20	129,329	104,253
Cash and cash equivalents	21	207,726	625,617
Other short-term finance assets	15	44,134	90,717
Assets held for sale	2.8	277,034	5,009,228
Total current assets		4,776,575	9,140,291
TOTAL ASSETS		20,034,643	21,454,220
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23.1	48,857	48,857
Other supplementary capital	23.2	(166,659)	(184,791)
Other reserves	23.3	7,777	1,552,650
Retained earnings	23.4	914,129	1,167,106
Equity attributable to the owners of P4 sp. z o.o.		804,104	2,583,822
Non-controlling interest		8,967	4,626
Total equity		813,071	2,588,448
Non-current liabilities			
Long-term finance liabilities	24	10,058,939	11,130,407
Long-term lease liabilities	22.2	4,305,033	4,008,149
Long-term provisions	25	334,774	373,165
Deferred tax liability	10	344,470	389,987
Other non-current liabilities		7,009	8,639
Total non-current liabilities		15,050,225	15,910,347
Current liabilities			
Short-term finance liabilities	24	860,922	225,940
Short-term lease liabilities	22.2	294,000	255,616
Trade and other payables	27	2,269,530	1,776,984
Contract liabilities	29	468,750	386,354
Current income tax payable	10	1,055	83,994
Accruals	28	142,206	129,901
Short-term provisions	25	88,361	5,381
Liabilities directly associated with assets held for sale	2.8	46,523	91,255
Total current liabilities		4,171,347	2,955,425
TOTAL LIABILITIES AND EQUITY		20,034,643	21,454,220

P4 Sp. z o.o. Group
Consolidated financial statements prepared in accordance with IFRS as adopted by the European Union
as at and for the year ended December 31, 2023
(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Consolidated statement of changes in equity

Notes	Attributable to owners of P4 sp. z o.o.				Total	Non-controlling interest	Total equity
	Share capital	Other supplementary capital	Other reserves	Retained earnings			
As at January 1, 2023, restated	48,857	(184,791)	1,552,650	1,167,106	2,583,822	4,626	2,588,448
Net profit for the period	-	-	-	780,641	780,641	3,887	784,528
<u>Other comprehensive income/(loss), net</u>							
Actuarial gains/(losses) on post-employment benefits with relating income tax	-	-	(885)	-	(885)	-	(885)
Gains/(losses) on cash flow hedges with relating income tax	30	-	(147,205)	-	(147,205)	-	(147,205)
Share of other comprehensive loss of equity-accounted investee	-	-	(21,550)	-	(21,550)	-	(21,550)
Total comprehensive income	-	-	(169,640)	780,641	611,001	3,887	614,888
Acquisition of subsidiaries and increase of shares in subsidiaries	-	-	-	(8,851)	(8,851)	454	(8,397)
Recognition of costs of equity-settled incentive and retention programs	26	18,132	-	-	18,132	-	18,132
Increase of other reserves	-	-	132,667	(132,667)	-	-	-
Dividend payment	23.4	-	(1,507,900)	(892,100)	(2,400,000)	-	(2,400,000)
As at December 31, 2023	48,857	(166,659)	7,777	914,129	804,104	8,967	813,071

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(expressed in PLN, all amounts in tables given in thousands 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, 2022	48,857	(191,876)	23,090	3,413,508	3,293,579	-	3,293,579
Net profit for the period	-	-	-	1,163,603	1,163,603	650	1,164,253
<u>Other comprehensive income/(loss), net</u>							
Actuarial gains/(losses) on post-employment benefits with relating income tax	-	-	720	-	720	-	720
Gains/(losses) on cash flow hedges with relating income tax	30	-	20,939	-	20,939	-	20,939
Total comprehensive loss	-	-	21,659	1,163,603	1,185,262	650	1,185,912
Acquisition of subsidiaries	-	-	-	-	-	3,976	3,976
Recognition of costs of equity-settled incentive and retention programs	26	7,085	-	-	7,085	-	7,085
Increase of other reserves	-	-	1,507,901	(1,507,901)	-	-	-
Dividend payment	23.4	-	-	(1,902,104)	(1,902,104)	-	(1,902,104)
As at December 31 2022, restated	48,857	(184,791)	1,552,650	1,167,106	2,583,822	4,626	2,588,448

Consolidated statement of cash flows

	Notes	Year ended December 31, 2023	Year ended December 31, 2022 Restated
Profit before income tax		1,199,240	1,512,786
Depreciation and amortization		1,662,091	1,459,837
Interest expense (net)		1,190,477	887,398
Loss on finance instruments at fair value		938	20,511
Foreign exchange (gains)/losses		(40,052)	8,865
Share of profit of equity-accounted investee		(22,868)	-
Gain on disposal of non-current assets and termination of lease contracts		(537,370)	(496,942)
Impairment of non-current assets		3,565	7,318
Change in provisions		18,822	179,410
Change in share premium from equity-settled retention programs		18,130	7,085
Changes in working capital and other	34	(514,181)	(427,682)
Change in contract assets	34	(136,739)	(136,358)
Change in contract costs	34	(63,589)	(50,489)
Change in contract liabilities	34	94,469	5,967
Cash provided by operating activities		2,872,933	2,977,706
Interest received		14,720	13,449
Interest paid		(68)	(20)
Income tax paid		(537,734)	(1,563,316)
Net cash provided by operating activities		2,349,851	1,427,819
Proceeds from sale of non-current assets		19,792	4,937
Purchase of fixed assets and intangibles		(1,558,588)	(1,599,184)
Cash inflows related to sale of infrastructure	2.8	755,227	690,328
Cash outflows related to assets held for sale	2.8	(91,265)	(161,009)
Proceeds from sale of a subsidiary	2.4	2,307,745	-
Inflow from investment in joint venture	14	600,000	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	2.7	(191,370)	(6,981,635)
Proceeds from loans given		3,199	-
Proceeds from finance receivables		-	632,501
Loans given		-	(250)
Deposit paid in the auction for telecommunications licenses		(182,000)	-
Net cash used in investing activities		1,662,740	(7,414,312)
Dividends (paid)	23.4	(2,400,000)	-
Proceeds from finance liabilities	24.4	1,614,376	6,484,984
Repayment of finance liabilities	24.4	(2,952,351)	(265,019)
Paid interest relating to finance liabilities	24.4	(1,166,792)	(823,110)
Paid other costs relating to finance liabilities	24.4	(24,650)	(71,477)
Other proceeds from financing activities		2,870	-
Net cash provided by/(used in) financing activities		(4,926,547)	5,325,378
Net change in cash and cash equivalents		(913,956)	(661,115)
Effect of exchange rate change on cash and cash equivalents		5,692	8,674
Cash and cash equivalents at the beginning of the period		625,617	1,278,058
Cash and cash equivalents at the end of the period	33	(282,647)	625,617

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 under the name of Netia Mobile sp. z o.o. The Company was registered on September 15, 2004. On October 13, 2005, by resolution of the Shareholder Meeting, the Company name was amended from Netia Mobile sp. z o.o. to P4 sp. z o.o. The Company's registered office is in Warsaw, Poland at ul. Wynalazek 1.

As at December 31, 2023 the Company was controlled directly by Iliad Purple with its registered office in Paris (hereafter referred to as "Iliad Purple"), which held a 100% stake in the Company. Iliad Purple S.A.S. is a fully-owned subsidiary of Iliad S.A. with its registered office in Paris, controlled by Xavier Niel.

The Company's business activity embraces the provision of mobile and landline telecommunications services, sales of mobile devices and managing a distribution network of mobile telecommunications products. On March 16, 2007 P4 started providing mobile telecommunications services using the brand "PLAY".

The Company and its subsidiaries (together, the "P4 Group" or the "Group") operate in the mobile and landline telecommunications sector in Poland. The Group provides telecommunication services under the "PLAY", "UPC", "VIRGIN" and "3S" brands, sells mobile devices and provides IT services via owned collocation centres.

These financial statements comprise:

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

as at and for the year ended December 31, 2023 and the comparative period, i.e. the year ended December 31, 2022, hereafter the "Financial Statements".

P4 Sp. z o.o. Group
Consolidated financial statements prepared in accordance with IFRS as adopted by the European Union
as at and for the year ended December 31, 2023
(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

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

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at December 31, 2023	As at December 31, 2022
<u>Subsidiaries held directly and indirectly:</u>				
Play Finance 1 S.A. ⁸	Luxembourg	Financing	-	100.00%
3S Data Center S.A.	Poland	IT	100.00%	100.00%
3S BOX S.A.	Poland	IT	100.00%	100.00%
Polski Światłowód Otwarty sp. z o.o. ¹	Poland	Telecommunications	50.00%	100.00%
UPC Polska sp. z o.o. ²	Poland	Telecommunications	-	100.00%
Redge Technologies sp. z o.o.	Poland	IT	95.00%	92.50%
Redge Media PPV sp. z o.o.	Poland	IT	95.00%	92.50%
Vestigit sp. z o.o. ³	Poland	IT	67.76%	-
MediaTool sp. z o.o. ³	Poland	IT	90.00%	-
Vortanoria Investments sp. z o.o.	Poland	Holding	100.00%	100.00%
SferaNet Infrastruktura S.A. ⁴	Poland	Telecommunications	100.00%	-
SferaNet sp. z o.o. ⁴	Poland	Telecommunications	100.00%	-
Syrion sp. z o.o. ⁵	Poland	Telecommunications	100.00%	-
PT sp. z o.o. ⁵	Poland	Telecommunications	100.00%	-
Grupa Phobos sp. z o.o. ⁶	Poland		51.00%	-
Fibreo S.A. ⁷	Poland	Telecommunications	100.00%	-

¹ On March 31, 2023, P4 sold a 50% stake in Polski Światłowód Otwarty sp. z o.o. (please see Note 2.4)

² On August 1, 2023, P4 merged with UPC

³ In H1 2023, Redge Technologies purchased majority stakes in Vestigit Sp. z o.o. and MediaTool Sp. z o.o. (please see Note 2.6)

⁴ On January 31, 2023, Vortanoria Investments sp. z o.o. acquired the majority stake in SferaNet S.A. On December 4, 2023, SferaNET S.A. was legally divided (divided company). As a result of the legal division of SferaNET S.A., part of the divided company was transferred to SferaNET sp. z o.o. (formerly Tacertille Investments sp. z o.o.). The divided company will conduct its business under the name of SferaNET Infrastruktura S.A. (please see Note 2.7).

⁵ On June 2, 2023, Vortanoria Investments sp. z o.o. acquired a 100% stake in Syrion sp. z o.o. (please see Note 2.7). Syrion is the sole shareholder of PT Sp. z o.o.

⁶ On August 3, 2023, P4 sp. z o.o. acquired a 51% stake in the Phobos Sp. z o.o. Group (please see Note 2.7).

⁷ On October 4, 2023, Vortanoria Investments sp. z o.o. acquired a 100% stake in Fibreo S.A. (please see Note 2.7).

⁸ On December 22, 2023, Play Finance 1 S.A. was liquidated.

2. Basis of preparation

These Financial Statements were authorized for issue by the Company's Management Board on March 13, 2024 and are subject to authorization by the Shareholder 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.

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 International Financial Reporting Standards ("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 2.3.

2.1 New standards, interpretations and amendments to existing standards

These Financial Statements were prepared in accordance with the IFRS adopted by the European Union, issued and effective as at December 31, 2023.

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, 2022, 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	Group's assessment of the regulation
IFRS 17: Insurance contracts and amendments to IFRS 17	18.05.2017	01.01.2023	01.01.2023	No impact
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	12.02.2021	01.01.2023	01.01.2023	Insignificant impact
Amendments to IAS 8: Definition of Accounting Estimates	12.02.2021	01.01.2023	01.01.2023	Insignificant impact
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07.05.2021	01.01.2023	01.01.2023	Insignificant impact
Amendments to IFRS 17 Insurance contracts: initial adoption of IFRS 17 and IFRS 9 - comparable data	09.12.2021	01.01.2023	01.01.2023	No impact
Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules	23.05.2023	01.01.2023	01.01.2023	No impact

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2023 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Group's assessment of the regulation
Amendment to IAS 1: classification of liabilities as current or non-current	23.01.2020	01.01.2024	01.01.2024	Assessment in progress
Amendments to IFRS 16: lease liability in a sale and leaseback	22.09.2022	01.01.2024	01.01.2024	Assessment in progress
Amendments to IAS 1: non-current Liabilities with Covenants	31.10.2022	01.01.2024	01.01.2024	Assessment in progress
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	25.05.2023	01.01.2024	Not endorsed yet	Assessment in progress
Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	15.08.2023	01.01.2025	Not endorsed yet	Assessment in progress

2.2 Change in comparative data

In the Consolidated Financial Statements for 2023, the Group changed the comparative data in connection with the change in presentation of certain assets and liabilities and following the purchase price allocation of the subsidiary.

- A. In the statement of financial position, the "Goodwill" line item was separated from the "Intangible assets" line item.
- B. In the statement of financial position, the presentation of the "Contract costs" line item was changed from non-current assets to current assets.
- C. In the statement of financial position, the "Long-term lease liabilities" line item was separated from the "Long-term finance liabilities" line item and the "Short-term lease liabilities" line item was separated from the "Short-term finance liabilities".
- D. Comparative data on account of the purchase price allocation of Redge Technologies Sp. z o.o. was changed in the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the statement of changes in equity.

STATEMENT OF FINANCIAL POSITION	December 31, 2022		December 31, 2022	
	Historical data	Change in presentation (A, B, C)	Settlement of the acquisition of a subsidiary (D)	Restated
ASSETS				
Goodwill	-	1,150,417	1,952	1,152,369
Other intangible assets	4,969,449	(1,150,417)	47,723	3,866,755
Contract costs	449,277	(449,277)	-	-
Total non-current assets	12,713,531	(449,277)	49,675	12,313,929
Contract costs	-	449,277	-	449,277
Total current assets	8,691,014	449,277	-	9,140,291
TOTAL ASSETS	21,404,545	-	49,675	21,454,220
EQUITY AND LIABILITIES				
Retained earnings	1,168,464	-	(1,358)	1,167,106
Equity attributable to the owners of P4 sp. z o.o.	2,585,180	-	(1,358)	2,583,822
Non-controlling interest	1,690	-	2,936	4,626
Total equity	2,586,870	-	1,578	2,588,448
Long-term finance liabilities	15,138,556	(4,008,149)	-	11,130,407
Long-term lease liabilities	-	4,008,149	-	4,008,149
Deferred tax liability	380,920	-	9,067	389,987
Total non-current liabilities	15,901,280	-	9,067	15,910,347
Short-term finance liabilities	481,556	(255,616)	-	225,940
Short-term lease liabilities	-	255,616	-	255,616
Trade and other payables	1,737,954	-	39,030	1,776,984
Total current liabilities	2,916,395	-	39,030	2,955,425
TOTAL LIABILITIES AND EQUITY	21,404,545	-	49,675	21,454,220

STATEMENT OF COMPREHENSIVE INCOME	Year ended December 31, 2022	Year ended December 31, 2022	
	Historical data	Settlement of the acquisition of a subsidiary (D)	Restated
Operating expenses	(6,973,290)	(1,764)	(6,975,054)
Depreciation and amortization	(1,458,073)	(1,764)	(1,459,837)
Operating profit	2,448,300	(1,764)	2,446,536
Profit before income tax	1,514,550	(1,764)	1,512,786
Income tax charge	(348,868)	335	(348,533)
Net profit	1,165,682	(1,429)	1,164,253
Other comprehensive income/(loss), net	21,659	-	21,659
Total comprehensive income	1,187,341	(1,429)	1,185,912
- attributable to owners of P4 sp. z o.o.	1,186,620	(1,358)	1,185,262
- attributable to owners of non-controlling interest	721	(71)	650

STATEMENT OF CASH FLOW	Year ended December 31, 2022	Year ended December 31, 2022	
	Historical data	Settlement of the acquisition of a subsidiary (D)	Restated
Profit before income tax	1,514,550	(1,764)	1,512,786
Depreciation and amortization	1,458,073	1,764	1,459,837
Cash provided by operating activities	2,977,706	-	2,977,706
Net cash provided by operating activities	1,427,819	-	1,427,819
Net cash used in investing activities	(7,414,312)	-	(7,414,312)
Net cash provided by/(used in) financing activities	5,325,378	-	5,325,378

STATEMENT OF CHANGES IN EQUITY	Year ended December 31, 2022	Year ended December 31, 2022	
	Historical data	Settlement of the acquisition of a subsidiary (D)	Restated
Retained losses opening balance (attributable to equity holders of the parent)	3,413,508	-	3,413,508
Net profit	1,164,961	(1,358)	1,163,603
Retained losses closing balance (attributable to equity holders of the parent)	1,168,464	(1,358)	1,167,106
Non-controlling interest opening balance	-	-	-
Net profit for the period	721	(71)	650
Acquisition of subsidiaries	969	3,007	3,976
Non-controlling interest closing balance	1,690	2,936	4,626
Total equity opening balance	3,293,579	-	3,293,579
Net profit	1,165,682	(1,429)	1,164,253
Acquisition of subsidiaries	969	3,007	3,976
Total equity closing balance	2,586,870	1,578	2,588,448

2.3 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.

2.3.1 Recognition of revenue

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

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

The stand-alone selling prices for mobile devices are estimated as a cost of sale plus margin. The stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as 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.

2.3.2 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 (please see Note 22.2) and the valuation of right-of-use assets (please see Note 22.2). 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.

2.3.3 Impairment of financial assets

The Group recognizes an allowance for expected credit losses in an amount equal to the expected credit losses over the life of the financial instrument for trade receivables, contract assets, lease receivables, cash and cash equivalents. For note receivables, the Group recognizes 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 expected credit loss is calculated as expected gross carrying amount of the financial asset at valuation date multiplied by expected credit loss rate.

When measuring expected credit loss for billing 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.

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

When calculating the 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. The Group uses professional judgement to calculate probability-weighted estimate of credit losses over the expected life of contract assets.

2.3.4 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 and December 2020 (please see Notes 24.2.1 and 24.2.2) the Group had concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of Notes. Thus, close relation between embedded derivative and host contract was confirmed. Therefore, this early redemption option was not separated from host debt contract of Notes issued in December 2019 and December 2020 for accounting and valuation purposes.

2.3.5 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, 2023 the assets retirement provision (please see Note 25) was calculated using a discount rate of 6.56% (6.86% as of December 31, 2022) for the active portion of infrastructure and 5.26% for the passive portion

of infrastructure (6.85% as of December 31, 2022), equal to the interest rate as at the reporting date for treasury bonds with maturities near the assumed retirement date.

2.3.6 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 10). 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 recognized in the consolidated statement of financial position.

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

2.3.7 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, 2023, 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, 2023.

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 2024-2028.

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 OTP). The pre-tax discount rate used (9.66% as at December 31, 2023; 13.03% as at December 31, 2022) reflects the risks typical of the P4 Group's business. The growth rate used to extrapolate cash flow projections beyond the forecast period (from 2029 onwards) is determined at 1% (as at December 31, 2022: 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, 2023. As a result no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. The 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 regulation by the government and the supervisory authority. All future changes in such regulations or telecommunications 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 2024-2028 higher than the Group's projected increase, no impairment charge would be recognized 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, no impairment charge would be recognized 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 recognize any impairment against the cash-generating unit.

2.4 Sale of a 50% stake in Polski Światłowód Otwarty sp. z o.o. ("PŚO")

On March 31, 2023, the sale of a 50% stake in PŚO to Plug Finco S.à r.l. belonging by the InfraVia Capital Partners group was finalized. The final remuneration amounted to PLN 2,361 m, of which PLN 1,765 million was received on the date of the transaction. The above transaction was effected in performance of the preliminary share purchase agreement signed on June 19, 2022 between P4 and InfraVia Capital Partners Group.

As a result of the sale of shares, PŚO became an entity jointly controlled by the Group and the InfraVia Capital Partners Group. Accordingly, as at March 31, 2023, the Group deconsolidated PŚO, i.e. derecognized PŚO's individual assets and liabilities from the consolidated statement of financial position, instead recognizing in the statement of financial position the initial amount of investment in PŚO, i.e. PLN 2,361 million.

Since the sale of PŚO the Group has measured shares in PŚO by the equity method, recognizing 50% of the net result and other comprehensive income generated by the company in profit or loss (see Note 14).

The amount of PLN 2,308m presented in the statement of cash flows in line "Proceeds from sale of a subsidiary" represents the remuneration for a sale of shares in PŚO reduced by PŚO's cash balance as at the date of the sale, in connection with the deconsolidation.

2.5 Partnership with PŚO

On March 1, 2023, the Group transferred to PŚO, by way of spinning off a portion of the business including in particular assets of the access network including approx. 3.7 million network connections employing HFC and FTTH technologies. PŚO makes its network infrastructure available to other telecommunications operators (including among others Play) on the wholesale access principles.

By the power of contracts signed on March 1, 2023 between P4, UPC and PŚO, the Group has been using the fiber optic infrastructure owned by PŚO. These costs are presented in the statement of comprehensive income in the "Other service costs" line item (please see Note 4).

Under the agreements signed, the Group has also been providing construction work services to PŚO to expand and build new fiber optic connections. The expenditures made to perform this work that have not yet been completed are presented in the statement of financial position in the "Inventories under construction" line item. Revenues and expenses related to the implementation of the BTS program as well as under the maintenance service agreements concluded 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).

2.6 Purchase price allocation of Redge Technologies sp. z o.o.

On June 30, 2022, P4 acquired a 92.5% stake in Redge Technologies Sp. z o.o. ("Redge"). In connection with the acquisition of the majority stake, Redge along with its subsidiary Redge Media PPV sp. z o.o., became fully consolidated subsidiaries. On July 13, 2023, the Company increased its holding in Redge to 95% by acquiring additional shares. Redge is a leading provider of online video distribution solutions in Eastern Europe.

The acquisition of shares in Redge is accounted for by the acquisition method in accordance with IFRS 3 Business Combinations. In the annual consolidated financial statements for 2022, the Group presented a provisional accounting of the transaction in connection with the continuing process of valuation of non-current assets and contingent liabilities. In H1 2023, the Group finalized the fair value measurement of the acquired assets by independent valuers.

The fair value of net assets was PLN 53,010 thousand, up by PLN 40,084 thousand relative to the provisional accounting of the transaction. The difference is due to a change in the valuation of intangible assets, which recognised, among other things, customer relationships of PLN 37,888 thousand. The remaining change was due to the valuation of computer software and a trademark. Goodwill amounted to PLN 128,182 thousand.

Consideration transferred	177,216
Non-controlling interest	3,976
- fair value of the acquired assets	(119,027)
+ fair value of the acquired liabilities	66,017
= Goodwill	128,182

In accordance with IFRS 3, the purchase price allocation necessitated a restatement of comparative data as at December 31, 2022.

The final fair values of the acquired assets and liabilities are presented below:

ASSETS		LIABILITIES	
Intangible assets	86,729	Long-term finance liabilities	35,781
Property, plant and equipment	6,167	Deferred tax liability	16,025
Right-of-use assets	8,622	Non-current liabilities	51,806
Other long term financial assets	1,000	Short-term finance liabilities	1,411
Long term prepaid expenses	8	Trade and other payables	4,432
Non-current assets	102,526	Contract liabilities	8,368
Prepaid expenses	501	Current liabilities	14,211
Trade and other receivables	15,010	TOTAL LIABILITIES AND EQUITY	66,017
Cash and cash equivalents	990		
Current assets	16,501		
TOTAL ASSETS	119,027	NET ASSETS ACQUIRED	53,010

2.7 Acquisition of subsidiaries

In January 2023, the Group acquired 83.55% of the shares in SferaNet S.A. ("SferaNet"), a local operator providing services based on the fiber optic technology. As at December 31, 2023, the Group owned 100% of the shares.

On December 4, 2023, following the procedure in Article 529 § 1 item 4 of the Commercial Company Code, SferaNet S.A. (divided company) was legally divided by spinning off part of the assets of the divided company and transferring the divided part to Tacertille Investments sp. z o.o. (acquiring company). The transfer of part of the business to the acquiring company was carried out by increasing the share capital of the acquiring company and without reducing the share capital of the divided company. Tacertille Investments sp. z o.o. changed its name to SferaNET Sp. z o.o. As a result of the spin-off, the divided company will operate under the name SferaNET Infrastruktura S.A.

In June 2023, the Group acquired a 100% stake in Syrion Sp. z o.o. ("Syrion"), a local operator offering services based on the fiber optic technology.

In H1 2023, Redge Technologies acquired 51.3% of the shares in Vestigit Sp. z o.o. ("Vestigit"), which specializes in identifying illegal distribution channels for clients around the world and provides tools that enable content creators to regain control of their intellectual property, for a fee. As a result, Redge increased its stake in the company to 67.8% as at December 31, 2023. In connection with the acquisition of the majority stake, in 2023 Vestigit became a fully consolidated subsidiary.

In June 2023, Redge Technologies acquired a 90% stake in MediaTool Sp. z o.o. ("MediaTool"), a creator of solutions for comprehensive management of the TV channels broadcast process.

In August 2023, the Group acquired a 51% stake in the Phobos Sp. z o.o. Group ("Phobos Group"). Phobos provides installation, subscriber support and network maintenance services.

In October 2023, the Group acquired a 100% stake in Fibreo S.A. ("Fibreo"). Fibreo is a local operator offering services based on the fiber optic technology. The acquisition extends the reach of the Group's fiber optic network and is aligned with the Group's strategy.

The above acquisition of shares and interest in the company is accounted as a business combination under IFRS 3. The Group is currently undergoing a purchase price allocation, which should be concluded within 12 months of the purchase date and collects all material information about the facts and circumstances that existed as at the date of acquisition and that could affect the fair value of the acquired assets and liabilities.

The temporary fair values of acquired assets and liabilities estimated as at the acquisition date are as follows:

ASSETS		LIABILITIES	
Intangible assets	351	Long-term finance liabilities	1,786
Property, plant and equipment	62,333	Deferred tax liability	635
Right-of-use assets	6,134	Non-current liabilities	2,421
Other long term financial assets	456	Short-term finance liabilities	14,546
Long term prepaid expenses	54	Trade and other payables	12,529
Non-current assets	69,328	Contract liabilities	34,894
Prepaid expenses	293	Liabilities directly associated with assets held for sale	4,936
Trade and other receivables	12,928	Current liabilities	66,905
Cash and cash equivalents	3,022	TOTAL LIABILITIES AND EQUITY	69,326
Inventories	1,074		
Current assets	33,947		
TOTAL ASSETS	103,275	NET ASSETS ACQUIRED	33,949

The temporary goodwill recognized in the consolidated statement of financial position was calculated as follows:

Consideration transferred	145,692
Non-controlling interest	2,222
- fair value of the acquired assets	(103,275)
+ fair value of the acquired liabilities	69,326
= Goodwill	113,965

2.8 Assets held for sale

In 2023, the Group continued to build passive infrastructure ("Built to Suit" ("BTS") program) in partnership with On Tower Poland. As at December 31, 2023, the expenditures made for the base stations above the minimum number specified in the BTS program were presented in the "Assets held for sale" item, while other expenditures incurred under this program were presented in the statement of financial position in the "Inventories under construction" line item.

Revenues and expenses related to the implementation of the BTS program as well as those incurred under the maintenance service agreements concluded with OTP are presented in other operating income and expenses in the "Income from partnership" and "Costs related to partnership" lines (please see Note 8).

Proceeds from the sales of stations are presented in the statement of cash flows in the line item "Proceeds from disposal of passive infrastructure". The capital expenditures incurred in a given year for passive infrastructure elements sold in that year and held for sale in future periods are presented in the statement of cash flows in the line item "Expenditures for assets held for sale".

Additionally, as at December 31, 2023, the Group presented in the line items "Assets held for sale" and "Liabilities directly associated with assets held for sale" the specified assets consisting of the access network in the form of network connections in FTTH and FTTB-UTP and ETTH technologies, intended to be sold to the entities outside the Group.

As at December 31, 2022 the balance of Assets held for sale and Liabilities directly associated with assets held for sale included primarily assets and liabilities of the UPC part designated for sale under the agreement described in Note 2.4.

The table below presents total amount of assets held for sale and liabilities directly associated with them resulting from the above titles:

	December 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	264,254	1,031,235
Right of use assets	9,749	10,106
Intangible assets, including goodwill	1	3,967,824
Deferred tax asset	1,400	-
Trade and other receivables and prepaid expenses	901	63
	277,034	5,009,228
LIABILITIES		
Finance liabilities	1,459	-
Lease liabilities	7,271	10,403
Provisions	-	9,052
Trade and other payables	4,095	10,500
Deferred tax liability	321	61,300
Deferred income	33,377	-
	46,523	91,255
Net assets directly associated with disposal group	230,511	4,917,973

3. Operating revenue

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

	Year ended December 31, 2023	Year ended December 31, 2022
Service revenue	7,870,304	7,144,735
Usage revenue	6,985,146	6,097,815
Interconnection revenue	885,158	1,046,920
Sales of goods and other revenue	1,926,725	1,790,112
	9,797,029	8,934,847

	Year ended December 31, 2023	Year ended December 31, 2022
Usage revenue by category		
Retail contract revenue	5,627,663	4,907,063
Retail prepaid revenue	935,423	868,077
Other usage revenue	422,060	322,675
	6,985,146	6,097,815

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

The vast majority of operating revenue is realized in Poland. Revenue from sales of goods 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 recognized from performance obligations satisfied or partially satisfied in previous periods.

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

	December 31, 2023	December 31, 2022
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	2,491,577	2,211,191
later than 1 year and not later than 2 years	1,080,050	958,806
later than 2 years and not later than 3 years	150,667	121,402
later than 3 years	7,528	4,763
	3,729,822	3,296,162

4. Interconnection, roaming and other service costs

	Year ended December 31, 2023	Year ended December 31, 2022
Interconnection costs, including network sharing	(914,223)	(1,079,516)
Other service costs	(1,286,414)	(647,596)
	(2,200,637)	(1,727,112)

Other service costs include fees for using the infrastructure as part of a partnership with PŚO (please see Note 2.5), 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. Costs of employee benefits

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries	(489,007)	(404,888)
Social security	(85,314)	(69,242)
Equity settled incentive and retention programs	(18,132)	(7,085)
	(592,453)	(481,215)

6. External services

	Year ended December 31, 2023	Year ended December 31, 2022
Network maintenance, leased lines and energy	(829,068)	(655,111)
Advertising and promotion expenses	(224,568)	(224,339)
Customer relations costs	(78,125)	(67,770)
Office and points of sale maintenance	(34,184)	(21,972)
IT expenses	(159,597)	(129,298)
People related costs	(37,447)	(30,961)
Finance and legal services	(25,870)	(43,401)
Other external services	(169,314)	(97,428)
	(1,558,173)	(1,270,280)

A significant portion of the costs of network maintenance, leased lines and energy was comprised of the passive infrastructure lease and maintenance costs under agreements signed with OTP (please see also Note 2.8).

7. Depreciation and amortization

	Year ended December 31, 2023	Year ended December 31, 2022 Restated
Depreciation of property, plant and equipment	(756,872)	(654,585)
Amortization of intangibles	(554,830)	(494,930)
Depreciation of right-of-use assets	(350,389)	(310,322)
	(1,662,091)	(1,459,837)

8. Other operating income and other operating costs

	Year ended December 31, 2023	Year ended December 31, 2022
Other operating income		
Gains from derecognition of financial assets measured at amortized costs	44,934	13,913
Income from partnership	970,407	700,275
Reversal of impairment of other non-current assets	25	1,304
Income from subleasing of right-of-use assets	17,949	16,016
Other miscellaneous operating income	234,325	103,979
	1,267,640	835,487
Other operating costs		
Costs related to partnership	(319,248)	(176,441)
Impairment of trade receivables	(73,900)	(43,232)
Impairment of contract assets	(82,329)	(66,831)
Impairment of non-current assets	(3,590)	(8,622)
Loss on disposal of non-current assets and termination of lease contracts	(2,015)	(25,428)
Other miscellaneous operating costs	(65,750)	(28,190)
	(546,832)	(348,744)

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, construction works to PŚO and other services provided to PŚO and OTP (please see also Note 2.5 and Note 2.8).

Income from subleasing of right-of-use assets relate 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.

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

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.

9. Finance income and finance costs

	Year ended December 31, 2023	Year ended December 31, 2022
Finance income		
Interest income from assets at amortized cost	16,457	31,443
Income from the net investment in the lease	1,282	941
Net gain on finance instruments at fair value	-	176
- <i>ineffectiveness on cash flow hedges</i>	-	176
Exchange rate gains	59,666	-
Other	11,284	-
	88,689	32,560
Finance costs		
Interest expense, including:	(1,223,202)	(920,754)
- <i>on lease liabilities</i>	(254,761)	(221,076)
- <i>effect of cash flow hedges</i>	53,762	14,612
Net loss on finance instruments at fair value	(19,247)	(20,046)
Exchange rate losses	-	(11,443)
Other	(15,285)	(14,067)
	(1,257,734)	(966,310)

The line items Net profit and net loss on financial assets at fair value represents the valuation of the ineffective portion of the cash flow hedge via interest rate swaps and valuation of other derivatives.

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

Interest expense in 2023 increased versus 2022, driven mainly by an increase in bank loan debt and a hike in market interest rates.

Exchange rate gains were caused mainly by an appreciation of Polish Złoty against EUR in 2023 as compared to 2022, when the Group recognized exchange rate losses associated with a depreciation of Polish Złoty against EUR.

In 2023 and in 2022, the Group did not recognize any gains or losses related to liabilities measured at amortized cost.

10. Income tax

	Year ended December 31, 2023	Year ended December 31, 2022 Restated
Current tax charge	(428,347)	(414,760)
Deferred tax benefit	13,635	66,227
Income tax charge	(414,712)	(348,533)

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

	Year ended December 31, 2023	Year ended December 31, 2022 Restated
Profit before income tax	1,199,240	1,512,786
Tax calculated at the prevailing tax rate applicable to profit (19%)	(227,856)	(287,429)
Effect of difference between tax rates in Luxembourg and in Poland	73	(16)
Expenses not subject to tax	(107,819)	(24,368)
Income not subject to tax	12,899	8,294
Previous years tax income included in current year accounting profit	31	1,402
Adjustments relating to previous tax years	25,294	(976)
Change in unrecognized deferred tax asset	(117,334)	(52,007)
Taxable costs not included in accounting profit	-	11,527
Deferred tax recorded in equity	-	(4,960)
Income tax charge	(414,712)	(348,533)
Effective Tax rate	34.6%	23.0%

Most of the P4 Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries registered in Poland was 19% in 2023 and 2022, and in Luxembourg 24.94% in 2023 and 2022.

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

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland.

Deferred tax assets and liabilities by category

	December 31, 2023	December 31, 2022 Restated
Net deductible temporary differences		
Potential base for deferred income tax calculation	(1,807,116)	(2,372,009)
Potential deferred income tax net asset/(liability), thereof:	(343,355)	(450,754)
- recognized deferred income tax assets	36	908
- recognized deferred income tax liabilities	(344,470)	(390,362)
<i>deferred income tax liability net related to assets held for sale (see Note 2.8)</i>	1,079	(61,300)
Carry-forwards of unused tax losses		
Potential base for deferred income tax calculation	690,459	343,285
Potential deferred income tax net asset/(liability), thereof:	135,221	70,412
- recognized deferred income tax assets	4,354	375
- not recognized deferred income tax assets	130,867	70,037
Total, netted at subsidiary level		
- recognized deferred income tax assets	4,390	908
- recognized deferred income tax liabilities	(344,470)	(389,987)
- <i>recognised net deferred income tax liability related to assets held for sale</i>	1,079	(61,300)
- not recognized deferred income tax assets	130,867	70,037

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 2024 and long term financial projections.

As at December 31, 2023 and December 31, 2022, the Group did not recognize 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. The Group has not recognized an asset on tax losses incurred on the capital activity generated by P4 in 2023, and tax losses incurred by Play Finance 1 S.A. in 2017-2023, which under Luxembourg tax law can be settled over 17 years.

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

The Polish and Luxembourg tax systems have restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the 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 Luxembourg tax losses can be carried forward during a period of maximum 17 years (tax losses incurred during the period from January 1, 1991 to December 31, 2016, may be carried forward without any time limit). In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum (thus, a given loss may be fully utilized by a taxpayer within 2 subsequent years at the earliest).

Movement in deferred tax assets and liabilities:

	Year ended December 31, 2023	Year ended December 31, 2022 Restated
<u>Beginning of period:</u>		
Deferred tax assets	908	-
Deferred tax liabilities	(380,920)	(169,737)
Change resulting from the final settlement of the acquisition of a subsidiary	(9,067)	
<u>Deferred tax liability - Beginning of period, restated</u>	(389,987)	(169,737)
credited / (charged) to the income statement	13,635	66,227
credited to equity	34,386	(4,960)
reclassified to liabilities directly associated with assets held for sale	(1,079)	-
resulting from acquisition of subsidiaries	(180)	(292,011)
change in result of deconsolidation of PŚO and merger	2,237	11,402
<u>End of period</u>		
Deferred tax assets	4,390	908
Deferred tax liabilities	(344,470)	(389,987)

Deferred tax is due to the following items:

	Consolidated statement of financial position		Consolidated Statement of comprehensive income	
	December 31, 2023	December 31, 2022 Restated	2023	2022 Restated
Carry-forward of unused tax losses	2,597	375	1,769	135
Fixed and intangible assets	(232,934)	(300,267)	65,176	31,499
Right-of-use assets	(833,323)	(779,614)	(53,709)	(33,745)
Contract costs	(97,445)	(85,364)	(12,081)	(9,594)
Contract assets	(330,589)	(304,609)	(25,980)	(25,908)
Receivables	(37,432)	(15,043)	(22,492)	14,811
Inventories	2,714	(422)	3,136	(1,389)
Prepaid expenses	(10,964)	(8,878)	(2,086)	(2,583)
Provisions and accruals	99,318	136,868	(36,765)	11,296
Liabilities	1,058,793	941,423	83,934	69,505
Contract liabilities	29,636	26,801	2,835	1,621
Other items	9,549	(349)	9,898	10,579
Deferred tax liabilities	(340,080)	(389,079)		
Deferred tax recognized in profit and loss			13,635	66,227

11. Goodwill

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

	Year ended December 31, 2023	Year ended December 31, 2022 Restated
As at January 1	1,152,369	412,031
Acquisition of subsidiaries	113,965	4,704,372
Reclassification from/(to) Assets held for sale	193,632	(3,964,034)
As at December 31	1,459,966	1,152,369

The increase in goodwill in 2023 is due to the acquisition of subsidiaries (please see Note 2.7) and a correction of the goodwill, which was transferred to Assets held for sale as at December 31, 2022 in connection with the PŚO subsidiary share sale transaction (please see Note 2.4).

As at December 31, 2023 and December 31, 2022, no impairment loss allowance on goodwill was recognized.

12. Other intangible assets

	December 31, 2023			Net book value
	Cost	Accumulated amortization	Accumulated impairment	
Telecommunications licenses	3,355,523	(1,291,908)	-	2,063,615
Computer and network software	2,589,664	(1,794,185)	(778)	794,701
Other intangible assets	1,860,904	(302,793)	-	1,558,111
	7,806,091	(3,388,886)	(778)	4,416,427

	December 31, 2022, restated			Net book value
	Cost	Accumulated amortization	Accumulated impairment	
Telecommunications licenses	3,131,603	(1,668,693)	-	1,462,910
Computer and network software	2,273,723	(1,555,507)	-	718,216
Other intangible assets	1,860,249	(174,620)	-	1,685,629
	7,265,575	(3,398,820)	-	3,866,755

Telecommunications licenses

Frequency band	License term		Net book value as at	
	from	to	December 31, 2023	December 31, 2022
900 MHz	December 9, 2008	December 31, 2023	-	14,513
1800 MHz	February 13, 2013	December 31, 2027	137,379	171,724
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	705,704	805,333
2600 MHz	January 25, 2016	January 25, 2031	104,886	119,692
2100 MHz	January 1, 2023	December 31, 2037	328,204	351,648
3500-3600 MHz	December 19, 2023	November 30, 2038	487,095	-
900 MHz	January 1, 2024	December 31, 2038	300,347	-
			2,063,615	1,462,910

The Internet domain play.pl has been classified as an intangible asset with indefinite useful life. The useful life of this asset had 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 entity.

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, 2023	1,462,910	718,216	1,685,629	3,866,755
Increases	787,442	321,608	40	1,109,090
Acquisition of subsidiaries	-	90	160	250
Charge	(186,737)	(239,606)	(128,487)	(554,830)
Impairment charge	-	(778)	-	(778)
Reclassification to Assets held for sale	-	-	(1)	(1)
Other transfers and reclassifications	-	1,881	1,049	2,930
Decreases	-	(5,521)	(279)	(5,800)
Deconsolidation	-	(1,189)	-	(1,189)
Net book value as at December 31, 2023	2,063,615	794,701	1,558,111	4,416,427

	Telecommunications licenses	Computer and network software	Other intangible assets	Total
Net book value as at January 1, 2022, restated	1,296,398	509,854	140,027	1,946,279
Increases	351,648	254,769	3,876	610,293
Acquisition of subsidiaries	-	167,043	1,647,151	1,814,194
Charge	(185,136)	(207,653)	(102,141)	(494,930)
Transfers and reclassifications	-	(4,261)	(3,284)	(7,545)
Decreases	-	(1,536)	-	(1,536)
Net book value as at December 31, 2022, restated	1,462,910	718,216	1,685,629	3,866,755

13. Property, plant and equipment

	December 31, 2023			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	1,251,461	(315,527)	(13,491)	922,443
IT equipment	681,200	(395,646)	-	285,554
Telecommunications network and equipment	3,428,063	(2,056,618)	(2,818)	1,368,627
Other	1,008,199	(444,536)	-	563,663
	6,368,923	(3,212,327)	(16,309)	3,140,287

The "Land and buildings" group presents mainly cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment and telecommunication towers remaining the Group's property can be installed.

Certain proportion of the Property, plant and equipment is also used to generate revenue from operating leases where some assets (towers) are also being shared with other operators. Nevertheless, property, plant and equipment that

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 154,035 thousand as at December 31, 2023 and PLN 279,212 thousand as at December 31, 2022.

	December 31, 2022			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Land and buildings	1,040,022	(271,264)	(11,538)	757,220
IT equipment	446,883	(281,198)	-	165,685
Telecommunications network and equipment	3,488,528	(1,805,547)	(1,985)	1,680,996
Other	700,475	(260,054)	-	440,421
	5,675,908	(2,618,063)	(13,523)	3,044,322

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

	Land and buildings	IT equipment	Telecommunications network and equipment	Other	Total
Net book value as at January 1, 2023	757,220	165,685	1,680,996	440,421	3,044,322
Increases	190,613	36,185	516,436	275,760	1,018,994
Acquisition of subsidiaries	918	105	1,317	111	2,451
Charge	(52,874)	(64,973)	(429,282)	(209,743)	(756,872)
Impairment charge	(1,953)	-	(833)	-	(2,786)
Reclassification from/(to) Assets held for sale	7,344	-	(100,330)	(6)	(92,992)
Reclassification to Work in progress	-	-	(11,062)	-	(11,062)
Other transfers and reclassifications	24,553	149,770	(252,149)	73,997	(3,829)
Decreases	(3,378)	(1,196)	(36,466)	(13,068)	(54,108)
Deconsolidation	-	(22)	-	(3,809)	(3,831)
Net book value as at December 31, 2023	922,443	285,554	1,368,627	563,663	3,140,287

	Land and buildings	IT equipment	Telecommunications network and equipment	Other	Total
Net book value as at January 1, 2022	550,849	111,676	1,044,558	78,885	1,785,968
Increases	380,580	30,883	572,311	150,871	1,134,645
Acquisition of subsidiaries	12,506	18,386	553,149	365,262	949,303
Charge	(41,135)	(39,209)	(409,192)	(165,049)	(654,585)
Impairment charge	(8,618)	-	1,300	-	(7,318)
Reclassification to Assets held for sale	(144,896)	-	-	-	(144,896)
Other transfers and reclassifications	8,159	44,045	(63,688)	20,580	9,096
Decreases	(225)	(96)	(17,442)	(10,128)	(27,891)
Net book value as at December 31, 2022	757,220	165,685	1,680,996	440,421	3,044,322

14. Investment in a joint venture

Following the sale of a 50% stake in PŚO (please see Note 2.4) on March 31, 2023, the Group lost control over the company and removed the company from the scope of full consolidation. Shares in PŚO were classified as a joint venture and are measured using the equity method. According to the accepted valuation method, the Group presents its shares in PŚO in the consolidated statement of financial position as "Investment in joint venture", where the value takes into account the 50% share in the net profit and other comprehensive income/losses generated by the company.

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

	Period April 1, 2023 - December 31, 2023 r.	
Operating revenue	440,728	
Operating expenses	(229,902)	
Depreciation and amortization	(63,515)	
Operating profit	210,826	
Finance income	29,685	
Finance costs	(152,179)	
Profit before income tax	88,332	
Income tax charge	(42,594)	
Net profit	45,738	
Other comprehensive income/(loss), net	(43,100)	
Total comprehensive income	2,638	
Share of profit of equity-accounted investee	22,868	
Share of other comprehensive loss of equity-accounted investees	(21,550)	
ASSETS		
	December 31, 2023	March 31, 2023
Total non-current assets	5,030,024	4,753,407
Cash and cash equivalents	135,180	1,253,254
Other short-term finance assets	185,186	50,402
Total current assets	320,366	1,303,656
TOTAL ASSETS	5,350,390	6,057,063
LIABILITIES		
Long-term finance liabilities	1,481,765	1,200,160
Other non-current liabilities	136,843	65,615
Total non-current liabilities	1,618,608	1,265,775
Short-term finance liabilities	10,842	9,665
Trade and other payables	179,811	43,130
Total current liabilities	190,653	52,795
TOTAL LIABILITIES	1,809,261	1,318,570
NET ASSETS	3,541,129	4,738,493

Group's share of net assets (50%)	1,770,565	2,369,247
Goodwill	-	-
Customization adjustments	(8,248)	(8,248)
Carrying amount of investment in joint venture	1,762,317	2,360,999

The table below presents the reconciliation of the investment value from the initial recognition to the balance sheet date:

Carrying amount of investment in joint venture as at March 31, 2023	2,360,999
Inflow from investment in joint venture	(600,000)
Share of profit of equity-accounted investee	22,868
Share of other comprehensive loss of equity-accounted investees	(21,550)
Carrying amount of investment in joint venture as at December 31, 2023	1,762,317

15. Other finance assets

	December 31, 2023	December 31, 2022
Long-term investments	165	1,513
Interest rate swaps	-	44,898
Long-term receivables	21,098	19,559
Long-term lease receivables	23,729	14,490
Other long term financial assets	44,992	80,460
Interest rate swaps	34,802	80,657
Short-term lease receivables	9,332	9,810
Loans given	-	250
Other short-term finance assets	44,134	90,717
	89,126	171,177

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

Lease receivables were described in Note 22, while interest rate swaps were described in Note 30.

16. Inventories

	December 31, 2023	December 31, 2022
Goods for resale	198,277	180,628
Goods in dealers' premises	27,083	29,553
Materials	243	263
Work in progress	399,108	124,011
Impairment of goods for resale	(9,385)	(7,953)
	615,326	326,502

In the "Inventories under construction" line item, the Group presents 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 (please see also Note 2.5 and 2.8).

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, 2023	Year ended December 31, 2022
Beginning of period	(7,953)	(7,925)
- charged to income statement	(1,571)	(166)
- utilized	139	138
End of period	(9,385)	(7,953)

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

17. Trade and other receivables

	December 31, 2023	December 31, 2022
Trade receivables	1,354,128	1,063,716
Impairment of trade receivables	(136,272)	(137,374)
Trade receivables (net)	1,217,856	926,342
VAT and other government receivables	1,061	4,705
Other receivables	1,492	319
Other receivables (net)	2,553	5,024
	1,220,409	931,366

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 derecognized. 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, 2023	Year ended December 31, 2022
Beginning of period	(137,374)	(101,481)
- acquisition of a subsidiary	(757)	(25,699)
- charged to income statement	(73,900)	(43,232)
- utilized	75,759	33,038
End of period	(136,272)	(137,374)

The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements and for whom the Group anticipates a violation of the agreement. Amounts charged to the allowance account are generally written down when there is no expectation of recovering additional cash. A decision to write down any receivables is made on a case-by-case basis for each business partner after all available methods of recovery have been exhausted or when the receivable becomes time-barred.

Credit risk exposure resulting from the Group's trade receivables as at December 31, 2023 and December 31, 2022 is as follows:

	Not past due	Overdue			Total
		0 to 3 months	3 to 6 months	over 6 months	
December 31, 2023					
Expected credit loss	3.3%	7.6%	53.7%	66.8%	
Total trade receivables, gross	1,024,328	193,304	24,957	111,539	1,354,128
Accumulated impairment loss	(33,779)	(14,618)	(13,410)	(74,465)	(136,272)
Total trade receivables, net	990,549	178,686	11,547	37,074	1,217,856

	Not past due	Overdue			Total
		0 to 3 months	3 to 6 months	over 6 months	
December 31, 2022					
Expected credit loss	4.7%	10.1%	57.2%	80.9%	
Total trade receivables, gross	796,359	156,857	23,307	87,193	1,063,716
Accumulated impairment loss	(37,647)	(15,874)	(13,326)	(70,527)	(137,374)
Total trade receivables, net	758,712	140,983	9,981	16,666	926,342

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

18. Contract assets

	December 31, 2023	December 31, 2022
Contract assets	1,848,704	1,699,848
Impairment of contract assets	(108,762)	(96,645)
	1,739,942	1,603,203

The carrying amount of impairment of contract assets corresponds to the expected credit loss recognized in accordance with IFRS 9 upon initial recognition of the contract asset. Please see also Note 2.3.3.

The expected credit loss rate for contract assets both as at December 31, 2023 and December 31, 2022 amounted to 6%.

Movements of the impairment allowance for contract assets were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Beginning of period	(96,645)	(93,482)
- charged to income statement	(82,329)	(66,831)
- utilization	70,212	63,668
End of period	(108,762)	(96,645)

The "charged to income statement" 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, 2023 and year ended December 31, 2022 were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Contract assets, net - Beginning of period	1,603,203	1,460,945
Additions	1,574,369	1,484,124
Invoiced amounts transferred to trade receivables	(1,355,301)	(1,275,035)
Impairment, charged to income statement	(82,329)	(66,831)
Contract assets, net - End of period	1,739,942	1,603,203

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.

19. Contract costs

	Year ended December 31, 2023	Year ended December 31, 2022
As at January 1	449,277	398,787
Contract costs recognized as an asset	515,347	447,253
Contract costs charged to income statement	(451,758)	(396,763)
As at December 31	512,866	449,277

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

The change in the presentation of contract cost assets and their presentation as current assets is due to the fact that these assets are associated with the Group's regular operating cycle (please see Note 2.2).

20. Prepaid expenses

	December 31, 2023	December 31, 2022
Long term prepaid expenses		
Loan origination fees	7,266	12,585
Other	13,348	35,653
	20,614	48,238
Short term prepaid expenses		
Costs related to network sharing and use of telecommunications infrastructure	58,702	48,333
Distribution and selling costs	7,687	6,726
Network and IT maintenance	10,284	7,264
Loan origination fees	5,133	9,401
Other	47,523	32,529
	129,329	104,253

21. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	698	567
Balances deposited with banks	202,739	624,857
Other cash assets	4,289	193
	207,726	625,617

As of December 31, 2023 and December 31, 2022 balances deposited with banks included, among others, cash related to VAT received through split payment process.

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 recognized as receivables in the amount of the Group's investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As at December 31, 2023 the Group recognized 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, 2023	December 31, 2022
Year 1	14,327	6,366
Year 2	9,627	6,654
Year 3	6,553	6,309
Year 4	1,862	2,743
Year 5	645	506
Year 6 and onwards	994	1,436
Undiscounted lease payments	34,008	24,014
Unguaranteed residual values	1,196	2,533
Less: unearned finance income	(2,143)	(2,247)
Present value of minimum lease payments	33,061	24,300
Impairment Losses	-	-
Net investment in the lease	33,061	24,300

Operating leases

The Group enters also into lease agreements in which it is the lessor, which are classified as operating leases (i.e. when the terms of the lease don't transfer substantially all the risks and rewards of ownership to the lessee). Operating leases relate mainly to point of sales, base stations and fiber optic cables. Operating lease income is presented respectively in the operating revenue or other operating income (please see Note 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, 2023	December 31, 2022
Year 1	31,611	29,037
Year 2	24,162	23,306
Year 3	11,790	11,191
Year 4	4,282	4,859
Year 5	1,304	2,191
Year 6 and onwards	533	350
total lease payments	73,682	70,934

22.2 Group as a lessee

	December 31, 2023			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Right-of-Use:				
Land and buildings	5,336,191	(1,092,365)	-	4,243,826
IT equipment	21,391	(18,435)	-	2,956
Telecommunications network and equipment	140,425	(31,797)	-	108,628
Other	67,876	(14,211)	-	53,665
	5,565,883	(1,156,808)	-	4,409,075

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil in the Year ended December 31, 2023 and in the year ended December 31, 2022. In the Year ended December 31, 2023 and in the year ended December 31, 2022 there were no leases with guaranteed residual value or uncommenced leases 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 24,389 thousand in the Year ended December 31, 2023 and PLN 28,344 thousand in the year ended December 31, 2022.

Income from subleasing of right-of-use assets is presented in Note 8.

	December 31, 2022			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Right-of-Use:				
Land and buildings	4,829,984	(797,424)	-	4,032,560
IT equipment	22,293	(17,535)	-	4,758
Telecommunications network and equipment	88,951	(24,236)	-	64,715
Other	32,254	(13,410)	-	18,844
	4,973,482	(852,605)	-	4,120,877

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

	Right-of-Use:				
	Land and buildings	IT equipment	Telecommunications network and equipment	Other	Total
Net book value as at January 1, 2023	4,032,560	4,758	64,715	18,844	4,120,877
Increases	645,841	-	61,795	38,689	746,325
Acquisition of subsidiaries	91	91	3,163	2,716	6,061
Charge	(331,274)	(1,926)	(13,870)	(3,319)	(350,389)
Reclassification to Assets held for sale	(4,056)	-	(1,821)	-	(5,877)
Other transfers and reclassifications	384	34	(1,627)	(979)	(2,188)
Decreases	(99,720)	(1)	(3,727)	(2,114)	(105,562)
Deconsolidation	-	-	-	(172)	(172)
Net book value as at December 31, 2023	4,243,826	2,956	108,628	53,665	4,409,075

P4 Sp. z o.o. Group
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 as at and for the year ended December 31, 2023
 (expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Land and buildings	IT equipment	Right-of-Use: Telecommunications network and equipment	Other	Total
Net book value as at January 1, 2022	3,733,442	7,350	39,105	14,825	3,794,722
Increases	565,586	-	20,047	595	586,228
Acquisition of subsidiaries	96,789	-	17,566	11,775	126,130
Charge	(290,997)	(2,653)	(11,229)	(5,443)	(310,322)
Transfers and reclassifications	-	225	(522)	(1,113)	(1,410)
Decreases	(72,260)	(164)	(252)	(1,795)	(74,471)
Net book value as at December 31, 2022	4,032,560	4,758	64,715	18,844	4,120,877

Lease liabilities

	December 31, 2023	December 31, 2022
Long-term lease liabilities		
Land and buildings for telecommunication sites and network	4,045,438	3,772,773
Points of sale	52,280	51,809
Dark fiber optic cable	42,156	23,988
Collocation centers	88,973	77,776
Offices and warehouse	45,552	70,699
IT equipment and telecommunications equipment	3,398	4,830
Motor vehicles	27,236	6,274
	4,305,033	4,008,149
Short-term lease liabilities		
Land and buildings for telecommunication sites and network	191,550	165,441
Points of sale	33,345	31,301
Dark fiber optic cable	14,459	12,320
Collocation centers	13,831	11,086
Offices and warehouse	22,622	21,360
IT equipment and telecommunications equipment	4,125	5,708
Motor vehicles	14,068	8,400
	294,000	255,616
	4,599,033	4,263,765

For information regarding costs related to lease liabilities, please see the notes 9 and 24.4.

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, 2023 and as at December 31, 2022, 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 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 recognizes in other reserves the effect of valuation of cash flow hedging instruments in the portion recognized as an effective hedge (please see Note 30), as well as actuarial gains/losses on post-employment employee benefits.

23.4 Retained earnings

On April 25, 2023, the Shareholder Meeting adopted a resolution on the distribution of P4's 2022 profit, according to which the 2022 net profit in the amount of PLN 1,024,766 thousand was distributed as follows:

- The amount of PLN 892,100 thousand was used to pay out a dividend for 2022.
- The remaining part of the net profit in the amount of PLN 132,667 thousand was used to create reserve capital to be used for future dividends or interim dividends.

On April 26, 2023, the Group paid out a dividend to Iliad Purple in the total amount of PLN 2,400,000 thousand from the reserve capital created from the 2021 profit in the amount of PLN 1,507,900 and from a portion of the 2022 profit in the amount of PLN 892,100 thousand.

24. Finance liabilities - debt

Finance liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities 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 (please see also Note 41.20).

	December 31, 2023	December 31, 2022 Restated
Long-term finance liabilities		
Long-term bank loans	7,315,148	9,802,020
Long-term notes liabilities	1,248,669	1,248,331
Interest rate swaps	95,051	80,056
Other debt	1,400,071	-
	10,058,939	11,130,407
Short-term finance liabilities		
Short-term bank loans	265,364	199,906
Short-term notes liabilities	3,545	3,770
Interest rate swaps	87,312	10,389
Other debt	504,701	11,875
	860,922	225,940
	10,919,861	11,356,347

Interest rate swaps were described in Note 30.

24.1 Bank loans

	December 31, 2023	December 31, 2022
Long-term bank loans	7,315,148	9,802,020
Short-term bank loans	265,364	199,906
	7,580,512	10,001,926
the balance of unamortized fees	27,379	52,611
the weighted average effective interest rate	7.66%	9.52%

The table below presents the list of the Group's current loan agreements. "Amount used" represents the nominal value of credit obligations as at December 31, 2023.

Agreement	Note	Disbursement date	Final maturity	Repayment type	Interest rate	Amount used	Remaining amount available
Term and Revolving Facilities Agreement – the term part	24.1.1	March 30, 2021	March 29, 2026	At the end of the agreement	floating	3,500,000	-
Term and Revolving Facilities Agreement – the revolving part	24.1.1	March 30, 2021	March 29, 2024	At the end of the agreement	floating	-	2,000,000
Term Facility Agreement	24.1.2	April 1, 2022	March 26, 2026	At the end of the agreement	floating	3,000,000	-
Investment loan	24.1.3					475,000	-
Tranche 1		October 31, 2022	September 20, 2026	Instalments	fixed	141,120	
Tranche 2		December 29, 2022	September 20, 2026	Instalments	fixed	130,223	
Tranche 3		March 31, 2023	September 20, 2026	Instalments	fixed	57,273	
Tranche 4		May 31, 2023	September 20, 2026	Instalments	fixed	81,103	
Tranche 5		July 31, 2023	September 20, 2026	Instalments	fixed	65,281	
Facility agreement for the purchase of electronic equipment	24.1.4					348,270	-
Tranche 1		March 9, 2022	December 22, 2026	Instalments	floating	176,250	
Tranche 2		June 22, 2022	December 22, 2026	Instalments	floating	93,750	
Tranche 3		December 23, 2022	December 22, 2026	Instalments	floating	78,270	
Investment loan from the European Investment Bank	24.1.5					235,000	235,000
Tranche 1		February 25, 2022	February 25, 2028	Instalments	fixed	150,000	
Tranche 2		June 27, 2022	June 27, 2028	Instalments	fixed	50,000	
Tranche 3		December 22, 2022	December 22, 2028	Instalments	floating	35,000	

24.1.1 Term and Revolving Facilities Agreement, „TRFA“

On March 26, 2021, the Company signed the new Term and Revolving Facilities Agreement ("TRFA") for the total amount of PLN 5,500,000 thousand, 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 3,500,000 thousand was granted for a period of 5 years, while the Revolving Facility in the amount of PLN 2,000,000 thousand will be available for a period of 3 years, with an option to extend it or replace it with a term loan upon consent of the Lenders. 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 to the consolidated EBITDAaL ("Leverage Ratio") does not exceed 3.25x as at the test dates. The covenant was satisfied as at December 31, 2023.

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.

24.1.2 Term Facility Agreement

On December 10, 2021 the Company entered into a new Facility Agreement for PLN 5,500,000 thousand 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 Société Générale as lead arrangers and original lenders together with Crédit Agricole Bank Polska S.A. and ING Bank Śląski S.A. The financing was available for a drawdown in a single tranche during the 12-month availability period.

On April 1, 2022, the full amount of available financing, i.e. PLN 5.5 billion, was drawn down. The funds were used to cover part of the consideration for the purchase of UPC shares.

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 to consolidated adjusted EBITDaL, has been set at 3.25x.

The Group made a voluntary prepayment of the principal:

- on May 22, 2023, in the amount of PLN 1,400,000 thousand with accrued interest.
- on August 24, 2023, in the amount of PLN 700,000 thousand with accrued interest.
- on October 22, 2023, in the amount of PLN 400,000 thousand with accrued interest

24.1.3 Investment loan

On October 15, 2021 the Company signed a PLN 500,000 thousand 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, 2023, 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 to the consolidated EBITDAaL ("Leverage Ratio") does not exceed 3.25x as at the test dates.

24.1.4 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 464,400 thousand ("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, 2023, 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 to the consolidated EBITDAaL may not exceed 3.25x as at each test date.

24.1.5 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 470,000 thousand ("EIB Financing"). Under this agreement, the Company may 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".

The funding may be made available in up to 9 tranches over a 2-year availability period. On March 31, 2023, an annex to the agreement was signed, by the power of which the availability period of the loan was extended until January 14, 2025. The facility will be repaid in a single instalment 6 years after the disbursement or within 10 years after the disbursement in equal instalments after the end of the grace period, at the Company's discretion.

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

24.2 Notes

	December 31, 2023	December 31, 2022
Long-term notes liabilities		
PLN Floating Rate Notes	1,248,669	1,248,331
	1,248,669	1,248,331
Short-term notes liabilities		
Accrued interest related to notes	3,545	3,770
	3,545	3,770
	1,252,214	1,252,101
the balance of unamortized fees	1,331	1,669
the weighted average effective interest rate	7.79%	9.27%

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).

24.2.1 Series A Unsecured Notes due in 2026

On October 23, 2019, the Group announced its intention to establish a Bond Issue Program (the "Program"), as part of which the issuer will be able to carry out a number of bond issues up to the maximum total nominal value of bonds issued under the Program and outstanding at any time of PLN 2 billion.

On December 13, 2019 P4 issued under the Program 1,500 series A unsecured notes, with the nominal value of PLN 500 thousand each and the total nominal value of PLN 750,000 thousand, which on December 13, 2019 were registered in the depository operated by the Central Securities Depository of Poland. 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.

24.2.2 Series B Unsecured Notes due in 2027

On December 29, 2020, P4 issued under the Program 500,000 series B unsecured notes with the nominal value of PLN 1 thousand each and the total nominal value of PLN 500,000 thousand, which on December 30, 2020 were registered in the depository operated by the Central Securities Depository of Poland. On March 9, 2021, the notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange. On March 16, 2021, the notes were quoted for the first time.

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

24.3 Other finance liabilities

Other finance 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 1,400,000 thousand. The loan was concluded for a 6-month period and subsequently, on November 30, 2023, an annex changed the maturity to November 12, 2026. Interest is calculated based on 6M WIBOR plus margin.
- Liabilities under the cash pooling agreement, which was concluded on March 23, 2023 between the Group and Iliad S.A., with BNP Paribas acting as a clearing agent. Interest on the cash pool balance is calculated based on 3M WIBOR plus margin and is payable quarterly. As at December 31, 2023, the balance of liabilities on this account was PLN 487 850 thousand.
- Liabilities under instalment purchase contracts relating to property, plant and equipment and intangible assets.

24.4 Changes in finance liabilities

	Year ended December 31, 2023	Year ended December 31, 2022
Bank loans		
As at January 1	10,001,926	3,486,077
Cash inflows	214,376	6,484,984
Bank overdrafts	329	-
Acquisition of subsidiaries	808	-
Interest accrued	769,344	611,505
Cash outflows: interest paid	(730,835)	(517,531)
Cash outflows: other payments	(24,576)	(71,377)
Cash outflows: repayment of principal	(2,641,273)	-
Transaction costs	(9,587)	8,268
As at December 31	7,580,512	10,001,926
Notes		
As at January 1	1,252,101	1,249,787
Interest accrued	116,664	85,470
Cash outflows: interest paid	(116,551)	(83,156)
Cash outflows: other payments	(74)	(100)
Transaction costs	74	100
As at December 31	1,252,214	1,252,101
Lease		
As at January 1	4,263,765	3,862,321
New leases	477,761	386,113
Acquisition of subsidiaries	6,255	123,640
Modifications or terminations of lease contracts	155,072	127,970
Interest accrued	254,761	221,076
Cash outflows: interest paid	(253,693)	(222,099)
Effect of changes in foreign exchange rates	(14,480)	3,130
Liabilities directly associated with assets held for sale	(5,751)	-
Deconsolidation	(236)	-
Cash outflows: repayment of principal	(284,421)	(238,386)
As at December 31	4,599,033	4,263,765
Other debt		
As at January 1	11,875	14,619
Cash pool	487,850	-
Cash inflows	1,400,000	-
New contracts	21,627	23,008
Interest accrued	76,265	324
Cash outflows: interest paid	(65,713)	(324)
Effect of changes in foreign exchange rates	(475)	881
Cash outflows: repayment of principal	(26,657)	(26,633)
As at December 31	1,904,772	11,875

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 commissions incurred in connection with the conclusion of new loan agreements – please see Note 24.1.

24.5 Assets pledged as security for finance liabilities

The Group's obligations under facility agreements in effect as at December 31, 2023 are not secured.

25. Provisions for liabilities

	December 31, 2023	December 31, 2022
Assets retirement provision	44,423	38,091
Other long-term provisions	290,351	335,074
Short-term provisions	88,361	5,381
	423,135	378,546

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2023	38,091	335,074	5,381	378,546
Increase	13,402	98,160	176	111,738
Transfers	-	(71,054)	86,738	15,684
Decrease:	(7,070)	(71,829)	(3,934)	(82,833)
- reversal of provisions	(6,205)	(20,132)	(2,175)	(28,512)
- utilization	(865)	(51,697)	(1,759)	(54,321)
As at December 31, 2023	44,423	290,351	88,361	423,135

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2022	34,262	110,711	2,561	147,534
Increase	4,918	45,057	2,652	52,627
Acquisition of subsidiaries	2,799	181,604	102	184,505
Reclassification to liabilities directly associated with assets held for sale	-	(66)	66	-
Decrease:	(3,888)	(2,232)	-	(6,120)
- reversal of provisions	(3,158)	(846)	-	(4,004)
- utilization	(730)	(1,386)	-	(2,116)
As at December 31, 2022	38,091	335,074	5,381	378,546

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

Other long-term and short-term provisions relate to legal, regulatory matters (please see also Note 39.2) 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 2023 and 2022, the Iliad Group (as a successor to Play Communications) operated the following incentive and retention programs: PIP, PIP 2, PIP 3, VDP 4, VDP 4 bis, the Iliad Purple Plans and the Iliad Plans, in which individuals employed in the P4 Group participated.

PIP, PIP 2, PIP 3, VDP 4 and VDP 4 bis

In 2022, members of PIP, PIP 2, PIP 3, VDP 4 and VDP 4 bis closed the acquisition of rights to the programs; accordingly, the total fair value of the acquired rights has already been recognized in the P4 Group's supplementary capital.

Iliad Purple Plan 2021

In 2021 Iliad Purple established a new equity-settled performance incentive plan. The plan was designed for P4 Group employees who are considered experts in acquiring and integrating telecommunication sector entities.

Under the program the members were conditionally entitled to receive a specific number of Iliad Purple shares without consideration on the anniversary of the plan, provided that they remained employed by the Group. The shares are subject to a one-year lock-up period.

Each program participant granted a call option to Iliad Purple, under which Iliad Purple may buy its shares at the market price determined by an independent expert, where the option may be exercised when a program participant leaves the company or within 10 years of the program award date.

Iliad Purple Plan 2023

In 2023 Iliad Purple established a next five equity-settled performance incentive plans which were granted to selected Company employees.

Under the program the members were conditionally entitled to receive a specific number of Iliad Purple shares without consideration. For all plans there is vesting condition for members to remain employed by the Group. In some plans there is additional vesting condition to comply with set performance measures.

Depending on the plan, the vesting period varies and ends in May 2024, 2025, 2026, or 2027.

Iliad Plan 2022 (in prior year financial statement Holdco II Plan)

In 2022, the Iliad Group established a new incentive and retention program awarding free shares in Iliad S.A., which was granted to selected Company employees.

Under the program the members are conditionally entitled to receive a specific number of shares without consideration. The shares will be vested if the program participant continues his/her employment from the grant date to June 2024. Each program participant granted a call option to Holdco II S.A.S. ("Holdco II"), a shareholder of Iliad S.A., under which Holdco II may buy back its shares from program participants at the market price determined by an independent expert.

Iliad Plan 2023

In 2023, the Iliad Group established a new incentive and retention program awarding free shares in Iliad S.A., which was granted to selected Company employees.

Under the program the members are conditionally entitled to receive a specific number of shares without consideration. The shares will be vested if the program participant continues his/her employment from the grant date to December 2025. Each program participant granted a call option to Holdco II under which Holdco II may buy back shares from program participants at the market price determined by an independent expert.

27. Trade and other payables

	December 31, 2023	December 31, 2022 Restated
Trade payables	1,510,698	1,283,945
Investment payables	302,330	302,379
Government payables	434,297	146,892
Other	22,205	43,768
	2,269,530	1,776,984

As at December 31, 2022, the Group restated its comparative data in connection with the purchase price allocation of the Redge acquisition (please see Note 2.2) recognizing in the restated data the liability on account of the acquisition in the amount of PLN 39,029 thousand. As at December 31, 2023, the Group settled this liability in full by making a payment to the sellers in H1 2023.

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, 2023 and December 31, 2022 consisted of the Group's obligation to perform services prepaid by contract and pre-paid services.

	December 31, 2023	December 31, 2022
Prepaid services	126,673	130,798
Contract services	342,077	255,556
	468,750	386,354

The table below presents amounts recognized 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, 2023	Year ended December 31, 2022
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	379,269	341,977

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 B Unsecured Notes (please see Notes 24).

As at December 31, 2023, the total value of hedged debt was PLN 7.5 billion (PLN 7 billion as at December 31, 2022), while the ratio of the hedge to the nominal value of the hedged position is as follows:

Hedged item	Nominal hedging value	IRS Settlement date	Share of hedging item in the hedged item
Term and Revolving Facilities Agreement, „TRFA”	3,500,000	2024-2025	100%
Term Facility Agreement	2,800,000	2025	93%
Unsecured Notes series A, B	1,200,000	2025	96%
Total	7,500,000		

The above interest rate swaps have been established as hedges of cash flows 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, 2023, the Group recognized both a financial asset and liability arising under interest rate swaps (please see also Note 15 and 24).

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

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

	Year ended December 31, 2023	Year ended December 31, 2022
Cash flow hedge reserves - Beginning of period	43,940	23,001
- before tax	54,247	28,396
- deferred tax	(10,307)	(5,395)
Effective part of gains/(losses) on cash flow hedge instruments	(127,972)	40,463
Reclassification to the income statement - interest expense presented in finance costs	(53,762)	(14,612)
Income tax charge	34,529	(4,912)
Cash flow hedge reserves - End of period	(103,265)	43,940
- before tax	(127,487)	54,247
- deferred tax	24,222	(10,307)

31. Fair value estimation

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

The 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:

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

December 31, 2023	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					
Cash and cash equivalents	21	207,726	-	-	-	207,726	Level 1
Trade receivables	17	-	1,217,856	-	-	1,217,856	*
Other receivables	17	-	2,553	-	-	2,553	Level 2
Interest rate swaps	30	34,802	-	(182,363)	-	(147,561)	Level 2
Lease receivables	22	-	33,061	-	-	33,061	Level 2
Long-term receivables	15	-	21,098	-	-	21,098	Level 2
Bank loans	24.1	-	-	-	(7,580,512)	(7,607,891)	Level 2
Notes	24.2	-	-	-	(1,252,214)	(1,246,760)	Level 1
Other debt	24.3	-	-	-	(1,904,772)	(1,904,772)	Level 2
Lease	22	-	-	-	(9,198,066)	(9,198,066)	Level 2
		242,528	1,274,568	(182,363)	(19,935,564)	(18,622,756)	

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December 31, 2022	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					
Cash and cash equivalents	21	625,617	-	-	-	625,617	Level 1
Trade receivables	17	-	926,342	-	-	926,342	*
Other receivables	17	-	5,024	-	-	5,024	Level 2
Interest rate swaps	30	125,555	-	(90,445)	-	35,110	Level 2
Loans given	15	-	250	-	-	250	Level 2
Lease receivables	22	-	24,300	-	-	24,300	Level 2
Long-term receivables	15	-	19,559	-	-	19,559	Level 2
Bank loans	24.1	-	-	-	(10,001,926)	(10,054,537)	Level 2
Notes	24.2	-	-	-	(1,252,101)	(1,199,342)	Level 1
Other debt	24.3	-	-	-	(11,875)	(11,875)	Level 2
Lease	22	-	-	-	(8,527,530)	(8,527,530)	Level 2
		751,172	975,475	(90,445)	(19,793,432)	(18,157,082)	

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

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, handsets dealers and other. 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, 2023			
	%	Balance	
Counterparty A	5.2%	63,691	
Counterparty B	4.4%	53,619	
Counterparty C	1.9%	23,227	
	11.5%	140,537	

December 31, 2022			
	%	Balance	
Counterparty A	6.6%	61,332	
Counterparty B	3.9%	36,781	
Counterparty C	3.2%	29,667	
	13.7%	127,780	

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.

We do not show PŚO in the credit risk sensitivity analysis, since this is a jointly controlled entity.

32.2 Interest rate risk

In 2023 and 2022, 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 (please see Note 30)

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

	Increase / decrease in basis points (WIBOR)	Effect on profit before tax
Year ended	+500	(99,914)
December 31, 2023	-500	99,914
Year ended	+500	(187,455)
December 31, 2022	-500	187,455

Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis for 2023 assumes that a 500 basis points 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 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.

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 2023 and 2022.

The tables below present the items of assets and liabilities with balances in foreign currencies as at December 31, 2023 and December 31, 2022, by currencies in which they are denominated; the values below are translated into PLN.

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	PLN (in thousands)	EUR presented in PLN (in thousands)	other currencies presented in PLN (in thousands)	Total
December 31, 2023				
Long-term receivables before the impairment provision	18,752	2,403	17	21,172
Other long-term finance assets	44,642	350	-	44,992
Trade and other receivables before the impairment provision	1,458,446	31,954	-	1,490,400
Current income tax receivables	29,694	115	-	29,809
Cash and cash equivalents	192,640	13,670	1,416	207,726
Assets	1,744,174	48,492	1,433	1,794,099
Long-term lease liabilities	4,128,865	175,230	938	4,305,033
Short-term finance liabilities	860,300	622	-	860,922
Short-term lease liabilities	272,692	20,013	1,295	294,000
Trade and other payables	2,194,115	43,835	31,580	2,269,530
Liabilities	7,455,972	239,700	33,813	7,729,485
December 31, 2022, restated				
Long-term receivables before the impairment provision	17,187	2,426	20	19,633
Other long-term finance assets	79,886	574	-	80,460
Trade and other receivables before the impairment provision	1,034,072	34,668	-	1,068,740
Current income tax receivables	4	124	-	128
Cash and cash equivalents	607,009	15,740	2,868	625,617
Assets	1,738,158	53,532	2,888	1,794,578
Long-term lease liabilities	3,893,960	108,792	5,397	4,008,149
Long-term provisions	356,750	16,415	-	373,165
Short-term finance liabilities	216,101	9,839	-	225,940
Short-term lease liabilities	209,658	43,393	2,565	255,616
Trade and other payables	1,693,788	68,133	15,063	1,776,984
Liabilities	6,370,257	246,572	23,025	6,639,854

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, 2023	+5%	(9,560)
	-5%	9,560
December 31, 2022	+5%	(9,652)
	-5%	9,652

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

The sensitivity to EUR/PLN exchange rate changes in 2023 remained at a similar level as in 2022.

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, 2023 the Group had a credit limit of PLN 2,000,000 thousand available under the Term and Revolving Facilities Agreement (please see also Note 24.1.1), which was fully undrawn. In addition, under other loan agreements the Group had available and undrawn financing in the amount of PLN 235,000 thousand as at December 31, 2023. 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.

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

The tables below present the maturities of undiscounted cash flows under each category of finance liabilities at contractual amounts (i.e. excluding cash pool), including projected interest accrued at a variable rate, which were calculated based on the interest rates applicable as of December 31, 2023 and 2022, respectively.

	Undiscounted contractual cash flows payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	789,941	8,103,849	15,424	8,909,214
Notes	114,162	1,467,513	-	1,581,675
Lease	540,147	1,858,280	4,567,144	6,965,571
Other debt	115,159	1,612,237	-	1,727,396
Liabilities directly associated with assets held for sale	1,323	203	-	1,526
	1,560,732	13,042,082	4,582,568	19,185,382

December 31, 2022	Undiscounted contractual cash flows payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	956,887	11,772,787	97,177	12,826,851
Notes	124,005	1,622,099	-	1,746,104
Lease	478,832	1,638,738	4,394,372	6,511,942
Other debt	12,209	-	-	12,209
Liabilities directly associated with assets held for sale	1,523	5,395	14,068	20,986
	1,573,456	15,039,019	4,505,617	21,118,092

Financial liabilities related directly to assets held for sale represent lease liabilities (please see also Note 2.8).

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

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

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 finance liabilities, financial market conditions and planned dividend payments. The Group defines capital as the sum of equity and net debt. The Group monitors the net debt level using a ratio calculated for the entire P4 Group. In net debt, the P4 Group includes debt instruments at their carrying amounts excluding finance 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, 2023	December 31, 2022
Syndicated bank loans	7,580,512	10,001,926
Notes	1,252,214	1,252,101
Leases	4,599,033	4,263,765
Other debt excluding finance liabilities toward shareholders	6,253	11,875
Total debt	13,438,012	15,529,667
Cash and cash equivalents	207,726	625,617
Net debt	13,230,286	14,904,050

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, 2023	December 31, 2022
Cash and cash equivalents in statement of financial position	207,726	625,617
Interest accrued on cash and cash equivalents	(2,194)	-
Cash pool	(487,850)	-
Bank overdrafts	(329)	-
Cash and cash equivalents in statement of cash flows	(282,647)	625,617

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, 2023	Year ended December 31, 2022
(Increase)/decrease of inventories	(385,089)	(155,203)
(Increase)/decrease of receivables	(287,119)	(136,490)
(Increase)/decrease of prepaid expenses	(4,121)	(13,841)
Increase/(decrease) of payables excluding investment payables	150,243	(131,150)
Increase/(decrease) of accruals	14,659	11,662
(Increase)/decrease of long-term receivables	(1,122)	(981)
Increase/(decrease) of other non-current liabilities	(1,632)	(1,679)
Changes in working capital and other	(514,181)	(427,682)
(Increase)/decrease in contract costs	(63,589)	(50,489)
(Increase)/decrease in contract assets	(136,739)	(136,358)
Increase/(decrease) in contract liabilities	94,469	5,967
	(620,040)	(608,562)

In 2023, the changes in the “changes in working capital and other” item were mainly due to an increase in inventories, non-current receivables and liabilities, which were driven, among others, by the effects of the partnership with Polski Światłowód Otwarty (please see Note 2.5).

35. Segment reporting

The Company and its subsidiaries (together, the “P4 Group” or the “Group”) operate in the mobile and landline telecommunications sector in Poland. The Group provides telecommunication services under the “PLAY”, “UPC”, “VIRGIN” and “3S” brands, sells mobile devices and provides IT services via owned collocation centres. 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, 2023	Year ended December 31, 2022 Restated
Operating profit	2,368,285	2,446,536
Add depreciation of property, plant and equipment	756,872	654,585
Add amortization of intangible assets	554,830	494,930
Add valuation of incentive and retention programs	18,132	7,085
Add impairment of non-current assets	3,565	7,318
Add one-off costs/(revenues) and extraordinary items	(23,116)	163,192
Deduct share of profit of equity-accounted investees	(22,868)	-
EBITDAaL	3,655,700	3,773,646

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

36. Related party transactions

36.1 Remuneration of management and supervisory bodies

Cost of compensation (including accrued bonuses) of members of Management Boards and Executive Committees in Group entities incurred in 2023 were PLN 18,871 thousand (PLN 24,056 thousand in 2022).

Additionally, members of the P4’s Management Board participated in the equity-settled incentive and retention programs (please see Note 26). Following the valuation of these programs, the Group recognized costs in the amount of 9,944 thousand in the Year ended December 31, 2023 (PLN 1,432 thousand in the year ended December 31, 2022). Relating costs are included in costs of employee benefits in the consolidated statement of comprehensive income.

Cost of benefits for former Members of Boards of Directors or Management Boards in Group entities incurred after they stepped down from their positions amounted to PLN 1,242 thousand in the Year ended December 31, 2023 and PLN 1,725 thousand in the year ended December 31, 2022.

Cost of benefits for Members of Supervisory Boards in Group entities incurred in the Year ended December 31, 2023 amounted to PLN 117 thousand and PLN 200 thousand in the year ended December 31, 2022.

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.

36.2 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. As at December 31, 2023 and December 31, 2022, the parent company was Iliad Purple. The transactions were concluded on the terms that do not differ materially from market terms.

	December 31, 2023	December 31, 2022
Trade receivables	104,485	5,466
Parent company	1,822	15
Other related parties	102,663	5,451
Long-term finance liabilities	1,404,274	3,550,068
Parent company	4,500	4,500
Higher level parent company	1,399,774	-
Other related parties	-	3,545,568
Short-term finance liabilities	498,762	122,660
Parent company	17	19
Higher level parent company	498,745	-
Other related parties	-	122,641
Trade and other payables	122,287	23,303
Parent company	6,554	4,713
Other related parties	115,733	18,590

	Year ended December 31, 2023	Year ended December 31, 2022
Dividend payment	(2,400,000)	(3,410,005)
Parent company	(2,400,000)	(3,410,005)
Operating revenue	2,044	2,362
Other related parties	2,044	2,362
Operating costs	(580,409)	(253,098)
Parent company	(7,311)	(4,690)
Higher level parent company	-	(18,682)
Other related parties	(573,098)	(229,726)
Other operating income	751,048	700,282
Parent company	-	7
Other related parties	751,048	700,275
Interest income	-	19,600
Parent company	-	19,600
Interest expense	(180,975)	(193,738)
Parent company	(416)	(313)
Higher level parent company	(77,522)	-
Other related parties	(103,037)	(193,425)
Prepayments received	63,799	-
Other related parties	63,799	-
Prepaid expenses	(22,036)	-
Other related parties	(22,036)	-

37. Auditor's fees

	Year ended December 31, 2023	Year ended December 31, 2022
Audit fees	1,388	1,574
Other attesting fees	199	185
	<u>1,587</u>	<u>1,759</u>

38. License requirements

38.1 3500-3600 MHz license requirements

The December 19, 2023 decision allocating frequencies in the 3500-3600 MHz band to the Group includes a number of requirements that the Group must meet. They mainly concern 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. Additionally, Group must start providing services that use the 3500-3600 MHz frequencies no later than 4 months from the date of delivery of the frequency reservation.

38.2 Other license requirements

As of 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.

39. Contingencies and legal proceedings

39.1 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 (such as mandatory structured invoices) 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.

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

39.2 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel sp. z o.o. and the Polish Chamber of Digital Broadcasting (Polska Izba Radiodfuzji Cyfrowej, "PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of October 27, 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, P4 filed a response to the applications to reconsider the case and requested that the decision dismissing the applications for annulment be upheld. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Voivodship Administrative Court in its judgement of September 25, 2017 dismissed Polkomtel's, Sferia's and PIRC's appeals. Polkomtel, PIRC and Sferia appealed against these judgements to the Supreme Administrative Court, however on October 10, 2018, PIRC withdrew its appeal. On June 25, 2021, the Supreme Administrative Court set aside the judgement and referred the case back to the Voivodship Administrative Court. In a judgement of March 10, 2022, the Voivodship Administrative Court in Warsaw dismissed the appeals. Polkomtel and Sferia appealed the judgement in the Supreme Administrative Court. On February 1, 2023, the Supreme Administrative Court set aside the judgement and referred the case back to the Voivodship Administrative Court. In a judgement of October 19, 2023, the Voivodship Administrative Court in Warsaw dismissed the appeals. The Management Board assesses the risk of the outcome that would be unfavourable for the Group as low.

In June 2015 P4 filed a statement of claim for PLN 315,697 thousand to be paid jointly and severally by Orange Polska S.A., Polkomtel sp. z o.o., T-Mobile Polska sp. z o.o. The said amount comprises of PLN 231,000 thousand of damages for an act of unfair competition consisting in the setting up excessive fees for voice connections with Play network (and other form of discrimination of such connections) for a period from July 1, 2009 to March 31, 2012 and capitalized interests. In July 2018 P4 extended the claim demanding payment of additional PLN 313,572 thousand (PLN 258,000 thousand of damages and capitalized interests) for a consecutive period from April 1, 2012 to December 31, 2014. On December 27, 2018 the Regional Court in Warsaw dismissed P4's claim with respect to PLN 315,697 thousand. P4 filed an appeal and, 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 313,572 thousand 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 recognize any income in relation to this claim.

In November 2015, Polkomtel, T-Mobile and NetNet sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the tender initiated administrative proceeding before the UKE President. President of UKE in its decision of June 15, 2018 refused to invalidate the auction. Polkomtel, T-Mobile and NetNet sp. z o.o. w likwidacji requested reconsideration of the decision. The President of UKE upheld the decision refusing to invalidate the auction in its decision of November 12, 2019. Polkomtel appealed against the decision to the Voivodship Administrative Court, which dismissed the appeal in its judgement of December 1, 2020. In March 2021, Polkomtel appealed against the judgement of the Voivodship Administrative Court. It is difficult to assess the legal risk to P4 at this stage.

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. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In May 2019 the President of UKE commenced proceedings aimed at declining the prolongation of 3700 MHz frequency reservations. The proceedings were a part of the President of UKE's plan to reform the 3400-3800 MHz spectrum in order to introduce the 5G technology. In July 2019 the President of UKE issued three decisions declining the reservation of 3700 MHz frequency for the next period. P4 requested the cases to be reconsidered and in October 2019 the above decisions were upheld. In November 2019, P4 filed appeals with the Voivodship Administrative Court in Warsaw, which dismissed the appeals by judgements issued in August 2020, following which P4 filed cassation appeals with the Supreme Administrative Court.

On September 2, 2016, the UOKiK President launched proceedings against 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 and the UOKiK President have the right to challenge this decision and UPC has submitted such an appeal. On June 20, 2023, the Court of Appeal in Warsaw reduced the fine imposed on UPC in the UOKiK President's decision 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. Both UPC and the UOKiK President have the right to file a cassation appeal with the Supreme Court.

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 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.

The Group has recognized 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 at a future date. For the total amount of provisions, including the provisions for pending legal cases, please see Note 25.

40. Events after the reporting period

On January 2, 2024, the Group paid PLN 487,095 thousand for the frequency in the 3500-3600 MHz band reservation, crediting the bid deposit of PLN 182 million, paid on July 24, 2023, towards the price.

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

41. Summary of significant accounting policies

41.1 Consolidation

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

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

- the contractual 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group's 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 recognized for non-controlling interest over the value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

41.2 Foreign currency transactions

41.2.1 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.

41.2.2 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,

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, 2023	December 31, 2022
EUR	4.3480	4.6899
GBP	4.9997	5.2957
USD	3.9350	4.4018

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 recognized 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.

41.3 Revenue

Revenue is measured based on consideration specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes 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.

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;
 - 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, 3S and UPC networks 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 41.14). 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. Please see also Note 2.3.1. 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.

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 recognized 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 recognized as other service costs when the distribution service is provided, i.e. when the prepaid product is delivered to the end customer. The revenue from the sale of prepaid products is deferred until the end customer commences using the product and presented in the statement of financial position as deferred income when the prepaid product is held by a distributor or as contract liability when the prepaid product has been transferred to the end customer but not yet used. The revenue from the sale of prepaid products is recognized in the profit or loss as telecommunications services are provided, based on the actual airtime or data usage at an agreed tariff, or upon expiration of the obligation to provide the service.

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

Interconnection revenues are derived by the Group from calls and other traffic that originate in other operators' networks but use the Play, 3S and UPC networks. The Group receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the period in which the services were rendered.

International roaming revenues are derived 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 recognized in the period in which the services were rendered.

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

For mobile devices sold in bundled contracts, customers are offered two schemes of payments – full payment at the commencement of the contract (in such contracts the handset price is significantly reduced and the cost of device is recovered through monthly fees for 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 recognized after netting off costs paid by us to third party content providers (when the Group acts as an agent in the transaction) or in the gross amount billed to a subscriber (when the Group acts as a principal).

41.4 Interest income

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

41.5 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 laws enacted or substantively 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 recognized in the statement of financial position as an income from tax receivables.

41.6 Deferred 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 recognized 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. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from different valuations of depreciable assets and accruals, provisions and deferred income for tax and accounting purposes.

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

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

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

41.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labour and work contracted out) and directly attributable own work costs. Fixed assets under construction represent the accumulation of costs associated with the construction of the telecommunications and data transmission networks and other tangible fixed assets; they are presented as Assets under construction. The P4 Group includes in the construction 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. Costs relating to fixed assets under construction are transferred to the related property, plant and equipment account and depreciation begins when they become available for use.

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

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

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

Description	Term in years
Buildings	5-7; 20
Computers	3-5
Telecommunications equipment	3-7
Motor vehicles	3-5
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.

41.8 Right-of-use assets and lease liabilities

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

Accounting by the lessee

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

Based on the accounting policy applied, the Group recognizes a right-of-use asset and a lease liability 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.

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
Computers	3-5
Telecommunications equipment	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 recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-use assets and depreciated over the useful life equal to the 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 number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

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

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

41.9 Intangible assets

41.9.1 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.

41.9.2 Computer software costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software development costs are recognized as separate 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 recognized as an expense or loss as incurred.

41.9.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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

For the purpose of impairment testing, goodwill is allocated to cash-generating units, not larger than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, but not larger than operating segment and not larger than units for which goodwill is analysed and assessed by the Management Board. The Group allocates goodwill to the entire P4 Group as a single cash-generating unit.

41.9.4 Intangible assets under construction

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

41.10 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 recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 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 recognized for the asset in prior periods.

41.11 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 recognized in the statement of comprehensive income.

41.12 Trade and other receivables

The receivables are recognized 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 recognized in the statement of comprehensive income 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 derecognized when:

- the rights to receive cash flows from the asset have expired,
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the 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 derecognizes 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.

Note receivables are classified as financial instruments held to maturity and measured at amortized cost using the effective interest rate.

41.13 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 recognizes 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 recognized 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 recognized in the balance sheet.

41.14 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 recognized 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 recognized. Contract costs relating to contracts signed with acquired or retained subscribers are amortized:

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

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

41.15 Prepaid expenses

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

41.16 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.

41.17 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 finance liabilities. Interest accrued is excluded as it does not represent actual cash inflows in the reporting period.

41.18 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 recognized as costs.

The P4 Group has no other employee retirement plans.

41.19 Incentive and retention programs

P4 Group shareholder operates cash-settled and equity-settled share-based incentive and retention programs. Membership in the programs is granted to members of the Management Board 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 cash

or shares of a P4 Group shareholder 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 by applying a Monte Carlo simulation model. The cost is recognized in the statement of comprehensive income in line with vesting conditions, which are described in Note 26.

41.20 Finance liabilities

Finance liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities 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 recognized in the statement of comprehensive income over the life of the liability using the effective interest rate method. Related external finance costs that are not capitalized are recognized in profit or loss for the period.

Finance 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.

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

41.21 Derivative instruments

41.21.1 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 recognized in profit or loss.

In case of an early redemption option embedded in a host debt instrument, the close relation to the host instrument 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 recognized as separate instruments are measured at fair value with changes in the valuation recognized in profit or loss.

41.21.2 Derivative instruments designated as hedges

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

When a derivative contract is entered into, the Group distinguishes the following types of derivative hedging instruments:

- (i) a hedge against changes of the fair value of a recognized asset or liability (fair value hedge), or
- (ii) a hedge of highly probable forecast transactions (cash flow hedge).

At the inception of transactions, the Group 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 Group 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 income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

Some gains or losses from revaluation of derivatives designated and qualifying as cash flow hedges are recognized in the revaluation reserve. On the other hand, the gains or losses considered as ineffective hedges are recognized directly in the income statement.

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 recognized in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to the income statement of the current period.

The fair values of interest rate swaps used for cash flow hedge are disclosed in Note 14. Movements of the reserve capital are disclosed in Consolidated statement of changes in equity.

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

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

41.22 Trade payables

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

41.23 Provisions

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

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

41.24 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.