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CYFROWY POLSAT S.A.

Annual Report
for the financial year ended
December 31, 2020

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Content of the annual report

Letter of the President of the Management Board

Ladies and Gentlemen,

I am writing to you to sum up 2020, a year of extraordinary developments in recent history, and to invite you to have look at Polsat Group's Annual Report.

The past months and the global pandemic have posed numerous challenges to us that we had to cope with at a social, business and personal level. Care for the health and safety of our employees as well as for efficient communications and reliable information was the priority for Polsat Group from the very onset of the pandemic. In support of these values we undertook immediate efforts to manage the situation efficiently, while acting with utmost care for our team, and to assure continuity and highest standards of our services with our customers in mind.

Wherever possible, in order to protect health and life, we moved thousands of our employees to remote work arrangements, digitizing the work to an even greater degree. As regards the teams whose nature of work required them to work in the office or in the field, we adopted all possible precautionary measures to ensure maximum comfort and safety of their work.

At the same time, together with our team we made enormous efforts so as to support, through a number of aid measures and pro-social activities, the healthcare system, the society, digitally-excluded children as well as senior citizens, to provide our customers with numerous, novel solutions specifically tailored to this extraordinary situation and guaranteeing to all Polish citizens access to reliable information as well as to efficient and dependable communication tools. During this time, Zygmunt Solorz and Polsat Group, in cooperation with Polsat Foundation, donated over PLN 50 million to support the society and the healthcare system. I am particularly proud of these initiatives.

The launch of the first in Poland 5G network, based on spectrum from the 2600 MHz TDD frequency band, was last year's milestone for our Group. It is an enormous technological leap, offering new possibilities for us, our customers, companies, the economy and our country. At the same time is has been a response to the continuously growing needs of our market associated with the use of networks and data transmission. Reliable and fast Internet access forms the basis of remote work, remote education, running businesses via the Internet or using online entertainment, whose importance increased even more during the past year.

Recently, we announced the intention of entering into a long-term partnership with Cellnex Telecom, a leading telecom operator in Europe, and the plan to sell our telecommunication infrastructure to this operator, which will enable us to develop our 5G network even faster and to ensure top quality services to our customers, in line with our ambitious plans to be the technology leader. We believe that the decision will contribute to a faster roll out of our network for the benefit of our customers and will also have a favorable influence on the condition and the development prospects of the entire sector of mobile telephony in Poland.

2020 was also the year of a strategic investment in the development of our Group on the Internet market, as we acquired Interia.pl Group, one of the biggest players in Poland in the area of online services, both in terms of the number of real users, the number of page views and growth dynamics. The acquisition of Interia.pl Group strengthens our position in the online advertising and e-commerce segments and already enables us to exploit numerous synergies, thus further strengthening our position as the leader on the media and telecommunication markets.

The launch and continuous development of our 5G network, the acquisition of Interia.pl Group, the partnership with Cellnex and heavy involvement in aiding the struggle against the coronavirus are only some examples of the activities that we can boast of when summing up the year 2020 in our Group. It was also a time of development of our multiplay services and of celebrating the 2 millionth customer joining our smartDOM loyalty scheme, as well as the time of further development of TV and telecommunication services, introduction to the market of a nationwide offer of solar power solutions under the Esoleo brand, and the addition of new channels to the portfolio of TV Polsat.

Today our customers all over Poland use 18 million telecommunication and TV services as well as numerous additional services, such as electricity and gas supply, solar power systems or insurance services. Our popular service bundling program called smartDOM enables customers to choose from among the available diverse technology products which are offered in line with our strategic idea: For Everyone. Everywhere. Our Internet access services include fixed-line Internet, also relying on fiber-optic technology, LTE home Internet solution, 5G mobile Internet access. We also offer DTH satellite TV, cable IPTV and OTT web TV, accessible via a set-top box, as well as numerous mobile and fixed-line telephony offers.

Thanks to the enormous commitment and great responsibility of the entire Polsat Group team we can be proud of the results that we achieved in 2020 and the activities we have undertaken. I am grateful and I would like to thank everyone for the effective and wise cooperation within our Group, for being open to new challenges, for the skill to work in a dynamically changing environment as well as for the promising new projects.

The experience of the past year has enabled us to adopt a forward-looking approach and to plan further, consistent development of our Group, pursued in a way that enables us to deliver the latest solutions and top quality services in all available technologies while keeping pace with market trends and specific needs of our customers. What is equally important for us is to ensure a safe, innovative and creative work environment for our employees which will be conducive to their personal development and to the further consolidation of Polsat Group's position as the market leader.

Yours faithfully,

Mirosław Błaszczyk

President of the Management Board, Cyfrowy Polsat S.A.

Letter of the Chairman of the Supervisory Board

Ladies and Gentlemen,

The year 2020 was extremely challenging and came as a major test for everyone, for Poland and for the world, for the economy and business, and for our Group. No one expected that all of a sudden, in a very short time, we will have to face so many challenges and at the same time find ways to function in a totally new reality. Practically no crisis management plan accounted for such a scale, extent and pace of change.

On the one hand, it has been an extremely difficult experience for the whole society and for us, who are part of it, but on the other hand we can be proud of how we have coped with the challenges and how we continue to cope with them. I can proudly say that in our Group it was not only the business continuity mechanisms worked, but above all it was our employees who stood up to the challenge. In conditions in which strategies and the organization of numerous companies and sectors of business had to be revised instantly, the strategy of development that we have adopted many years ago proved right. Skillful combination of the worlds of media, production and content broadcasting as well as provision of top quality telecommunication, Internet access and TV services with the use of all available technologies have enabled us to effectively respond to the needs of practically all the inhabitants of our country in all types of conditions and regardless of external circumstances, including the situation of a lockdown, remote work and learning, extremely high traffic load in the network, or substantial communication-related challenges faced by the institutions which support us as a society.

The pandemic demonstrated how responsible a role our Group plays in the society and economy as the provider of products for millions of families, companies and institutions. Until now we have been looking at these products as substantially just offering entertainment. At present, we are becoming aware of the extent to which we have enabled numerous businesses to continue their operations or school and university students to continue their education. Thus, the pandemic has increased our awareness of the social responsibility that we have. This has motivated us to put in even more effort into the development of state-of-the-art technologies, both those that enable transmission of content which is important to our customers and those that enhance the quality and the continuity of our services and also increase the comfort of use of these services in a dynamically evolving world which continues to rely in an increasing degree on communications and data transmission. In a world of remote work and learning, a world of exponential development of Internet-based services, a world of growing demand for continuous access to content on all screens available to our customers – from a mobile phone display, through a PC to a TV screen.

In May 2020, after several months of preparations and tests, we launched the first commercially-operating 5G network using the unique 2.6 GHz TDD frequency band. 5G from Plus means greater convenience of use of the network for our customers as well as additional possibilities of using new technologies offered to companies and the economy in such areas as for example the Internet of Things, intelligent cities, artificial intelligence or virtual reality, so as to support our customers now and once we return to the new normal – with new forms of work and learning, with security and access to entertainment, both in its traditional and new forms, such as the developing sphere of gaming.

5G technology will be extremely important in the future for all the inhabitants of Poland. It will strongly support the development of economy 4.0, cybersecurity, electronic payments or cloud and big data solutions which are becoming increasingly vital in the public sphere and which will enable Poland to move to the next stage of digital and civilizational development.

Guided by the needs of our customers and our country and understanding the importance of the services which rely on top quality technological solutions, we have proceeded with the roll out of the 5G network. In 2021, we plan to offer access to our 5G network to at least 11 million inhabitants of Poland concurrently maintaining top quality communications using the existing 2G/3G/4G networks. For us this is a priority. As the leader of LTE technology once and the leader of 5G technology today, we feel an enormous responsibility for the digital development of our country, the quality of education, the ability to assure remote work or higher level of activity of companies in the Internet.

Development of technology was also the underlying reason of the decision to enter the partnership with Cellnex Telecom that we announced in February. This partnership will offer our Group the opportunity to move forward with even faster roll-out of the 5G network in the coming years. It will enable us to increase the number of transceivers in the network, to offer the possibility of an even faster launch of state-of-the-art services while applying a cost-effective approach.

The pandemic has posed big challenges to us, as the society, and has put to test our responsibility and solidarity. As a Polish company, we could not be indifferent to the vast needs that emerged right after the announcement of the first lockdown. We proceeded very quickly with providing aid and we continue our efforts also today in various areas. Polsat Group, jointly with its main shareholder, Mr. Zygmunt Solorz, donated a total of over PLN 50 million to support the society and the healthcare system in the struggle against the coronavirus. Our aid, provided among others in cooperation with Polsat Foundation, was addressed to those who were most in need – to hospitals, doctors, nurses, medical rescuers, our customers, viewers and employees. We offered both, financial support and support in kind. Our major actions included the purchase of 200 thousand coronavirus tests during the early stage of the pandemic, 20 ventilators, protective gear for medical personnel, disinfectants, as well as airing a special block of commercials on the Polsat channel, SMS actions to raise money, or donating electronic equipment to children from foster families and orphanages.

During those difficult times the educational and informational functions were played by information sources considered to be the most trustworthy and reliable in Poland, i.e. Polsat News channel, Wydarzenia (the News) news program, polsatnews.pl portal as well as the Internet services managed by Interia Group, which joined our group during the year. Broadcasting of valuable content and reliable information gained additional value during the pandemic and in the face of the change that the pandemic caused to the lifestyles of our customers, viewers and employees. It seems that in spite of the difficulties, for example with production of new TV and cinema content, in spite of the existing threats, pervasive coronavirus testing and quarantine as well as stringent sanitary regulations, the Group has managed to meet the challenges it faced.

When summing up 2020 in the operations of Polsat Group, one should not only underscore its ability to effectively stand up to the challenge of ensuring business continuity and the right quality of its operations as well as continuous provision of services, but also the fact that it successfully pursued numerous projects, including the efficient roll out of its 5G network. The above-mentioned acquisition of Interia.pl Group was one of the biggest investments. Interia is one of the leading Polish Internet portals whose websites are visited by 20 million users each month. The decision, which is of strategic importance for our development, will contribute to further expansion of the range and presence of our services in the Internet, on the dynamically growing online advertising market and maybe, in the near future, also in the e-commerce area. Moreover, Interia is an additional place for distribution of the content that we produce and a perfect channel for communicating with our customers. Integration of the portal within the Group's structures is proceeding very smoothly and early positive effects, for example growth of coverage and number of page views, are already visible.

In Polsat Group we are also very much aware of the changes that rapidly occur in the natural environment and the climate. We want to operate in a way which will be most favorable to the environment and the climate. Hence, our decision to become involved in the activities of the Clean Poland Program Association that has been established by Mr. Zygmunt Solorz. And hence the funding to popularize and launch new ways of producing clean energy based on solar panels as well as the plan of Polsat Group companies to switch to using clean and green energy only, the production of which will start soon in the biggest solar power farm in Poland, currently being built with our support. As consumers, employees and entrepreneurs we make choices every day which will influence the comfort of our lives and the lives of future generations. Polsat Group has already made the choice and it is introducing numerous initiatives and carrying out many actions that are aimed at preserving the natural environment and the climate. Thus our plan to use clean, green, zero-emission electricity only, revamping of the car fleet by introducing zero-emission vehicles or the development and popularization of such segments of the business as photovoltaics.

All the efforts we embarked upon last year underscored the stability, the persistence and the potential of Polsat Group as the leader on the markets of content, entertainment, media and telecommunications in Poland. Regardless of the difficulties that we encountered, we continue pursuing our superior goal of sustainable growth of Cyfrowy Polsat's value for its shareholders by listening to the pulse of the market and the society and by dynamically responding to the changes by offering increasingly advanced services that enable us to effectively compete for our customers' attention, trust and time.

On behalf of the Supervisory Board of Cyfrowy Polsat I would like to thank our customers for the past year that we spent together and for their enormous trust and loyalty, in spite of all the challenges, as well as for inspiring us to continue along the path of change. I would like to thank the Management Boards and the Supervisory Boards of the Group's companies, thanks to whom we successfully passed our biggest exam so far as an organization, thanks to whom we were able to assure continuity of services and support to our customers, and thanks to whom we were able to take such bold, fast and decisive actions and, despite everything, we were still able to achieve our goals, including our development goals. Special compliments for all the employees of the Group whose responsibility, efforts, involvement, resourcefulness as well as effectiveness, flexibility and openness – all of which were so important last year – have enabled us to accomplish the goal of being the leader of the media and telecommunication markets.

We have another demanding year ahead of us but I am convinced that with such a team and such assets, which have proven their worth in action, we will continue to skillfully build our business and ensure to our customers support, the feeling of safety, hope and moments of joy with the offer provided to them and, at the same time, continue to create added value for the Group and strong basis for its further development.

Yours faithfully,

Marek Kapuściński

Chairman of the Supervisory Board
Cyfrowy Polsat S.A.

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Report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year ended December 31, 2020

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Cyfrowy Polsat at a glance

Cyfrowy Polsat is the leading pay TV provider and part of Polsat Group - Poland's largest media and telecommunications group and the leader on the Polish entertainment and telecommunications markets. Within the scope of our activities we provide a comprehensive array of integrated services in the following areas:

- **pay TV services** – we are the largest pay TV provider in Poland and one of the leading satellite platforms in Europe. We offer our customers access to about 160 TV channels broadcast in satellite, terrestrial and Internet (IPTV, OTT) technologies as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, PPV, VOD) and Multiroom. We also provide online video services through the leading Polish platform IPLA;
- **mobile broadband Internet** – we provide these services in the state-of-the-art LTE, LTE Advanced and 5G technologies using the telecommunication network of our subsidiary Polkomtel. We offer the largest LTE coverage and the first commercial 5G network in Poland thanks to which our customers enjoy the best quality of services.

Cyfrowy Polsat shares are listed in the Warsaw Stock Exchange in Warsaw since May 6, 2008.

Our mission and main strategic goals

Our strategic motto is to offer services to everyone and everywhere.

Our mission is to create and deliver the most attractive TV and online content, telecommunication products and other services and commodities for the home, as well as individual and business customers, using state-of-the-art technologies to provide top quality multiplay services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

The superior goal of our strategy is the permanent, long-term growth of the value of Cyfrowy Polsat for its Shareholders. We intend to achieve this goal by implementing the key elements of our operating strategy which include:

- growth of revenue from services provided to individual and business customers through consistent building of our customer base value by maximizing the number of users of our services as well as the number of services offered to each customer, while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
- use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services,
- growth of revenue from produced and purchased content by expanding its distribution, including a search for new channels of exploitation of rights, maintaining the audience shares of channels produced by us and steady building of our viewer profile,
- effective management of the cost base of our integrated media and telecommunications group by exploiting its inherent synergies and economies of scale, and
- effective management of the Group's finances, including its capital resources.

Disclaimers

This constitutes the report of Cyfrowy Polsat S.A. (the “Report”) prepared as required by Article 60 section 1 and Article 70 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations.

Presentation of financial data and other information

References to the Company or Cyfrowy Polsat contained in this Management Board’s report on the activities of Cyfrowy Polsat S.A. (hereafter "Report") apply to Cyfrowy Polsat S.A., while all references to the Group, Polsat Group, the Capital Group, Cyfrowy Polsat Group or Cyfrowy Polsat Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we," "us," "our" and similar apply generally to the Company, unless it is clear from the context that they apply only to the Group. A glossary of terms used in this document is presented at the end of this Report.

Financial and operating data

This Report contains financial statements and financial information relating to the Company. In particular, this Report contains our financial statements for the financial year ended December 31, 2020, prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements attached to this Report have been audited by an independent auditor.

Certain financial data contained in this Report have been subject to rounding adjustments. Accordingly, certain numbers presented as the sum may not conform exactly to the arithmetical sum of their components.

Forward looking statements

This Report contains forward looking statements relating to future expectations, understood as all statements (other than statements of historical facts) regarding our financial results, business strategy, plans and objectives pertaining to our future operations (including development plans related to our products and services). These statements are expressed, without limitation, through words such as "may," "will," "expect," "anticipate," "believe," "estimate" and similar words used in this Report. Such forward-looking statements do not constitute a guarantee of future performance and involve risks and uncertainties which may affect the fulfilment of these expectations, as by their nature they are subject to many factors, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. Even if our financial results, business strategy, plans and objectives pertaining to our future operations are consistent with the forward-looking statements included herein, this does not necessarily mean that these statements will be true for subsequent periods. These forward-looking statements express our position only as at the date of this Report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We expressly disclaim any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained herein in order to reflect any change in our expectations, change of circumstances on which any such statement is based or any event that occurred after the date of this Report.

In this Report, we disclose important factors which may impact our future operating activities and financial results that could cause our actual results to differ materially from our expectations.

Industry and market data

In this Report, we set out information relating to our business and the markets in which we and our competitors operate. The information regarding the market, its size, the market share, the market position, the growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities, including other operators present on the Polish market, and our internal estimates.

We believe that industry publications, surveys and forecasts we use are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases we have made statements in this Report regarding our industry and our position in the industry based on our own experience and our examination of market conditions. We cannot guarantee that any of these assumptions properly reflect our market position. Our internal surveys have not been verified by any independent sources.

Financial data overview

The following tables set out selected financial data for the twelve-month periods ended December 31, 2020 and December 31, 2019. This information should be read in conjunction with the financial statements for the financial year ended December 31, 2020 (including notes thereto) constituting part of this Report and the information included in item 4 of this Report – *Operating and financial review of the Company*.

Selected financial data:

- from the income statement and the cash flow statement for the twelve-month periods ended December 31, 2020 and December 31, 2019 have been converted into euro at a rate of PLN 4.4449 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1, 2020 to December 31, 2020;
- from the balance sheet data as at December 31, 2020 and December 31, 2019 have been converted into euro at a rate of PLN 4.6148 per EUR 1 (average exchange rate published by the NBP on December 31, 2020).

Such recalculations shall not be viewed as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

Balance sheet

	December 31, 2020		December 31, 2019	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	835.4	181.0	142.1	30.8
Assets	15,575.9	3,375.2	14,941.3	3,237.7
Non-current liabilities	3,457.1	749.1	2,404.9	521.1
Non-current financial liabilities	3,366.2	729.4	2,322.4	503.3
Current liabilities	1,208.1	261.8	1,382.9	299.7
Current financial liabilities	183.3	39.7	701.5	152.0
Equity	10,910.7	2,364.3	11,153.5	2,416.9
Share capital	25.6	5.5	25.6	5.5

(1) Includes Cash and cash equivalents, deposits and restricted cash.

Cash flow statement

	for the twelve-month period ended December 31			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	507.8	114.2	462.3	104.0
Net cash used in investing activities	(27.2)	(6.1)	(910.7)	(204.9)
incl. capital expenditures(1)	*(48.7)*	*(11.0)*	*(26.2)*	*(5.9)*
Net cash used in financing activities	212.7	47.9	332.3	74.8
Net increase/(decrease) in cash and cash equivalents	693.3	156.0	(116.1)	(26.1)

(1) Capital expenditures represent payments for our investments in property, plant and equipment and intangible assets. It does not include expenditure on purchase of reception equipment leased to our customers, which are reflected in the cash flow from operating activities.

Income statement

	for the twelve-month period ended December 31			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Revenue	**2,401.0**	**540.2**	**2,378.8**	**535.2**
Retail revenue	2,194.0	493.6	2,190.4	492.8
Wholesale revenue	114.7	25.8	101.0	22.7
Sale of equipment	22.1	5.0	22.2	5.0
Other sales revenue	70.2	15.8	65.2	14.7
Total operating cost	**(1,950.0)**	**(438.7)**	**(1,948.5)**	**(438.4)**
Content costs	(771.5)	(173.6)	(727.1)	(163.6)
Technical costs and cost of settlements with telecommunication operators	(461.8)	(103.9)	(488.6)	(109.9)
Distribution, marketing, customer relation management and retention costs	(313.8)	(70.6)	(341.0)	(76.7)
Depreciation, amortization, impairment and liquidation	(173.7)	(39.1)	(176.8)	(39.8)
Salaries and employee-related costs	(121.9)	(27.4)	(121.7)	(27.4)
Cost of equipment sold	(18.8)	(4.2)	(21.2)	(4.8)
Cost of debt collection services and bad debt allowance and receivables written off	(6.3)	(1.4)	(11.8)	(2.6)
Other costs	(82.2)	(18.5)	(60.3)	(13.6)
Other operating income, net	**7.2**	**1.6**	**2.2**	**0.5**
Profit from operating activities	**458.2**	**103.1**	**432.5**	**97.3**
Gain on investment activities, net	127.7	28.7	358.8	80.7
Financial costs, net	(89.7)	(20.2)	(89.8)	(20.2)
Gross profit for the period	**496.2**	**111.6**	**701.5**	**157.8**
Income tax	(91.2)	(20.5)	(114.7)	(25.8)
Net profit for the period	**405.0**	**91.1**	**586.8**	**132.0**
Basic and diluted earnings per share in PLN (not in millions)	**0.63**	**0.14**	**0.92**	**0.21**
Weighted number of issued shares	639,546,016		639,546,016	
EBITDA(1)	**631.9**	**142.2**	**609.3**	**137.1**
EBITDA margin	26.3%	26.3%	25.6%	25.6%
COVID-related costs	(8.1)	(1.8)	-	-
adjusted EBITDA (2)	**640.0**	**144.0**	**609.3**	**137.1**
adjusted EBITDA margin	26.7%	26.7%	25.6%	25.6%
Operating margin	19.1%	19.1%	18.2%	18.2%

(1) We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, net value of disposed property, plant and equipment and intangible assets, revenue obtained from interest, finance costs, positive/(negative) exchange rate differences, income taxes and share of net results of joint ventures. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets and net value of disposed property, plant and equipment and intangible assets.

(2) Adjusted EBITDA excludes costs related to the COVID-19 epidemic.

1. Characteristics of Polsat Group

1.1. Who we are

Cyfrowy Polsat is part of Polsat Group - the largest provider of integrated media and telecommunications services in Poland. We are the leading pay TV provider. We offer a comprehensive array of multimedia services designed for the entire family: pay TV via satellite, terrestrial and online (IPTV and OTT) broadcasting and broadband Internet access, mainly in LTE and LTE Advanced mobile technologies as well as in 5G technology.

Our mission is to create and deliver the most attractive TV and Internet content, telecommunications products and other services for the home as well as for individual and business customers, using state-of-the-art technologies, to provide top quality multiplay services that match the changing needs of our customers while maintaining the highest possible level of their satisfaction. We are guided by the principle “For everyone. Everywhere” and we aim to satisfy every customer’s needs with our products and services that can be accessed at any time and on any device regardless of the method of service provisioning. We are constantly working on expanding our offering and entering new distribution markets. We pay attention to the development of unique content as we consider it an important competitive advantage in our operations.

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and one of the leading satellite platforms in Europe in terms of the number of customers. Since 2006, we are the leader on the Polish market both in terms of the number of active services and market share. We actively expand our pay TV offer by adding new forms of service provisioning (IPTV and OTT) and additional services which build customer value, such as Multiroom or paid video online subscriptions. As at December 31, 2020, we provided 5.1 million pay TV services.

Our offer includes mainly digital pay TV services distributed directly to end-users via Internet and satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to about 160 TV channels, including all of Poland’s main terrestrial channels as well as general interest, sports and e-sports, movie, news/information, education, entertainment, music and children’s channels. In addition, we provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online video and online music services, catch-up TV and Multiroom HD services.

Currently, we are the only operator in Poland to offer to our customers high quality set-top boxes manufactured in our plant in Mielec, Poland. We systematically develop the software of our set-top boxes and improve their functionality, so as to better address changing consumer preferences and video consumption trends. We also dynamically expand next generations of our set-top boxes to offer, in particular, new devices which allow to receive our content via Internet links, both in IPTV and OTT technologies.

Online video

The entertainment website IPLA offers the most diversified database of legal video content and live broadcasts in Poland and over 120 online TV channels, live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both domestic and foreign licensors. Every month IPLA offers several hundreds of hours of live coverage of the largest national and international sports events. IPLA provides its users with access to content in the free of charge model accompanied by advertisements and the paid model, and also gives the possibility to download selected content and view it offline.

In addition, IPLA started cooperation with Interia who allows its users to access content in the advertisement-based model.

Moreover, we offer our satellite TV customers the video on demand (VOD) “Home Film Rental” service which allows paid access to the latest novelties and film hits through a set-top box.

Mobile broadband Internet

We provide broadband mobile internet access based on the telecommunication network of our subsidiary Polkomtel. In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service. At present, our LTE Internet and HSPA/HSPA+ Internet cover practically the entire population of Poland. Since 2016 we have been offering our customers services in the LTE Advanced technology and in May 2020 we launched the first commercial 5G network in Poland. As at December 31, 2020, we provided as Polsat Group around 1.9 million mobile broadband Internet access services, mostly in the contract model.

Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, ODU-IDU sets, etc.), that support LTE, LTE Advanced and 5G technologies. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Bundled services

The bundling of services is one of the strongest trends on both the Polish media and telecommunications market. In keeping with the rapidly changing market environment and consumer expectations, we consistently implement our multiplay strategy by offering our customers a complete and unique service package based on pay TV, telephony and broadband Internet access offered both in mobile and fixed-line technologies, complemented by additional services, such as financial and insurance services or sale of electric energy and gas. These services can be combined freely on an as-needed basis. Our broad range of bundled services is offered through a diverse array of digital entertainment and communication platforms, such as television sets, mobile handsets, computers and tablets.

As part of our strategy of integrating products and services, Polsat Group promotes its unique loyalty programs - smartDOM and smartFIRMA - which enable profitable bundling of modern services for the home or company. Our bundled services offer is based on a simple and flexible mechanism - a customer subscribed to one service receives an attractive discount for the entire term of the contract for every additional product or service purchased from the Group's portfolio. Our customers can combine flexibly products such as satellite TV and IPTV, mobile and fixed-line broadband Internet, mobile and fixed-line telephony, financial and insurance services, energy and gas, home security services or supplies of telecommunications and electronic equipment, saving on each added service or product.

In 2018, we expanded the bundled services offering with fixed Internet access, offered under the 'Plus' brand based on Netia's infrastructure, and in 2019 we added Internet television in IPTV and OTT technologies.

1.2. Information on organizational or capital connections with other entities

The following table presents shares in other entities that we held directly as at as at December 31, 2020 and December 31, 2019, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 2020	December 31, 2019
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Infrastruktura Sp. z o.o.(1)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	74.98%	74.98%
Interphone Service Sp. z o.o. (1)	Inwestorów 8, 39-300 Mielec	production of set-top boxes	99%	99%
Teleaudio Dwa Sp. z o.o. Sp.k. (1)	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	call center and premium-rate services	99%	99%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
TVO Sp. z o.o.	Kielecka 5, 81-303 Gdynia	retail sales	75.96%	51.22%
Esoleo Sp. z o.o.	Al. Wyścigowa 6, 02-681 Warsaw	technical services	51.25%	-

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 2020	December 31, 2019
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.(1)	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	0.2%	0.2%
Mese Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	Movie and TV production	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	70.02%	-
Vindix S.A.(2)	Wincentego Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A. (2)	Olchowa 14, 35-322 Rzeszów	software activities	22.95%(6)	22.73%(6)
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.(1)	Ostrobramska 77, 04-175 Warsaw	media	37.75%	37.75%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.(1)	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	73.5%	73.5%
Karpacka Telewizja Kablowa Sp. z o.o.	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, suite 11.31 00-697 Warsaw	web portals activities	4.76%	4.76%

(1) Cyfrowy Polsat owns directly and indirectly 100% of shares.

(2) Shares in associates include shares in Vindix S.A. i Asseco Poland S.A.

1.3. Strategy of Polsat Group

Our mission is to create and deliver the most attractive TV content, telecommunication products and other services and commodities for the home, as well as residential and business customers, using state-of-the-art technologies to provide top quality multiplay services that match the changing needs of the market, while maintaining a high level of customer satisfaction.

The superior goal of our strategy is the permanent, long-term growth of the value of Cyfrowy Polsat for its Shareholders. We intend to achieve this goal by implementing the major elements of our operational strategy which include:

- growth of revenue from services provided to residential and business customers through consistent building of our customer base value by maximizing the number of users of our services as well as the number of services offered to each customer, while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
- use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services,
- growth of revenue from produced and purchased content by expanding its distribution, including a search for new channels of exploitation of rights, maintaining the audience shares of our channels and improving our viewer profile,
- effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies and economies of scale, and
- effective management of the Group's finances, including its capital resources.

Growth of revenue from services provided to individual and business customers through consistent building of our customer base value by maximizing the number of users of our services as well as the number of services offered to each customer, while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction

Our goal is to effectively build revenue from the sale of products, services and commodities to our customers. By actively foreseeing new trends and reacting to the occurring market changes, we will continue to create products that will satisfy the changing needs of our customers.

The factor that will have a positive impact on revenue is the possibility of cross-selling of our existing and future products and services to the combined customer base of Cyfrowy Polsat, Polkomtel and Netia. Within our Group we create a unique portfolio of products and services which is targeted at customer bases of companies composing our Group. When properly addressed, both through sale of additional individual products or a multi-play offer, this potential may gradually increase the number of services per individual user, thus increasing the average revenue per customer (ARPU) while favorably contributing to our customers; satisfaction levels.

The integrated services market is still developing in Poland, especially outside big cities and thus it has substantial growth potential. We intend to continue expanding our portfolio of products and services, relying both on own projects, as well as on strategic alliances or acquisitions. We trust that a comprehensive and unique offer of combined services (television, the Internet and phone) and the possibility of up-selling additional services (e.g. premium content services, entertainment services, financial products as well as sales of electricity and other services or solutions for home), when provided via diversified distribution platforms, will be decisive from the point of view of our competitive edge. It will also enable us to retain our existing customer base and offer an opportunity to acquire new customers, both on the pay TV and telecommunication markets as well as in the area of other services for the home and for residential customers.

Use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services

We are seeking to offer wide accessibility to our products and services to each of our existing and potential new customers. Therefore, beside the continuous development of technologies which have built the scale of our company in the past, we pay much attention to the development of new products which are meant to facilitate the availability of our content and broadband Internet services to everyone and everywhere.

The intertwining of the telecommunication and media worlds, in particular the wide availability of fast mobile transfer technology as well as the constantly improving quality of fixed-line Internet access, allow us to offer the equipment and technologies which break the limitations with regard to accessibility or ownership of certain telecommunication infrastructure. The OTT (*over-the-top*) technologies expand distribution markets for content producers and we intend to actively leverage on that. We invest in new technologies and equipment and we pursue opportunities for entering into strategic alliances or for acquisitions, with a view to facilitating access to the content produced by us to our customers. We also intend to leverage the changes taking place on the Polish content market and take advantage of the opportunities presented by the evolving needs and expectations of Polish consumers as well as changes in the ways of media consumption using all data transmission technologies in order to offer our customers an extensive range of services adjusted to their needs and preferences. By developing our content and telecommunication offer and expanding it to include complementary products and services, we seek to acquire new customers, build ARPU and improve customer satisfaction and loyalty.

An effective combination of telecommunication and content products provides new opportunities for distribution of content. Thanks to this combination, the attractive content and the wide range of our services will be delivered through a variety of reliable distribution channels – via satellite (DTH), within digital terrestrial television (DVB-T), Internet television (OTT), Internet platforms, applications and portals (video online), through mobile (LTE and 5G) and fixed-line (IPTV) technologies – to all consumer devices; from TV sets through PCs and tablets to smartphones.

Growth of revenue from produced and purchased video content by expanding its distribution, including a search for new channels of exploitation of rights, maintaining the audience shares of our channels and steady building of our viewer profile

The channels we produce and broadcast enjoy strong, well-established positions on the Polish TV market as well as high ratings in their target groups. Our goal is to maintain our audience share at a stable level and consistently improve our viewer profile. We believe that by making sensible investments in programming, and wider distribution of our own content, we will be able to gradually improve our viewer profile. This in turn will have a positive effect on the advertising airtime pricing.

Another crucial step in building the segment's value will be to maximize our distribution of produced and purchased TV content, both in terms of the customer groups it reaches (FTA, pay TV and online access) and the technologies they use (terrestrial, satellite, Internet, mobile). We want to invest in development and build the market position of our content brands, which later will be distributed via a number of channels adjusted to the evolving needs of our customers. These efforts, in our opinion, will not only allow us to reap the benefits of wide-scale distribution of our video content, but will also ensure a higher level of satisfaction among our customers and viewers, who will have more freedom to decide what, where and when to watch.

Effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies

We are convinced that building a closely integrated media and telecoms group offers an opportunity for tangible synergies and for securing significant competitive advantages. We are implementing numerous projects aimed at simplifying the Group's structure by integrating relevant teams and harmonizing business processes and IT systems in the entire Group, which enables us to achieve tangible cost synergies. On a continuous basis we pursue optimization efforts aimed at adapting our cost base to current market conditions and our Group's situation.

Effective management of the Group's finances, including its capital resources

The capital resources management policy adopted by us defines the method of using the funds generated from our operations. To guarantee the continuity and stability of the Group's operations, the generated free cash is used in the first place for financing current operations and for investments indispensable for the development of the Group. Simultaneously, we continually exploit arising development opportunities, which allow us to make our products and services even more attractive or provide new methods of their distribution.

Our capital resources management policy assumes also maintaining balance between making regular dividend pay-outs to Shareholders of the Company and continuing to deleverage the Group. Therefore, the dividend policy adopted by the Management Board sets out the payments to Shareholders at a level enabling in parallel to continuously repay our indebtedness in order to achieve the desirable level of consolidated debt, measured by the net debt/EBITDA ratio which, according to the Articles of Association of Cyfrowy Polsat, should be reduced ultimately to the level of 2.0x.

1.4. Competitive advantages

We are part of the leading integrated media and telecommunications group in the region

Our major competitive advantage is that we have gathered and manage autonomously all key assets within our Group. Thanks to this we can efficiently operate a diversified business comprising DTH, IPTV and OTT, mobile and fixed-line telephony, mobile and fixed-line broadband Internet, wholesale business as well as TV broadcasting and production and on-line services of content, news and video sharinig.

We are the largest provider of pay TV services in Poland and a leading DTH provider in Europe. Since 2006, we have been the leader of the Polish pay TV market both in terms of customers and the number of active services and market share. Our subsidiary, Polkomtel, which focuses on provision of mobile telecommunication services under Plus brand, is one of the leading telecommunication operators in terms of the value of generated revenues and the size of the base of mobile telephony and the mobile broadband Internet access services. In turn, our subsidiary Netia is a leading provider in fixed-line services, including broadband Internet offered, among others, in fiber optic technologies. At the same time we are the leading TV group in Poland in terms of the scale of advertising revenues and audience share and, starting from 2020, following the acquisition of Interia.pl Group we became one of the leading Internet publishers in Poland.

Our pay TV, telephony and Internet access services are sold through a nationwide distribution network consisting of 1,057 stationary points of sale. We simultaneously offer our services in alternative telemarketing, door-to-door channels as well as online in Plus's, Cyfrowy Polsat's and Netia's online stores. Furthermore, both Polkomtel and Netia have their own separate B2B sales and service channels and, additionally, Polkomtel has an extensive prepaid distribution network.

We have strong brand recognition and enjoy good reputation among our customers

Our key brands - "Cyfrowy Polsat" and "IPLA" - are well recognized by Polish consumers and we believe they are associated with high quality and value-for-money services aimed at the entire family.

According to a survey conducted by Ipsos agency on the Polish telecommunication market from February to April 2019, aided brand recognition of our brands was high in many areas of our operations, such as Internet access, pay TV, bundled services or VOD. For example, aided brand recognition of the "Plus" brand was 88% and 68%, respectively, in the voice and data segments. The survey also demonstrated that Cyfrowy Polsat is the best recognized pay TV provider in Poland with aided brand recognition on the level of 90%.

We believe that our position as the largest pay TV operator in Poland and good relations with programming licenses providers give us a competitive advantage in obtaining high quality content on attractive market terms. Therefore, we are able to offer attractive programming packages at competitive prices which translates favorably into viewers' opinions on us. At the same time, through investing in the latest technologies, we constantly increase the attractiveness of our services which contributes to high satisfaction levels among our customers.

We have a significant customer base to which we can up-sell a broad portfolio of services

Polsat Group has a significant base of customers, consisting of the individual customers of Cyfrowy Polsat, Polkomtel and Netia business and corporate customers, as well as prepaid users. This base includes 5.5 million unique customers (excluding customers of Netia Group), bound by contracts for definite or indefinite periods of time, which generate a regular monthly revenues stream. At the same time, when combined with the contract customers of Netia Group companies and prepaid customers of Polkomtel and Cyfrowy Polsat, we reach with our retail services 46% of Polish households[1], which makes us the largest Polish service provider for residential customers.

Our strategy assumes up-selling to this base of an extensive portfolio of telecommunication, television and other services and products by our companies independently or in partnership with other entities, in order to increase revenues generated by unique customers. We believe that up-selling of services to our own base will enable us to increase the revenue in a cost-

[1] Market Situation Survey 2018. Representative sample of households in Poland, n=5 494. Study carried out using the individual CAPI interview method. The study made by IQS Sp. z o.o.

effective way, while simultaneously offering to our customers attractive price terms, which should translated into an improvement of customer satisfaction and loyalty.

Following the acquisition of a controlling stake in Netia, we have significantly expanded the potential of cross-selling our products and services, which are currently addressed to a combined customer base of all companies in the Group. In particular, thanks to the reach of Netia's access infrastructure, a market of residential customers in large cities and urban areas has opened for us and we can offer them cross-selling of products and services under bundling. Furthermore, thanks to Netia's broad competence in servicing business customers we have strengthened our competitive position on the market of convergent services for business customers.

We offer a unique combination of integrated services

We provide multi-play services combining mainly pay TV, Internet access and telecommunication services. In addition, we offer our customers the option to purchase electric energy and gas, telecommunication equipment, finance, insurance or home security services at attractive prices and, furthermore, we are dynamically expanding our offer of photovoltaic installations' assembly and maintenance. The ability to provide comprehensive multi-play services represents our significant competitive advantage on the pay TV market in Poland. At the same time we are the telecommunication operator who offers bundled services comprising a rich pay TV offer over our own assets and infrastructure, which ensures greater price elasticity and more effective operating activities on this highly competitive market.

The provision of services in an integrated model enables us to offer attractive price terms to the customers, while simultaneously simplifying the process of customer service, which translates into the improvement of customer satisfaction and loyalty, thus decreasing the churn rate. We believe that, similarly to highly-developed European countries, preferences of Poles will go into integrated services direction, which will strengthen our competitive advantage.

Multi-platform distribution of online video content and proprietary technology for video online content distribution

Our IPLA online video service is one of leading platform of video content distribution via the Internet in Poland, offering access to content through a wide range of end-user devices, including computers/notebooks, tablets, smartphones, TV sets with Internet connections, set-top boxes, game consoles and home cinemas. Our objective is to provide access to an extensive range of audio-visual content through any type of device for playing online multimedia files. We strive to ensure that each type of platform is supported by all major equipment manufacturers and operating systems.

IPLA strengthens our position as an aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV, which helps us achieve synergies in terms of costs and revenues.

We have also developed unique technological competencies in encoding and streaming audio-visual content on the Internet, as well as optimizing distribution of this type of signal. Unlike our competitors, we apply proprietary solutions to our IPLA online video platform, which enables us to provide services optimally adjusted to the limited Internet infrastructure in Poland and the capacities of external systems with which our applications are integrated. In this way, we may offer services of higher quality than the widely used solutions, for instance, our system of HD video stream encoding helps reduce the broadband required to deliver the signal by half as compared with the solutions implemented by other operators on the Polish market. Hence, the optimized technology has a direct effect on our projects, increase in their coverage potential and the number of concurrent viewers.

We control the process of production of set-top boxes

As the only operator on the Polish market we produce our own set-top boxes. In 2007, we launched the internal production of SD set-top boxes, in 2010 we began to produce HD set-top boxes, in 2012 we started to produce DVB-T set-top-boxes, in 2013 we began the production of PVR set-top-boxes, in 2016 we started producing a PVR set-top box offers the possibility of simultaneous recording of as many as three channels and in 2019 we launched two set-top boxes dedicated to TV in OTT and IPTV technologies. By the end of 2020, over 9 million set-top boxes left our production lines. We control the entire process of production of set-top boxes, from the hardware and software design phase to the production in our own factory as well as in our subcontractors' facilities. This enables us to produce high quality set-top boxes while incurring manufacturing costs which are noticeably lower than the price of purchasing such equipment from third-party providers. The functionalities of our set-top boxes are designed in line with the customers' expectations as analyzed by the surveys, so that we can be sure the equipment will meet their needs. The fact that software installed on our set-top boxes is developed by in-house engineers, enabling us to rapidly respond to emerging customer needs.

New entrants must overcome significant regulatory and operational barriers and acquire access to radio spectrum or incur very significant investment outlays to compete effectively in the markets in which we operate

We believe that we benefit from significant market entry barriers that will aid us in maintaining our leadership positions in the competitive Polish pay TV and telecommunication markets. Unlike potential entrants to the Polish pay TV market, we benefit from economies of scale and a loyal customer base, and we can spread the relatively high cost of the necessary technology over our large customer base and leverage the stronger bargaining power that comes with a leading market position.

On the other hand, entry to the telecommunication market requires obtaining the direct access to telecommunication frequencies and very expensive and time-consuming investments into telecommunication network or obtaining a paid access to the radio frequency via one of the four mobile operators. However, the majority of the radio spectrum allocated to mobile technologies has been nearly fully distributed among the current market players and a scenario assuming emergence of a new infrastructure operator seems to be very unlikely. Operators who provide mobile services based only on paid access to the existing mobile networks so far have failed to achieve the scale of business in Poland which could create a significant competitive threat to us.

We have strong, stable and diversified cash flows

Our large retail customer base, stable monthly subscription revenue and low churn rates provide us with significant predictability of future revenue and strong recurring cash flows, which have historically proven to be resilient, even during periods of challenging economic conditions, including the COVID-19 pandemic.

In the case of our cost base, we focus on improving the efficiency while maintaining the high quality by carrying out the initiatives which are aimed at development of in-house services and systems. Examples include our own set-top-boxes manufacturing plant or the gradual centralization of back-office processes within the entire Capital Group.

We have experienced managing staff

Our management team consists of executives who have been members of the management boards or served in other managerial positions within the media, TV and telecommunications industries and have extensive experience in these industries. In addition, our operations in both business segments are managed by teams of experienced senior managers who provide expertise and a deep understanding of the markets in which we operate. A distinguishing factor is a low factor of rotation among our key managing staff, which positively reflects on the stability of our business and excellent operating results. Our senior managers have a significant track record of increasing our customer base and market share and introducing new products in competitive environments while managing costs and increasing free cash flow.

1.5. Market opportunities

We believe that Poland is an attractive market for our current and planned products and services for a number of reasons. The key reasons are presented below.

Growing importance of integrated services

Convergence, meant as a combination of at least two services from different base groups of telecommunications services, is one of the strongest trends both on the Polish media and telecommunications market and worldwide. Operators develop their bundled offerings in response to changing preferences of customers, who more and more often seek media and telecommunications services provided at competitive prices by a single operator under a single contract, a single invoice and a single fee. With the high saturation of the pay TV and mobile telephony markets, bundled services play an increasingly important role in maintaining the existing customer base.

In the wake of the increasing importance of convergence and bearing in mind the significant level of fragmentation of the broadband access market, it can be expected that the future shape of the Polish telecommunications and media market will be substantially impacted by consolidation trends which have been visible for a long time on more developed foreign markets where mobile and fixed-line operators merge with content providers.

The acquisition of a controlling stake in the fixed-line operator Netia, finalized by Cyfrowy Polsat in May 2018, can serve as an example of such a consolidation in Poland. Thanks to this transaction we combined all assets necessary to provide fully convergent services within our Capital Group, which facilitates better adjustment of the offering to customers' needs and more effective cost management. Based on Netia's infrastructure, we introduced to sales the fixed-line Internet access, which was further enhanced by a possibility to provide services using other lines of other operators who grant Netia an access to their networks on wholesale terms. In turn, in the first quarter of 2019 we implemented the cable TV in IPTV technology service, which is available to customers of fixed-line Internet services offered by the operators of Plus, Netia and Orange networks. As a next step, in July 2019, we implemented our OTT television service, which can be accessed via the Internet delivered by any service provider. The introduction of the new Internet television services to our offering represents the next phase of our Group development and is our response to the changing needs and expectations of our customers who may now decide about an optimal from their point of view technology of TV signal delivery.

Low penetration rate of multi-play services, in particular in low-urbanized areas

In the past integrated services in Poland were provided by cable TV operators and selected fixed-line telecommunication operators and were offered mainly in large and medium-sized cities, which among others results from the geographical coverage of their infrastructure telecommunications and cable infrastructure.

According to the European Commission's report "E-Communications and the Digital Single Market" of July 2018 the penetration rate of multi-play services in Poland in April 2017 amounted to 38% while the average penetration rate in the European Union reached 59%. The leading European countries in this respect included the Netherlands, Malta or Slovenia, where the level of penetration with bundled services reached 93%, 86% and 84%, respectively. We believe that as a result of the low saturation of integrated services and poor quality of Internet access services offered in low-urbanized areas, Cyfrowy Polsat may become the leading provider of high quality multi-play services in Poland.

Development of the Internet access market in Poland

Based on data published by the European Commission in the Digital Scoreboard, in 2019 the penetration rate of fixed-line broadband Internet access services among Polish households was 62.3%. For 28 member states average penetration was 77.6% of households. The low penetration with fixed-line broadband Internet access services in Poland results from, among others, the fact that, according to the data of GUS (the General Statistical Office), 53% of Poles are residing in rural areas and small towns (up to 20 thousand inhabitants) which, due to the low land development density in Poland, represent low profitability areas from the perspective of cots of constructing a fixed line to the end user. Low saturation of the fixed broadband Internet access in Poland combined with the progressing development of mobile technologies, including the emergence of 5G technology, make the Polish broadband access market a continuously growing telecommunication market segment.

According to PMR forecasts, in 2020 there were approximately 15.4 million users of broadband Internet, out of which half used mobile connections. According to PMR forecasts, by 2025 the total number of broadband users, of both dedicated mobile access through a modem/SIM card and fixed-line, is expected to grow annually by ca. 1.1% on average.

The main drivers for growth in the number of mobile Internet users in the long term will include increased speeds of data transmission, accelerated by the implementation of 5G technology, an increase in the number of mobile devices i.e. laptops, smartphones, tablets, as well as relatively low cost of mobile infrastructure covering low urbanized areas. The driver behind the growth of fixed-line broadband will be the modernization and roll-out of existing infrastructure. In the area of fixed-line broadband access fiber optic technology (FTTx) is going to rapidly gain importance. To a growing extent it is replacing obsolete copper infrastructure as a result of large scale investments of fixed-line operators (including the investments executed under the POPC *(Program Operacyjny Polska Cyfrowa)* program subsidized with the EU funds). Accelerated development of the Internet market will be also owing to a significant popularization of remote forms of working and learning, caused by a necessity to adjust the society and the economy to the restrictions resulting from the COVID-19 pandemic.

Growing market for new technologies and equipment and the resultant increase in access to and consumption of audiovisual content

As the market for innovative technologies is growing at a fast pace, the number of mobile devices (smartphones, notebooks and tablets or Smart TV sets) owned by consumers is on the rise as well. This has spurred a sharp increase in access to video content, and hence in video viewership. Consumers expect service providers to offer them the possibility of watching TV on any screen, anywhere and at any time. We perceive this group as a prospective customer segment for television services, opening also the opportunity for the monetization of our audiovisual content. At the same time, the above mentioned trend will translate into an increased demand of our customers for data transmission services on mobile devices, which in turn will result in a growing stream of revenues from the sale of these devices to our customers.

1.6. Development prospects

We are a part of t the largest media and telecommunications group in Poland which has gathered under the same roof key assets which allow us to offer customers a unique portfolio of products and services. In line with our strategy, we focus on marketing and sales activities aimed at cross-selling stand-alone products and services to our customer base and at selling our bundled services offer and we see our future development path in it. We think that along with the development of modern fixed-line and nationwide radio infrastructures, Internet will revolutionize not only the telecommunications market but also the content distribution market. We believe that broadband Internet access services we offer, both in LTE or 5G mobile technologies and advanced fixed-line technologies, will allow us to grow our customer base of both independent and integrated services.

We develop our portfolio of integrated services. The Polish bundled services market is characterized by a low level of development. According to research conducted by the European Commission, saturation with bundled services in Poland is still significantly lower compared to the average saturation in the European Union. Concurrently, our customers are increasingly interested in bundled services, a trend reflected in the excellent sales results of our bundled services offer. We are convinced that our combination of pay TV and telecommunication services, including in particular broadband Internet access in both high quality LTE and 5G as well as fiber optic technologies, will allow us to benefit from the growth potential of the Polish bundled services market. By increasing the number of services sold to each customer we are able to generate growth of average revenue per customer (ARPU) and effectively increase our customers' loyalty.

Polsat Group is a leader in 5G development in Poland. At the beginning of 2020 our subsidiary Polkomtel commenced the construction of Poland's first commercial 5G network based on the unique 2.6 GHz TD band we own. Thanks to putting into operation the first 1,000 base stations, starting from January 2021 our 5G network can be used already by 7 million Poles in over 150 locations scattered across all 16 voivodships. We plan in 2021 to cover at least 11 million people with our 5G network and are simultaneously working on the development of 5G network using other radio frequencies and technologies. This will enable us to keep the advantage on the next phases of 5G development due our ability to combine various bandwidths and, therefore, strengthen our position as the technology leader in Poland.

We address our convergent offering to new target groups. Furthermore, we use Netia's infrastructure to expand the reach of services provided by Polsat Group in fixed-line technologies. In particular, Netia's access network reach opened for us a new market of large cities and urban areas, which so far has been accessible mainly to cable network operators. We develop new TV products, such as, for example, television in IPTV and OTT technologies, which, in our opinion, will become an attractive alternative to offers of cable operators. We are of the opinion that assets owned by Polsat Group, such as a widespread sales network and own advertising channels, shall allow us to achieve satisfying sales results on our fixed-line and TV services while maintaining high cost efficiency of operations.

We consistently strive to strengthen our position as the aggregator and distributor of content. We believe that as a Group we have a unique, hard to duplicate and at the same time highly attractive programing offer which differentiates us on the pay TV market. Currently, the attractive content and the wide range of Polsat Group's services are delivered through a variety of reliable distribution channels – via satellite (DTH), within digital terrestrial television (DVB-T), through LTE and 5G mobile technologies and through fixed-line technologies (FTTH, HFC, ETTH, OTT, IPTV) – to all consumer devices, from TV sets and PCs to tablets and smartphones. We closely study the evolution of our customers' expectations and work to satisfy their growing needs. We believe that our IPTV and OTT television offerings introduced in 2019 represent a significant step in Polsat Group's further development on the pay TV market. The services live up to customers' expectations by offering an access to a wide range of the unique content in flexible tariff plans and short subscription periods.

2. Business overview of Cyfrowy Polsat

2.1. Activities on the pay TV market

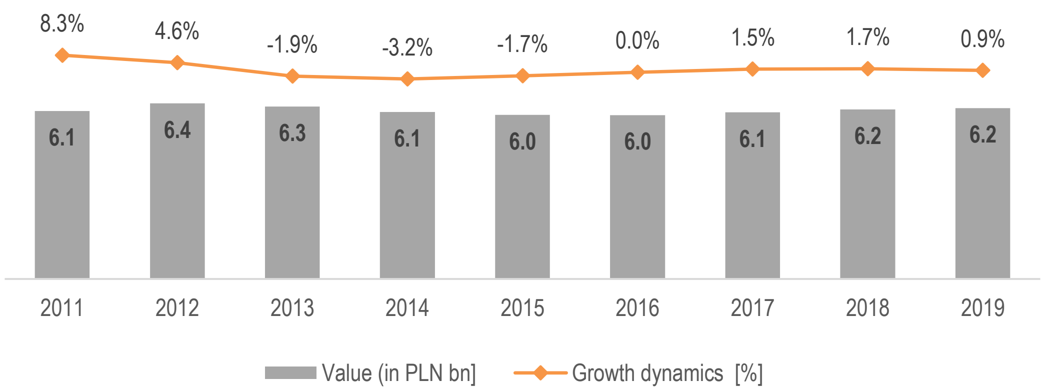
2.1.1. Pay TV market in Poland

Market value and growth dynamics

The Polish pay TV market is a mature market characterized by a high degree of penetration. On the one hand, a high level of market penetration with pay TV services (estimated by PMR at ca. 70% of households) leads to a low growth potential. On the other hand, pay TV operators actively loyalize their subscriber bases, mainly through increasingly popular bundling of services, by combining pay TV with telecommunication services (Internet, phone), or developing and offering to customers their own online video services, enabling the users to consume content on demand on a wide range of mobile devices. This trend leads to an increasingly strong interpenetration of pay TV and telecommunication markets.

Both in terms of the number of subscribers and value, the situation on the Polish pay TV market is stable. According to PMR estimates, in 2019 the market was worth PLN 6.2 billion (+0.9% YoY), with a stable customer base at the level of approximately 10 million subscribers. At the same time ARPU from pay TV services in Poland was among the lowest in Europe. In this context the strategy of competing for customers with the merit and quality of the offered content rather than with price is one of the key trends affecting the value of pay TV market. Operators expand their offers with premium packages, propose attractive film or sports content which leads to higher ARPU at the stable base. Also the dynamically growing IPTV segment, and the systematically increasing penetration of customer base with Multiroom services are the factors influencing the value of pay TV market.

Value and growth dynamics of pay TV market in Poland



Source: PMR, Pay TV and VOD market in Poland, 2020

Competitive environment

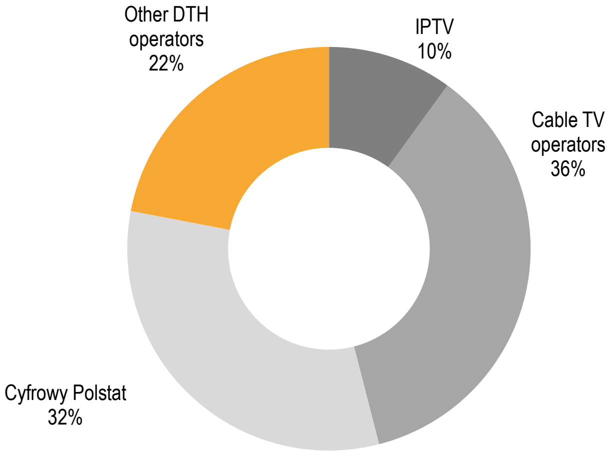
Pay TV services in Poland are offered by satellite platform operators (DTH), cable TV operators as well as by IPTV providers. According to our estimates, sector data and PMR forecasts, in 2019 operators of satellite TV platforms had the dominant share, both in terms of the number of subscribers and revenue, on the pay TV market – approximately 54% in terms of subscriber base, followed by cable TV operators with approximately 36%. IPTV is the pay TV market segment which demonstrates strongest growth and its market share increased to 10% in 2019.

Pay TV services provided by the operators of satellite platforms and cable TV operators are in principle substitutes. Competition between the two technologies of access to pay TV services is restricted due to the geographical reach of each of these services. DTH operators are able to provide their services to both, the customers who live in cities as well as to those living in less densely populated and rural areas without incurring significant additional costs, whereas cable TV operators concentrate on inhabitants of densely populated areas where highly developed network infrastructure already exists or in locations where the establishment of such infrastructure involves a relatively low cost per customer. Polish towns with up to 20 thousand inhabitants, suburban and rural areas, inhabited by more than half of Poland's population, are therefore the natural target markets for DTH because these areas have poorly developed cable TV infrastructure and are not attractive for cable TV companies to develop cable TV infrastructure there.

DTH operators

According to our estimates and PMR forecasts, the subscriber base of the DTH market in Poland remains under slight pressure and in 2019 it was around 5.5 million. There are three DTH platforms operating in Poland: Cyfrowy Polsat, Canal+ (operating until September 2019 under the nc+ brand) and Orange, while the market is practically divided between the first two. Orange does not offer pay TV as a stand-alone service but only as an add-on to its integrated offer. Orange's offer is based to a significant extent on cooperation with Canal+.

Pay TV market in Poland in 2019 in terms of subscriber base



Source: Based on own estimates, sector data and PMR forecasts

Cyfrowy Polsat is the market leader in terms of the number of pay TV customers. We actively expanded our offer, selling paid access to online television in our Cyfrowy Polsat GO service or the Multiroom HD option, as a result of which as at December 31, 2020 we provided over 5 million contract pay TV services (together with the services of paid access to online television), including 1.2 million Multiroom services. We have been also actively entering the Internet TV market (IPTV, OTT with a set-to-box). Based on own and PMR forecasts we estimate that at the end of 2019 Cyfrowy Polsat's share in the Polish pay TV market, in terms of the number of subscribers, was at the level of approximately 32%.

The second player in terms of subscriber base was the platform Canal+, providing services to approximately 2.2 million subscribers in 2019, as reported by Vivendi (shareholder of the platform), which translated into a market share in the pay TV market of ca. 21%. Orange cooperates with Canal+ platform, offering pay DTH TV based on Canal+ programming offer as an element of its integrated packages.

As regards less populated rural and suburban areas, where cable and broadband infrastructures are underdeveloped, digital terrestrial TV, offering access to around 30 channels in DVB-T standard, presents a real alternative to satellite pay TV services. Rapid growth of interest in this form of access to television occurred in 2013 when the process of digitization of terrestrial TV in Poland reached its completion, and it has continued on a slight upward trend since. According to PMR estimates, in 2019 35% of households in Poland used free-to-air DVB-T television only, while in 2025 this share is expected to increase to 40%. However, it is worth noting that the pay TV offer surpasses alternative solutions, such as DVB-T digital terrestrial TV or VOD, in terms of the quality of the programming offer. Dedicated and premium content, exclusive content available only from a given operator, live programs, or coverage of attractive sports events remain the key distinctive features.

Cable TV operators. The Polish cable TV market is strongly fragmented. The number of companies operating on it is estimated at ca. 300, with two dominating players: Vectra Group and UPC Polska Sp. z o.o. At the end of 2019 the pro forma estimated total combined share held in the Polish cable TV market by these two operators was nearly 80%.

Possibilities of acquiring new subscribers are limited due to a high penetration rate of cable TV in urban areas as well as the reluctance of cable TV operators to make significant investments in cable TV infrastructure in less densely populated and rural areas of Poland.

There is an ongoing consolidation process on the Polish cable TV market. In February 2020, as a result of finalization of acquisition of 100% of shares of Multimedia Polska by Vectra, the second and the third biggest cable TV operator consolidated and hence Vectra Group surpassed the to-date leader, UPC, in terms of the number of subscribers served. Consolidation of cable TV operators increases chances for larger scale transactions between sectors, namely the construction of convergent offerings (i.e., offerings combining mobile and fixed-line services) by mobile operators. Taking control by Cyfrowy Polsat over Netia in 2018 can serve as an example of such a transaction.

Digital television through the IP protocol (IPTV). The leading IPTV providers in Poland are Orange Polska and Netia, a company belonging to Polsat Group. The remaining part of the IPTV market is fragmented between Vectra Group and local Internet service providers (ISPs). The predominant model of sale of IPTV services on the market relies on bundling of the service, especially with broadband Internet access. In 2019 it was also Cyfrowy Polsat who introduced an IPTV offer to the market. In this case the service is available in a stand-alone (non-bundled) form and it can be enjoyed as long as one has broadband Internet access offered by Plus, Netia or Orange.

IPTV is the most rapidly growing segment of the pay TV market, among others due to the improving quality of broadband connections, fiber optic networks in particular, following infrastructural investments. In spite of the high growth dynamics, IPTV market still encounters barriers, mainly due to technological obstacles which result from restricted coverage of advanced infrastructure capable of offering sufficient data throughputs for providing good quality and profitable IPTV services, especially outside big cities, and the associated high cost of implementation of these services.

As IPTV develops, the competition between IPTV operators and cable TV operators becomes fiercer, especially in big cities where there exists high quality broadband infrastructure, including fiber-optic links. In the less populated areas, on which DTH operators focus their activities, the influence of the expansion of IPTV is less pronounced due to the underdeveloped infrastructure for broadband Internet access. At present, it is difficult to estimate whether and when operators will be able to develop in a substantial degree their IPTV offer in rural, suburban areas and small and medium-sized towns and the impact of such a development on the operations of DTH providers. At the same time, it is worth stressing that the effect of outflow of DTH and cable TV subscribers is to some extent compensated for by the migration of these customers to the IPTV standard, as a result of which the total pay TV subscriber base in Poland remains stable.

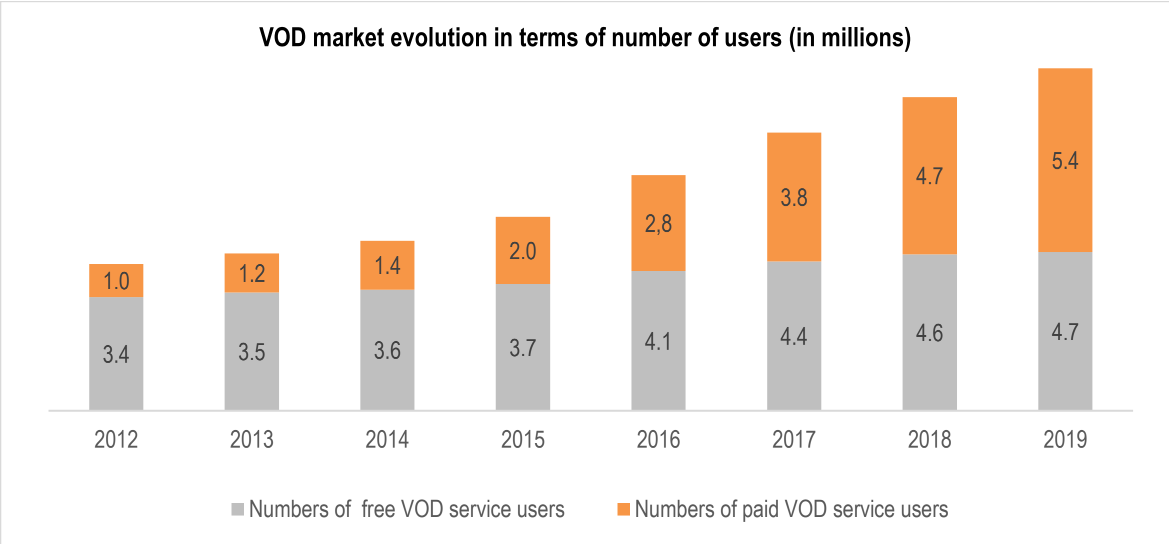
Simultaneously, mobile operators who strive to propose convergent offerings to their customers become players on the pay TV market through entering into cooperation with operators who own fixed-line broadband infrastructure. For example, Play and Vectra signed a cooperation agreement based on which Play offers TV services whereas Orange Polska and T-Mobile Polska concluded an agreement enabling T-Mobile to provide its services from July 2019 over part of Orange's FTTH network. Moreover, mobile operators strive to offer TV products based on similar partnerships, currently mostly in the form of IPTV or OTT services built by themselves (Play Now TV) or purchased directly from content providers (IPLA or TVN24GO offered by T-Mobile).

Video-on-demand (VOD) services

Poland has also seen the successive development of the video-on-demand market – VOD (*video on demand) and* OTT (*over the top*). Video content is supplied to customers directly as an independent service, offered via Internet connection, or as an element of pay TV packages. Progressing improvement of the quality of broadband Internet connections, and consequently of data transfer rates offered to customers, as well as changing preferences of consumers who wish to have access to their favorite content at the time and place of their choice are the factors that have a positive influence on the growth of the OTT and VOD services market in Poland.

The Polish VOD market is highly fragmented; several dozen online services operate on the market, including those offered by TV broadcasters, DTH satellite platform operators, cable TV networks or telecommunication operators as well as by global players (like the US giants Netflix or Amazon Prime Video). In terms of the number of users, the most popular online services include Netflix, ipla.tv, player.pl, cda premium and HBO GO. It is difficult to estimate the size of the Polish VOD market due to the lack of publicly available data from service operators, multiple distribution platforms for a given service or the so-called overlap, i.e., the simultaneous use of many services by the same user. Nevertheless, PMR estimates that in 2019 there were approximately 10 million users of VOD services, up by 9% year–on-year. The pace of growth of the number of VOD users most probably demonstrated significant growth in 2020 due to the two lockdown periods caused by the COVID pandemic, however no precise estimates existed as of the date of publishing this Report.

At the same time, the trend of Poles becoming increasingly accustomed to paying for video content offered in the Internet is becoming more distinct, which is reflected by the growing number of users of paid VOD services. According to PMR in 2019 ca. 54% of VOD service users decided to use the services in a paid model.



Source: PMR, Pay TV and VOD market in Poland, 2020

As per PMR's estimates, the value of the Polish VOD market was PLN 1 billion in 2019 and demonstrated year-on-year growth dynamics of approximately +19%. The dynamic growth is related mainly to the increasing acceptance among Poles of the need to pay for content in the Internet and the fast expansion of the paid access model. In particular, the segment of the VOD market which developed fastest in Poland was the segment of subscription-based Services, which generated 58% of the total revenue on the VOD market in 2019.

OTT and VOD services exert limited substitution pressure on the pay TV market in Poland. A PMR survey showed that as of now VOD is rather a service which is complementary to the traditional pay TV – more than 2/3 of households using paid subscription services simultaneously have traditional TV subscriptions. Popularity of distribution of VOD services via the operator channel is an important factor having influence on the above mentioned trend. Majority of the most popular VOD services are available from the offers of telecom and pay TV operators. According to PMR data, 43% of the total number of subscription service users used their services via another operator in 2019. Moreover, pay TV operators effectively compete against the global VOD players by developing their own VOD platforms and offering the content which is better adapted to Polish viewers, i.e. Polish language content, premium content or exclusive coverage of sports events.

Development forecasts for the pay TV market

According to PMR forecasts, in the years 2021-2025 the pay TV market in Poland will remain stable, both in terms of the number of customers and market value, with low average yearly change dynamics, not exceeding -1%. The market shall remain under the influence of three major trends: high market penetration of pay TV services, dynamic growth of IPTV technology and high saturation of the target group for terrestrial TV services with DVB-T standard.

According to PMR, in the years 2021-2025 satellite platforms will remain the biggest segment of the pay TV market in Poland, reaching a half of the market share (in terms of subscribers) at the end of the forecast period. Cable TV operators will remain the second major segment, with a market share of approximately 30% at the end of the forecast period. Thanks to the highest growth dynamics IPTV services will systematically gain importance, supported by the dynamic development of broadband Internet access networks, including fiber optic networks. According to PMR by the end of 2025 IPTV operators will have a market share of around 20% in terms of the number of subscribers, however growth of the market share measured in terms of market value will be slower.

Pay TV operators will aim to increase their competitiveness and to propose a unique offer to its customers. Bundled offers containing telecommunication and content services combined with sales of equipment (tablets, smartphones, laptops, TV sets) and supplementary services as well as an extended offer of exclusive content are of great importance for enhancement of customer loyalty and own customer base retention. Access to broadband Internet, including fiber-optic access, is a particularly important element, which at the times of the pandemic became key from the point of view of maintaining customer loyalty. Offering of premium content will continue to be important, attracting subscribers looking for unique, high quality content, on the one hand, and supporting consolidation of ARPU, on the other.

State-of-the-art technologies will continue gaining in importance at a fast pace as they enable operators to provide personalized content (such as content on demand) via the Internet, to mobile devices in particular. Substitution pressure from the independent providers of OTT and VOD services present on the market (for example, Netflix, CDA, HBO GO or Chili) will still continue to be limited in Poland. Moreover, pay TV providers will compete with the offers of the above mentioned services by developing their own VOD platforms, which are complementary to traditional TV services, and by introducing mobile solutions. We think that VOD services will, in upcoming years, supplement and extend the offers available on the market instead of substituting linear TV. According to PMR estimates that the number of VOD service users is To stabile and reach the level of ca. 12.5 million in 2025, whereas the pace of growth of this segment will be successively declining due to the high level of market saturation with pay TV services.

Polish pay TV market may continue to see consolidation trends, both within the sector as well as between cable TV and telecommunication operators.

2.1.2. Our pay TV offer

We build customer loyalty by offering a wide array of channels at competitive prices, attractive additional services or state-of-the-art set-top boxes. We make sure that our pay TV packages offer very good value for money. Currently, our customers have access to as many as 160 TV channels on diverse topics: general, sports, movie, lifestyle, education, music, news/information and children's channels. Selected channels are available exclusively via satellite from Cyfrowy Polsat, such as Polsat Sport HD or Polsat Sport Extra HD channels. Premium content is a significant element that helps build the value of our pay TV offer, that is why in 2017 Polsat Group acquired from UEFA rights to broadcasting football competitions of the UEFA Champions League and the UEFA Europa League for three consecutive seasons (until 2020/2021), and in 2019 Cyfrowy Polsat offered its customers access to the channels broadcasting to the Polish PKO Ekstraklasa football league.

In order to meet the changing trends in television content consumption, in 2019 we launched two new product lines:

- cable TV in IPTV technology which ensures access to the full portfolio of channels offered by Cyfrowy Polsat after connecting a dedicated set-top box to the fixed broadband Internet from selected operators – Plus, Netia and Orange;
- flexible Internet Television (OTT) with a set-top box – in order to use it the customer just needs to connect the set-top box to the Internet provided by any operator.

It is worth mentioning that the Internet television in IPTV technology and OTT television with a set-top box constitute a natural development of the portfolio of Cyfrowy Polsat products, which enables access to TV content via the Internet. Launching of the Cyfrowy Polsat Go service in 2016 was the first step in this process. The service ensures access to thousands of programs on demand and over 100 linear channels (available according to the television package chosen by the customer) on mobile devices.

Programming packages

We offer our customers, who decide to select satellite television or cable TV in IPTV technology, three basic packages for a period of 24 months - *S, M* and *L* - and 9 additional packages, available for a defined or undefined period of time, which offer freedom in setting up an offering.

- *S package* (at the price of PLN 20 per month) offers over 50 channels, including the basic channels + the channels from the Telewizja Polsat portfolio;
- *M package* (at the price of PLN 30 per month) offers over 70 channels, including the basic channels + the channels from the Telewizja Polsat portfolio + the channels from the TVN Discovery portfolio (including Eurosport channels) + TVP Seriale and TV Republika;
- *L package* (at the price of PLN 120 per month) offers over 120 channels, including the basic channels + the channels from the Telewizja Polsat portfolio + the channels from the TVN Discovery portfolio (including Eurosport channels) + TVP Seriale and TV Republika + over 50 additional channels with movies, cartoons and educational programs such as, among others, AXN, BBC Brit, Cartoon Network, Disney Channel, Fox, MTV Music 24 and Paramount Channel.

Cyfrowy Polsat prepared also a number of ready-to-go packages of basic and additional channels with movies (HBO) and sports premium (Polsat Sport Premium and Eleven Sports), which receive an increasingly growing interest from the viewers.

Online movie services

Beside the basic and additional channels, we also offer access to online services; Cyfrowy Polsat GO - with thousands of on-demand programs available at no additional charge and HBO GO (available in an additionally charged package) - with the library of iconic series and the greatest Hollywood productions.

Bonuses

In order to offer our customers a better insight into our programming offer, each of our basic packages comes with a set of bonuses. A customer signing a contract for the satellite TV or IPTV service can receive, among others, access to our full TV offer (all channels) for the first few months of the subscription period (the bonus depends on a binding promotional offer). This strategy allows customers to get acquainted with the full programming and customize the offer to suit the customer's individual needs and expectations.

Multiroom HD

We also offer our subscribers of satellite TV and cable TV in IPTV technology the Multiroom HD service, which provides access to the same range of TV channels on even four television sets in one household, for a single subscription fee. The promotional price for the service (on one additional set-top box) is PLN 10 per month.

Cable TV in IPTV technology

In order to meet the changing trends in television content consumption, in 2019 we launched cable TV in IPTV technology, thanks to which viewers are able to watch TV channels over the fixed broadband Internet, that is without the need to install a satellite antenna. The service is accompanied by a dedicated, new EVOBOX IP set-top box – a device from the line of appreciated and award-wining EVOBOX series manufactured in our own factory. EVOBOX IP ensures access on the TV set to over 160 TV channels and is equipped with state-of-the-art features, including reStart, Timeshift or CatchUP, thus enabling the customer to use the television on his/her own terms.

The service is available with a subscription under the same S-M-L package offering as Cyfrowy Polsat's satellite television.

Thanks to this, everyone is able to adapt the television services provided by Cyfrowy Polsat to the home infrastructure or local conditions. To use the new solution, the customer needs the new EVOBOX IP set-top box and access to fixed broadband Internet from the operators of Plus, Netia or Orange networks with a minimum downlink speed of 8 Mbps.

OTT television

In 2019, we launched a new service – OTT television, which enables access to television channels via the Internet provided by any service provider in any technology, both wireless (via Wi-Fi or mobile network) and fixed-line. Flexibility is what really makes this offer stand out on the market. Customers may now freely combine packages and pay only for those which have been selected without long-term commitments.

New, more attractive packages have been created for the new OTT television service. The offer includes 3 basic packages: *Wygodny (*Convenient - 28 channels for PLN 20 per month)*, Komfortowy* (Comfortable - 45 channels for PLN 30 per month)*, Bogaty* (Rich - 94 channels for PLN 60 per month) and 8 additional packages, including the most popular sports, movie or kids channels. Furthermore, thanks to the embedded DVB-T module, after connecting a DVB-T antenna to the set-top-box, free digital terrestrial television channels will be also available, including among others Polsat, TVN, TVP 1, TVP 2, TV 4, TV Puls.

After the first start-up of the set-top box, during the first several months the customer receives the full OTT programming offer of Cyfrowy Polsat – over 100 channels (including HBO, Eleven Sports or Polsat Sport Premium) - without any fees. After the expiry of the trial period, the customer has the freedom to activate individual basic packages in the desired periods.

Due to the interest from our customers, the OTT service is also offered in a traditional postpaid model in which the customer decides to select a given basic package for 24 months.

The service is available on the dedicated set-top box– EVOBOX STREAM, which is offered either with a contract for PLN 10 per month (in a postpaid model the benefit consists in no additional charge for a set-top box) or in a prepaid model without a contract against a fee of PLN 299. Furthermore, EVOBOX STREAM is the first set-top-box in Poland which makes payments via Dotpay system possible. This allows for making an instant transaction, which means that a package or content in which the user is interested can be activated instantly.

Set-top boxes

As part of our pay TV offer we lease or sell set-top boxes to our customers. The price of a purchased set-top box depends on the package of pay TV programs purchased by the customer. Typically, the higher the price of the package the lower the price of the set-top box and the higher set-top box subsidy incurred by us. We view the subsidizing of set-top boxes as a necessary component of acquiring new customers. We have a professional set-top box warranty service designed to help ensure customer satisfaction.

All new set-top boxes are produced in-house at our manufacturing plant in Mielec. We constantly work on developing the portfolio of available set-top boxes. In 2019, we included in our offering two new models which enable access to television services after being connected to the Internet:

- EVOBOX IP, dedicated to the service of cable TV in IPTV technology, offering an intuitive interface which helps to access content of interest quickly;
- EVOBOX STREAM, available in the Internet television service (OTT), which apart from access to television channels via IP, also ensures access to free digital terrestrial television channels and includes our proprietary software which is valued by our customers for its simplicity and legibility.

The above mentioned implementations constitute the next stage of execution of our long-term strategy the goal of which is to provide our customers with free and flexible access to content that they like and expect, regardless of the technology of their delivery. EVOBOX STREAM enables the purchase of packages and events in PPV (pay-per-view) system directly via the set-top box and is available both with a contract as well as without a contract *(*prepaid*).* Both set-top boxes have an embedded Wi-Fi module (EVOBOX STREAM is also equipped with a DVB-T module which enables access to 28 channels of free digital terrestrial television after connecting to the DVB-T antenna while in the IPTV offer most generally available channels are offered in IPTV programming packages).

Advanced features of our set-top boxes

The customers can enjoy advanced features of our set-top boxes, such as reStart (watching selected programs from linear TV channels from the beginning), TimeShift (pausing and rewinding selected programs up to 3 hours), or CatchUP (watching selected programs even up to 7 days back from the date of their original broadcast), which helps the customer to personalize even more the way in which he/she watches television. Thanks to access to online services of Cyfrowy Polsat GO and HBO

GO, they offer access to thousands of hours of movies, TV services and other on-demand programs – whenever the viewer wants, also before their original broadcast in television, and their software ensures intuitive and simple operation.

2.1.3. Mobile pay TV offer provided in DVB-T technology

Our service portfolio includes the Mobile TV service in the DVB-T standard. The Mobile TV service enables the reception of the same channels as on television but on mobile devices via a DVB-T set-top box, connecting through the radio network with a smartphone, tablet or laptop. An advantage of this solution is that the service does not require Internet connection, hence using Mobile TV does not generate data transmission and the user does not incur additional costs.

Under the Mobile TV service, we offer access to the Extra Package which includes 12 encrypted TV channels grouped in 4 thematic categories (sports, movies, news and children's channels) and 11 radio channels. The service is available either in a subscription or a prepayment model. Additionally, set-top boxes offered by Cyfrowy Polsat and dedicated to the Mobile TV service enable the reception of not only encrypted channels included in the Extra Package, but also of all free channels available via digital terrestrial television.

2.1.4. IPLA entertainment website offer

The entertainment website IPLA offers the most versatile database of legal video content and live broadcasts in Poland and over 120 online TV channels, live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both domestic and foreign licensors. IPLA offers on average several hundreds of hours of live coverage per month from the largest sports events nationwide and worldwide. In 2018, IPLA's sports content offering was expanded with the Polsat Sport Premium package providing access to football matches of the UEFA Champions League and the UEFA Europa League for three consecutive seasons (until 2020/2021) whereas in 2019, the library of content available in the IPLA service was extended with the offer of Paramount Play of the U.S. media group Viacom International Media Networks and movies from film studios belonging to Sony Pictures Entertainment.

IPLA provides its users with access to content in the free of charge model accompanied by advertisements and in the paid model, as well as with the possibility to download selected content and view it offline. Over 80% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

Access to video materials and channels via the Internet is based on one of three models. The first is a pay model, where a customer makes a fixed payment for the right to access a given video material. The second model consists in access to a package of video materials and/or channels in exchange for a periodic (e.g. monthly) fee. The third model is based on free access in exchange for viewing advertisements.

During the several last quarters, dynamic changes in the content consumption model in online channels could be observed. They translated into a visible increase of interest in paid forms of access to content offered by IPLA. We think that, beside our constant efforts aimed at expansion of the content offered by IPLA, this phenomenon may be also caused by the current epidemic situation, which may translate in the future into fluctuations in the level of revenues generated by a specific content access model.

As a result of the recent favorable changes, at present approximately 40% of total revenue of IPLA is generated by the advertisement-based model while about 60% is derived from the transactions made by users who purchase access to the content.

Thanks to the www.ipla.tv website and dedicated applications the content of IPLA is available on a wide array of consumer devices, including the most popular Internet browsers on computers and mobile devices as well as in native mobile apps powered by iOS, Android, on TV sets with Internet connections and set-top boxes. IPLA's mobile app has been already downloaded more than 12 million times.

IPLA is offered to customers of Plus mobile network and other selected mobile operators also based on the bundled offer available with a contract for a phone and/or Internet access. This sales model is often combined with ensuring attractive discounts to users, a free TV package, access to selected exclusive content, lack of fees for data transfer and payment effected together with a bill for monthly access fee.

Moreover, in 2020 IPLA started cooperation with Interia Group, which joined our Group in July 2020. Interia Group allows its users to access IPLA's content on the Interia.pl website and on thematic websites in the advertisement-based model.

2.1.5. Video on demand offer

Our pay TV customers can use our video on demand service VOD – Home Video Rental, offering paid access to new movies and hits via set-top boxes. The service requires no additional technology solutions and can be accessed via a TV set.

VOD - Home Video Rental is based on 8 satellite channels, with as many as 30 films available each month. Our customers may usually choose from a selection of about 7 titles every day, which are updated on a regular basis and can be rented for up to 48 hours. Movie rental fees are paid on a one-off basis and depend on the film category ("Hit," "New," "Catalogue," "For adults") or as monthly fees under the "VOD Package" service, which offers unlimited access to movies within a given catalogue category, available on 4 satellite positions. In selected pay TV packages we provide access to the "VOD Package" within the subscription fee for promotional periods, the duration of which depends on the basic package selected by the customer – the higher the package the longer promotional periods.

2.1.6. Technology and infrastructure pay TV services

Conditional access system

Access to TV channels offered in our pay TV packages is secured with a conditional access system that we lease from the company Nagravision SA. We use this system to control access to particular paid programming packages. Upon signing a contract for our services, the customer receives a set-top box together with an access card, which allows him/her to receive the paid programming offer. We routinely undertake activities to identify unauthorized access to our service because of the significant risks that unauthorized access poses to our business and revenues. According to our agreement with Nagravision, in the event of a breach of our systems, which cannot be remedied, Nagravision is obligated, under certain conditions, to replace the conditional access system together with the cards provided to our customers and, if necessary, to adapt the set-top boxes to the new system. Nagravision is paid a monthly fee on a per-customer basis.

Moreover, we cooperate with another provider of a conditional access system - the company Irdeto B.V. Beside securing digital content transmitted using DVB-T technology, Irdeto B.V. also provides security of the satellite system (DHT) and IPTV. Furthermore, Irdeto B.V. provides us with specialized and complete monitoring of the Internet enabling the collection and analysis of occurrences that may infringe copyrights of entities in our Group.

Satellite

We have signed a long-term contract with Eutelsat S.A. regarding the use of capacity on Hot Bird satellites. In September 2017 we have prolonged the hitherto agreement and we have extended the satellite capacity available to us by 33 MHz. As a result we currently dispose of capacity on 8 transponders dedicated to SD and HD TV channels. Thanks to the technological solutions applied we can place both SD and HD channels within the same satellite capacities (transponders), which enables us to manage the leased capacity more efficiently. Since May 2012 we have used part of the transponder on the Eutelsat satellite for mobile television purposes.

Broadcasting center

Our broadcasting center is located in Warsaw and enables us to transmit TV channels to the transponders we use on the Hot Bird satellites. Some TV channels are transmitted by the broadcasters of these channels or by third parties. The center is equipped with up-to-date integrated video, audio and information systems, which allows us to broadcast TV channels in both SD and HD standards.

In 2014, we activated a backup broadcasting center located in Radom, which guarantees broadcasting continuity in the event of bad weather conditions or the necessity to carry out maintenance operations in our broadcasting center.

To mitigate risks of failure or shutdown of our broadcasting center or any of its parts, our broadcasting, transmission and multiplexing equipment has redundancy solutions on critical nodes of our broadcasting network. In addition, Eutelsat S.A. will provide us with a backup transponder, if necessary.

Compression and TV signal multiplexing systems

Compression and TV signal multiplexing systems allow for efficient use of satellite capacity by digital edition of the signal. We use solutions provided by leading market players (Mediakind, Harmonic for satellite systems and Ateme for mobile television systems).

We regularly modernize our compression systems dedicated to service 8 transponders. Thanks to such operations we gain capacity for additional HD channels without incurring additional costs related to transponder capacity and we maintain a very high quality of broadcasted programs.

Services for television and radio broadcasters

We provide signal broadcast services to television and radio broadcasters. These services include the provision of transponder bandwidth, broadcasting and encoding the signal and its distribution to networks of other operators, including cable operators.

We also consequently develop our system of broadcasting chosen TV programs to the main Internet Exchange Point in Warsaw – Equinix. Thanks to this solution we can distribute our TV programs to other operators as well as receive TV programs from other broadcasters through dedicated fiber optic lines.

Services provided in DVB-T technology

Our Mobile TV services are provided in DVB-T technology on the multiplex dedicated to mobile television. The service is provided on 470-790 MHz frequencies (assigned to provide mobile audio-visual media services including broadcasting of radio and television nationwide channels in the radiocommunication broadcasting service) owned by our subsidiary INFO-TV-FM Sp. z o.o. For the broadcasting of channels we use the infrastructure of Emitel, which comprises a network of radio transmitters covering 31 largest cities in Poland. Currently, there are around 7.3 million households and 24 million people within the technical reach of the multiplex.

Set-top boxes

In order to reduce costs, we began manufacturing our own SD set-top boxes in 2007 and HD set-top boxes in 2010, followed by the DVB-T set-top box in 2012 and the PVR set-top box in 2013. In April 2015, we acquired the company Interphone Service Sp. z o.o., the owner of a factory equipped with a modern machinery stock, which, when additionally equipped with machines used until now, led to increased product flexibility and increased efficiency, while decreasing production costs at the same time. Interphone Service's portfolio includes telecommunications equipment designed for data transmission in LTE technology, low-line electronic equipment, such as set-top boxes, as well as measurement devices, samples, electronic components and others. The manufacturing plant is located in the EURO-PARK MIELEC Special Economic Zone.

Control over the entire process of production of set-top boxes has proved to be more effective and cost-efficient than purchasing set-top boxes manufactured by third parties and has allowed us to offer more competitively priced packages and achieve higher operational efficiency in our business. In-house manufacturing of set-top boxes has allowed us to reduce both unit production costs compared to the purchase of equipment from foreign suppliers as well as the costs of servicing the equipment. Given full control over the software and interface of the set-top boxes, we can maintain the logic of navigation in all our solutions, which is convenient to our customers if they switch between set-top box models. In addition, control over set-top box software guarantees greater flexibility to adapt the software to meet customer needs.

We have the possibility of flexible adjustment of production levels thanks to a chain of international suppliers who are ready to support and service internal and external orders. The production of our STBs relies on proven solutions. As a result of research and development work related to state-of-the-art technologies applied in the products offered by world class manufacturers, we have designed a new line of STBs, in which we implemented multi-tuner solutions based on Digital Unicable (dCSS) technologies offering the possibility of wireless data transmission, via Wi-Fi, directly from the STB. These technologies substantially reduce the time needed to change from one channel to another, allow simultaneous recording of programs aired on many channels, and they also serve as the base for supplementary products and services, which we wish to offer to our customers in the future. The first product from this line, the EVOBOX PVR set-top box, was launched to the market in January 2016.

We equipped all models of set-top-boxes produced in-house, designed to receive high-definition television, with the IPLA application, enabling access to the content of our internet television after connecting the set-top-box to the Internet. As part of our offer customers can also use the Multiroom service on our set-top-boxes.

In 2020, set-top boxes manufactured in-house represented 97.6% of the overall number of set-top boxes leased. As of the end of 2020, we produced in total over 9 million set-top boxes. We cooperate with external providers of set-top boxes, mainly Samsung, Echostar and Thomson, but back in 2010 we limited purchases from external providers. We also cooperate with TV producers, such as Sony, Vestel, Panasonic and LG, in order to develop a solution enabling the reception of Cyfrowy Polsat's satellite signal. We also provide services to other operators interested in modern, functional devices at attractive prices.

Internet content distribution

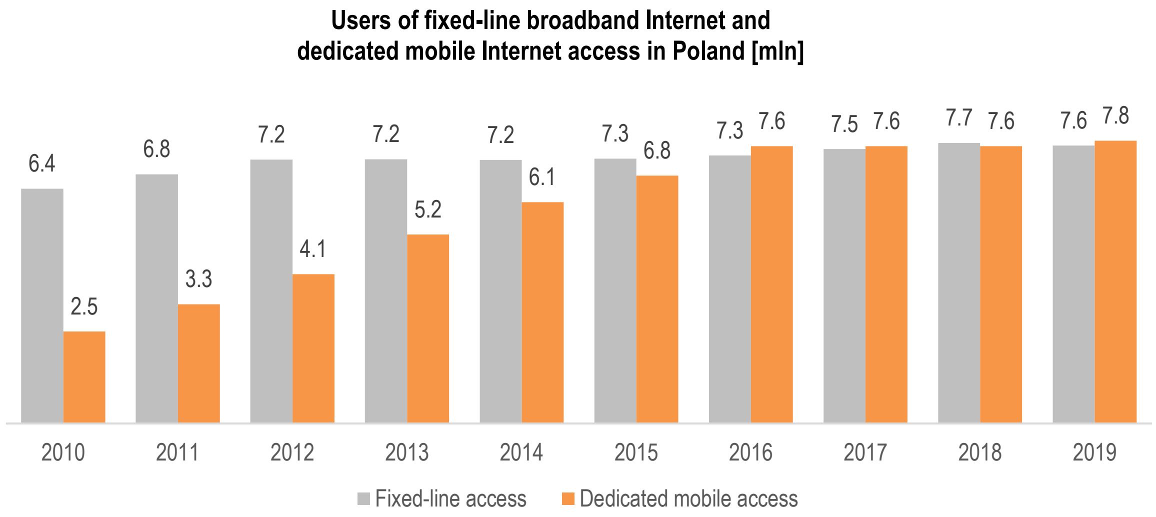
With respect to our IPLA online television, we use our own platform adapted to the leading operating systems and a wide range of consumer devices. We have developed unique technological competencies in encoding and streaming audiovisual content on the Internet, as well as optimizing distribution of this type of signal. Unlike our competitors, we apply proprietary solutions, which enable us to provide services optimally adjusted to the limited Internet infrastructure in Poland and the capacities of external systems with which our applications are integrated. We use our own Origin servers as well as technologies that offer us independence in the choice of a distribution system CDN (*Content Distribution Network*). As a result, we can offer services of the highest quality while optimizing transmission costs. This issue becomes especially important in the case of broadcasting over 100 linear channels, PPV or over 3,500 single events annually. Our platform uses a proprietary system of recommendations that enable us to deliver content tailored to the customer's individual preferences. The protection system (DRM), applied in IPLA, also enables us to offer paid content on different browsers, mobile devices, smart TV sets and independent set-top boxes. Consequently, our platform meets current trends and accommodates all the needs of our customers regarding access to on-line video irrespectively of location, time and the device used.

2.2. Operations on the telecommunications market

2.2.1. Broadband Internet access market in Poland

Broadband Internet access services can be provided through a wide range of different solutions based on fixed-line technologies, including, among others, xDSL, cable modem, LAN-Ethernet, fiber optic links and WLAN, or mobile technologies such as mobile modems or routers operating in the GPRS, EDGE, UMTS, HSPA or LTE, LTE Advanced and 5G. In Poland broadband Internet access is provided through fixed-line and wireless networks.

Based on the data from the PMR report, there were 7.6 million active lines of fixed-line broadband Internet access in Poland in 2019 while 7.8 million customers used dedicated mobile Internet through a modem or a dedicated mobile data transmission card (excluding data transmission in smartphones made under the voice tariff plans). This translated into a household penetration ratio with fixed-line broadband Internet access of nearly 46% in 2019. According to the data published by the European Commission under the Digital Scoreboard, in 2019 fixed-line Internet access saturation in Poland was at the level of 62.3% of households while the average for 28 member states was 77.6%, which ranks Poland notably below the average for the European Union countries. Penetration of dedicated mobile Internet access excluding data transmission in smartphones reached 20.2% per 100 inhabitants, however, when including data transmission under voice tariff plans in grew, according to PMR, to nearly 76%.



Source: Own estimates based on PMR, Mobile Internet and VAS Market in Poland 2020 and Telecommunication Market in Poland 2020

A visible slowdown in dynamics of growth of dedicated mobile Internet access is related to the growing popularity of data transmission in voice tariff plans, driven by increasingly higher packages of data offered to customers as well as more modern and versatile smartphones and their high penetration.

Despite increasing popularity of data service in smartphones, dedicated mobile access will remain, in our view, a meaningful segment of the Internet market due to the fact that wireless Internet is widely used for fixed locations. This is caused by Poland's low urbanization level and relatively underdeveloped fixed-line infrastructure, which means in practice that in many locations wireless Internet is the only option of Internet access. For the same reason, dedicated mobile access and fixed-line access are rather complementary than substitutional services in Poland.

PMR estimates that the value of fixed-line Internet access market was nearly PLN 4 billion in 2019, having recorded a growth at the level of 1.3% compared to the year 2018. The main drivers behind this growth were, among others, the higher throughput of lines, which was offered to customers thanks to popularization of fiber optics, and price increases implemented under the "more-for-more" strategy by mobile operators. According to PMR, ARPU for fixed-line Internet services amounted to PLN 43.4 in 2019 and remains in a mild upward trend. In turn, the value of dedicated mobile Internet access market (excluding data transmission in smartphones) was almost PLN 2.3 billion (+2.2% YoY) in 2019.

Fixed broadband Internet access

In Poland, availability of fixed-line broadband services is limited mainly to urban areas. Outside urban areas, fixed-line broadband services are offered only to a limited extent, which is due to historical underinvestment resulting primarily from the high cost of build-out of local loops and strategies adopted by leading fixed-line operators. Cable technology offered by cable TV operators, has remained the most popular fixed-line access technology (ca. 38% market share in 2019, on a market defined as comprising solely fixed technologies). UPC Polska and Vectra Group (in January 2020 Vectra acquired Multimedia Polska) are the major operators on this market.

The second most popular fixed-line access technology in 2019 was fiber (FTTx), with a 25% market share in the fixed-line access according to PMR's estimates. This technology gains popularity the fastest in expense of other wire access types. The reason for increasing popularity of fiber optic lines is the highest data throughput ensured currently by this technology, which offers data transfer rates of up to 1 Gb/s (Netia, Orange Polska) or event 10 Gb/s (Inea), as well as the operators' sales strategies which are focused on promoting fiber optic Internet access, including via multiplay offers. Currently fiber optic technology is also the investment priority for a vast part of telecommunication operators. Orange Polska, the dominant market player on the fixed-line Internet access market, owns currently the most extensive fiber optic infrastructure, which as of end of 2020 reached 4 million of households (excluding access granted by third parties). Netia, in turn, is pursuing an investment plan based on a comprehensive modernization of its access network, which currently covers approximately 2.75 million households and in which fiber optic technology is ultimately expected to dominate.

The factor stimulating investments in fiber optic technologies are investments under the governmental program "Operating Program Digital Poland" (*Program Operacyjny Polska Cyfrowa – POPC*), subsidized from European Union funds. The main goal of the program is to strengthen the digital foundations for social and economic development of the country, such as broadband Internet access, effective and user-friendly public e-services and constantly growing level of the society's digital competence. One of the priorities is to eliminate differences in access to fast broadband networks between rural and urban areas, resulting in obtaining access to fast broadband connection by all Polish households. Most of the investments covered by this program assume providing access to the broadband network with at least 30 Mbps throughput capacity. Orange Polska and Inea, among others, executed investments in broadband networks under the POPC program.

As indicated by the PMR's report, the market of Internet access relying on fiber optic technology is currently significantly fragmented, which is demonstrated by the fact that the four largest providers who operate on this market (Orange, Inea, Netia and Multimedia Polska) controlled approximately 45% of the market in 2019. Hence, telecommunication operators are currently seeking possibilities of acquisition of smaller local companies. At the same time, models of commercial cooperation between operators in the field of use of existing fiber optic network resources are sought. Granting wholesale access to fiber optic infrastructure to mobile operators whose strategies are based on convergence represents a more and more clearly visible trend on the Polish market. At present, wholesale access services are provided by Orange (to T-Mobile or Netia), Inea (to Orange, T-Mobile, UPC or Netia) and Vectra (to Play). Also Nexera, who operates solely in the wholesale model, grants access to its fiber optic network to MNOs.

At the same time, it is worth mentioning that despite the substantial investments into the development of the fiber optic infrastructure in the recent years, according to the ranking published by the FTTH Council Europe, with fiber optic network penetration of 6.5% Poland still ranked far behind the rest of Europe in September 2019 (28th position) in terms of popularity of Internet access relying on fiber optic technology. In the same period fiber optic technology was used by 17.1% households in the 28 EU member states, with penetration levels reaching 55-65% in the most advanced European countries (Island, Sweden, Spain, Latvia).

The xDSL technology continues to be a very popular fixed-line access type, with its share on the fixed-line Internet market estimated by PMR at 24% in 2019. Orange is the dominant player operating in the xDSL technology, who steadily executes in parallel the strategy of developing its fiber optic networks. The second largest xDSL operator is Netia, a company of Cyfrowy Polsat Group.

Mobile broadband Internet access

The market of broadband Internet access based on mobile technologies (defined as access via modems or dedicated SIM cards integrated with laptop computers or tablets) is dominated by four mobile MNO operators: Polkomtel, T-Mobile, Orange and P4. According to PMR estimates, these four operators jointly held ca. 90% of the market in terms of quantity while the remaining 10% was divided between MVNO operators.

A clearly visible trend on the market is the dynamic growth of users of mobile Internet access in mobile phones under voice tariff plans, at the expense of dedicated mobile Internet access (through a modem or a SIM card). According to PMR's estimates, the number of users of mobile Internet in smartphones exceeded 21 million in 2019 at nearly 8% YoY growth rate, generating over 60% of the value of the mobile market in Poland. The dynamic growth of this market segment is driven mainly by the popularization of smartphones and increasingly higher data packages available in voice tariffs, supported by the "more-for-more" strategy which is executed by mobile operators since 2019, growing demand for data transmission in mobile devices as well as investments carried by mobile operators with the view to increase quality parameters of networks, including the development of 5G.

Compared with other EU Member States, the Polish mobile broadband market is quite extensive. This is related to a relatively low quality of the existing fixed-line infrastructure in Poland, which makes mobile broadband technology more attractive to numerous Internet users as it offers better quality parameters in their respective areas of residence. Moreover, Poland's low urbanization level often makes mobile access the only technology available in a given location. Therefore, in our opinion, dedicated mobile Internet access will remain an important segment of the Internet access market in Poland. Especially as in 2020 the MNO operators started preparations and commenced construction of the first 5G networks in Poland. Due to the cancellation of the auction concerning frequencies from the 3.6-3.8 GHz band in 2020, mobile operators Polkomtel and P4 decided to commence construction of commercial 5G networks based on frequency resources they already possess (2600 MHz TDD in case of Polkomtel and 2100 MHz co-shared with LTE technology in case of P4, Orange and T-Mobile).

Development forecasts for the broadband Internet access market

According to PMR forecasts, in the coming years the 50:50 ratio between the number of subscribers of fixed Internet access and users of dedicated mobile access (meant as access via a modem or a dedicated SIM card) will remain. PMR forecasts that in 2025 around 8.2 million Internet users will be using each of access technologies (fixed-line or mobile). Further investments in the roll-out of the last mile by both mobile and fixed-line operators, in particular investments in developing fiber optic networks as well as further development of the LTE and 5G technologies, will be the most significant factors. According to PMR forecasts, in 2020-2025 the value of the fixed-line market will demonstrate continuous positive average annual dynamics of ca. 1.6% (CAGR 2020-2025), reaching the level of PLN 4.4 billion in 2025. In case of dedicated mobile Internet access (excluding data transmission in voice tariff plans), PMR forecasts that the market will grow by 2% per year in average (CAGR 2020-2025) and will reach the value of PLN 2.5 billion in 2025.

According to the goals of the European strategy of the Digital Single Market and the guidelines of the European Commission, in 2020 5G telecommunication network should have been available on commercial terms in at least one city, in each EU Member State. This standard should allow for obtaining data transfer speed exceeding 1 Gbps in the mobile technology, with the simultaneous substantial reduction of latency to the level of even 1 millisecond. The goal of this technology is to accelerate, among others, the development of the Internet of Things, telemedicine services, autonomous vehicles or smart cities. According to EU expectations, Member States should have a wide coverage of 5G network by 2025. In Poland, the Office of Electronic Communications (UKE) announced on March 6, 2020 an auction concerning the reservation of frequencies in the band of 3.4 - 3.8 GHz which represents the first process of allocation of frequency band dedicated to the 5G development. Due to the legal complications caused by the state of epidemic, the process of spectrum distribution was halted and as of the date of this Report an announcement of new terms is being expected.

Furthermore, representatives of four Polish mobile operators, Exatel and the Polish Development Fund have signed a memorandum regarding the commencement of cooperation for carrying out a business analysis of 5G implementation models based on the 700 MHz band in order to build a uniform infrastructure which could cover the entire territory of Poland. A special purpose vehicle called #POLSKIE5G would be the owner of the infrastructure. State Treasury or a company with State Treasury shareholding would be a dominant entity in such an SPV. The government currently signals that work on making the 700 MHz band available for the needs of 5G network might start in the years 2022-2023.

In the area of fixed-line broadband access, fiber optic technology (FTTx) is going to rapidly gain importance. To a significant extent it has been replacing obsolete copper infrastructure as a result of large scale investments of fixed-line operators. In our opinion in the next years these investments will lead to a gradual growth of users of fixed links with higher quality parameters. PMR estimates that the share of fiber optic technologies in the total number of fixed lines will amount to 45% in 2025 compared to 25% in 2019. The second most popular technology will be the lines offered by cable TV operators, reaching a market share of slightly above 37% in 2025.

2.2.2. Internet access offer

We provide a comprehensive array of data services to both individual and business customers under two main brands: Plus and Cyfrowy Polsat. In May 2020 Plus launched commercially the first 5G offer in Poland. Plus also provides fixed-line Internet access to its customers.

We have offered our mobile broadband Internet services in the LTE technology since 2011 and in the LTE Advanced technology since 2016. The key element of the 5G network which we started to construct in 2020 is the application of the TDD technology (Time Division Duplex), with Cyfrowy Polsat Group being the sole operator in Poland owning its commercial implementation in the 2600 MHz bandwidth. TDD makes it possible to transmit data using one, joint fragment of the bandwidth for downlink/uplink in asymmetric transmission.

Our broadband Internet offering is universal and provides broadband Internet access via all supported technology platforms for a single monthly fee, whereby separate tariff plans with larger data packages and higher prices were dedicated to the 5G technology. Currently, almost 100% of Poles are within the reach of our LTE Internet network, 93% within our LTE Plus Advanced Internet service and 25% are within the coverage of our 5G network. We apply innovative network solutions which render the Internet connection offered by Cyfrowy Polsat and Plus more stable and faster.

We offer several data plans with different allowances and price tiers, tailored to customers' individual needs. Customers deciding to use our data services may choose between dedicated contract plans, prepaid plans and promotions, as well as data packages offered as an addition to voice tariffs.

Dedicated mobile broadband Internet access is offered in contract tariffs. These contract plans are based on a monthly access fee and allow for a defined data transmission limit or, as an additional service, unlimited data transmission in the LTE Plus network. Under our contract plans customers may purchase or lease Internet access devices (including dongle modems, fixed and mobile routers, Home Internet Sets). In addition, our offer includes tablets laptops and other devices, which can be purchased in an installment plan, as well as tariffs without equipment - "SIM only."

Our offer includes basic data packages ranging from 30 GB to 100 GB while tariff plans dedicated to 5G offer even as much as 500 GB or 1,000 GB. After having used up the basic data package from 45 GB to 100 GB, the customer can continue to use the LTE Plus Internet thanks to the service *LTE without end*. Monthly subscription fees range from PLN 30 for a 30 GB package in the SIM-only model to PLN 70 for a 100 GB package. In case of the new 5G tariff plans the monthly subscription amounts to PLN 100 for 500 GB and PLN 200 for 1,000 GB. Contracts are usually concluded for a fixed term of 24 months. 12-month contracts with data pack of 45 GB for monthly fees of PLN 40 are also available.

Customers who prefer prepaid services can choose a prepaid tariff plan that allows customers to receive a data package, whose size and period of validity are determined by the value of the top-up. PLN 5 is the minimum available top-up, together with which bonuses, in the form of extra GB, are awarded. The highest top-up entitles to 100 GB. Additionally charged Internet packages from 5 GB to 30 GB, priced from PLN 5 to PLN 30. are also available, with the largest one being valid for as many as 30 days.

Thanks to our LTE Plus Internet access service combined with the LTE Home Internet Set, created specifically for Cyfrowy Polsat and Polkomtel, we can offer customers a product that constitutes a substitute for fixed-line Internet. Based on a special technical solution ODU-IDU technology (Outdoor Unit Indoor Unit), the LTE Home Internet Set consists of an external LTE modem (ODU) and a Wi-Fi router (IDU). The current version of the Home Internet 300 Set also works within the coverage area of LTE Plus Advanced and introduces numerous improvements as compared to its predecessor. The Home Internet 300 Set works perfectly in non-typical locations where the signal strength is low, as well as in all the places where no fixed-line access to the Internet is offered via cable connection. The modem, which is installed outdoors, improves the strength of the signal by eliminating signal attenuation by walls and other structural elements of buildings, and hence it significantly increases the coverage area of the service. Installation of a modem at a certain height can reduce the adverse effects of some terrain obstacles, e.g. high buildings or elevated areas which exist in the neighborhood. Thanks to this one can enjoy LTE Internet access with the potentially highest parameters available in a given location. ODU/IDU devices can be installed separately, or they can be integrated with the existing satellite or terrestrial TV antenna systems, thus reducing the amount of cabling fed into a home. The signal is transmitted from the ODU-300 modem to a Wi-Fi IDU-300 router over a concentric cable. The router, in turn, distributes the signal to all the rooms, thus ensuring wireless access to the Internet.

The standard LTE Internet access offer is accompanied by various types of bonuses, depending on the value of the subscription fee. Such as strategy supports the promotion of our other services and gives our customers the possibility to test services, which they might purchase in the future.

In December 2018, Plus introduced a new fixed-line Internet offering based on Netia's infrastructure. It includes access to high speed Internet, provided mostly in fiber optic technologies. The service is communicated under the name of "Plus Światłowód" (*Plus Fiber Optic*)" and ensures quick and stable access to the network regardless of the time of day or number of users. The service "Plus Fiber Optic" is provided based on an extensive, nationwide fixed-line infrastructure of Netia which comprises both a backbone network and an access network. This network reaches currently approximately 2.75 million households across the country, and over 800 largest office buildings. It is a proposal for apartments, houses and small companies. The service is provided in four technologies depending on the available infrastructure: copper (CU), Ethernet (ETTH), cable (HFC) and fiber optic (PON). The offering includes four subscriptions plans to select from, depending on the Internet speed offered: up to 150 Mbps at the price of PLN 40 (for apartments) or PLN 35 (net of VAT) for SOHO; up to 300 Mbps at the price of PLN 50 (for apartments), PLN 70 (for houses) or PLN 40 (net of VAT) for SOHO; up to 600 Mbps at the price of PLN 60 (for apartments), PLN 80 (for houses) or PLN 50 (Net of VAT) for SOHO; and up tp 1 Gbps at the price of PLN 70 (for apartments), PLN 90 (for houses) or PLN 60 (net of VAT) for SOHO. Under the offering a customer receives an additional SIM card for Plus mobile Internet service with the data package of 5 GB, bundled in the subscription fee. The offering is concluded for a 24-month period, including from one to three months free of charge. The service of "Plus Fiber Optic" is available under the smartDOM and the smartFIRMA programs, which means that customers of Plus and Cyfrowy Polsat may receive a PLN 10 discount on the subscription.

The fixed broadband Internet access service which is offered under the Plus brand based on Netia's infrastructure is available from January 2020 also in selected new locations based on Orange's network. The network coverage was extended by Orange's infrastructure in the so-called regulated municipalities, i.e., the municipalities in which it which the infrastructure is made available to other operators on the basis of UKE's decision. Such infrastructure includes ca. 3.2 million new households, which from the beginning of 2020 may purchase of fixed broadband Internet access offered by Plus network along with the convenient IPTV service from Cyfrowy Polsat. As at the date of approval of this Report the coverage of the fixed broadband Internet offered by Plus based on Netia's and Orange's networks was around 39% of households across Poland.

2.2.3. End-user devices offer

In 2020 Plus was the first network operator to launch a fully commercial 5G network. The fifth generation network enables access to 4K content, entertainment online, telemedicine and other technologies based on fast transfer of large packages of data. In 2020 the customers willing to use Internet access in Plus's 5G network could choose between two advanced set-top boxes: ZTE 801 and Huawei 5G CPE Pro 2, both equipped with the latest chipsets (Balong/Qualcomm) and fast WiFi 6 (wifi ax). Beside the flagship offer of Internet access in 5G, we provided a wide range of competitively priced LTE-Advanced routers allowing to use 4G network with transmission speeds up to 300 Mb/s. Our offer was complemented by the Home LTE-Advanced Internet set, a device based in the ODU-IDU (Outdoor Unit-Indoor Unit) technology. It is a combination of an LTE-A modem for installation outdoors, which is able to operate in difficult conditions, and a router which distributes the signal inside the house via Wi-Fi network. This solution provides much better signal power and consequently higher quality transfer than traditional modems and routers. In addition, we introduced to our offer a mesh router which improves the quality of WiFi signal inside buildings.

The transition into remote working and learning created a large demand for laptops to use for these purposes, which given the limitations in transport and production led to a shortage of laptops on the market. Despite them, Plus was offering laptops for the whole year in various configurations and prices, so that each customer could purchase an equipment necessary for working, learning or for entertainment. The prices started from PLN 1,049 (in the simplest configuration) to PLN 7,699 for premium equipment and uncompromising laptops for advanced gamers. Gaming and classical laptops were gaining popularity in sales at the expense of light and mobile laptops for business purposes. Our offer of laptops was complemented with kits for working and learning which included, among others, a printer and headphones or, in case of gamers and students, two sets of gaming accessories. Comparing the sales results of 2019 and 2020, the sales of laptops grew last year by over 60% in terms of quantities.

2.2.4. Technology and infrastructure of telecommunication services

Network

Our broadband Internet access services are based on radio infrastructure provided by our subsidiaries. Our Group operates an integrated 2G, 3G, 4G and 5G mobile communication network. The Group's network supports GSM/GPRS/EDGE (2G), UMTS/HSPA+/HSPA+ Dual Carrier (3G), LTE/LTE Advanced (4G) and 5G technologies.

As mobile telecommunications networks enable automatic switches between technologies, uninterrupted service functionality for end users is ensured, while parameters such as data transmission rate improve when the user comes within the coverage of a more technologically advanced network.

At present, the Group is carrying intensive works aimed at expanding the reach of 5G, the latest technology. In 2021, the 5G network is planned to include over 1,700 base stations and reach over 11 million people, increasing its coverage from over 7 million people as at the end of 2020. Compared to earlier generation technologies, 5G is characterized by much lower latency and has the capacity to support a significantly greater number of users. The potential of the 5G technology is based on greater capacity and transmission speed with lower latency, which enables its users to enjoy such capabilities as a significantly higher download speed, smooth streaming in ultrahigh image resolution or comfortable usage of services based on the VR and AR technologies.

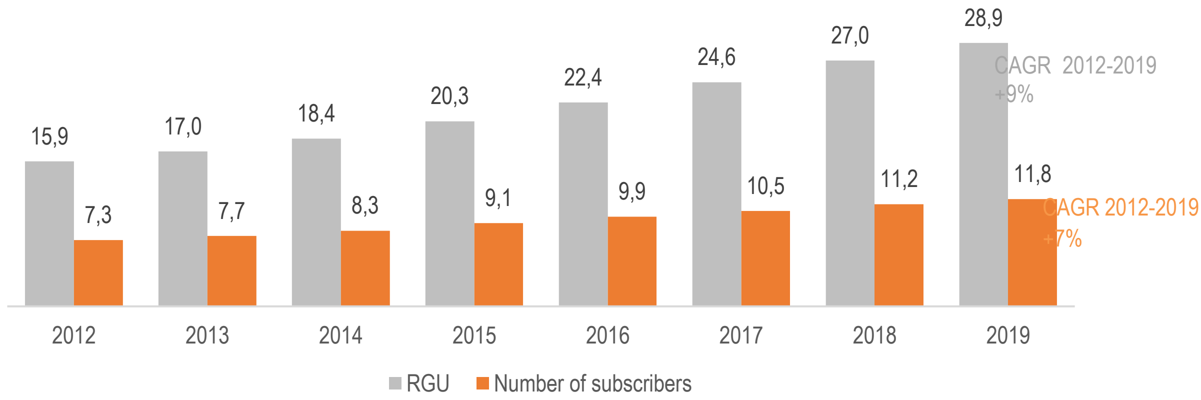
2.3. Activities on the bundled services market

2.3.1. Bundled services market in Poland

Bundling of services is one of the strongest trends on Polish media and telecommunications market. Operators develop their offers of bundled services in response to the changing preferences of customers, who seek media and telecommunications services from one provider at affordable prices, under one contract, with one subscription fee and one invoice. At the same time, given the high level of saturation of the pay TV and mobile telephony markets, bundling of services is rapidly becoming a significant means of retaining existing customers. Offering bundled services allows operators to increase customer loyalty and, consequently, reduce churn rates. It also contributes to the growth of average revenue per customer.

The Polish multi-play services market has been growing systematically and recorded average annual growth rate of nearly 9% in the years 2012-2019. According to PMR estimates, at the end of 2019 the number of services sold in bundles increased to nearly 29 million, while the total number of subscribers (both individual and business) using bundled services amounted to approximately 12 million. As a result, at the end of 2019 the number of services (RGU's) per subscriber was 2.45.

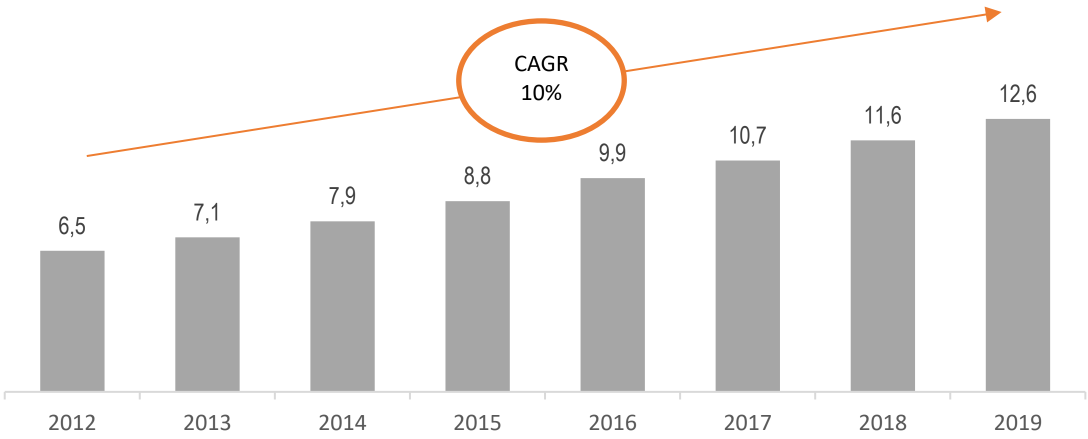
Numbers of RGUs and subscribers of bundled services (in million)



Source: Own analysis based on the PMR's Report on bundled telecommunication services in Poland, 2020

Analogously to quantitative growth, the bundled services market in Poland has been also demonstrating consistent growth in terms of value. According to PMR estimates, in 2019 the value of the bundled services' market in Poland grew at the pace of nearly 9% year-on-year, and reached PLN 12.6 bn. Service bundling is a strong tool supporting increase of the customer base's loyalty and customer value building. This is confirmed by the ARPU figures which continued on an upward trend and exceeded PLN 91 at the end of 2019 (CAGR 2012-2019 +2.4% YoY).

Value and growth dynamics of bundled services market in Poland [in PLN billion]



Source: Own study based on PMR's Report on bundled telecommunication services in Poland, 2020

Bundled services in Poland are provided primarily by cable TV operators and telecommunications service providers. According to PMR, at the end of 2018 two thirds of the bundled services market was held by five major players – Polsat Group along with Netia, Orange, T-Mobile, Play and UPC. With respect to the number of subscribers, the share that Polsat Group held on the bundled services market in Poland at the end of 2017 was approximately 22%, according to PMR estimates.

When analyzing the structure of bundled services in Poland, one should bear in mind that substantial part of the operators provide multiplay services on the basis of an agreement with another operator since they themselves do not have the relevant infrastructure or supporting business services to be able to create a complete portfolio of convergent services. For example, T-Mobile provides a service of fixed-line broadband Internet access while using the infrastructure of Orange Polska. Cable TV operators, in turn, offer mobile voice services in an MVNO model and acquire the entire content for their TV services from third party TV production companies. Our important competitive advantage on this market comes from the fact that within Polsat Group we have all the assets which are required to be able to offer to customers a fully convergent offer of telecommunication and TV services, enriched with unique content which we produce ourselves.

Both fixed-line telecommunication operators and cable TV operators offer their bundled services mainly in large and medium sized cities, due in part to the geographical limitations of their infrastructure and the poorly developed telecommunications infrastructure in Poland. The multi-play services market in Poland is, in turn, relatively underdeveloped in less urbanized areas and therefore has the potential to grow rapidly in the suburbs, small towns and rural areas. In addition to the low penetration rate of multi-play services in less densely populated areas, Internet services provided by cable operators typically suffer in quality of service due to the limitations of the existing infrastructure. This creates an opportunity for satellite pay TV providers, such as Cyfrowy Polsat, who are not bound by geographic and fixed network infrastructure limitations like cable TV operators and fixed-line telecommunications service providers, to become the leading providers of high quality multi-play services to consumers in suburbs, small towns and rural areas in Poland.

According to European Commission report "E-Communications and Digital Single Market" published in July 2018, in April 2017 the penetration rate of multi-play services (defined as more than one service within the offer of one operator) in Poland amounted to just 38%, while in the European Union average penetration reached nearly 60%, and in the Netherlands and Malta amounted to 93% and 86%, respectively. These figures can be underestimated, however, due to the methodology applied in the survey. In 2017 51% of households in Poland declared that they use more than one service provided by the same supplier, while in 2019 the ratio increased to 54%, according to PMR estimates.

Research by PMR demonstrates that a bundle combining two services remains the most popular option. It was chosen by 69% of Poles in the fourth quarter of 2019. At that time, 22% of Poles used triple-play services (a bundle comprised of three services), while 8% of customers decided to purchase a bundle containing four or more services. As for the structure of the bundles, 2/3 of the bundles contained mobile telephony, while pay TV and fixed-line Internet access were part of around a half of the bundles sold. Only a-third of the bundles included fixed-line telephony and mobile Internet access.

Development forecasts for the bundled services market

According to PMR forecasts, the bundled services market will consistently grow in subsequent years, both in terms of the number of subscribers and value, which results from the fact that service bundling has become a strategic goal for telecommunication and pay TV operators. According to PMR expectations, the growth rate of the bundled services market in Poland will slow down in coming years and the expected average annual compound growth rate will be 4.5% in the 2020-2024 timeframe. The growth drivers will be the consistent ARPU growth and the growing penetration of multiplay services in households, which at the end of the period should exceed 87%, as calculated according to PMR methodology.

In subsequent years, the development of the Polish market of bundled services will be influenced not only by the low level of saturation of this market with services but also by the systematic roll out of fixed-line infrastructure and improving quality of network access, higher throughput in particular. COVID-19 pandemics is an important factor which, in our opinion, will have positive influence on the bundled services market. As a result of a substantial part of the society migrating to a remote work and learning model, in 2020 we observed significant growth of demand for higher speed Internet connections, which creates a bigger potential for upselling such faster connections as an element of service bundles.

Operators' strategies based on combining telecommunication and media services with services from outside the telecommunications sector are also an important factor. The bundled services offers of leading operators on the Polish market comprise, among others, additional services, such as the sale of electricity and gas, as well as financial and insurance products. Consolidation trends, observed on the media and telecommunications market, may also affect the development of the bundled services market.

2.3.2. Bundled services offer

Our bundled services offer as an important tool, which strategically helps us to retain existing customers and expand our customer base, while simultaneously increasing customer satisfaction and loyalty. In day-to-day business the multi-play offer enables us to increase ARPU and further reduce our churn rate. Our bundled services offer is based on a portfolio of services provided both by us and by our subsidiaries, in particular Polkomtel and Netia.

smartDOM and smartFIRMA are unique savings programs of Polsat Group that offer a wide array of products and services and enable our customers to create a comfortable, safe and modern home or effectively run a business. They are based on a simple and flexible mechanism – a customer subscribed to one service receives an attractive discount for the entire term of the contract for every additional product or service purchased from the Group's portfolio. This way every customer has the possibility to create a set of services for the family or the company consisting of satellite TV / cable TV / Internet TV / terrestrial television with additional TV and radio channels, access to LTE and fixed Internet and telephony services (mobile and wireless home telephony).

Currently, under the smartDOM and smartFIRMA programs customers enjoy a wide selection of services. Apart from our basic, core products and services: mobile telephony (including wireless home telephony), Plus's LTE and fixed Internet and television services from Cyfrowy Polsat (satellite TV, cable IPTV, Internet TV and digital terrestrial TV), smartDOM and smartFIRMA customers can also buy comprehensive insurance services, home security services, such as monitoring as well as gas delivery and power supply services. All the products and services offered play an important role in the household and in the company. Thanks to the unique formula of the smartDOM and smartFIRMA programs the customer can purchase all services necessary in the household or in the company in one place and generate savings on each additional service bought. Thanks to a broad, attractive offering, simple rules and attractive benefits, at the beginning of January 2020 we managed to acquire a two-millionth customer using the bundled services.

2.4. Sales and marketing

Marketing and branding

Purchasing decisions of a majority of our customers are driven by image and brand recognition. We undertake marketing actions aimed at building a coherent image of Polsat Group, consistent with our strategy, based in particular on our four main brands: "Cyfrowy Polsat", "Plus", "Polsat" and "Netia". We strive to further increase the satisfaction of users of our services, especially with respect to the available range of products and services, the quality, usefulness and availability of customer services and the usefulness of our automatic information and self-service channels. We constantly expand our service portfolio and create products adjusted to our customers' needs. We established dedicated brand "Plush" which complements our offer the prepaid and subscribed segment, addressed to the younger target group.

Our key brands have a long-standing, solid position on the Polish market. According to the Ranking of Most Valuable Polish Brands 2017, prepared by the daily Rzeczpospolita in cooperation with BTFG Advisory, our main brands "Cyfrowy Polsat," "Plus" and "Polsat" were the leading brands in terms of value and awareness in their respective lines of business.

According to a survey conducted by the agency Ipsos on the Polish telecommunication market from February to April 2019, prompted brand awareness of our brands was high in many areas of our operations, such as mobile telephony, Internet access, pay TV, bundled services or VOD. For example, the prompted brand awareness of the "Plus" brand was 88% and 68%, respectively, in the voice and data segments. The Ipsos survey also demonstrated that Cyfrowy Polsat is the most recognized pay TV provider in Poland with prompted brand awareness at the level of 90%.

Cyfrowy Polsat's and Polkomtel's commercial websites are an important channel of communication with new and existing customers. In addition, we maintain communication with our existing customers using telemarketing tools, email bulletins, a dedicated customer channel and the Internet Customer Service Center.

Sales network

As at December 31, 2020, the sales network of the Group covered 1,057 stationary points of sale nationwide. Both Cyfrowy Polsat's pay TV and Internet offers and Polkomtel's telecommunications offer are available at those sales points. Moreover, the points of sale offer additional products and services to customers of both operators, such as insurance services or the sale of photovoltaic, electric energy and gas.

Sales of our services also take place through remote channels. As at December 31, 2020 we operated 6 telemarketing centers (own and external), whose role was customer retention and the sale of core products.

Our pay TV products and services are also distributed using the direct door-to-door sales channel (D2D), which enables us to directly access selected customer groups, to maintain direct contact with customers, and to expand the reach of the sales network.

Call center

Our call center is an important channel of communication with our customers. We provide Cyfrowy Polsat's sales call center numbers in materials promoting our products and services in various media and on our promotional materials to enable potential customers to obtain information about our services, place orders or ask for directions to the nearest point of sale.

Cyfrowy Polsat's call center currently has over 600 operator stands as well as approximately 320 back-office stands handling written and electronic requests. Our call center services are available to our present and potential customers 24 hours a day, seven days a week, and are responsible for providing comprehensive and professional customer service. The call service operators provide information on our services, enter into service agreements with customers, accept customer complaints and provide information on payments, technical support and other support for customers.

Online communication

Online communication plays an important informative role to a growing number of customers, both existing and prospective. It provides users with the opportunity to familiarize themselves with our programming, multimedia and telecommunication offers, order various services or selected equipment together with a package of their choice or locate our nearest point of sale.

We have commercial websites that contain detailed information on the offers of Cyfrowy Polsat and Plus, as well as on the smartDOM program - the bundled offer of the two operators. On Cyfrowy Polsat's website (www.cyfrowypolsat.pl) customers can find information about the current pay TV and telecommunication offer, they can chose a TV or Internet access package they are interested in or select a device (set-top box, tablet, laptop or router) and purchase services. Moreover, our website contains details on various competitions for subscribers, our video on demand offer and the most interesting content available in our VOD Home Video Rental, and the online services Cyfrowy Polsat GO and HBO GO, accompanied by links which transfer the user directly to the webpage of the chosen service.

We provide the users of our website www.cyfrowypolsat.pl with a daily updated TV guide with the programming of over 490 channels. The service is accompanied by an editorial, in which we recommend the most interesting - in our opinion - programming positions, and enables sorting the scheduling according to users' criteria.

Thanks to the www.ipla.tv website and dedicated applications the content of IPLA online television is available on a wide array of consumer devices, including computers with Windows, mobile devices powered by iOS, Android and Windows Phone, TV sets with internet connections (Samsung, LG, Sony, Panasonic, Philips, Sharp, Ikea, Toshiba, Thomson, TCL), set-top boxes (cable TV TOYA, Netia), game consoles (PlayStation 3) and Blu-ray. IPLA's mobile application has been downloaded already mover than 12 million times.

We offer our customers an access to the the Internet Customer Service Center. The online self-care solution enables an access to customer accounts through the Internet and resolving many issues without having to contact customer service by phone. Upon logging in to the service the customer may e.g. check active services, the status of payments, bundled packages in use, payment deadlines or request the activation of additional services. Customer relations and retention management

2.5. Customer relations and retention management

Customer relations management

We consistently improve the quality of our customer service using the latest, cutting edge technologies. An experienced and committed staff with a highly flexible approach and supported by a quick decision making process is our strong side.

We use an advanced customer relationship management IT system developed by our specialists based on an integrated platform handling telephone, fax, e-mail, SMS, TTS (text to speech) communications and mail. Our customer relationship management system makes it possible to comprehensively document and handle all requests placed by customers in a timely and effective manner.

The core of the Group's customer service is the customer service call center. This system comprises seven separate call centers integrated through an intelligent call routing system. It guarantees reliability and an uninterrupted twenty-four hour, seven-day a week phone service. The intelligent distribution system handles calls depending on the subject matter and forwards the call to appropriate agents, which reduces customer service time. We actively develop alternative forms of contact through social media and Chat. The post-sale telephone customer service also involves active up-selling of products and increasing customer loyalty.

Cyfrowy Polsat offers its customers the Internet Customer Service Center (ICSC) - an advanced tool which provides secure and free of charge access to back-office resources and on-line technical support. Through the ICSC customers can buy and modify their packages themselves, check their payment balance and payment history, control units available for use within active packages, or make payments (also advance payments for any number of months). Moreover, users of ICSC can modify their contact data, print postal or bank orders, check technical specifications of the equipment owned, print the relevant user manual, restore signal transmission, restore the factory PIN settings of their set-top box, as well as contact us through our contact form.

Customer retention management

In a highly competitive environment customer retention is of extreme importance to us. Our goal is to minimize churn in terms of both volume and value, thus securing revenue from our customer base.

Under customer retention we constantly develop our offer and methods of operations to ensure the highest possible effectiveness. We carry out activities both in reactive and proactive processes.

The reactive process is initiated by the customer who expresses the intention to resign from using our services. Under this program, a dedicated team of consultants contacts the customer and presents new, attractive terms of further cooperation in order to encourage such a customer to stay in our Group. The proactive process is initiated by us and consists in taking active steps, encouraging customers to extend their contract already before the end of the initial term of contract. Retention activities under both processes are carried out based on analyses of the customer's current portfolio of services. We make all efforts to present the best possible offer, tailored to specific needs of the customer.

In order to meet the needs and expectations of our customers, we offered the possibility of changing the terms of contract already during the term of the contract. The wide range of products included in our portfolio allows us not only to propose an update of the services currently owned by the customer, but also to offer attractive terms of use of other services available within the Group. In particular, we have paid attention to growing customer needs with regard to Internet services and we have put here a particular stress on quality, but also on a possibility to increase Internet packages at any time during the contract's duration. Not without significance was also the development of new categories of equipment, which allowed us to offer customers on their contract extensions not only a classical smartphone, but a wide range of consumer electronics in a convenient system of payment installments.

Our retention offers can be executed via any sales channel – though the Internet, by phone with home delivery, or at any point of sales, at the customer's discretion. In addition, we put a large emphasis on our communication, working constantly on its efficiency and adjustment to our customers' preferences.

2.6. Other aspects of our business

Research and development - new services and implementations

In 2020, we continued our efforts in the field of implementation of state-of-the-art technologies and latest technical solutions which offer superior quality and enhanced functionality of services to our customers and enable us to expand our offer by adding new services and products.

In February 2020, following successful user tests conducted among our subscribers, we introduced, on a permanent basis, the new TimeShift, CatchUP and reStart functions into our offer and into EVOBOX HD and EVOBOX LITE satellite TV set-top boxes which are manufacture by the Group's plant located in Mielec. The new functions are available without any additional charges. They only require connecting the set-top box to the Internet. TimeShift offers the possibility of stopping and "rewinding" selected shows in the timeframe of up to 3 hours, thus enabling one view a selected fragment of a show again. ReStart enables one to watch the shows broadcasted via linear channels from the beginning while CatchUP offers the possibility of watching selected shows during even up to seven days after their original broadcasting. The customer satisfaction survey which we had conducted when testing the above mentioned functions showed that using them suits the real, very specific needs of pay TV subscribers.

In February 2020 our IPLA web entertainment service was the first Polish VOD service to have implemented a dedicated application for the users of the Apple TV platform. The application offers access to the full offering of IPLA – TV channels, live sports, films and TV series, events available in the form of PPV, bundles. The application is available globally from the AppStore for AppleTV-supporting devices. Simultaneously, IPLA has launched the Chromecast functionality for its users. Chromecast enables transmission of the video from a mobile phone, a computer or a tablet to a large screen, e.g. to a TV set. The solution is available at www.ipla.tv via Chrome browser as well as in Android mobile applications. It is also successively being introduced to iOS mobile apps.

IT systems

IT systems are crucial in multiple aspects of our business operations. Polsat Group uses numerous systems, applications and dedicated software, both developed in-house, as well as by leading local and international suppliers.

We use IT systems facilitating effective and efficient management of our customer base. These systems include, among others, a customer relationship management system, sales support system, the Internet Customer Service Center, and a transaction support system.

With respect to systems designed for set-top boxes, we use applications and software enabling us to offer our products as efficiently as possible. As the owner of the systems and holder of intellectual property rights related to them, we are able to respond quickly and successfully to all the needs of our customers. We use systems licensed from third parties, such as a conditional access system securing access to channels offered in our paid DTH packages. At the same time, while looking for cost optimization in the area of small volume development in the high-end line, we cooperate with experienced suppliers, as in the case of the EVOBOX set-top box, which is a fully integrated hybrid solution with PVR.

Thanks to services developed by our Internet Projects Division, we provide the Group's customers who use Internet links as well broadband mobile Internet access, the possibility of consumption of premium audio, video and text content. The IPLA online TV and Cyfrowy Polsat GO application are available on the majority of popular multimedia devices in Poland, including desktop computers, smartphones and new generation TV sets. The multi-node multimedia distribution network supports simultaneous access to the offered multimedia for tens of thousands of Internet users. The content we distribute is developed, secured and monetized using mainly our proprietary IPLA solutions as well as systems provided by third party suppliers and our business partners.

With regard to customer service and billing, we use systems that allow for flexible billing for different contract and prepaid plans. Our customer service systems enable us to address the needs of our customers through different communication channels (such as call centers, e-mail, Interactive Voice Response, SMS, points of sales and Internet). Moreover, we use a wide range of applications that support customer segmentation, product definition and the selection of sales channel and communication method.

We use management systems that include, among other things, financial control, revenue assurance, fraud detection, rating and scoring systems and those that support the reporting process for internal and regulatory purposes. Apart from the main data center, our subsidiary Polkomtel maintains an off-site back-up facility in a disaster recovery center, which holds duplicated information from major systems and data of decisive nature to ensure that, in the event of a potential disaster, it can assure continuity of the most critical services.

Simplification and modernization of software development processes and their reorientation towards specific business goals has played an important part in improving the efficiency of our IT systems in recent years.

As part of the operational integration of Polkomtel and Cyfrowy Polsat and relying on the Group's existing IT solutions, Polsat Group is executing a project aimed at developing a shared system environment to develop joint multi-product offers comprising the services of both Cyfrowy Polsat and Polkomtel. These efforts will also enable us to achieve further cost optimization and leverage significant synergies in both know-how and resources. The transformation of IT systems is an essential element of this undertaking.

The prepared eco-system will enable improved, simpler and more efficient management of sales as well as the ability to respond flexibly to market dynamics – launching of new products and services will become easier and faster. A central catalogue of the Group’s services and products will be developed with one, consistent and effective sales solution which will be common for all channels of contact with the customer. IT infrastructure will be simplified and will become more flexible, which will enable reduction of the time and the cost of new business implementations.

The implemented solution will contribute to further development of joint sales of numerous services offered by the Group’s companies and it will enable flexible response to market changes while offering newer products related to various aspects of life and packaged sale of these products.

Real estate property

Cyfrowy Polsat owns the majority of the real estate property on which our DTH satellite TV infrastructure, studios, some offices and warehousing facilities are located. All of our real estate property is located in Poland. We believe that all of our real estate property is well maintained and in good condition. As at December 31, 2020, there was a mortgage registered on the real estate property owned by us, established in respect to the SFA. Some insignificant parts of Cyfrowy Polsat’s real estate property are encumbered with typical easement rights for electricity cables, central heating and other media. Part of our real estate property is being leased from third parties.

In order to secure our liabilities under the SFA, a mortgage was registered in favor of the Security Agent on selected real estate property owned by companies belonging to Cyfrowy Polsat (see item 4.4.5. of this Report – *Operating and financial review of Cyfrowy Polsat - Review of Company’s financial situation - Information on guarantees granted by the Company or subsidiaries*).

Insurance agreements

We maintain insurance coverage for our companies and their operations, substantially against all risks and with sums insured at levels typical of pay TV providers, telecommunication operators and TV broadcasters operating in Poland.

We have motor vehicle insurance policies, all risk property insurance policies, as well as third party liability insurance on business operations and professional liability insurance on broadcasting activity, liability on business interruption, and third-party liability insurance for members of management and supervisory boards of the companies belonging to Polsat Group.

In 2020, Cyfrowy Polsat was a party to the insurance agreements described below.

In the scope of property insurance general agreements were concluded for the years 2019-2020 with the possibility of extending the term of the contract for another year with TUiR Warta S.A. in co-insurance with STU Hestia S.A. regarding the insurance of assets against all risks, electronic equipment insurance, insurance of machinery against damages, loss-of-profit insurance, insurance of assets in domestic and international transport (cargo).

In the scope of third-party liability insurance a general agreement was concluded for the years 2019-2020 with the possibility of extending the term of the contract for another year with TUiR Warta S.A. in co-insurance with STU Ergo Hestia S.A. regarding third-party liability insurance, including professional liability insurance. Furthermore, an agreement regarding bookkeeping liability insurance was concluded with PZU S.A. The following insurers are engaged in the liability insurance policy of directors and management board members of companies belonging to Cyfrowy Polsat Group: TUiR Allianz Polska S.A., Colonnade Insurance S.A. Branch in Poland, Chubb Branch in Poland, TUiR WARTA S.A and TU Generali Polska S.A.

In 2020, our subsidiary Polkomtel continued a general fleet motor insurance agreement with STU Ergo Hestia S.A. (collision, comprehensive and third party insurance, theft insurance, accident insurance and assistance), which extends to the entire motor fleet of Cyfrowy Polsat Group.

In 2020, the international business travel health insurance and personal injury insurance with Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. were continued.

We believe that our insurance coverage is in line with the practice followed by other pay TV providers, TV broadcasters and telecommunication operators in Poland.

Business Contingency Plan

As a Group we have 10 years of experience in business continuity. The Business Contingency Plan of Polkomtel was established in 2010 on the basis of the then norm BS 25999. The current Business Contingency Plan, built in compliance with the norm PN-EN ISO 22301:2014, covers processes and critical services executed and provided by Polkomtel and Cyfrowy Polsat. The periodic conduction of the Business Impact Analysis is the key element of the Business Contingency Plan and includes an update of the list of processes and critical services which is approved by resolution of both companies' Management Boards. Within the current and periodic (once every two years) update of the Business Contingency Plan we examine threats and vulnerabilities in critical processes and services, and perform risk analysis aimed at identifying main threats and defining recommendations with respect to groups of resources, such as locations, human resources, external and internal service providers, office infrastructure, data stored in both an electronic and paper form, the technical and IT infrastructure. Within the Business Contingency Plan we maintain a dedicated structure - the Crisis Management Centre – which is targeted to prevent crisis situations in the Company thanks to reacting to incidents which exceed the competencies of individual managers running separate organizational units as well as coordinating all emergency and restoration actions of the organization in the crisis mode. The practical test of the Business Contingency Plan's implementation by the Group was our effective and quick reaction to the threat which emerged in the beginning of 2020 in connection with the coronavirus pandemic and smooth transition of the majority of employees to remote, rotation or shift mode of working. The prepared Survival Strategy and alternative operating methods ensure business continuity of critical processes and services covered by the Business Contingency Plan.

Charity and sponsorship activities

Corporate Social Responsibility is inherently connected with our operations on the market, the achievement of our business goals and building of the value of our companies. Although we have not implemented a formal policy with respect to charity and sponsorship activities, both the Company and companies of the Group are engaged in this type of actions. In particular, we are involved life-saving, healthcare and safety-promoting initiatives, promotion of sports and physical activity as well as in providing support for those in need or those at risk of social or economic exclusion. In this respect we have been cooperating for many years with public benefit institutions, such as Polsat Foundation, Polish Women Can Foundation (formerly Przyjaciółka Foundation) as well as with emergency services (GOPR - Mountain Volunteer Rescue Service, TOPR – Tatra Volunteer Search and Rescue, MOPR – Mazurian Lakes Volunteer Rescue Service and WOPR- Volunteer Water Rescue Service). Apart from charity activities we are also engaged in a series of sponsoring activities.

In 2020, in response to the extraordinary situation caused by the coronavirus epidemic Cyfrowy Polsat Group actively engaged in combating the COVID-19 pandemic and undertook, in cooperation with the Polsat Foundation, numerous social activities. The areas covered by the assistance included, among others, healthcare and safety, aid to children and the youth as well as education and information. The support was given both in the financial form and in-kind and included, among others, the purchase of 200 thousand coronavirus tests, 20 ventilators, safety equipment and disinfectants as well as the donation of electronic devices for learning purposes to foster families and orphanages. Educational and informational functions were performed by our news channel Polsat News and Wydarzenia (The News) program as well as by the portal polsatnews.pl and the mobile app Polsat News. All these activities answered social needs associated with the new, difficult circumstances, the new lifestyle, the necessity to perform daily duties remotely as well as the search for diverse forms of entertainment on the Internet. In order to support the society, the health care institutions, the viewers, the customers and the employees in their struggle against the coronavirus epidemic Zygmunt Solorz, the founder and main shareholder of Cyfrowy Polsat, together with Cyfrowy Polsat Group donated over PLN 50 million.

Details regarding the activities in the scope of charity and sponsorship that we are engaged in are presented in the "CSR Report of Cyfrowy Polsat Group for the year 2020," which is available on our website at http://www.grupapolsat.pl/en/investor-relations in the tab *Results centre/Non-financial reports.*

3. Significant events

3.1. Extraordinary events

State of epidemic due to the COVID-19 coronavirus disease

On March 20, 2020, Poland announced a state of epidemic due to the SARS-CoV-2 virus causing the COVID-19 disease.

In the fight against the spreading of the coronavirus, numerous measures have been implemented including, among others, temporary border closures, restrictions on movement, organizing events and meetings, commerce, education and childcare, as well as an obligatory quarantine imposed in certain cases. The most stringent restrictions were in force during the first three months from the imposition of the state of epidemic, i.e., from March to May 2020. In particular, many workplaces and all educational, cultural and entertainment establishments were closed, which resulted in switching to online working and learning and in greater interest in the entertainment offered by media and the Internet. Moreover, as a result of the closure of large commercial spaces, points of sale located in shopping malls have had to be temporary and compulsorily closed. In the summer the restrictions were liberalized and the strategy for combating the epidemic evolved towards pointwise implementation of additional safety measures in regions recording increases in the number of the coronavirus infections. Along with the coming of autumn and a seasonal growth of various infections, new restrictions were implemented on the entire territory of Poland.

In order to defend the State against the crisis caused by the worldwide coronavirus pandemic, the Polish government has adopted a package of solutions aimed at stabilizing the economy and giving it an investment boost. This package consists of the government's cash components, such as the state budget's and National Healthcare Fund's spending and special purpose funds, the government's liquidity components, including credit repayment holidays, deferred levies, liquidity financing in the form of credit and capital and the liquidity package from the National Bank of Poland, executed, among others, through a radical reduction by 140 bps of interest rates to their record low levels.

Cyfrowy Polsat Group has immediately taken actions to assure business continuity and reduce the negative impact of the epidemic on its operations. The priorities remain in particular to ensure the safety of our employees as well as to guarantee high quality of services to our customers.

Moreover, the Group has also engaged in nationwide initiatives combatting the epidemic by carrying out a number of social initiatives. In order to support the society and the health care institutions in their struggle against the coronavirus pandemic Zygmunt Solorz, the founder and main shareholder of Cyfrowy Polsat, together with Cyfrowy Polsat Group have donated PLN 50 million in total, the majority of which have been spent in the first half of 2020.

The impact from the introduction of the state of epidemic on the Group's operations and financial prospects is presented in item 5.9 of this Report *Other significant information – Factors that may impact our operating activities and financial results.*

3.2. Corporate events

Issuance of Series C Bonds

On February 14, 2020, Cyfrowy Polsat issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000 each and the aggregate nominal value of PLN 1,000.0 million with the final redemption date on February 12, 2027 (the "Series C Bonds").

The issuance represents Poland's first corporate green bonds denominated in PLN. The proceeds from the issue were used for refinancing pro-environmental projects, including improvement of the energy efficiency of the Group or reduction of the carbon footprint associated with electronic devices manufactured by Polsat Group. Cyfrowy Polsat is the first company in Poland from a sector other than banking to have used this relatively new financial instrument.

Changes to the Company's Articles of Association

On May 25, 2020, the Extraordinary General Meeting of Cyfrowy Polsat resolved to amend the Company's Articles of Association. The changes to the Articles of Association were registered by the District Court for the Capital City of Warsaw on June 16, 2020. The complete wording of the new Articles of Association is available at Cyfrowy Polsat's website at https://grupapolsat.pl/en/corporate-governance/corporate-documents.

Distribution of profit for the financial year 2019

On June 3, 2020, the Management Board of the Company adopted a resolution concerning the distribution of the Company's profit for the financial year 2019. The recommendation assumed:

- to allocate the entire net profit earned by the Company in the financial year 2019, amounting to PLN 586.8 million, for distribution as dividends to the shareholders of the Company, and
- to allocate the amount of PLN 52.7 million from the reserve capital for distribution as dividends to the shareholders of the Company. As at December 31, 2019, the amount of the reserve capital available for distribution was almost PLN 3.4 billion.

The total amount of the recommended dividends to the shareholders of the Company amounted to PLN 639.5 million, i.e., PLN 1.00 per share.

Furthermore, the Management Board of the Company recommended that the dividend day be scheduled for October 15, 2020, and the dividend payout be made in two tranches as follows:

- the first tranche in the amount of PLN 223.8 million, i.e., PLN 0.35 per share – on October 22, 2020, and
- the second tranche in the amount of PLN 415.7 million, i.e., PLN 0.65 per share – on January 11, 2021.

In the opinion of the Management Board of the Company, the proposed profit distribution is consistent with the dividend policy of the Group adopted on March 15, 2019.

On July 23, 2020, the Annual General Meeting of Cyfrowy Polsat resolved a dividend payout for the year 2019, in accordance with the above mentioned recommendation of the Company's Management Board. The dividend was paid out according to the schedule described above.

Appointment of Supervisory Board Members

The Annual General Meeting of the Company resolved on July 23, 2020 that the Supervisory Board of the present term of office shall consist of 9 members and appointed to the positions of Supervisory Board Members Mr. Marek Grzybowski and Mr. Paweł Ziółkowski, who both fulfill the independence criteria set forth in Annex II to the European Commission recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and in the Best Practices of WSE Listed Companies 2016.

Acquisition of Asseco Poland shares from Reddev

In accordance with the agreement signed between the Company and Reddev on December 27, 2019, on July 31, 2020 the Company repurchased from Reddev 184,127 shares of Asseco Poland, which were acquired jointly by Reddev and the Company under the invitation to submit offers to sell shares of Asseco Poland announced in December 2019.

As a result, Cyfrowy Polsat holds currently 19,047,373 shares of Asseco Poland representing 22.95% of Asseco Poland's share capital and carrying the right to exercise 22.95% of the total number of votes at the General Meeting of Asseco Poland.

3.3. Business related events

Acquisition of shares of Esoleo

On January 13, 2020 Cyfrowy Polsat acquired 51.25% of shares of Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.). for the amount of PLN 6.9 million.

The acquisition was related to the Group's plans to commence operations on the Polish photovoltaic market, which took place in July 2020. Our subsidiary Esoleo has extensive experience on the photovoltaic market in Poland and offers photovoltaic installations to both individual and business customers. In the business sector it is pursuing, among others, photovoltaic installations for the store chain of DINO Polska. In September 2020, Esoleo signed, as a consortium leader, an agreement to build for ZE PAK S.A. the biggest photovoltaic farm in Poland. The subject of this agreement is the designing, installing and putting into operation a solar power plant generating 70 MWp along with the necessary technical infrastructure. The Brudzew solar plant will be constructed on a plot covering 100 ha, on reclaimed lands which were previously exploited by the Adamów brown coal mine in the eastern Wielkopolska region.

The transformation of ZE PAK's business model, in which Polsat Group is actively taking part through our subsidiary Esoleo, fits in perfectly with a wider context pursued by Stowarzyszenie Program Czysta Polska (*Program Clean Poland Association*), funded by Zygmunt Solorz and his cooperating companies and individuals, which is engaged in natural environment protection and to which all largest companies of Polsat Group, among others, are signatories.

Execution of amendment and restatement deeds to the SFA

On April 27, 2020, the Group entered into the Third Amendment and Restatement Deed to the SFA agreement of September 21, 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed of September 21, 2015 and the Second Amendment and Restatement Deed of March 2, 2018. Originally, the SFA provided for the granting of a term facility loan up to the maximum amount of PLN 11,500.0 million and a revolving facility loan (up to the maximum amount of PLN 1,000.0 million.

The Third Amendment and Restatement Deed, among others, introduced the following amendments:

(i) a change in the final repayment date of the Term Facility Loan and the Revolving Facility Loan to 30 September 2024;

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for June 30, 2020, December 31, 2020, December 31, 2020 and March 31, 2021 be withheld, and commencing on June 30, 2021 the Group shall make quarterly repayments of equal amounts, amounting to PLN 200 million each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants, in particular raising the maximum permitted ratio of consolidated net debt to consolidated EBITDA (Total Leverage) to 4.5:1, the maximum permitted ratio of consolidated secured net debt to consolidated EBITDA (Secured Leverage) to 3.8:1 and lowering the minimum permitted Debt Service Cover to 1.1:1.

In order to reflect the amendments to the Senior Facilities Agreement set forth in the draft Third Amendment and Restatement Deed, on April 27, 2020, the Company, acting as the agent for the obligors and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the First Amendment and Restatement Deed to the deed of accession to the Senior Facilities Agreement (the Additional Facility Accession Deed) concerning an additional term facility, executed on November 27, 2019 (the "Accession Deed"), which, among others, provides for the following amendments:

(i) amendment of the final repayment date of the additional term facility loan granted in the Accession Deed (the "Additional Term Facility Loan") to March 31, 2025; and

(ii) in connection with the implementation of IFRS 16, a change in the Total Leverage on which the Margin on the Additional Term Facility Loan depends.

3.4. Events after the balance sheet date

Tender offer to place subscriptions for the sale of shares in Netia

On December 23, 2020 the Company announced a tender offer to place subscriptions for the sale of 114,173,459 shares issued by Netia, representing ca. 34.02% of its share capital and carrying the right to 114,173,459 votes at Netia's General Meeting. The price of Netia shares covered by the tender offer was set at PLN 4.80 per one share.

Prior to the tender offer, the Company held 221,404,885 Netia shares representing ca. 65.9771% of its share capital and carrying the right to ca. 65.98% of total votes at Netia's General Meeting.

As a result of the tender offer, as of March 8, 2021 the Company holds 221,489,753 Netia shares representing ca. 66.0024% of its share capital and carrying the right to ca. 66.0024% of total votes at Netia's General Meeting.

Entry to exclusive negotiations regarding a potential acquisition of 10% of shares of eobuwie.pl S.A.

On March 11, 2021 the Management Board of the Company made a decision to enter into exclusive negotiations with CCC S.A. regarding a potential acquisition of 10% of the share capital of eobuwie.pl within the scope of pre-IPO investment for a consideration of PLN 500 million.

In parallel, the Company signed a document containing a summary of the key conditions of the potential Investment, according to which the Company and the other investor are granted exclusivity to conduct negotiations until March 31, 2021, during which the completion of the due diligence of eobuwie.pl is planned.

4. Operating and financial review of Cyfrowy Polsat

4.1. Major investments in 2020

The major investments of the Company in 2020 included:

- acquisition of 51.25% of shares in Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.) on January 13, 2020;
- execution of amendment and restatement deeds to the SFA (see item 4.4.4. – *Review of the Company's financial situation – Liquidity and capital resources*); and
- acquisition of Asseco Poland shares from Reddev.

Detailed information of the above mentioned project was presented in item 3 – *Significant events in 2020*.

4.2. Operating review of the Company

The Company does not publish separate KPIs with respect to its core business. Key performance indicators (KPI) presented below present the operating results of Polsat Group excluding operational data of Netia Group over which Cyfrowy Polsat took control effective May 22, 2018.

When assessing our operating results in the B2C and B2B services segment, we analyze contract services and prepaid services separately. In the case of contract services we consider the number of unique, active services provided in the contract model (RGUs), the number of customers, churn rate and average revenue per customer (ARPU). When analyzing prepaid services we consider the number of unique, active services provided in the prepaid model (prepaid RGUs) as well as average revenue per prepaid RGU. The number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.

Please note that the operational indicators (KPIs) presented below do not include operational results of Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018. Due to the fact that Netia S.A. is a company listed publically on the Warsaw Stock Exchange in Warsaw, its detailed operational and financial results are continuously available at the address: inwestor.netia.pl.

	for the 3-month period ended December 31		change / %	for the 12-month period ended December 31		change / %
	2020	2019		2020	2019	
B2C AND B2B SERVICES SEGMENT						
Total number of RGUs (EOP) [thous.] (contract + prepaid)	**17,990**	**17,386**	**3.5%**	**17,990**	**17,386**	**3.5%**
Contract services						
Total number of RGUs (EOP) [thous.], incl.	**15,372**	**14,729**	**4.4%**	**15,372**	**14,729**	**4.4%**
Pay TV [thous.] , incl.	5,010	5,038	(0.6%)	5,010	5,038	(0.6%)
Multiroom [thous.]	*1,209*	*1,193*	*1.3%*	*1,209*	*1,193*	*1.3%*
Mobile telephony [thous.]	8,535	7,895	8.1%	8,535	7,895	8.1%
Internet [thous.]	1,827	1,796	1.7%	1,827	1,796	1.7%
Number of customers (EOP) [thous.]	**5,548**	**5,638**	**(1.6%)**	**5,548**	**5,638**	**(1.6%)**
ARPU per customer [PLN]	89.9	85.6	5.0%	87.2	84.2	3.6%
Churn per customer	6.5%	6.4%	0.1 p.p.	6.5%	6.4%	0.1 p.p.
RGU saturation per one customer	2.77	2.61	6.1%	2.77	2.61	6.1%
Average number of RGUs, incl.	**15,266**	**14,660**	**4.1%**	**14,997**	**14,460**	**3.7%**
Pay TV [thous.], including:	5,009	5,039	(0.6%)	5,008	5,058	(1.0%)
Multiroom [thous.]	1,203	1,186	*1.5%*	1,197	1,175	*1.9%*
Mobile telephony [thous.]	8,453	7,824	8.0%	8,196	7,602	7.8%
Internet [thous.]	1,804	1,797	0.4%	1,793	1,800	(0.4%)
Average number of customers [thous.]	**5,558**	**5,641**	**(1.5%)**	**5,589**	**5,660**	**(1.3%)**
Prepaid services						
Total number of RGUs (EOP) [thous.], including:	**2,618**	**2,657**	**(1.5%)**	**2,618**	**2,657**	**(1.5%)**
Pay TV [thous.]	114	161	(29.0%)	114	161	(29.0%)
Mobile telephony [thous.]	2,446	2,416	1.2%	2,446	2,416	1.2%
Internet [thous.]	58	80	(28.5%)	58	80	(28.5%)
ARPU per total prepaid RGU [PLN]	21.8	20.3	7.4%	21.4	20.5	4.4%
Average number of RGUs [thous.], including:	**2,687**	**2,657**	**1.2%**	**2,624**	**2,630**	**(0.2%)**
Pay TV [thous.]	177	145	21.8%	148	111	32.7%
Mobile telephony [thous.]	2,450	2,425	1.0%	2,408	2,417	(0.4%)
Internet [thous.]	61	86	(29.6%)	68	102	(32.9%)

As at December 31, 2020, in the B2C and B2B services segment the total number of services provided by our Group in both the contract and prepaid models amounted to 17,990 thousand (+3.5% YoY). It is worth emphasizing that the share of contract services in the total number of services that we provide is growing consistently and has reached the level of 85.4% at the end of the fourth quarter of 2020, as compared to 84.7% recorded at the end of the fourth quarter of 2019.

Contract services

The total number of customers to whom we provided contract services as at the end of 2020 was 5,548 thousand (-1.6% YoY). The main reason behind the decline of the contract customer base was the merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 6.1% YoY to 2.77 RGU per customer). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and focus rather on increasing customer loyalty, in particular through offering a wide portfolio of bundled services, as well as on increasing ARPU per contract customer.

The number of contract services provided by us at the end of 2020 increased by 643 thousand compared to the previous year (+4.4%) YoY, reaching 15,372 thousand as at December 31, 2020. A strong increase of mobile telephony RGUs – by 640 thousand (+8.1%) YoY was the main driver behind this growth. As at the end of 2020 we provided 8.535 thousand mobile telephony services in the contract model. This result was achieved thanks to the successful implementation of our strategy of cross-selling and focusing on customer satisfaction, which translated into a low churn ratio, as well as thanks to high demand among business customers for m2m services.

At the end of December 2020 our customers used 5,010 thousand contract pay TV services. The pay TV RGU base remained under slight pressure in 2020, decreasing by 28 thousand (-0.6%) YoY, which was mainly due to a lower number of provided satellite TV services. Despite this decrease we continue to view pay TV as an area with potential to build both customer value and the scale of revenues.

In 2020, we recorded better dynamics among dedicated mobile broadband Internet access services provided in the contract model, increasing the number of RGUs in this area by 31 thousand to the level of 1,827 thousand (+1.7% YoY). The increase was mainly due to higher demand for data transmission in the situation of two lockdowns introduced during 2020 due to the COVID-19 epidemic, and the resulting necessity to work and learn from home as well as to use available online forms of entertainment. In parallel, the factor which is positively reflected in the scale of our Internet RGU base is the constantly improving quality of our telecommunications network – a consequence of the investments we make, exemplified by the initiation of the 5G network roll-out and the provision of fixed-line Internet access under the “Plus” brand.

We observe a steadily increasing saturation of our customer base with integrated services, which is expressed by the growing indicator of contract services per customer. At the end of 2020 every customer had on average 2.77 contract services (+6.1% YoY). We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we systematically add new products, will positively influence the growth of the number of contract RGUs provided by us in the future.

In line with the assumptions of our long-term strategy, we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In 2020, average revenue per contract customer increased to PLN 87.2 (+3.6% YoY) while in the fourth quarter of 2020 it reached PLN 89.9 (+5.0% YoY). Apart from the continuous, strategic building of customer value, dynamic growth in ARPU in both the fourth quarter and the full year 2020 was driven by a temporary factor, namely higher revenue from interconnection settlements, related to a significant increase in voice traffic volume during the COVID-19 epidemic.

Our churn rate remained at a very low level of 6.5% in the twelve-month period ended December 31, 2020 (+0.1 p.p. YoY). Low churn is primarily due to the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy, as well as our actions aimed at fostering high customer satisfaction. In addition, a more conservative offering policy than in the past of mobile operators translates into a steady decrease of the number of customers migrating between networks, which also impacts our churn rate favorably. Our bundled services offer, based on a mechanism of offering attractive discounts on every additional product or service purchased from the Group’s portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. At the end of December 2020, 2,065 thousand customers were using our bundled services, which constitutes an increase of 71 thousand (+3.6%) YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 37.2%. We record a strong growth in the number of RGUs used by this group of customers. During 2020 they purchased 314 thousand additional RGUs (+5.2%) YoY, reaching a total of 6,360 thousand RGUs as of the end of 2020. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us decreased last year by 40 thousand (-1.5%) YoY and amounted to 2,618 thousand as at December 31, 2020.

The number of prepaid mobile telephony services increased by 30 thousand (+1.2%) YoY, to 2,443 thousand RGUs while the number of prepaid broadband Internet services decreased by 23 thousand YoY. This change was driven by increasing popularity of data transmission packages in mobile telephony tariff plans (smartphones) which is associated with diminishing differences between the sizes of data packages offered in both product lines. The number of prepaid TV services provided by us decreased by 47 thousand (-29.0%) YoY in 2020, to the level of 114 thousand. It is worth noticing that despite the reported year on year decrease of the RGU base, in October and November 2020 we recorded very high interest in pay TV services provided in the PPV model, due in particular to the MMA galas aired during that time.

In 2020, average revenue per prepaid RGU amounted to PLN 21.2 (+4,4% YoY) while in the fourth quarter of 2020 it reached PLN 21.8 (+7.4% YoY). The increase in prepaid APRU in the fourth quarter and 2020 was influenced by a temporary factor, i.e., higher revenue from voice calls and related interconnection settlements, which followed more intense voice traffic during the COVID-19 epidemic. Simultaneously, the abovementioned surge in sales of our PPV services contributed to the high level of ARPU in the fourth quarter of 2020.

4.3. Key positions in the income statement

Revenue

Revenue is derived from retail revenue, wholesale revenue, sale of equipment and other revenue sources.

Retail revenue consists primarily of:

(i) monthly subscription fees paid by our satellite and Internet pay television contract customers for programming packages,
(ii) subscription fees paid by our contract customers for telecommunication services,
(iii) fees for services provided to our contract customers, which are not included in the subscription fee,
(iv) fees for the lease of set-top boxes,
(v) activation fees,
(vi) penalties, and
(vii) fees for additional services.

Total revenue from pay television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Activation fees are collected at the moment of activation and amortized over the life of the contract.

Our **wholesale revenue** comprises:

(i) advertising and sponsorship revenue,
(ii) revenue from the sale of broadcasting and signal transmission services, and
(iii) revenue from the sale of licenses, sublicenses and property rights.

Sale of equipment consists mostly of revenue from sales of set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers, TV sets, accessories and other devices.

Other revenue sources consist primarily of revenue from the lease of premises and facilities, revenue from interest on installment plan purchases and other sales revenue.

Operating costs

Operating costs consist of:

(i) content costs,

(ii) distribution, marketing, customer relation management and retention costs,

(iii) depreciation, amortization, impairment and liquidation,

(iv) technical costs and cost of settlements with mobile network operators,

(v) salaries and employee-related costs,

(vi) cost of equipment sold,

(vii) cost of debt collection services and bad debt allowance and receivables written off, and

(viii) other costs.

Content costs consist primarily of programming license costs, which include monthly license fees due to television broadcasters, license fees for materials broadcast on VOD and royalties due to collective copyright management organizations and the Polish Film Institute.

Distribution, marketing, customer relation management and retention costs consist of:

(i) commissions due to authorized retail points of sale as remuneration for concluded agreements with our customers for pay television and telecommunication services,

(ii) costs of courier services, distribution of reception equipment, storage costs and costs associated with services of our regional agents, and

(iii) costs of warranty service

Marketing expenses consist of expenses on TV and radio commercials, press, online and outdoor advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition.

Customer relation management and retention costs consist of mailing costs, call center costs and other customer relation management costs.

Depreciation, amortization, impairment and liquidation costs primarily consist of:

(i) depreciation of set-top boxes and other equipment leased to our customers,

(ii) depreciation of plant and equipment, TV and broadcasting equipment,

(iii) amortization of intangible assets, including customer relationships, trademarks and IT programs,

(iv) non-current assets impairment allowance, and

(v) net value of disposed property, plant and equipment as well as intangible assets, no longer suitable for use.

Technical costs and cost of settlements with telecommunication operators comprise:

(i) IT systems maintenance costs,

(ii) costs of using satellite transponders,

(iii) payments for the use of conditional access system,

(iv) interconnection charges, and

(v) other costs.

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries and social security contributions of factory employees, which are included in the costs of manufacturing of reception equipment and salaries and social security contributions relating to employees directly involved in the production of IT software, which are capitalized on intangible assets) or project-specific contracts, managerial contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Cost of equipment sold relates mostly to set-top boxes, STB hard disk drives, antennas, Internet modems, routers, tablets, laptops, TV sets, accessories and other equipment that we sell to our customers.

In the group of **costs of debt collection services and bad debt allowance and receivables written off** we present:

(i) bad debt recovery fees,

(ii) bad debt allowance and the cost of receivables written off, and

(iii) gains and losses from the sales of debts.

Key items of **other costs** include:

(i) the cost of SMART and SIM cards provided to customers,

(ii) legal, advisory and consulting costs,

(iii) property maintenance costs,

(iv) taxes and other charges, and

(v) other costs.

Other operating income/costs, net consist of:

(i) inventory impairment write-downs/reversals, and

(ii) other operating revenue/costs, not derived in the ordinary course of business.

Gains and losses on investment activities, net include interest income on funds invested, dividends income, share in profits of partnerships, fair value gains/losses on financial instruments at fair value through profit or loss, impairment losses recognized on financial assets, unwinding of the discount on provisions.

Finance costs comprise interest on borrowings (including bank loans and bonds), bank and other charges on borrowings and guarantee fees resulting from indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

4.4. Review of the Company's financial situation

The following review of results for the twelve-month month periods ended December 31, 2020 was prepared based on the financial statements for the twelve-month period ended December 31, 2020, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analyses.

Our financial results for 2020 were partly under the influence of the extraordinary situation caused by the coronavirus epidemic (the state of epidemic is in force in Poland since March 20, 2020). This factor has been accounted for in descriptions of the specific income statement, balance sheet and cash flow items presented below.

Furthermore, we have presented the adjusted EBITDA result, which excludes the costs related to the COVID-19 epidemic.

4.4.1. Income statement analysis

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Revenue	2,401.0	2,378.8	22.2	0.9%
Operating costs	(1,950.0)	(1,948.5)	(1.5)	0.1%
Other operating income, net	7.2	2.2	5.0	>100%
Profit from operating activities	**458.2**	**432.5**	**25.7**	**5.9%**
Gain/(loss) on investment activities, net	127.7	358.8	(231.1)	(64.4%)
Finance costs, net	(89.7)	(89.8)	0.1	(0.1%)
Gross profit for the period	**496.2**	**701.5**	**(205.3)**	**(29.3%)**
Income tax	(91.2)	(114.7)	23.5	(20.5%)
Net profit for the period	**405.0**	**586.8**	**(181.8)**	**(31.0%)**
EBITDA	***631.9***	***609.3***	***22.6***	***3.7%***
EBITDA margin	***26.3%***	***25.6%***	-	-
Costs related to COVID	(8.1)	-	(8.1)	n/a
EBITDA adjusted	**640.0**	**609.3**	***30.7***	***5.0%***
EBITDA adjusted margin	***26.7%***	***25.6%***	-	-

Revenue

In 2020 our **total revenue** increased by PLN 22.2 million (+0.9%) YoY to PLN 2,401.0 million.

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Retail revenue	2,194.0	2,190.4	3.6	0.2%
Wholesale revenue	114.7	101.0	13.7	13.6%
Sale of equipment	22.1	22.2	(0.1)	(0.5%)
Other revenue	70.2	65.2	5.0	7.7%
Revenue	**2,401.0**	**2,378.8**	**22.2**	**0.9%**

Retail revenue remained stable year on year, mainly as a result of successful implementation of our strategy aimed at building a customer's value. Despite a slight decline in the number of satellite TV customers we derive higher revenue from pay TV due to the gradual migration of customers to higher packages, as well as the growing number of provided services, in particular Multiroom and paid OTT services.

Wholesale revenue increased by PLN 13.7 million (+13.6%) YoY. The increase of wholesale revenue was triggered by higher revenue from the signal broadcast and transmission services as well as sale of licenses, sublicenses and property rights.

Revenue from the sale of equipment remained stable year on year despite temporary administrative restrictions on trade, which were introduced in connection with the COVID-19 pandemic in March and Apil as well as in November and December 2020.

Other revenue increased by PLN 5.0 million (+7.7%) YoY, mostly due to the recognition of higher revenues from the provision of services to other companies of Polsat Group following the centralization of selected back-office tasks in the Group.

Operating costs

Our **operating costs** amounted to PLN 1,950.0 million in 2020 and were stable year on year.

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Content costs	771.5	727.1	44.4	6.1%
Technical costs and cost of settlements with telecommunication operators	461.8	488.6	(26.8)	(5.5%)
Distribution, marketing, customer relation management and retention costs	313.8	341.0	(27.2)	(8.0%)
Depreciation, amortization, impairment and liquidation	173.7	176.8	(3.1)	(1.8%)
Salaries and employee-related costs	121.9	121.7	0.2	0.2%
Cost of equipment sold	18.8	21.2	(2.4)	(11.3%)
Cost of debt collection services and bad debt allowance and receivables written off	6.3	11.8	(5.5)	(46.6%)
Other costs	82.2	60.3	21.9	36.3%
Operating costs	**1,950.0**	**1,948.5**	**1.5**	**0.1%**

Content costs increased by PLN 44.4 million (+6.1%) YoY. This increase was the result of higher programming license costs due to the acquisition in 2019 of broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels, airing the PKO BP Ekstraklasa football matches as well as the migration of our customers to higher pay TV packages.

Technical costs and cost of settlements with telecommunication operators decreased by PLN 26.8 million (-5.5%) YoY, mainly due to the renegotiated terms of the wholesale traffic purchase from our subsidiary Polkomtel.

Distribution, marketing, customer relation management and retention costs decreased by PLN 27.2 million (-8.0%) YoY, primarily as a result of lower sales commissions and lower marketing spending.

Depreciation, amortization, impairment and liquidation costs decreased by PLN 3.1 million (-1.8%) YoY, among others as the result of lower costs of depreciation of equipment leased to the customers of our satellite platform.

The **cost of equipment sold** decreased by PLN 2.4 million (-11.3%) YoY, as a consequence of lower sales volumes of end-user devices.

Salaries and employee-related costs remained stable year on year at the stable headcount in the Company.

Average employment	for the 12 month period ended December 31		change	
	2020	2019	[FTEs]	[%]
Permanent workers not engaged in production in the Company [1)]	811	789	22	2.8%

1) Excluding workers who did not perform work in the reporting period due to long-term absences.

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 5.5 million (-46.6%) YoY.

Other costs increased by PLN 21.9 million (+36.3%) YoY, mainly as a result of the recognition of higher costs of legal, advisory and consulting services associated with the conducted special projects and additional costs due to the adjustment in the Group's operations to conditions imposed by the state of epidemic.

Other operating costs, net amounted to PLN 7.2 million in 2020 as compared to PLN 2.2 million of other operating income, net in 2019.

Gain on investment activities, net amounted to PLN 127.7 million in 2020, compared to gain on investment activities, net of PLN 358.8 million in 2019. This was the effect of lower dividends received from subsidiaries.

Finance costs, net remained stable year on year.

Income tax was lower by PLN 23.5 million (-25.5%) YoY.

As a result of the above described changes, **net profit** in 2020 decreased by PLN 181.8 million (-31.0%) YoY to the level of PLN 405.0 million.

EBITDA increase in 2020 by PLN 22.6 million (+3,7%) YoY to PLN 631.9 million. EBITDA margin was 26.3%. Over the 12 month period we were able to achieve revenue and EBITDA growth despite turbulences caused by the COVID-19 epidemic and the recognition of additional costs related to the COVID-19 epidemic.

Excluding costs related to COVID-19, which amounted in total to PLN 8.1 million, the **adjusted EBITDA** result was higher by PLN 30.7 million (+5.0%) YoY and adjusted EBITDA margin was 26.7% (+1.1 p.p. YoY).

4.4.2. Balance sheet analysis

As at December 31, 2020 our balance sheet amounted to PLN 15,575.9 million and was higher by PLN 634.6 million (+4.2%) as compared to its level as at December 31, 2019.

Assets

[mPLN]	December 31, 2020	December 31, 2019	Change	
			[mPLN]	[%]
Reception equipment	343.1	306.4	36.7	12.0%
Other property, plant and equipment	112.8	113.3	(0.5)	(0.4%)
Goodwill	197.0	197.0	-	-
Brands	7.8	7.8	-	-
Other intangible assets	72.1	63.4	8.7	13.7%
Right-of-use assets	23.0	26.4	(3.4)	(12.9%)
Investment property	36.4	38.5	(2.1)	(5.5%)
Shares in subsidiaries and associates	13,428.8	13,404.5	24.3	0.2%
includes shares in associates	*1,260.2*	*1,248.8*	*11.4*	*0.9%*
Non-current deferred distribution fees	26.5	32.4	(5.9)	(18.2%)
Other non-current assets	87.1	21.5	65.6	305.1%
includes derivative instruments	-	*0.3*	*(0.3)*	*(100.0%)*
Total non-current assets	**14,334.6**	**14,211.2**	**123.4**	**0.9%**
Contract assets	160.2	200.8	(40.6)	(20.2%)
Inventories	46.7	80.5	(33.8)	(42.0%)
Trade and other receivables	118.7	137.0	(18.3)	(13.4%)
Income tax receivables	-	0.3	(0.3)	(100.0%)
Current deferred distribution fees	64.2	66.0	(1.8)	(2.7%)
Other current assets	16.1	103.4	(87.3)	(84.4%)
includes derivative instruments	-	*0.1*	*(0.1)*	*(100.0%)*
Cash and cash equivalents	835.4	142.1	693.3	>100%
Total current assets	**1,241.3**	**730.1**	**511.2**	**70.0%**
Total assets	**15,575.9**	**14,941.3**	**634.6**	**4.2%**

Our **non-current assets** increased in 2020 by PLN 123.4 million (+0.9%) and accounted for 92.0%. of total assets. The increase in the value of non-current assets was driven in particular by higher value of reception equipment, higher value of our shares in subsidiaries and associates as well as by an increase in the value of other non-current assets.

Our **current assets** increased in 2020 by PLN 511.2 million (+70.0%) and accounted for 8.0% of total assets of the Company. The value of non-current assets was higher due to an increase in the value of cash and cash equivalents by PLN 693.3 million, which was the effect of positive free cash flow generation and the issuance of Series C Bonds in the first quarter of 2020.

The impact of the above mentioned factor was partially mitigated by lower value of other items, especially short-term prepayment and accruals, lower value of contract assets, which represents the Company's right to future remuneration for the products and services already provided to customers, and lower level of inventories.

The **value of cash and cash equivalents** increased by PLN 693.3 million compared to its level as at December 31, 2019. The increase was the net effect of the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million in 2020, the repayment of loans and borrowings in the total net amount of PLN 454.4 million, the payout of the first tranche of the dividend for 2019 in the amount of PLN 223.8 million and a stable stream of generated free cash flows.

Equity and liabilities

[mPLN]	December 31, 2020	December 31, 2019	Change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	(8.5)	(0.2)	(8.3)	>100%
Retained earnings	3,719.6	3,954.1	(234.5)	(5.9%)
Total equity	**10,910.7**	**11,153.5**	**(242.8)**	**(2.2%)**
Loans and borrowings	1,387.1	1,330.4	56.7	4.3%
Issued bonds	1,959.2	969.2	990.0	>100%
Lease liabilities	19.9	22.8	(2.9)	(12.7%)
Deferred tax liabilities	84.6	81.2	3.4	4.2%
Other non-current liabilities and provisions	6.3	1.3	5.0	>100%
includes derivative instruments	*4.7*	-	*4.7*	*n/d*
Total non-current liabilities	**3,457.1**	**2,404.9**	**1,052.2**	**43.8%**
Loans and borrowings	140.9	662.9	(522.0)	(78.7%)
Issued bonds	38.7	34.8	3.9	11.2%
Lease liabilities	3.7	3.8	(0.1)	(2.6%)
Contract liabilities	246.1	247.2	(1.1)	(0.4%)
Trade and other payables	353.3	384.4	(31.1)	(8.1%)
includes derivative instruments	*5.5*	*0.2*	*5.3*	*>100%*
Liabilities to shareholders related to dividend for 2019	*415.7*	-	*415.7*	*n/a*
Income tax liability	6.4	46.6	(40.2)	(86.3%)
Deposits for equipment	3.3	3.2	0.1	3.1%
Total current liabilities	**1,208.1**	**1,382.9**	**(174.8)**	**(12.6%)**
Total liabilities	**4,665.2**	**3,787.8**	**877.4**	**23.2%**
Total equity and liabilities	**15,575.9**	**14,941.3**	**634.6**	**4.2%**

Equity decreased by PLN 242.8 million (-2.2%) to PLN 10,910.7 million as at December 31, 2020, mainly due to the profit generated in 2020 in the amount of PLN 405.0 million and a reduction of retained earnings by the amount of PLN 639.5 million, due to, among others, the payout of the first tranche of the dividend for 2019 in October 2020 and the recognition in current liabilities of the amount of PLN 415.7 million, representing the second tranche of the dividend for 2019 and scheduled for the payout in January 2021.

Total liabilities increased by PLN 877.4 million (+23.2%) YoY and amounted to 4,665.2 million as at December 31, 2020, out of which current liabilities amounted to PLN 1,208.1 million and non-current liabilities were PLN 3,457.1 million (constituting 25.9% and 74.1% of total liabilities, respectively). When compared to the end of December 2019, the value of our current liabilities decreased by PLN 174.8 million (-12.6%) while non-current liabilities increased by PLN 1,052.2 million (+43.8%), which resulted from the refinancing of the Company's indebtedness in 2020 and the issuance of Series C Bonds.

The most significant changes were recorded in the items related to financial liabilities of the Company. As at December 31, 2020 and December 31, 2019 we recorded a decrease in **the value of loans and borrowings** (short- and long-term) by PLN 465.3 million (-23.3%) compared to the end of 2019, which was mainly the result of the scheduled repayment of installments under the SFA made in March 2020 and reduced use of the Revolving Facility Loan. Moreover, on February 14, 2020 Cyfrowy Polsat issued Series C Bonds with the total nominal value of PLN 1,000.0 million, which caused an increase in **the value of bond liabilities** (short- and long-term) by PLN 993.9 million (+99.0%) as at December 31, 2020 compared to December 31, 2019.

The value of our **liabilities to shareholders related to dividend for 2019** amounted to PLN 415.7 million as at December 31, 2020 and was associated with the payout of the second tranche of the 2019 dividend, scheduled in first quarter of 2021.

As at December 31, 2020, we also recorded a decrease in **income tax liabilities** by PLN 40.2 million (-86.3%) compared to their level as at December 31, 2019. This decrease was mainly due to the settlement of the corporate income tax for 2019 during the second quarter of 2020, in accordance with the prolonged time limit which resulted from the changes introduced by Polish authorities in connection with the COVID-19 state of epidemic.

Contractual obligations

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on property construction and improvements was PLN 0.2 million as at December 31, 2020 (PLN 1.2 million as at December 31, 2019). The total amount of deliveries and services committed to under agreements for the purchases of licenses and software was PLN 0.3 million as at December 31, 2020 (PLN 0.3 million as at December 31, 2019).

Future contractual obligations

As at December 31, 2020 and December 31, 2019 the Company had future liabilities due for transponder capacity agreements. The table below presents future payments (total):

[mPLN]	December 31, 2020	December 31, 2019
within one year	122.5	102.4
between 1 to 5 years	489.9	452.1
more than 5 years	-	113.0
Total	**612.4**	**667.5**

4.4.3. Cash flow analysis

The table below presents selected data from the cash flow statement for the twelve-month periods ended December 31, 2020 and December 31, 2019.

[mPLN]	for twelve months ended December 31		change	
	2020	2019	[mPLN]	%
Net profit	405.0	586.8	(181.8)	(31.0%)
Net cash from operating activities	507.8	462.3	45.5	9.8%
Net cash used in investing activities	(27.2)	(910.7)	883.5	97.0%
Capital expenditures	*(48.7)*	*(26.2)*	*(22.5)*	*(85.9%)*
Net cash from financing activities	212.7	332.3	(119.6)	36.0%
Net increase/(decrease) in cash and cash equivalents	693.3	(116.1)	809.4	n/a
Cash and cash equivalents at the beginning of the period	142.1	258.3	(116.2)	(45.0%)
Cash and cash equivalents at the end of the period	835.4	142.1	693.3	>100%

Net cash from operating activities

Net cash from operating activities amounted to PLN 507.8 million in 2020 and increased by PLN 45.5 million (+9.8%) YoY. The increase in net cash from operating activities was impacted by higher EBITDA in 2020, which increased by PLN 22.6 million, coupled with lower engagement of working capital, which offset higher value of equipment forwarded to customers.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 27.2 million in 2020 and decreased by PLN 883.5 million (-97.0%) compared to PLN 910.7 million used in 2019.

The change in net cash used in investing activities in 2020 was a net effect of two main factors. On the one hand, the expenditures for the purchase of shares in subsidiaries and associates were lower in 2020 by PLN 1,207.3 million due to the recognition of the acquisition of shares in Asseco Poland in 2019. On the other hand, the amount of received dividends was lower in 2020 by PLN 244.2 million.

Capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 48.7 million in 2020, which constitutes an increase by PLN 22.5 million (+85.9%) YoY. In 2020 capital expenditures included, among others, the purchase of equipment and systems for the purpose of developing our services, including OTT services, and the modernization of our broadcasting infrastructure.

Net cash from finance activities

Net cash from financing activities amounted to PLN 212.7 million in 2020, less by PLN 119.6 million (-36.0%) YoY. The positive value of this item in 2020 was mainly owing to the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million.

In parallel, in 2020 we paid only one of two tranches of the divided for 2019 in the amount of PLN 223.8 million compared to the full amount of PLN 594.8 million of the dividend for 2018 paid in the comparative period. Moreover, in 2020 we effected the scheduled installment payment under the existing SFA conditions, paying in total PLN 54.4. million until December 31, 2020. Furthermore, in the same period we reduced our indebtedness under the Revolving Credit Facility by PLN 400.0 million, net.

4.4.4. Liquidity and capital resources

We maintain cash to fund the day-to-day requirements of our business. Our objective is to ensure cost-efficient access to various financing sources, including bank loans, bonds and other borrowings.

We believe that our cash balances and cash generated from our current operations, as well as means available within our revolving facilities (described below) should be sufficient to fund the future needs related to our operating activities, development of our services, service of our debt as well as for the execution of a majority of investment plans in the field of the Company's activity.

Due to the fact that the Company is one of borrowers under the SFA which encompasses also certain subsidiaries of Cyfrowy Polsat, the information on the indebtedness presented below refers to the indebtedness for Polsat Group.

The table below presents a summary of the indebtedness of the Group as at December 31, 2020.

	Balance value as at Dec. 31, 2020 [mPLN]	Coupon / interest / discount	Maturity date
SFA (Tranche A and B)	9,300.4	WIBOR + margin	Tranche A - 2024 Tranche B - 2025
Revolving Credit Facility (RCF)	335.0	WIBOR + margin	-
Series B and C Bonds	1,997.9	Series B - WIBOR + 1.75% Series C - WIBOR + 1.65%	Series B – 2026 Series C – 2027
Leasing and other	1,578.4	-	-
Gross debt	**13,211.7**	-	-
Cash and cash equivalents[1]	(1,365.8)	-	-
Net debt	**11,845.9**	-	-
EBITDA LTM[2]	4,237.8	-	-
Total net debt / EBITDA LTM	**2.80x**	-	-
Weighted average interest cost	-	1.8%	-

1) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
2) In accordance with the requirement of the SFA, the EBITDA LTM calculation includes the adjusted EBITDA amount in the second and the fourth quarter of 2020, i.e., without the COVID-19 related costs, including donations.
3) Prospective average weighted interest cost of the SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at December 31, 2020 assuming WIBOR 1M of 0.20% and WIBOR 6M of 0.25%.

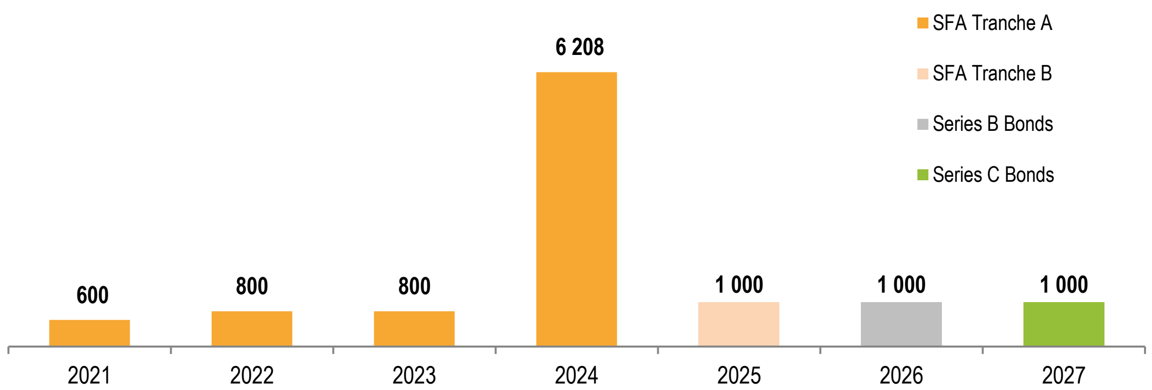
On February 14, 2020, the Company issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 1,000.0 million, maturing on February 12, 2027 ("Series C Bonds"). Series C Bonds constitute so called green bonds which entails that proceeds from their issuance were used to refinance pro-environmental projects, including the improvement of energy efficiency of the Group and the reduction of the carbon footprint associated with the production of electronic devices by Polsat Group.

On April 27, 2020 the Group entered into the Third Amendment and Restatement Deed to the SFA dated September 21, 2015. As a result, the termination date of Tranche A of the Term Loan (Tranche A of the Term Loan refers to the term loan obtained on September 21, 2015 in the initial amount of PLN 11,500.0 million) and consequently the repayment schedule have changed. The extended repayment schedule resulted, i.a., in the freezing of repayments of capital installments of Tranche A until June 2021. In subsequent quarters, starting June 2021, the repayment schedule provides for making equal periodic repayments of Tranche A of the Term Loan until June 2024 in the amount of PLN 200.0 million per quarter.

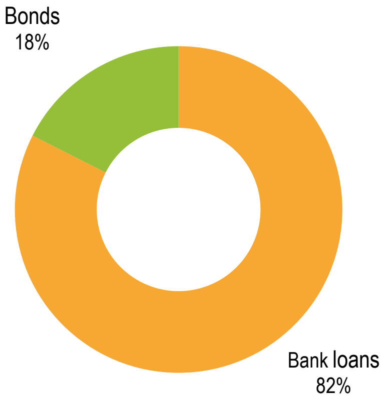
Simultaneously, the Group executed the Accession Deed, which resulted in the extension of the repayment date of Tranche B of the Term Loan (i.e., an additional term facility loan granted on November 27, 2019 within the framework of the SFA in the amount of PLN 1,000.0 million). Tranche B shall be repaid in one bullet installment on March 31, 2025.

The graph below presents the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the RCF and leasing) as well as its structure according to instrument type and currency as at December 31, 2020.

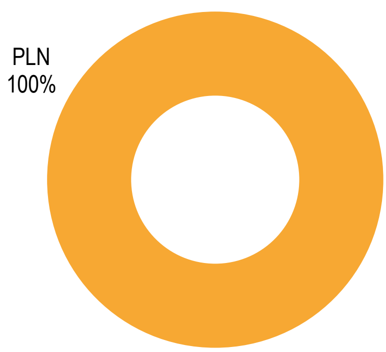
Debt maturing profile as at December 31, 2020 [mPLN]



Debt strucutre by instrument type as at December 31, 2020



Debt structure by currency as at December 31, 2020



In order to reduce exposure to interest rate risk related to interest payments on the SFA, as amended, based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular. As at December 31, 2020, transactions hedging the WIBOR interest rate changes, opened by companies from the Group and maturing in different periods in the years 2020-2023, amounted to a maximum of PLN 3,250.0 million.

Below we present information on significant agreements executed by the Company and the Group companies, which remain in force as at the date of approval of this Report.

Senior Facilities Agreement

On September 21, 2015, the Company, as the borrower, along with Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy concluded a Senior Facilities Agreement with a consortium of Polish and foreign financial institutions, led by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Société Générale (Global Banking Coordinators) with the participation of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, BNP Paribas Fortis SA/NV, Bank Polska Kasa Opieki S.A., The Bank of Tokyo-Mitsubishi UFJ Ltd., Bank of China (Luxembourg) S.A., Credit Agricole Corporate & Investment Bank, Credit Agricole Bank Polska S.A., DNB Bank Polska S.A., DNB Bank ASA, HSBC Bank Polska S.A., HSBC Bank plc, Bank Handlowy w Warszawie S.A., CaixaBank S.A. (Spółka Akcyjna) Oddział w Polsce, mBank S.A., Bank Millennium S.A., Raiffeisen Bank Polska S.A., Goldman Sachs Bank USA, Erste Group Bank AG, Deutsche Bank Polska S.A., and UniCredit Bank AG, London Branch, acting as the Facility Agent and the Security Agent (the "CP Facilities Agreement").

Moreover, on September 21, 2015, a Senior Facilities Agreement was concluded between Polkomtel as the borrower along with Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and the consortium of Polish and foreign financial institutions indicated above (the "PLK Facilities Agreement").

Based on the CP Facilities Agreement the Company had been awarded a term facility loan up to PLN 1,200.0 million and a revolving facility loan up to PLN 300.0 million. Based on the PLK Facilities Agreement Polkomtel has been awarded a term facility loan up to PLN 10,300.0 million and a revolving facility loan up to PLN 700.0 million.

The Company utilized the funds obtained under the CP SFA in particular to repay the indebtedness under the refinanced CP Senior Facilities Agreement of April 11, 2014 between the Company (as the borrower) and a consortium of financial institutions. Polkomtel utilized the funds granted under the PLK Term Facility in particular to fully repay the outstanding debt under the Facilities Agreement of June 17, 2013 concluded between Polkomtel, Eileme 2, Eileme 3 and Eileme 4, and a consortium of Polish and foreign banks and financial institutions (the repayment took place on September 28, 2015), and to fully repay the indebtedness under the PLK Senior Notes (the repayment took place on January 29, 2016). Furthermore, the Group uses the funds obtained under the CP and PLK SFA to finance general corporate needs.

In connection with the redemption on February 1, 2016 of the PLK Senior Notes, amendments, provisioned for in the Amendment, Restatement and Consolidation Deed of September 21, 2015 were incorporated to the CP SFA (for details see current report no. 42/2015 dated September 21, 2015). The amendments consisted, in particular, in increasing the maximum amount of the term loan to PLN 11,500.0 million and of the revolving facility to PLN 1,000.0 million and the repayment in full of the indebtedness under the PLK SFA. Furthermore, Polkomtel and other subsidiaries of the Company, who were parties to the PLK SFA, have acceded to the CP Senior Facilities Agreement as a borrower and guarantor or guarantor and additional security interests were established as required by the Amendment, Restatement and Consolidation Deed.

On March 2, 2018, the Group concluded the Second Amendment, Restatement and Consolidation Deed incorporating further changes in the CP SFA. The modification related, among others, to the extension of the term of repayment of the Term Loan until September 30, 2022, which entailed a modification of the repayment schedule and the modification of the ratio of consolidated net debt to consolidated EBITDA, below which the Company will not be obligated to establish or maintain securities in connection with the CP Facilities Agreement (excluding the release of guarantees granted pursuant to the CP Facilities Agreement), by revising it from 1.75:1 up to 3.00:1.

We will refer to the CP SFA amended by both aforementioned Amendment, Restatement and Consolidation Deeds as the SFA, and the term loan and revolving facility granted under this agreement as Tranche A of the Term Loan and Revolving Credit Facility (RCF), respectively.

On April 27, 2020, the Group concluded the Third Amendment and Restatement Deed incorporating further changes in the SFA. The modification related, among others, to the extension of the term of repayment of the Term Loan until September 30, 2024, which entailed a modification of the repayment schedule and the amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1, among others for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, the modification of the ratio of consolidated net debt to consolidated EBITDA, below which the Company will not be obligated to establish or maintain securities in connection with the SFA (excluding the release of guarantees granted pursuant to the SFA), by revising it from 3.00:1 up to 3.30:1 and adjustment of the relevant definitions for the purposes of calculating the financial covenants, in particular raising the maximum permitted ratio of consolidated net debt to consolidated EBITDA (Total Leverage) to 4.5:1, the maximum permitted ratio of consolidated secured net debt to consolidated EBITDA (Secured Leverage) to 3.8:1 and lowering the minimum permitted Debt Service Cover to 1.1:1.

Tranche A of the Term Facility and the RCF bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on Tranche A of the Term Facility and the RCF depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable within one year from the date of entering into the Third Amendment and Restatement Deed if the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1. In turn, after one year from the date of entering into the Third Amendment and Restatement Deed the maximum margin shall be applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.80:1, and the minimum margin level when that ratio is no higher than 1.80:1, whereas the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the SFA, does not include debt instruments under which capital is repaid not sooner than 6 months after the term of repayment of Tranche A of the Term Facility and the RCF and interest is not paid in cash on a current basis. Pursuant to the provisions of the amended SFA the final repayment date for Tranche A of the Term Facility and the RCF is September 30, 2024.

Pursuant to the SFA the Company and its Group companies establish, in specified cases, certain collaterals for the credit facilities granted thereunder. In particular, these collaterals include registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of the Company and its selected subsidiaries, registered and financial pledges on shares in the Company's subsidiaries, registered and financial pledges on receivables related to bank accounts kept for the Company or its selected subsidiaries, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares or assets of the Company's subsidiaries, to be governed by foreign laws. A detailed description of established securities is presented in item 4.4.5. of this Report – *Operating and financial review of Cyfrowy Polsat– Review of the Company's financial situation - Information on guarantees granted by the Company or subsidiaries.*

Pursuant to the provisions of the SFA and the Third Amendment and Restatement Deed, when the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 3.30:1, the Company will have a right to demand that the collaterals for the Senior Facilities Agreement be released (save for guarantees granted on the basis of the SFA). However, such released collateral will need to be re-established if the net consolidated indebtedness to consolidated EBITDA ratio again rises above 3.30:1. Additionally, if certain members of the Company's Group incur secured indebtedness, a pari passu collateral will need to be established in favor of the Security Agent (acting for, among others, the lenders under the Senior Facilities Agreement).

Furthermore, in accordance with the provisions of the SFA the Company and other entities from the Group may incur additional facilities. The terms of such additional facilities will be established individually in separate additional facility accession deeds and their terms will have to satisfy certain criteria, depending on the net consolidated indebtedness to consolidated EBITDA ratio.

Pursuant to the SFA, certain members of the Group are to grant guarantees under the English law to each of the financing parties under the SFA and other finance documents executed in relation thereto. The amount of the guarantees will be equal to the amount of the facility increased by all fees and receivables contemplated in the SFA or other finance documents executed in relation thereto. The guarantees secure:

(i) the timely discharge of the obligations under the SFA and other finance documents executed in relation thereto,

(ii) a payment of amounts due under the SFA and other finance documents executed in relation thereto, and

(iii) an indemnification of the financing parties referred to above against any liabilities, costs and losses that such financing parties may incur in relation to unenforceability, ineffectiveness or unlawfulness of any obligation secured by these guarantees. The period of the guarantees has not been specified. The guarantors will be remunerated at arm's length for granting the guarantees.

The CP SFA, PLK SFA and the Amendment and Restatement Deed of September 21, 2015 provided for typical conditions precedent for the disbursement of the contemplated facilities and certain conditions subsequent for the disbursement of the contemplated facilities, also typical for this kind of transactions.

On July 19, 2018, the SFA was entered into by Netia as an additional borrower and an additional guarantor pursuant to the resolution of the Management Board of Netia dated June 13, 2018 of which Netia informed in its current report No. 35/2018 dated June 13, 2018.

Based on the resolution of the Management Board of Aero 2 Sp. z o.o., dated February 25, 2020, concerning the resignation from the financing and the resignation letter signed by the Company and Aero 2 Sp. z o.o. on February 26, 2020, along with entering into the Third Amendment and Restatement Deed on April 27, 2020 Aero 2 Sp. z o.o. withdrew from the SFA.

On November 27, 2019, the Company, acting in its own name and as an obligors' agent, concluded an additional facility accession deed with certain Polish and foreign financial institutions. In order to reflect the amendments to the Senior Facilities Agreement set forth in the draft Third Amendment and Restatement Deed, on 27 April 2020, the Company entered into the first amendment and restatement deed to the additional facility accession deed. The additional term facility amounts to up to PLN 1,000.0 million and bears interest at a variable rate equal to WIBOR for the relevant interest period plus margin (Tranche B of the Term Loan). The margin on Tranche B of the Term Loan depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable within one year from the date of entering into the first amendment and restatement deed to the additional facility accession deed if the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1. After one year from the date of entering into the first amendment and restatement deed to the additional facility accession deed the maximum margin level shall be applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.80:1, and the minimum margin level applicable when that ratio is no higher than 1.80:1. Tranche B of the Term Loan will be repaid in one bullet installment on the final repayment date which falls to March 31, 2025. The receivables arising under Tranche B of the Term Loan are secured by the same package of security interests and guarantees extended by some of the Company's group members as granted under the Second Amendment and Restatement Deed.

Series B Bonds

Pursuant to the resolution of the Management Board adopted on April 16, 2019, Cyfrowy Polsat issued on April 26, 2019 1,000,000 unsecured series B bearer bonds with a nominal value of PLN 1,000.0 each and a total nominal value of PLN 1,000.0 million, maturing on April 24, 2026. The Series B Bonds were issued within the actions taken to reduce costs of servicing the indebtedness under the Series A Bonds issued by the Company and maturing on July 21, 2021, which were fully repurchased from investors and prematurely redeemed in April and May 2019 using funds obtained from the issuance of Series B Bonds. The Series B Bonds were issued by way of a public offering addressed to professional clients. Detailed terms and conditions of the Series B Bonds' issuance, redemption and payment of interest are specified in the Series B Bonds Terms.

The interest rate on the Series B Bonds is floating and based on the WIBOR rate for six-month deposits denominated in PLN, increased by a margin whose value depends on the value of the Leverage Ratio (defined in the Series B Bonds Terms as the ratio of the net financial indebtedness to EBITDA):

(i) the margin amounts to 175 bps if the Leverage Ratio in the given period is less than or equal to 3.5:1,

(ii) the margin amounts to 200 bps if the Leverage Ratio in the given period is greater than 3.5:1 but less than or equal to 4.0:1,

(iii) the margin amounts to 250 bps if the Leverage Ratio in the given period is greater than 4.0:1.

The coupon on Series B bonds is paid biannually on April 26 and October 26 (excluding the last interest period in which April 24 is the last day).

In accordance with the provisions of the Series B Bonds Terms, the Company may exercise at any time an early redemption of all or part of the Series B Bonds, however, the early redemption may not apply to Bonds that constitute less than 10% of the total nominal value of the Series B Bonds. An early redemption may be exercised based on the Series B Bonds' nominal value together with the accrued interest and a possible premium for the early redemption.

In case if the early redemption, performed as a result of exercising an issuer's right to early redemption by the Company, occurs:

- before one year from the issuance date, the premium shall be equal to 3% of the nominal value of the Series B Bonds subject to the early redemption,
- before two years from the issuance date but after one year from the issuance date, the premium shall be equal to 1.5% of the nominal value of the Series B Bonds subject to the early redemption,
- before three years from the issuance date but after two years from the issuance date, the premium shall be equal to 0.75% of the nominal value of the Series B Bonds subject to the early redemption,
- before four years from the issuance date but after three years from the issuance date, the premium shall be equal to 0.5% of the nominal value of the Series B Bonds subject to the early redemption,
- if the early redemption occurs after four years from the issuance date, the Series B Bonds shall be redeemed according to their nominal value.

Additionally, pursuant to the Series B Bonds Terms, the Company and its subsidiaries are obliged to maintain required levels of certain financial ratios and are subject to restrictions, with respect to (but not limited to):

(i) acquisition or taking up of shares in other companies,

(ii) extending guarantees or granting sureties, accession to debt or release from liability,

(iii) granting loans,

(iv) disposing of assets,

(v) payment of dividends or advance dividends, payment of the price for own shares, or returns of additional payment to shareholders,

(vi) incurring of financial indebtedness and

(vii) entering into potential composition agreements with creditors which are regulated by the Restructuring Act or another regulation which could replace this law.

In the event of a breach of restrictions specified in the Series B Bonds Terms, Bondholders are entitled to demand an early redemption of Series B Bonds held by those Bondholders with the consent of the Meeting of Bondholders.

In the event of change of control, as defined in the Series B Bonds Terms, cessation of business activity or insolvency by the Company, i.a. by declaring bankruptcy or liquidation of the Company, Bondholders are entitled to demand an early redemption of Series B Bonds held by those Bondholders.

The Series B Bonds have been traded since May 31, 2019 under the abbreviated name "CPS0426" in the continuous trading system called the Alternative Trading System, operated by the Warsaw Stock Exchange within the Catalyst market.

The Series B Bonds are issued under Polish law and any potential disputes related to the Series B Bonds shall be resolved in proceedings at the Polish common court having jurisdiction over the registered office of the Company.

Series C Bonds

Pursuant to the resolution of the Management Board adopted on December 11, 2019, Cyfrowy Polsat issued on February 14, 2020 1,000,000 unsecured series C bearer bonds with a nominal value of PLN 1,000.0 each and a total nominal value of PLN 1,000.0 million, maturing on February 12, 2027. The proceeds from the Series C Bonds issue shall be used to refinance pro-environmental projects, including the improvement of energy efficiency of the Group and the reduction of the carbon footprint associated with the production of electronic devices by Polsat Group. The Series C Bonds were issued by way of a public offering addressed to professional clients. Detailed terms and conditions of the Series C Bonds' issuance, redemption and payment of interest are specified in the Series C Bonds Terms.

The interest rate on the Series C Bonds is floating and based on the WIBOR rate for six-month deposits denominated in PLN, increased by a margin whose value depends on the value of the Leverage Ratio (defined in the Series C Bonds Terms as the ratio of the net financial indebtedness to EBITDA):

(i) the margin amounts to 165 bps if the Leverage Ratio in the given period is less than or equal to 3.5:1,

(ii) the margin amounts to 190 bps if the Leverage Ratio in the given period is greater than 3.5:1 but less than or equal to 4.0:1,

(iii) the margin amounts to 240 bps if the Leverage Ratio in the given period is greater than 4.0:1.

The coupon on Series C bonds is paid biannually on February 14 and August 14 (excluding the last interest period in which February 12 is the last day).

In accordance with the provisions of the Series C Bonds Terms, the Company may exercise at any time an early redemption of all or part of the Series C Bonds, however, the early redemption may not apply to Bonds that constitute less than 10% of the total nominal value of the Series C Bonds. An early redemption may be exercised based on the Series C Bonds' nominal value together with the accrued interest and a possible premium for the early redemption.

In case if the early redemption, performed as a result of exercising an issuer's right to early redemption by the Company, occurs:

- before one year from the issuance date, the premium shall be equal to 3% of the nominal value of the Series C Bonds subject to the early redemption,
- before two years from the issuance date but after one year from the issuance date, the premium shall be equal to 1.5% of the nominal value of the Series C Bonds subject to the early redemption,
- before three years from the issuance date but after two years from the issuance date, the premium shall be equal to 0.75% of the nominal value of the Series C Bonds subject to the early redemption,
- before four years from the issuance date but after three years from the issuance date, the premium shall be equal to 0.5% of the nominal value of the Series C Bonds subject to the early redemption,
- if the early redemption occurs after four years from the issuance date, the Series C Bonds shall be redeemed according to their nominal value.

Additionally, pursuant to the Series C Bonds Terms, the Company and its subsidiaries are obliged to maintain required levels of certain financial ratios and are subject to restrictions, with respect to (but not limited to):

(i) acquisition or taking up of shares in other companies,

(ii) extending guarantees or granting sureties, accession to debt or release from liability,

(iii) granting loans,

(iv) disposing of assets,

(v) payment of dividends or advance dividends, payment of the price for own shares, or returns of additional payment to shareholders,

(vi) incurring of financial indebtedness, and

(vii) entering into potential composition agreements with creditors which are regulated by the Restructuring Act or another regulation which could replace this law.

Furthermore, the Series C Bonds Terms impose on the Company and its subsidiaries an obligation to use the proceeds from the issue on refinancing the expenditures incurred in 2017-2019 for, among others, upgrading and modernizing the Group's telecommunication infrastructure in terms of its energy efficiency, including in particular:

- replacement of old energy intensive technology such as 2G and 3G with advanced 4G LTE, which has potential to reduce network energy intensity per unit of data traffic;
- retrofitting and replacement of outdated fixed-line network infrastructure, such as the replacement of conventional copper-based technology with fiber optic technology, which allows for faster transmission of data over longer distances, requires less maintenance and offers reduction in energy consumption;
- investments in energy efficient solutions which support free cooling systems, intelligent lighting, optimization of power storage, server virtualization as well as machine learning and artificial intelligence.

In the event of a breach of restrictions specified in the Series C Bonds Terms, Bondholders are entitled to demand an early redemption of Series C Bonds held by those Bondholders with the consent of the Meeting of Bondholders.

In the event of change of control, as defined in the Series C Bonds Terms, cessation of business activity or insolvency by the Company, i.a. by declaring bankruptcy or liquidation of the Company, Bondholders are entitled to demand an early redemption of Series C Bonds held by those Bondholders.

The Series C Bonds have been traded since February 24, 2020 under the abbreviated name “CPS0227” in the continuous trading system called the Alternative Trading System, operated by the Warsaw Stock Exchange within the Catalyst market.

The Series C Bonds are issued under Polish law and any potential disputes related to the Series C Bonds shall be resolved in proceedings at the Polish common court having jurisdiction over the registered office of the Company.

Ratings

The table below presents a summary of ratings assigned to Polsat Group as at the date of approval of this Report.

Rating agency	Rating / perspective	Previous rating / perspective	Rating/outlook date	Last review date
Moody’s Investor Service	Ba1 / stable	Ba2 / positive	11.06.2019	10.02.2020
S&P Global Ratings	BB+/ positive	BB+/ stable	18.12.2018	04.03.2021

On March 4, 2021, S&P Global affirmed the Group’s rating at BB+ with a positive outlook. In the rationale S&P Global stated that the transaction to sell mobile infrastructure, which was announced on February 26, 2021, created an opportunity to execute on the Company’s strategy aimed at reducing net debt/ EBITDA ratio to less than 2.0x by the end of 2024. In parallel, S&P Global pointed out that the final view on the transaction and its impact on the Company’s results and credit ratios is not certain and depends on many factors, such as, among others, the use of resources and specific terms of the master services agreement with Cellnex. The agency maintained its opinion that convergent services support higher ARPU levels, which translates into stable growth of revenue and EBITDA. Moreover, the agency underlined in its release that it expects positive impact from the upselling of 5G services, given a delay in the 5G frequency auction.

The positive outlook indicates that the Group’s rating could be upgraded over the next few quarters if the transaction to sell the mobile infrastructure of the Group would translate into a decrease of the adjusted debt to EBITDA ratio significantly below 3.0x (according to S&P’s methodology) coupled with free operating cash flow to debt approaching 15%. Rating uplift would also depend on S&P Global’s view of the impact on the Company's debt ratio and business risk profile following the transaction. On the other hand, a downward revision of the outlook from positive to stable could occur if the Group’s adjusted debt to EBITDA remains above 3.0x (according to S&P’s methodology) post transaction closing, which could stem from the significant increase in lease liabilities that would more than offset any potential deleveraging.

On July 8, 2020, Moody’s Investors Service issued an update to its credit opinion about the Group, without changes in the rating or the outlook (i.e., the corporate family rating (CFR) at Ba1 with stable outlook). In its justification Moody’s stated that the rating of the Group reflects in particular: (1) its market leading positions in pay TV, online video, and fixed and mobile telephony and broadband services; (2) the benefits of being an integrated media and telecommunications group with a fully convergent commercial proposition; (3) its public commitment to reach a net debt/EBITDA leverage of 1.75x over the medium term; and (4) strong and stable free cash flow generation. Moreover, the Group’s credit rating also reflects: (1) high leverage following the acquisition of Asseco Poland S.A. and Interia Group; (2) its broadly stable operational performance despite lower-than-expected GDP growth in Poland; (3) Moody’s expectation of a 10% decline in the TV advertising market in 2020 as a result of the coronavirus outbreak; and (4) the Group's concentration in Poland, a very competitive market. In Moody's opinion, positive rating pressure is unlikely in the medium term given the Group's small scale relative to similarly-rated peers, its concentration in Poland, and its high, in S&P's opinion, leverage. However, overtime, positive pressure could emerge if the Group demonstrates sustained revenue, EBITDA and margin improvement, and continues reducing debt. On the other hand, negative rating pressure could be exerted as a result of a material weakening of its operating performance or increased debt levels above certain indicators defined by Moody's.

4.4.5. Information on guarantees granted by the Company or subsidiaries

Securities related to the Senior Facilities Agreement

In order to secure the repayment of claims under the Senior Facilities Agreement the following encumbrances over assets of the Group have been established by the Company and other Group companies until the date of publication of this Report:

(i) registered pledges over variable collections of movable property and rights comprised in the enterprises of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) and Plus Flota Sp. z o.o., governed by Polish law.

(ii) financial and registered pledges on shares in Telewizja Polsat (with an aggregate nominal value of PLN 236,945,700), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company. The pledged shares represent 100% less 10 shares of the share capital of the company and are held by the Company as a long-term capital investment.

(iii) financial and registered pledges on shares in Polkomtel (with a total nominal value of PLN 2,360,068,800), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company. The pledged shares represent 100% less 10 shares of the share capital of the company and are held by the Company as a long-term capital investment.

(iv) financial and registered pledges on shares in Netia S.A. (with a total nominal value of PLN 110,702,441), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent 32.99% of the share capital of the company.

(v) financial and registered pledges on shares in TV Spektrum Sp. z o.o. (with a total nominal value of PLN 2,400,000), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent 49.48% of the share capital of the company.

(vi) financial and registered pledges on shares in Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o. with a total nominal value of PLN 29,494,600), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent approximately 28.50% of the share capital of the company.

(vii) financial and registered pledges on receivables under bank account agreements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o)., governed by Polish law.

(viii) powers of attorney to bank accounts of the Company, Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Dwa Sp. z o.o., Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Sp. k., Polsat Media Biuro Reklamy Sp. z o.o., Interphone Service Sp. z o.o., Muzo.fm Sp. z o.o., INFO-TV-FM Sp. z o.o., Polkomtel Business Development Sp. z o.o., TM Rental Sp. z o.o., Liberty Poland S.A., Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) and Plus Flota Sp. z o.o., governed by Polish law.

(ix) ordinary and registered pledges on protection rights to trademarks vested in Telewizja Polsat and Polsat Brands AG, governed by Polish law.

(x) assignment for security of certain property rights in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., governed by Polish law.

(xi) contractual joint mortgage under Polish law on the following real properties owned by the Company: (a) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00102149/9, (b) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00136943/2, (c) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00102615/7, (d) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00101039/8, (e) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00132063/1, (f) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00104992/7, (g) land located in Warsaw, Targówek district, vicinity of ul.Łubinowa, Title and Mortgage Register WA3M/00100109/3, (h) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00103400/4, (i) land located in Warsaw, Targówek district, vicinity of ul.Łubinowa, Title and Mortgage Register WA3M/00100110/3, (j) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00131411/9.

(xii) contractual mortgage governed by Polish law on the land property owned by Polkomtel and located in Warsaw, Ursynów district, in the vicinity of Baletowa street, comprising plots of land no. 131/4 and 132/6, Land and Mortgage Register No. WA5M/00478842/7.

(xiii) assignment for security of receivables under hedge agreements of the Company and Polkomtel, governed by English law.

(xiv) assignment for security of rights under insurance agreements covering the property referred to in item (i) and item (ix) above.

(xv) pledge on shares in Polsat License Ltd. (with an aggregate nominal value of CHF 1,000,000), governed by the Swiss law, the pledged shares represent 100% of the company's share capital and are held by the Company as a long-term capital investment.

(xvi) assignment for security of: (a) receivables due from various debtors, (b) receivables and rights to and in bank accounts. and (c) rights under insurance agreements of Polsat License Ltd., governed by the Swiss law.

(xvii) assignment for security of rights under a license agreement between Polsat Brands AG and Polsat License Ltd. and rights under bank account agreements, governed by the Swiss law.

(xviii) pledge on bank accounts taken over by Cyfrowy Polsat following the merger with Metelem, governed by Cypriot law.

(xix) assignment for security of receivables and rights to and in bank accounts taken over by Cyfrowy Polsat following the merger with Metelem, governed by the Swiss law.

(xx) pledge on shares in Polsat Brands AG (with the total nominal value of CHF 250,074), governed by the Swiss law.

(xxi) pledge on receivables under bank account agreements taken over by Polkomtel following the merger with Litenite, governed by Swiss law.

(xxii) statements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) on the submission to enforcement on the basis of a notarial deed, governed by Polish law, and

(xxiii) statement of Polsat Brands AG on the submission to enforcement on the basis of a notarial deed executed under the Polish law (concerning all property located in Poland or governed by Polish law).

5. Other significant information

5.1. Transactions concluded with related parties on conditions other than market conditions

Transactions with parties related to Polsat Group in the financial year ended December 31, 2020 have been concluded exclusively on market conditions and are described in Note 38 of the financial statements for the financial year ended December 31, 2020.

5.2. Information on loans granted

Information on loans granted is presented in Note 35 of the financial statements for the financial year ended December 31, 2020.

5.3. Discussion of the difference of the Company's results to published forecasts

Cyfrowy Polsat had not published any financial forecasts.

5.4. Information on remuneration policy of Cyfrowy Polsat S.A.

On July 23, 2020, the Annual General Meeting adopted, based on a draft resolution proposed by the Company's Management Board and taking into account the opinion of the Supervisory Board's Remuneration Committee, the Remuneration Policy for the Management Board and Supervisory Board Members of Cyfrowy Polsat S.A. The full wording of the policy is publically available at the following address:

https://grupapolsat.pl/sites/default/files/remuneration_policy_for_mb_and_sb_20200723.pdf

The adopted policy aims to ensure sustained growth of the Company's value, the achievement of which by the Management Board and the Supervisory Board requires, among others, setting up of a relevant structure of remuneration of the members of the Management Board and the Supervisory Board on account of their overall duties. This aim is accomplished by restricting the remuneration of these individuals to a fixed part, allowing them to perform their duties concerning the overall operations of the Company without focusing on the pursuit of selected specific goals only.

The Remuneration Policy for the Management Board and Supervisory Board Members of Cyfrowy Polsat S.A. is based on a general assumption that market volatility, the social and economic situation as well as the need for a flexible response to the emerging risks and business opportunities provide no justification for setting fixed goals. The required flexible response to the changing situation and to the emerging challenges is assured – in the case of Management Board Members – by potential bonuses that can be awarded to them. Such a solution offers flexibility in terms of assuring stable operations of the Company and pursuing its long-term interests.

The remuneration of Management Board Members consists of a fixed part, having the form of a base salary. Management Board Members may have the title to a bonus on the terms defined in the deed establishing their corporate relation or their employment relation. Subject to the terms set by the Supervisory Board in the deed establishing a corporate relation or an employment relation, the Management Board Members may be also covered by additional pension schemes.

In addition, Management Board Members may be entitled to additional benefits of permanent or periodic nature. These include in particular healthcare services for a Management Board Member or for the members of his/her family, right to use the elements of the Company's property, and life insurance and D&O insurance.

Moreover, Management Board Members employed under an employment contract are entitled to the same rights as all other employees of the Company by virtue of the Labor Code regulations, as defined by Article 9 of the Labor Code. Remuneration and other benefits also include benefits on account of the Management Board's activities in the Company's subsidiaries.

The Supervisory Board, based on the recommendation issued by the Supervisory Board's Remuneration Committee, is entitled to determine the amount of the base salary, the conditions for acquiring the right to a bonus as well as other components of the remuneration and benefits in the resolution serving as the basis for entering by a Management Board Member into a corporate relation or into an employment relation, and depending on the nature of the duties of a given Management Board Member as well as the conditions of his/her employment.

Supervisory Board Members receive fixed remuneration on account of the function performed on the basis of a corporate relation. The remuneration may differ depending on the function in the Supervisory Board, especially in connection with participation in the work of respective Supervisory Board committees. In justified cases a Supervisory Board Member may receive additional remuneration. The amount of the remuneration of the Supervisory Board members is determined by the General Meeting.

There were no changes to the Remuneration Policy since the date of its adoption. In parallel, the Remuneration Policy stipulates that it will be adopted by the General Meeting not less frequently than once every four years.

The shape of the Remuneration Policy as proposed by the Management Board and adopted by the General Meeting derives from the many years of remuneration practice developed within Polsat Group and, given the Company's proven track record of achieving long-term value growth for its Shareholders as well as the Group's stable functioning, is evaluated as an effective tool for remunerating and motivating the Company's Management Board and Supervisory Board Members.

5.5. Material proceedings at the court, arbitration body or public authorities

Management believes that the provisions as at December 31, 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

Proceedings before the Office of Competition and Consumer Protection (UOKiK)

On December 30, 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 5.3 million. The Company appealed to SOKiK against the decision. On August 7, 2019 the court dismissed the appeal of the Company. The Company appealed against the decision. Pursuant to the Court of Appeals verdict from March 11, 2021, the Company is required to pay a penalty of PLN 5.3 million. The Company examines the possibility of bringing a cassation appeal.

On December 30, 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 4.4 million. The Company appealed to SOKiK against the decision. On October 14, 2019 SOKiK dismissed the appeal. The Company appealed against the decision. On December 31, 2020 the Company's appeal was dismissed. On January 14, 2021 the Company paid the penalty. The Company examines the possibility of bringing a cassation appeal.

On December 19, 2019 the President of UOKiK issued a decision stating that the operations of the Company were allegedly infringing collective consumer interests by hindering access to ZDF and Das Erste channels during the Euro 2016 championship by removing these channels and incomplete and unreliable information to consumers in response to reports regarding unavailability of the above programs. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 34.9 million. The Company appealed to SOKiK against the decision.

Other proceedings

On April 28, 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On January 10, 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on May 8, 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement. On May 6, 2020, the Company received a letter from the Court, included the mediator's position summarizing the course of mediation, with a request to refer to its content. On May 25, 2020, the Company submitted a response informing the Court about the settlement being impossible to reach by the parties.

By lawsuit, delivered to the Company on December 16, 2019, the Association of Performing Artists (SAWP) filed two claims against the Company: information claim and claim for payment. The information claim relates to television programs rebroadcasted by the Company in the period from August 20, 2009 to August 20, 2019. In the claim for payment, SAWP claims PLN 153.3 million for the alleged violation of related rights to artistic performances of musical and verbal - musical works through their non-contractual cable rebroadcast. The Company filed for the dismissal entirely. The date of next hearing is scheduled for June 28, 2021.

5.6. Changes to the principle rules of management of our Company

There were no changes to the principle rules of management of our Company in the year 2020.

5.7. Sales markets and dependence on the supplier and client markets

All our services are offered in Poland. The share of any of our suppliers or customers does not exceed 10% of our operating revenues.

5.8. Disclosure of non-financial information

On March 24, 2020, the Company approved for publication, as a separate document, the "CSR Report of Cyfrowy Polsat Group for the year 2020", which comprehensively addresses key non-financial issues for us, and demonstrates how we aim to achieve our strategic goals in a sustainable and responsible manner. The publication complies with the Global Initiative Reporting Standard, in the Core option, as well as the amended Accounting Act and contains detailed information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters with respect to both Polsat Group and Cyfrowy Polsat as the dominant entity of the Group.

The "CSR Report of Cyfrowy Polsat Group the year 2020" is available on Polsat Group's corporate website at http://www.grupapolsat.pl/en/investor-relations in the tab Results centre/Non-financial reports.

5.9. Factors that may impact our operating activities and financial results

5.9.1. Estimated impact of COVID-19 on operations and financial results of the Company

Due to the worldwide COVID-19 coronavirus pandemic, on March 20, 2020 a state of epidemic was introduced in Poland. In the fight against the spreading of the coronavirus, numerous measures were implemented by the Polish government. In particular, borders were closed for foreigners from mid-March to mid-June 2020 (since mid-June the border traffic has been restored within the internal borders of the European Union while its external borders are still monitored), restrictions on movement, organizing events and meetings were introduced from mid-March 2020, education and childcare establishments were closed, limitations were implemented with regard to catering, entertainment and functioning of shopping malls and, in certain cases, a two-week obligatory quarantine was imposed. Following an assessment made by the authorities at the time, that the epidemic situation has normalized, from June to September 2020 the lowest level of COVID-19 related restrictions were binding in Poland, enabling, among others, to resume, sports and cultural events under certain conditions. Nevertheless, along with the increasing number of infections from October 2020, additional restrictions and safety measures are being successively imposed, initially in those regions of the country which were facing a worsening epidemic situation and later on nationwide.

At the time of imposing the state of epidemic in March 2020, we immediately took actions to assure business continuity and reduce the negative impact of the epidemic on our operations. Priorities included, and continue to include, in particular ensuring the safety of our employees as well as guaranteeing high quality of services provided to our customers.

Pandemic-related restrictions have and shall continue to have in the future a profound impact on the way in which societies and economies function worldwide. Based on the turn of events so far, the Company estimates that its business operations are relatively resistant to the adverse impact of the pandemic. Our operating activities rely on a business model involving a large base of contract customers, thanks to which we obtain stable and predictable revenue streams from subscription fees that translates into a strong positive cash generation.

Net additions and churn. The state of epidemic and related restrictions, especially the closure of shopping malls and social distancing, had a substantial impact on the functioning of our sales network in the spring of 2020. In the first weeks of the epidemic, approximately 65% of the Group's points of sales (POSs) were operational, however customer traffic in the open POSs was significantly lower than in the past. Simultaneously, we made efforts to intensify sales via remote sales channels, which recorded significant growth of customer traffic and sales and partially compensated for the lower number of transactions concluded via the physical points of sale.

In the second quarter of 2020 sales in remote channels did not fully compensate for the lower number of transactions concluded via the physical points of sale, which adversely impacted the levels of new services sold and customer adds. On the other hand, the number of resignations from existing customers fell significantly, which had a positive influence on churn. In the third quarter of 2020 trends in physical sales channels returned to the levels recorded prior to the epidemic. Nevertheless, starting from the turn of the third and the fourth quarter, we have been observing a change in the behavior pattern of customers, who visit physical points of sale less often despite full accessibility of our sales network, however with a clear agenda (less window-shoppers). In case if the current trend continues, it may translate into lower sales and lower churn in the quarters to come, depending on the scale and the duration of the potential next waves of the epidemic.

Moreover, it can be expected that the continuing state of epidemic may accelerate conversion of sales processes in the sector towards a steadily increasing share of remote channels.

Estimated impact of the COVID-19 epidemic on liquidity and capital management

In connection with interest rate cuts by a total of 140 basis points, introduced by the National Bank of Poland in 2020, we are achieving significant savings in the area of financial costs. The Group's entire debt is PLN-denominated and based on WIBOR variable interest rates, with the Group companies employing mid-term hedging instruments for up to approximately 30% of the interest rate exposure.

As at the date of approval of this Report, the Group maintains a high level of liquidity and generates high positive cash flows. As a result, the Group is pursuing planned capex projects without any hindrance and exercising dividend payouts as originally planned.

We emphasize that the above factors have been presented according to our best knowledge as at the date of this Report. The impact that the COVID-19 epidemic may have on our operations and financial situation will depend on the duration of the pandemic and its further development, in particular the scale and ultimate impact of the epidemic on the economy, as well as further potential measures that the Polish government may impose.

5.9.2. Factors related to social-economic environment

Economic situation in Poland

Macroeconomic trends in the Polish economy as well as the global market conditions have thus far affected the operations and operating results of Polsat Group, and are expected to continue affecting them in the future. The key factors affecting our operations, in particular the demand for advertisements, the level of expenditures for our services as well as demand for end-user devices that we sell, include GDP fluctuations, unemployment rate, dynamics of salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

The dynamics of events related to the coronavirus pandemic makes forecasting of the economic situation in Poland and worldwide highly uncertain. The initial data for 2020 signal a global economic downturn. In case of Poland, the estimated GDP decline ranges from 3.0% (S&P Global Ratings) to 3.5% (the OECD), while for 2021 it is forecasted that Polish GDP will return to a clear growth path.

Situation on the pay TV market in Poland

Our revenue from subscription fees depend on the number of our customers and their loyalty, the pricing of our services and the penetration rate of pay TV in Poland, which we consider a saturated market.

High level of competition and the dynamically evolving market environment (including consolidation processes on the satellite and cable TV markets as well as the continued convergence of mobile and fixed-line services) impact promotional offerings addressed to our new customers. In addition, due to high competition, we continuously invest in customer retention programs and loyalty building.

Taking into consideration changes in our market environment and growing importance of convergence, we offer TV services in fixed-line IPTV technology (a closed network) and OTT (over-the-top, an open network which enables access to television channels via Internet delivered by any service provider). Thus, our customers may use Cyfrowy Polsat's pay TV services through an optimal - from their point of view - technology of TV signal delivery: via satellite or cable. In case of the OTT television, they also have the possibility to activate and/or change selected programming packages in a flexible way.

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content. This gives us a chance to attract a significant portion of migrating customers to our platform. What is more, we offer pay TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix or Amazon Prime, is proof that Poland is considered an attractive market. During the coronavirus epidemic, due to the closing of cultural and entertainment establishments, part of film producers and distributors decided to modify their distribution plans with regard to film premieres and new titles by making them available in the Internet shortly following their movie debut. Therefore, the situation caused by the coronavirus has deepened the existing trend of consuming film content at leisure and on various devices. In our opinion, this trend may be sustained after the end of the epidemic. We consequently develop our services which consist in providing our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our Cyfrowy Polsat GO online service which allows access to content on mobile devices anytime and anywhere. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels.

We also develop customer equipment for pay TV services, manufactured by us, in order to widen the distribution of our services beyond a traditional model of satellite TV access. Along with the implementation of pay TV services in IPTV technology (in March 2019) and in the OTT open network (in July 2019) we have introduced to the market our own set-top boxes which are dedicated to those services.

Growing importance of convergent services

Convergence, understood as a combination of at least two services from different base groups of telecommunication services, is one of the strongest trends both on the Polish media and telecommunications market and worldwide. Operators develop their bundled offerings in response to changing preferences of customers, who seek media and telecommunications services provided at competitive prices by a single operator under a single contract, a single invoice and a single fee. Given the high saturation of the pay TV and mobile telephony markets, bundled services play an increasingly important role in maintaining the existing customer base.

In the wake of the increasing importance of convergence and bearing in mind the significant level of fragmentation of the broadband access market, it can be expected that the future shape of the Polish telecommunications and media market will be substantially impacted by consolidation trends which have been visible for a long time on more developed foreign markets where mobile and fixed-line operators merge with content providers.

The acquisition of a controlling stake in the fixed-line operator Netia, finalized by the Company in May 2018, can serve as an example of such a consolidation in Poland. Thanks to this transaction we combined within our Group all assets necessary to provide fully convergent services, which will facilitate better adjustment of the offering to customers' needs and more effective cost management. Based on Netia's infrastructure, we introduced to sales the 'Plus Internet Stacjonarny' service which was subsequently expanded with the possibility to provide it on the lines of other operators who grant Netia an access to their infrastructure based on wholesale terms. In turn, in the first quarter of 2019 we launched the service cable TV in IPTV technology, which is available to customers using fixed-line Internet offered by Plus, Netia and Orange networks. The next phase in the Group's development was the implementation, in July 2019, of the OTT television service which can be accessed via the Internet delivered by any service provider.

The introduction of the new Internet television services to our offering represents the next stage of development of our Group as well as our response to the ever changing needs and expectations of our customers, who can now choose themselves the most convenient form of content delivery.

Changes within the area of convergent services also apply to our competitive environment.

Changes in ownerships and partnerships in our competitive environment

UPC Polska

In July 2019, UPC Polska launched a new MVNO offering and announced the start of the era of convergent services. Besides pay TV, Internet access and fixed-line telephony the operator offers mobile services in an MVNO model to its residential and business customers in cooperation with Play.

From October 2020, UPC Polska provides services based on the fiber-optic networks built by the wholesale operator Nexera within the EU-funded Operational Programme Digital Poland (POPC, *Progam Operacyjny Cyfrowa Polska*).

Cable network operators

The fragmented Polish cable network market, which comprises around 300 operators according to PMR estimates, is undergoing consolidation. An example of the process is the acquisition by Vectra, the no. 2 operator in terms of size, of Multimedia Polska which is the no. 3 cable player on the market. In February 2020, Vectra informed of the finalization of the above mentioned transaction, which will enable it to offer services to 1.7 million subscribers, with as many as ca. 4.4 million households within its network coverage footprint. Both Vectra and Multimedia Polska offer access to television, Internet and telephony services. Since UOKiK issued its consent to the merger conditional on the sale of parts of the network together with the customer base in eight cities where the two companies' shares were the biggest, it can be expected that the transaction will offer an opportunity for other players to acquire parts of the infrastructure with a view to developing their own convergent offers.

Information on seasonality

Our revenues are not directly subject to substantial seasonal fluctuations.

5.9.3. Factors related to the operations of the Company

Growing importance of integrated services

Growing interest in integrated services, observed among our customers, provides us with the possibility to generate growth of average revenue per customer. We carefully follow the evolution of consumption patterns and our customers' expectations striving to meet their growing needs by combining our pay TV, broadband access and mobile telephony services into attractive packages, complementing them with products and services outside our core activity, such as financial and insurance services, gas and electric energy supply or other solutions for the home. We are aspiring that our services meet the needs of every customer and are available everywhere. That is why we constantly work on expanding our offering and enter new distribution markets for our services.

Our bundled services offers, addressed both to our individual and business customers, enable our customers to combine products in a flexible way and benefit from attractive discounts that we offer. The loyalty program smartDOM, launched for the first time in 2014, is regularly adjusted to meet the needs and expectations of our customers and yields excellent sales results – at the turn of 2019 and 2020 we had over 2 million customers using our bundled offer. The possibility of selling additional products and services (cross-selling) to our customer base has a positive impact both on our stream of revenue and the level of ARPU per contract customer, and contributes to increasing the loyalty of customers, who use our bundled services.

We strive to meet the needs of our customers by offering a broad range of complementary services to every basic service. We combine our traditional pay TV services – which are currently provided in two technologies: satellite and Internet (OTT, IPTV) – with VOD, PPV, Multiroom, online video services and mobile television.

Effective use of the potential in the area of provision of integrated and value added services to our customers, both through up-selling of single products and value added services, as well as through the sale of bundled offers and cross-selling, may significantly increase the number of services used by each individual customer, thus increasing average revenue per customer (ARPU) and concurrently reducing the churn ratio.

Strengthening of our market position in integrated services

Thanks to the acquisition of a controlling stake in Netia we have expanded our portfolio with a wide range of fixed-line products and services, in particular with fixed-line broadband Internet offered, among others, in fiber optic technologies. Netia' provides its services via its own access networks with 2.75 million homes passed, out of which, as at the end of December 2020, over 1.73 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network covers approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed Internet services based on an access to Orange Polska, Nexera and Inea's infrastructures.

Netia's fiber optic, nationwide backbone infrastructure perfectly complements our own infrastructure. It allows for quick and efficient expansion of the capacity of our mobile network, thus strengthening our competitive advantage and improves flexibility in planning the development of our joint telecommunication network. At the same time, the reach of Netia's last mile network which allows for the provision of fixed-line broadband access in the NGA standard, opens a new market for Polsat Group – large cities and urban areas. Thanks to this we are gaining a new, attractive base of residential customers, thus increasing significantly our potential for cross-selling products and services as part of the integrated offering.

At the same time, we have also substantially improved our position in the business customers segment. The acquisition of Netia, who owns an extensive fixed-line network reaching the majority of the biggest Polish office buildings and has broad competence in serving business customers, enables us to significantly improve our competitive position on this market of convergent services for business customers. In particular, by working together we are be able to develop comprehensive offers tailored to customers' individual requirements while optimizing, or eliminating, additional costs associated with the construction of a dedicated telecommunication infrastructure for such customers, which offers us an opportunity to compete more effectively with other telecommunication operators.

Development of IPLA

IPLA, the leader on the online video market, strengthens our position as aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV, which helps us achieve synergies in terms of costs and revenues.

Mobile video traffic is the fastest growing segment of global mobile data traffic. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future. Therefore, we pay attention to providing IPLA users with a wide variety of attractive content. In particular, during the coronavirus epidemic, as part of the #stayathome action, the IPLA web entertainment service prepared for its viewers attractive titles which have had their cinema premieres recently, which contributed to higher interest of our customers in IPLA's offering.

5.9.4. Financial factors

Exchange rates fluctuations

The Polish zloty (PLN) is our functional and reporting currency. Our revenue is primarily denominated in PLN, whereas a portion of our expenses and capital expenditures is denominated in foreign currencies.

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments made in different areas of our operations. These include, among others, payments for license fees, transponder capacity, purchase of content and equipment, or international roaming and interconnect agreements.

We have no control over how exchange rates will change in the future, and consequently foreign exchange rate fluctuations will continue to affect (positively or negatively) our operations and financial results. Considering our open exposure to the currency exchange risk, we have in place a market risk management policy and use, inter alia, natural hedging and hedging transactions.

One of the effects of the coronavirus epidemic was the depreciation of Polish zloty. In case of prolonged duration of such situation over the next months, it may adversely impact our costs denominated in foreign currencies, in particular in EUR and USD.

Interest rate fluctuations

Market interest rate fluctuations do not impact our revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through the Group's costs of servicing debt. In particular, our liabilities under the SFA and our liabilities under the Series B Bonds Terms and the Series C Bonds Terms are calculated based on variable WIBOR, EURIBOR or LIBOR interest rates subject to periodical changes, increased by a relevant margin.

Despite the fact that we intend to maintain certain hedging positions, the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such hedging will still be possible or whether it will be available on acceptable terms. We analyze interest rate risk on an on-going basis, including refinancing and risk hedging scenarios, which are used to estimate the impact of specific interest rate fluctuations on our financial result.

Interest rate fluctuations may affect our ability to meet our current liabilities, which may have a material positive or adverse effect on our business, financial condition, results of operations or prospects.

On March 17, April 8 and May 28, 2020 the National Bank of Poland reduced interest rates in Poland by 50 bps, 50 bps and 40 bps, respectively, with an aim to boost the economy remaining under strong pressure from the coronavirus pandemic. As a result of the above, we already realize and expect to continue to realize in the short-term significant savings in the area of financial costs. The Group's entire debt is PLN-denominated and based on WIBOR variable interest rates, with the Group's companies employing mid-term hedging instruments for up to approximately 30% of the interest rate exposure.

5.10. Key market trends

The main trends which we believe to be likely to have a material impact on the Company's development prospects, revenue and profitability before the end of the current financial year include:

- high level of market penetration with services provided by the Company as well as a high level of competitiveness of the markets in which we operate;
- bundling of media and telecommunications services, as well as services from other sectors, such as electric energy, gas or other products and services for the home;
- growing demand for data transmission and high-speed broadband connectivity driven by changing consumer preferences and the resulting growing complexity of data transmission-based services;
- development of state-of-the-art fixed broadband networks, fiber optic in particular (FTTH);
- dynamic development of non-linear video content, distributed via VOD and OTT services, accompanied by growing online ad spending;
- steady increase in users' willingness to pay for video content online, in particular in case of payments for content on a subscription basis, associated, among others, with the production of high quality exclusive content for individual VOD services;
- entry of global VOD and OTT players to the Polish market, as well as investments of operators already present on the market in content in order to adjust it to the preferences of local viewers;
- increasing sales of smart-TVs - television sets with integrated Internet access;
- technological changes in provisioning pay TV services, resulting, among others, from increased consumer demand for non-linear content delivery; and
- continued consolidation of the pay TV market in the cable TV segment.

6. Risk factors

6.1. Risk factors related to our business and the sector in which we operate

The performance of our broadcasting and television production operations depends on our customers' satisfaction, the acceptance of our programming content by viewers, as well as our ability to generate profit from our own productions or from acquired broadcasting rights

We operate on markets where commercial success primarily depends on customer satisfaction and acceptance of programming content which are often difficult to predict. We strive to acquire and retain pay TV customers by providing them with access to a broad range of channels, including sports, music, entertainment, news, children's, educational and film channels, all main terrestrial television channels available in Poland, as well as HD and free-to-air TV and radio channels. Whether customers are satisfied with our programming is vital for our ability to acquire and retain pay TV customers, as well as to generate and increase customer revenue.

Demand for TV programs and programming preferences change frequently, irrespective of the media on which they are carried. We might not be able to attract customers to or retain customers for our pay TV services, if we are not able to effectively predict the demand for programs or changes in audience tastes, or if our competitors prove better at such predictions. This may bring about an increase in customer churn.

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programs in a cost-effective manner. We are not able to foresee the ultimate impact of the COVID-19 pandemic on the pace and costs of our internal production and on the return period with respect to outlays made for the purchase of broadcasting rights.

Consequently, if customers do not accept our programming offer or we are unable to produce programs or acquire broadcasting rights in a profitable manner, it may have a material adverse effect on the results of our operations, financial condition and prospects.

We may be unable to attract or retain customers if we fail to conclude or extend the license agreements under which we distribute key programs

Our performance depends on our ability to acquire attractive television programs. Our pay TV customers' access to television channels depends entirely on our purchase of licenses from TV broadcasters. In order to acquire and retain customers, it is necessary to maintain an attractive selection of TV programs. There can be no assurance that our license agreements will be extended on equally favorable terms or that they will be extended at all, nor can we exclude the possibility that a licensor will terminate the license agreement before its agreed expiry date. Moreover, we have no influence on delays in exercising our rights from certain license agreements, which have occurred in connection with the present COVID-19 pandemic, as well as on potential future delays in their exercising which may appear in connection with any extraordinary event of a similar nature. Our inability to obtain, maintain, or extend important program licenses as well as delays in execution of our license rights, may make it difficult for us to provide and offer new attractive channels and programs, which may result in losing our ability to acquire and retain customers. This in turn may have a material adverse effect on the results of our operations, financial condition and prospects.

Our ability to increase sales of our services depends on the effectiveness of our sales network

We operate an organized and specialized nationwide sales network, which distributes the products and services offered by us. Because of strong competition with other pay TV providers and telecommunications services providers, as well as rapid increase in wages observed on the domestic labor market we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase on fees paid to distributors in our sales and distribution network may result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganization or reconstruction, we may face the need to incur substantial financial outlays. Furthermore, our sales network may be exposed to downtime in case of an occurrence of extraordinary events, which may result in the reduction of our revenue. For example, as an effect of the imposure of the state of epidemic in connection with the SARS-CoV-2 infections, the Polish government implemented restrictions which resulted either in the temporary closure of a significant part of our sales network or in reduced scale of visits of the existing or prospective customers caused by limitations imposed on the freedom to conduct business, which adversely impacted our levels of sales during that period. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on the results of our operations, financial condition and prospects.

In our business, we depend on third-party providers for certain services, infrastructure or equipment. If these are delivered late or if they are not delivered at all our services may be delayed or even suspended

Our ability to grow our customer base depends on our ability to provide high-quality, reliable services and products. In offering products and services, we rely on a number of third-party providers of network, services, equipment and content over whom we have no control.

We collaborate with a number of third parties in providing our pay TV and broadband Internet access. Our ability to deliver pay TV services to the customers depends on the correct operation of the infrastructure and equipment belonging to the entities with which we collaborate. For instance, our customers' antennas are usually adapted to receiving signals delivered through transponders of Eutelsat S.A. In order to switch the satellite operator in the event of our failure to extend a contract, or in the event of contract termination by Eutelsat S.A., or for other reasons, we would be forced to find an alternative provider of satellite transmission capacities and potentially reposition our customers' satellite antennas, which would be a cost- and time-consuming process considering the size of our customer base.

The provision of our services may be disrupted or interrupted if any of our partners is unable to, or refuses to, perform their contracted services or provide access to infrastructure or equipment in a timely manner, on acceptable terms or at all. These and other disruptions or interruptions may have a material adverse effect on our business, financial condition, results of operations or prospects.

We also rely on agreements with external providers of IT services. We do not have any control over our key suppliers and have limited influence on the manner in which these key suppliers perform their obligations under concluded contracts. There can be no assurance that these providers will not terminate their contracts with us, extend them upon expiry, extend them on the same or more favorable terms, or that we will be able to acquire the necessary equipment and services in the future from these or other suppliers, in required amounts and at the right time, or at all. Accordingly, due to dependence on third-party suppliers, we are exposed to the risk of delayed provision of necessary services or equipment or lack of such provision.

If such third-party providers do not perform their contractual obligations towards us or do not adjust to changes in requirements of the Company, or are unable or refuse to provide services or deliver infrastructure or equipment, on which the possibility of timely and economically justified provision of certain services and products to our customers depends, our customers may experience service interruptions, which could adversely affect the perceived quality of our services and products, therefore, adversely impact the brand and reputation of the Company, thus affecting the results of our operations, financial condition and prospects.

We may be unable to keep pace with new technologies used on markets, on which we operate

The technologies used in delivering pay TV and broadband Internet access develop extremely quickly, which is why there can be no assurance that we will be able to introduce new and/or enhanced technologies, services and products in a fast and efficient enough way.

Compression, signal encoding and customer management systems vital to the correct functioning of our satellite center, software of set-top boxes manufactured by us, as well as other software and technologies used by us and our suppliers, must be constantly updated and replaced to match the latest technological developments. Our inability to replace obsolete technological solutions may result in disruption of our pay TV services, which may in turn cause an outflow of customers to competitors who have brought their technologies up to date.

Technological progress requires us to modify our content distribution and TV programming methods to keep pace with the changing market. New technologies – including new video formats, IPTV, Internet streaming and downloading services, video on demand (VOD), mobile television, set-top boxes with recording capability, as well as other devices and technologies – introduce new media and entertainment options and change the way customers receive content. This allows them to enjoy television outdoors or at any chosen time, without commercials and to a custom schedule. Such technologies are growing in popularity and are becoming easier to use, yet the resulting fragmentation of TV viewers may cause a general decline in TV advertising revenues.

It is expected that certain communications technologies that are currently under development, including LTE Advanced or 5G, as well as fiber optic technology allowing for faster data transmission at lower unit costs, to become increasingly important in the markets in which we operate. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict how emerging and future technological changes will affect our operations, nor can we predict whether new technologies required to support our planned services will be available when expected, if at all.

Furthermore, fixed-line broadband services are associated with a need for investments in modernization of access networks. Some market players are currently conducting large investments programs which allow to significantly increase throughput provided to end-users. In particular, Orange Polska, following the completion of the first phase of its fiber optic project, is searching for a partner to continue the expansion of its FTTH (Fiber To The Home) network by ca. 1.7 million households. In parallel, a governmental program of construction of broadband fiber optic networks using subsidies from the European Union funds (POPC – Operating Program Digital Poland) is underway. Simultanously, Iliad, the new owner of Play, announces the extention of the offer by convergent services without stating at the moment the method of execution of this strategy and therefore not excluding additonal investments in fiber optic links. We are not able to guarantee that the demand for our broadband services will be sufficient to reach our revenue targets. Neither can we guarantee that the growing coverage of the less developed areas of Poland with fiber optic technologies giving the end users broader access to video content, will not adversely affect the demand for our pay TV satellite access services.

Given the fast pace of technological change and customers' growing expectations, and considering the risk that our competitors may offer telecommunications products and services that are based on new technologies which are more advanced, less costly or otherwise more attractive to customers than those provided by us, we may be required to rapidly deploy new technologies, products or services. The rapid evolution of technology in the markets in which we operate and the complexity of our information technology systems, as well as a number of other factors, including economic ones, may affect our ability to timely launch new technologies, products or services. We cannot guarantee that we will correctly predict the development of new technologies, products or/and the demand for products and, therefore, that we will at an appropriate moment engage appropriate amounts of capital and resources to develop the necessary technologies, products or services that will satisfy existing customers and attract new customers. If we fail to implement new technologies, products or services or implement such new technologies, products or services too late, it may render our technologies, products or services less profitable or less attractive than those offered by its competitors. In addition, new or enhanced technologies, services or products we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. We may also be unable to recover the investments it has made or may make to deploy these technologies, services and products and therefore no assurance can be given that we will be able to do so in a cost-efficient manner, which would also reduce our profitability. Moreover, we may not be able to obtain funding, in sufficient amounts on reasonable terms, in order to finance capital expenditures necessary to keep pace with technological developments and with the competitors.

Failure on our part to adapt our products and services to the changing lifestyles and preferences of our customers, or to make sufficient use of new technologies in our activities, may have a material adverse effect on the results of our operations, financial condition and prospects.

We might be unable to maintain good name of the major brands in our portfolio, including Cyfrowy Polsat and IPLA

The good name of 'Cyfrowy Polsat' and 'IPLA' brands in our portfolio, including 'Netia' and 'Interia.pl' 'brands is a significant component of Company's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers. Our reputation may suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of our most important brands, will not materialize in the future. Any damage to our good name may have a material adverse effect on the results of our operations, financial condition and prospects.

Goodwill and brand values may be impaired

Following the acquisitions made in the past, in particular of Telewizja Polsat, Polkomtel, Netia and Interia.pl, we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on the results of operations.

We may lose our management staff and key employees

Our performance, as well as successful implementation of our strategy, depend on the experience of our management staff and the commitment of our key employees. Whether we are successful in the future will depend partly on our ability to retain the Management Board members who have made considerable contributions to the development of our company, as well as to acquire and retain qualified employees who will ensure effective operation of our business segments. In the television and telecommunication sectors, both in Poland and worldwide, there is strong competition for highly qualified employees. Therefore, no assurance can be given that in the future we will be able to acquire or retain Management Board members or qualified employees. Loss of our key managers or our inability to acquire, properly train, motivate and retain key employees may have a material adverse effect on the results of our operations, financial condition and prospects.

In parallel, the imposure of the state of epidemic by the Polish government in March 2020 and related restrictions had a significant impact on the labor market. Many companies decided to switch to remote working. The preservation of changes on the labor market and long-lasting remote working may translate in certain areas, in our opinion, into lower work efficiency and, as a result, may have an adverse effect on the results of our operations, financial condition and prospects.

Disruptions to set-top box production may adversely affect our reputation and increase customer churn

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV customers the option to or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer and deliver to our customers at our manufacturing plant in Mielec. Should any batch of the set-top boxes we have manufactured prove defective and need to be withdrawn from the market, we are under the obligation to replace the set-top boxes we have made available to our customers. Any disruption of services provided to our customers may trigger our obligation to refund subscription fees due to the inability to use the pay TV services that should be delivered using the defective set-top boxes, and to pay the stipulated damages. Furthermore, the withdrawal of reception equipment due to a confirmed epidemic defect could be harmful to our reputation.

Any problems with production of set-top boxes would force us to acquire larger numbers of set-top boxes from third-party suppliers. There can be no assurance that we will be able to purchase a sufficient number of set-top boxes from third-party suppliers when required. Furthermore, the cost of acquiring from third-party suppliers of the vast majority of set-top box models we offer would be much higher than the cost of manufacturing them at our own plant. If we were unable to obtain set-top boxes from third-party suppliers on satisfactory pricing terms, we might have to raise the prices for our customers to cover our increased expenses. Moreover, if the deliveries of set-top boxes we managed to procure were insufficient to meet the demand, our reputation among our current and potential customers would suffer. As our production of set-top boxes is based on components purchased from third-party contractors, there is a risk that we lose access to such components, for instance due to discontinuation of their production or changes in technologies or products. Losing access to certain components would force us to redesign our set-top boxes, which could affect continuity of their production and supplies to our customers.

Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation, which could have a material adverse effect on the results of our operations, financial condition and prospects.

Broadcasting infrastructure, including information and telecommunications technology systems, may be vulnerable to circumstances beyond the Company control that may disrupt service provision

The pay TV business depends on providing customers with reliable service, including security of the infrastructure. The services we provide may encounter disruptions from many sources, including power outages, acts of terrorism and vandalism and human error, as well as fire, flood, or other natural disasters.

In order to provide pay TV services to our customers, we rely primarily on our satellite center, as well as satellite transponders, customer management system, reporting systems, sales support system, and customer relationship management system. Any failure of the individual components of our satellite center, including failure of satellite transponders or any intermediate link, may result in serious disruption or even suspension of our activities for a certain period.

In addition, we could experience interruptions of our services due to, among other things, software bugs, computer virus attacks, or unauthorized access. Any interruptions in our ability to provide services could seriously harm our reputation and reduce customer confidence, which could materially impair our ability to attract and retain customers in both the retail and wholesale segments. Such interruptions could also result in an obligation to pay contractual penalties or cause our customers to terminate their agreements or the imposition of regulatory penalties due to violations of the terms of frequency allocation. They might also result in a need to incur significant expenditure to restore the functionality of the telecommunications network and guarantee reliable services to customers.

Such events may have a material adverse effect on the results of our operations, financial condition and prospects.

We could become a party to labor disputes or experience growth of employment costs

In spite of correct relations with our employees, we may not rule out the risk of occurrence work disruptions, disputes with employees, strikes or significant growth of labor costs. Each of the above events could prevent our ability to satisfy customer needs or lead to growth of labor costs which would reduce our profitability. In addition, any employee-related problems affecting external companies providing services or technologies to us could also have adverse impact on us if they hinder our ability to obtain the required services or technologies on time or the ability to offer the expected quality. All disruptions of this type may have a material adverse effect on the results of our operations, financial condition and prospects.

The administrative and court proceedings in which we are involved may result in unfavorable rulings

We were, and currently are, party to a number of past or pending administrative and court proceedings in connection with our business. Therefore, there is a risk of new proceedings being instituted against us in the future, outcomes of which may prove unfavorable (including those instituted in connection with claims made by organizations for collective administration of copyrights). Under Polish copyright law, we are required to pay fees for collective administration of copyrights to organizations that collect royalties on behalf of authors of copyright-protected works we broadcast or distribute as part of our operations. Such fees are charged in accordance with license agreements signed with these organizations. Although relevant agreements are in place with several organizations for collective administration of copyrights, there is a risk that claims will be brought against us by other such entities. We are in turn a party to administrative and court proceedings, including the ones which have been initiated by regulators, competition and consumer protection office, tax authorities as well as disputes and court proceedings involving third party entities.

Any unsuccessful court, arbitration and administrative proceedings may have an adverse effect on the results of our operations, financial condition and prospects.

Should any claims related to the infringement of third-party intellectual property rights be brought against us, we may be forced to incur substantial expenses to defend against those claims, to acquire a license for a third-party technology, or to redefine our business methods to eliminate the infringement

Our business success depends largely on third-party intellectual property rights, particularly rights in advanced technologies, software, and programming content. No assurance can be given that we have not, or that we will not in the future, infringe any third-party intellectual property rights. Any such infringement may result in claims for damages being brought against us by third parties. We may also be placed under an obligation to obtain a license or acquire new products which would enable us to conduct our business in a non-infringing way, or we may have to expend time, human and financial resources to defend against claims of infringement. Expenditure on defending against intellectual property infringement claims or obtaining necessary licenses, and the need to employ time and human resources, including the management staff, to handle issues related to absence or infringement of intellectual property rights, may have a material adverse effect on the results of our operations, financial condition and prospects.

Our own intellectual property rights and other means of protection may not adequately protect our business, and insufficient protection of our programming content, proprietary technologies and know-how may cause profit erosion and customer churn

A large proportion of our products make use of proprietary or licensed content, delivered through interactive TV services, and pay TV. We establish and protect our property rights on distributed content relying on trademarks, copyrights, and other intellectual property rights, but no assurance can be given that these rights will not be challenged, revoked or disregarded.

Even if our intellectual property rights remain in full effect, no assurance can be given that our protection and anti-piracy measures will successfully prevent unauthorized access to our services and theft of our programming content. Furthermore, our proprietary content and the content we use under licenses may be accessed, copied or otherwise used by unauthorized persons. The risk of piracy is particularly harmful to the distribution of paid content. Media piracy is a problem well known in many geographies, including Poland. Technological advancements and digital conversion of multimedia content are powerful incentives for pirating, as they enable the production and distribution of high-quality unauthorized copies, recorded on various carriers, of pay-per-view programs delivered via set-top boxes, license-free or free-to-air transmissions on television or the Internet. This is further exacerbated by the difficult enforcement of the laws governing copyright and trade-mark infringements on the Internet, which compromises the protection of our intellectual property rights in that medium. Unauthorized use of our intellectual property may adversely affect our operations, harming our reputation and undermining our trading partners' confidence in our ability to properly protect our proprietary and licensed content, which in turn may have a material adverse effect on the results of our operations, financial condition and prospects.

We may not be able to reap the expected benefits of the past or future Group's acquisitions and strategic alliances

Whether the Company will be able to reap all expected benefits from past or future acquisitions or strategic alliances may depend on various factors, including our ability to implement our strategy of integrating business processes leading to noticeable income and cost synergies on acquisitions or strategic alliances. Through acquisitions or strategic alliances, the scale of business of our Capital Group continues to grow and we make efforts on a day to day basis to integrate the business processes of the target companies within the Group structure, as well as other actions aimed at consummating the benefits of strategic alliances. If we are unable to attain all or some of our goals, the benefits from past or future acquisitions or strategic alliances, including the estimated income or cost synergies, may deviate from the plans or may fail to be obtained in full or at all, or obtaining them may take longer than anticipated.

It cannot be ruled out that the process of integration of business processes after past or future acquisitions, or the implementation of past or future strategic alliances may result in losing key employees, disruptions to our day-to-day business in some business areas and incoherencies in standards, procedures or policies, which might adversely affect our ability to maintain the existing relations with third parties and employees or our ability to obtain the expected benefits from past or future acquisitions or strategic alliances. In particular, in order to achieve all expected benefits from our past or future acquisitions or strategic alliances, we need to identify and optimize some areas of our business and assets across the whole organization. Our inability to achieve all or any expected benefits from our past or future acquisitions or strategic alliances, as well as any delays in the integration processes related to past or future strategic alliances may have an adverse effect on us. Furthermore, the integration may require additional, unanticipated costs and the benefits of acquisitions or strategic alliances may never the consummated.

All these factors may have a material adverse effect on the results of our operations, financial condition and prospects.

6.2. Risk factors associated with the Group's financial profile

The servicing of our debt is very cash-intensive, and our debt servicing liabilities may impair our ability to finance our business operations

We use large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat, Polkomtel, Aero 2 Group, Netia and block of shares in Asseco and completion of the related financial transactions.

Our ability to service and repay debt depends on future results of our operations and our ability to generate sufficient cash flows to pay these and other liabilities, which in turn depends, to a significant extent, on the general economic climate, financing terms, market competition, acts of law and secondary legislation, and a number of other factors which are often outside of our control. If our future operating cash flows and other capital resources prove insufficient to repay our liabilities as they fall due or cover our liquidity requirements, we may lose our property, plant and equipment which serve as security for the repayment of our debts, or we may be forced to restrict or postpone certain business and investment projects. dispose of assets. incur more debt or raise new capital. or restructure or refinance our debts, in part or in full, at or prior to their maturity. The terms and conditions of our debts limit our ability to take the above measures. Therefore, we cannot guarantee that they will be taken on commercially reasonable terms, or at all, if need arises.

Also, the refinancing of our debt on unfavorable market terms would require us to pay higher interest rates or observe more stringent covenants, which could further restrict our business activity. If our debt financing increased, the related risks would also increase. Moreover, any significant adverse change in financial market liquidity, resulting in tighter lending terms and debt or equity financing constraints, may restrict our access to financing sources and increase our borrowing costs, which could significantly affect our ability to achieve and manage liquidity, raise additional capital, or restructure or refinance our existing debt.

The SFA, Series B Bonds Terms and Series C Bonds Terms provide for a number of restrictions and obligations (including maintaining specified financial ratios), limiting the Group's ability to incur new debt for financing future operations or to pursue business opportunities and activities that may be in our interest.

If our debts are not repaid in accordance with the underlying debt agreements or terms of debt instruments, then those debts, as well as other liabilities incurred under other agreements or debt instruments, which include cross-default or cross-acceleration clauses, may become immediately payable, and we may not have sufficient funds to repay all our liabilities. Our inability to generate sufficient cash flows to service our debt, or to restructure or refinance it on commercially reasonable terms (or at all), may have a material adverse effect on our business, financial condition, results of operations or prospects.

We may need to incur a significant amount of new debt in the future. In particular, the terms and conditions of the SFA,, Series B Bonds Terms as well as the Series C Bonds Terms impose certain limitations on, but do not prohibit us from, incurring new debt or other liabilities. In particular, a high level of debt may (i) limit our ability to repay our liabilities under the SFA, or other liabilities. (ii) require us to apply a considerable portion of operating cash flows towards debt repayment, restricting the availability of cash used to finance our investment activities, working capital, and other corporate needs and business opportunities. (iii) reduce our competitiveness relative to other market players with lower debt levels. (iv) affect our flexibility in business planning or responding to the overall unfavorable economic conditions or to specific adverse developments in our sector. and (v) impair our ability to borrow new funds, increase our borrowing costs and/or affect our equity financing capacity. In consequence, any additional debt would further reduce our ability to secure external financing for our operations, which may have a material adverse effect on the results of our operations, financial condition and prospects.

We might be unable to refinance our existing debt, secure favorable refinancing terms, or raise capital to finance new projects

We are exposed to risks related to debt financing, including the risk that the debt will not be repaid, extended, or refinanced at maturity, or that the terms of such extension or refinancing will be less favorable. In the future, we may need to increase our share capital if our operating cash flows are insufficient to ensure financial liquidity or fund new projects. Depending on our capital requirements, market conditions, and other factors, we may be forced to seek additional sources of financing, such as debt instruments or a share offering. If we are unable to refinance our debts on reasonable terms, or at all, we may be forced to sell our assets on unfavorable terms, or to restrict or suspend certain activities, which could have a material adverse effect on our financial condition and performance. Our inability to secure external financing could force us to abandon new projects, which could have a material adverse effect on the results of our operations, financial condition and prospects.

We might be unable to repay our debts if control of the Company changes

In the event of a change of control of the Company within the meaning of the SFA we are under the obligation to repay our liabilities. Moreover, if a change of control takes place, our ability to repay our debt will be limited by the level of available funds at the time. There can be no assurance that those funds will be sufficient to repay outstanding debts. In view of the above, we believe that in the case of change of control over the Company, we would require additional external financing in order to repay the debt.

Limitations arising from our contract obligations could make it impossible for us to repay the credit facilities or secure external financing if events constituting a change of control actually occur. Any breach of those limitations may lead to a default under other contracts and acceleration of other debts, which could have a material adverse effect on the results of our operations, financial condition and prospects.

6.3. Risk factors associated with the market environment and economic situation

We are exposed to the effects of the regional or global economic slowdown affecting consumer spending in Poland

We derive almost all our revenues from pay-TV and telecommunication services customers in Poland. Our revenue depends on the amount of cash our existing and potential customers can spend on entertainment, recreation, telecommunications services and equipment. If the economic conditions in Poland deteriorate, consumers may be willing to spend less on entertainment, recreation and telecommunications services or equipment, which may have an adverse effect on the number of our customers or on our customers' spending on our services. Lower consumer spending caused by economic recession may also lead existing and potential customers to choose cheaper versions of our service packages or to discontinue using the services, which in turn may have a material adverse effect on results of our operations, financial condition, and growth prospects.

Moreover, the worsening of the macroeconomic conditions across the world, as well as possible uncertainty regarding the future economic situation, may have, among others a negative impact on the Company's ability to acquire sufficient financing on the global capital markets.

In view of the above, the worsening of macroeconomic conditions in Poland or across the world may, as a result, have a considerably adverse impact on the financial situation, results of our operations and growth prospects of the Company.

We are exposed to the effects of the occurrence of extraordinary events such as pandemic or epidemic

Our operations may be limited due to the imposure of the state of epidemic or pandemic. In the fight against the epidemic or pandemic, a number of measures may be implemented by the authorities, including restrictions on movement, organizing events and meetings, entertainment, functioning of shopping malls or a compulsory quarantine. Such restrictions may lead to significant limitations in the functioning of the economy and, as a result, bring negative consequences such as the economy slowdown or recession, which may adversely affect our operations and financial results. We are not able to foresee the probability of a recurrence of the present COVID-19 pandemic, or the occurrence of another epidemic or pandemic, or the scope of potential measures which the government may take in order to counter fight the negative consequences of these phenomena.

As a result of the global implementation of restrictions in functioning, as it was the case with the COVID-19 pandemic, sports events to which we own broadcasting rights may be suspended, which may lead to postponement, until the sports events are restarted, of budgeted revenue or their loss in case of the cancellation of these events.

In turn, in case of the closure of shopping malls and social distancing we may be forced to close part of our physical points of sale and experience relatively lower customer traffic in the points of sale which remain open. This may negatively influence the number of new services sold and customer acquisition. Moreover, taking into consideration the partial closure of the physical sales network and potentially lower customer propensity, in the conditions of uncertainty, to buy more expensive models of end-user equipment, we cannot exclude a decrease of the value of equipment sales, smartphones in particular. The aforesaid factors may lead to a decrease of our revenue from sales.

Due to the above, the occurrence of such extraordinary events as pandemic or epidemic, followed by the implementation of related restrictions in functioning of the society and the economy may, as a result, have a considerably adverse impact on the financial situation, results of our operations and growth prospects of the Group.

We face competition from entities offering alternative forms of entertainment and leisure

Technological progress, as well as a number of various other factors expose our operations to growing competition for the time and form of customers' leisure and entertainment activities. In particular, we compete with entities offering such alternative forms of leisure and entertainment as cinema, radio, home video, printed media, as well as other non-media forms of leisure, including live events. Moreover, new technologies, such as video on demand (VoD), Internet streaming and downloading, have broadened and may continue to broaden the selection of entertainment options available to existing and potential users of our services. In particular, increasing activity of foreign players operating in the OTT model (Netflix, Amazon Prime, Apple TV or Viaplay which is getting ready for its debute in August 2021) can be observed on the Polish market recently. We may also assume that new franchises operating in this model may begin to offer their services on the market, e.g. Disney+ or Apple TV. The growing variety of leisure and entertainment options offered by our current and future competitors may bring about a decrease in demand for our products and services, and weaken the effect of television as an advertising medium. This may have a material adverse effect on the financial situation, results of our operations and growth prospects of the Company in the future.

Given the intense competition across all market segments in which we operate, there can be no assurance that in the future our customers will use our services rather than those of our competitors

Because the Polish TV market is highly competitive, there can be no assurance that our revenue from pay TV subscriptions will be satisfactory compared to that of our competitors. Our current and future competitors may outmatch us in terms of financial and marketing resources, which may allow them to attract customers more effectively.

Our main competitor on satellite TV market is the Canal+ (previously nc+) platform. We also compete with broadcasters using other technologies, such as terrestrial, cable and Internet television. Furthermore, we expect growing competition from joint ventures and strategic alliances between providers of cable and satellite TV and telecommunications operators. It is also probable that we will have to face foreign competitors entering the Polish market through services and OTT apps.

6.4. Factors relating to market risks

When conducting its business operations, the Company is exposed to a number of financial risk factors, including:

- credit risk,
- liquidity risk,
- market risk, including currency risk and interest rate risk.

The Company's risk management policies are designed to reduce the impact of adverse conditions on the Company's results.

The Management Board is responsible for oversight and management of each of the risk factors that the Company is subjected to in its activities. Therefore, the Management Board has established an overall risk management framework as well as specific risk management policies with respect to market, credit and liquidity risks.

Note 35 to the Company's financial statements for the financial year ended December 31, 2020 presents information about the Company's exposure to each of the above risk factors and the Company's objectives, policies and processes for measuring and managing risk.

Market risk management

We employ an active approach to managing a market risk exposure. The objectives of market risk management are to: (i) limit fluctuations in profit/loss before tax; (ii) increase the probability of meeting budget assumptions; (iii) maintain a healthy financial condition; and (iv) support the process of undertaking strategic decisions relating to investing activity, with attention to sources of capital for this activity.

All the market risk management objectives should be considered as a whole, while their realization is dependent primarily upon the internal situation and market conditions.

We apply an integrated approach to market risk management. This means a comprehensive approach to the whole spectrum of identified market risks, rather than to each of them individually. The primary technique for market risk management is the use of hedging strategies involving derivatives. Apart from this, we also use natural hedging to the extent available.

All of the potential hedging strategies and the selection of those preferred reflect the following factors: the nature of identified market risk exposures, the suitability of instruments to be applied and the cost of hedging, current and forecasted market conditions. In order to mitigate market risk, derivatives are primarily used. We transact only those derivatives for which we have the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, we rely on information obtained from particular market leading banks, brokers and information services.

We are permitted to use the following types of instruments: swaps (IRS/CIRS), forwards and futures and options.

Currency risk

One of the main risks to which we are exposed is the currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues we generate are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity agreements (EUR), fees for conditional access system (EUR and USD) and purchases of reception equipment and accessories for reception equipment (USD and EUR).

In respect of license fees and transponder capacity agreements, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

We do not hold for trading any assets denominated in foreign currencies.

We have no means to influence the foreign exchange rates fluctuations and any adverse change of foreign exchange rates to PLN may translated to a significant increase of our costs expressed in PLN, and that may have a material, adverse effect on our performance, financial condition and prospects.

Interest rate risk

Changes in market interest rates have no direct effect our revenues, however they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans and bonds.

We regularly analyse a level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, we estimate the effects of changes in interest rates on our profit and loss.

In order to reduce interest rate risk exposure resulting from interest payments on floating interest rates, the Company stipulated interest rate swaps for which hedge accounting was adopted.

Interest rates fluctuations may affect our ability to repay current liabilities and have a material adverse effect on our performance, financial condition and prospects.

Detailed information concerning the Company's exposure to each of the above mentioned risk factors, the Company's objectives, policies and processes for measuring and managing risk are presented in Note 35 to the Company's financial statements for the financial year ended December 31, 2020.

6.5. Risk factors associated with the legal and regulatory environment

The complexity, lack of clarity, and frequent amendments of Polish tax laws may lead to disputes with tax authorities

Tax laws in Poland are complex, unclear and subject to frequent and unpredictable changes. Frequent amendments in the tax laws and contradicting legal interpretations among the tax authorities result in uncertainties and lack of consistency in the tax ordinance, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future. In consequence, the application of tax law in practice is accompanied by controversies and interpretation disputes which usually need to be resolved by administrative courts, and even their judicial practice is notoriously inconsistent. The Polish tax laws also includes the so-called General Anti-Avoidance Rule ("**GAAR**'), intended to prevent artificial legal arrangements designed mainly to obtain tax benefits, and a number of detailed regulations intended to combat tax evasion which are often formulated using non-defined or inaccurate notions or criteria.

Given the frequency of changes in the Polish tax laws and the fact that such changes can be retroactively applied in practice, as well as the existence of inconsistencies and lack of uniform interpretation, and considering the relatively long limitation periods applying to tax liabilities, the risk of misapplication of tax laws in Poland may be greater than in the legal systems of more developed markets. Accordingly, there is a risk that we may fail to bring certain areas of our activity in compliance with the frequently amended tax laws and the ever-changing practice of their application.

Therefore, no assurance can be given that there will be no disputes with tax authorities or that the tax authorities will not see the tax consequences of the Company's business transactions differently than the Company, and, consequently, that tax authorities will not question the correctness of the Company's tax settlements on non-statute-barred tax liabilities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of the Company. Any unfavorable decisions, interpretations (including changes to any interpretations obtained by the Company) or rulings by tax authorities may have a material adverse effect on the results of our operations, financial condition and prospects.

The tax regime applicable to our operations and the sector in which we operate create numerous uncertainties

The tax regime applicable to transactions and events typical for our operations and the sector in which we operate are a source of numerous interpretation uncertainties. In particular, there is uncertainty as to the interpretation of income tax laws with respect to the possibility, manner, and timing of recognition of income and tax-deductible expenses on individual transactions and events and the requirements for their documentation, or the rules of calculation, withholding and remittance of the withholding tax. Also, VAT legislation is characterized by vague and complex regulations, particularly where it concerns goods and services subject to the tax, the tax rate, tax base or time at which the tax liability arises with respect to transactions subject to VAT. Further, Polish tax legislation does not provide unequivocal rules regarding imposition of other taxes, including property tax (in particular with respect to the determination of tax base and taxable property) and custom duties.

Given that Polish tax laws are frequently amended, inconsistent, and lack uniform interpretation, and considering the relatively long limitation periods on tax liabilities, there is a risk that our selected operations may not be harmonized with the changing legal (including tax) regulations and their changing application

Despite monitoring the risk in individual business areas, there can be no guarantee that disputes with tax authorities regarding assessment of tax effects of individual events and transactions typical for our operations and the sector in which we operate will not occur, and consequently that the tax authorities will not question the correctness of tax settlements on non-statute-barred tax liabilities of the Company (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of the Company. There is also a risk that tax authorities may question financial terms of individual events and transactions. This may have a material adverse effect on the results of our operations, financial condition and prospects.

Pending or future tax inspections, tax and customs inspections, tax proceedings and other reviews to which the Company is a party conducted by Polish tax authorities or local tax authorities abroad may result in additional tax liabilities in the countries where the Company conducted, conducts and will conduct its business (in particular in Poland)

The Company is and may again be in the future subject to tax inspections, tax and customs inspections, tax proceedings or other verifications conducted by Polish tax authorities or local tax authorities in the jurisdictions where the Company conducted, conducts or will conduct its business. Such pending or future tax inspections, tax and customs inspections, tax proceedings or other reviews to which the Company is a party conducted by Polish tax authorities or local tax authorities in the jurisdictions where the Company conducted, conducts or will conduct its business (in particular in Poland) may result in the tax authorities challenging the correctness of the Company's settlements of outstanding tax liabilities (including, in the jurisdictions where this is applicable, the proper performance of the Company's obligations as a tax remitter) and in assessing tax arrears for these companies.

In particular, as at the date of approval of this Report, the Company is party to certain tax proceedings before Polish tax authorities as well as administrative court proceedings concerning the Company's tax liabilities in which the tax authorities challenged the Company's right to apply the exempt from the obligation to collect the withholding CIT mainly on certain interest payments.

Due to the foregoing, it should be assumed all future tax inspections and other reviews conducted against the Company or tax proceedings to which Group companies are parties conducted by Polish tax authorities or local tax authorities in the jurisdictions where the Company conducted, conducts or will conduct its business, may result in additional tax liabilities in the jurisdictions where the Company conducted, conducts or will conduct its business (in particular in Poland). The costs related to such tax inspections, reviews or tax proceedings as well as any additional payments on account of taxes, may have a significant, adverse effect on revenues, performance, business, condition or development prospects of the Company, and thereby have a significant, adverse effect on our business performance, financial condition and prospects.

We are exposed to changes of Polish law which may adversely affect labor costs

The regulations relevant to the determination of the level of remunerations and labor costs have been recently undergoing profound changes which will affect the level of our costs of employment as well as our ability to employ employees in the future. In particular, on 15 September 2020 the Council of Ministers adopted an ordinance on the minimum salary in 2021, setting it at PLN 2,800, PLN 200 higher than the 2020 level. The minimum salary is expected to grow successively to reach PLN 4,000 in 2023. As at the date of approval of this Report no information is available weather the COVID-19 epidemic may influence, and to what extent, the revision of the above mentioned plans.

Additionally, starting from 2019 selected Polish enterprises (including the Company) have been obliged to launch Employee Capital Plans, a form of pension schemes which envisage additional financial contributions from the employer. Further changes are being pondered, including the lifting of pension insurance premiums caps, which would translate to higher pension insurance premiums payable by the employers as well.

All changes affecting the remunerations and costs of labor will have an effect on our ability to employ new employers, the level of remuneration costs incurred as well as the level of external services provided by third parties, which may have a material, adverse effect on our business performance, financial condition and prospects.

There can be no assurance that in the competition and consumer protection authorities will not deem – despite our different assessment – the practices we use as limiting competition or violating the Polish consumer protection laws

Our operations are reviewed by institutions of competition and consumer protection: the President of the Polish Office of Competition and Consumer Protection (UOKiK) and, with respect to any anti-competitive practices which may affect trade among Member States – the European Commission, to ensure that we comply with Polish and European laws prohibiting practices that limit competition or Polish regulations prohibiting infringements of collective interests of consumers, such as for example providing inaccurate information to customers, dishonest market practices or use of abusive contract clauses. As a general rule, our operations are subject to the assessment of the President of the Polish Office of Competition and Consumer Protection (UOKiK). If the regulator finds any of our practices or contract clauses to be in conflict with Polish or European competition and consumer protection laws, we may be subject to fines and our reputation could be harmed. In addition, if such practices or clauses are considered abusive, the President of UOKiK prohibits their application, may impose a fine and define the measures to remedy the subsisting effects of breaching the prohibition and compel us to take actions in order to amend the contracts already concluded with consumers.

In addition to the prohibition of particular practices, the President of UOKiK could impose on us a cash fine of up to 10% of our revenue generated in the financial year immediately preceding the year in which the fine is imposed. Agreements or other legal actions which implement anti-competitive practices are invalid by operation of law in full or in part. Similar regulations, including the European Commission's right to impose a fine up to 10% of the annual revenue, apply to infringements of the European competition protection regulations. The President of UOKiK may also compel us to pay public compensation to consumers, who were affected by the practices in question or apply other measures. Fines of up to PLN 2 million may also be imposed on our managing persons, if through their actions or omissions, they permitted a breach of the prohibition from entering into agreements limiting competition. Moreover, if we, even unintentionally, fail to provide the President of UOKiK with the required information or provide misleading information, a fine of up to EUR 50 million may be imposed on us.

Any decisions by the President of UOKiK or by appeals bodies confirming our infringement could also result in claims for damages by consumers, contractors and competitors. The potential amount of such claims is difficult to assess but may be significant. If any of our practices or contract terms are deemed to be in conflict with Polish consumer protection laws, the Company may be subject to fines and its reputation could be harmed, which could have a material adverse effect on our business performance, financial condition and prospects.

In addition, expansion of consumer protection legislation or case law in this field, could increase the scope or scale of our potential liability or the scope of consumer rights. Such events may have a material adverse effect on the results of our operations, financial condition and prospects.

We may violate the acts of law and regulations governing our satellite TV distribution business as well as telecommunications, which are subject to periodic amendments

We are required to comply with Polish and EU laws, which impose limitations on the conduct of our business. Our operations are extensively regulated by government authorities and market regulators, especially the President of the Office of Electronic Communications (UKE) and the National Broadcasting Council (KRRiT), the bodies responsible for overseeing compliance with the Polish Act on Television and Radio Broadcasting, the Telecommunications Law, and the terms of our broadcasting licenses. Decisions by the President of UKE, the Chairperson of KRRiT, or other regulators may place certain restrictions on the way in which our business can be run.

The President of UKE supervises our telecommunications operations. As part of our telecommunications services, we mainly provide broadband Internet access. Telecommunications enterprises operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business in relations with individual customers (for instance, by specifying the scope of customers' rights or the content of standard terms and conditions for the provision of telecommunications services or restricting the maximum time for which contracts can be concluded with customers. We cannot give any assurance that we will be able to meet the numerous requirements imposed on us by the Polish Telecommunications Law. In the event of our non-compliance with any provisions of the Telecommunications Law, the Company may face a fine from the President of UKE of up to 3% of revenue generated in the year preceding the year in which such fine is imposed.

In future, our pay TV business may be subject to zoning, environmental or other regulations that will place restrictions on where satellite antennas may be deployed. We may also have to deal with pressures from local communities regarding deployment of our satellite antennas. Any such legal restrictions or conflicts with local communities related to the deployment of our satellite antennas may render our pay TV services less attractive, leading to a fall in customer numbers.

Non-compliance with valid law or with the regulations issued by regulatory bodies may have material adverse effect on the results of our operations, financial condition and prospects.

No assurance can be given that we will not breach any personal data protection laws or regulations, or that we will not fail to meet requirements imposed by the President of the Personal Data Protection Office and we may incur pecuniary penalties for non-compliance with GDPR

In the course of our business we gather, keep and use customer data which are protected by personal data protection regulations. Therefore, since 25 May 2018, the Company, as a personal data processor, is required to comply with the Regulation of the European Parliament and of the Council (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

GDPR has elevated the standards required of personal data administrators and the entities processing personal data on their behalf, and authorized the competent authorities to impose pecuniary penalties of up to EUR 20 million or 4% of total global turnover for the past year on personal data administrator and entities processing personal data on their behalf. It has also authorized the competent authorities to temporarily or indefinitely impose a complete ban on personal data processing.

If the solutions that we implement in order to protect personal data prove ineffective, it may result, for instance, in a disclosure of customer personal data either as a result of a human error, willful, unlawful misconduct by third parties or failure of IT systems, or it result in inappropriate use of such data in other ways. A breach of the personal data regulations and the Polish Personal Data Protection Office may result in imposing pecuniary penalties on us, as well as a loss of customer confidence and thus have a material adverse effect on our business, financial condition or development prospects.

We also use external providers, cooperate with external partners, agents, suppliers and other external entities, therefore we are unable to entirely rile out the risk of a malfunction of the systems involved in the processing or transmission of restricted information in these entities. A breach of the personal data regulations by us or by those entities may result in imposing pecuniary penalties, as well as in a loss of reputation and loss of customers and in consequence have a material adverse effect on the results of our operations, financial condition and prospects.

6.6. Risk factors associated with the Series B and C Bonds

Risk factors associated with the Series B and C Bonds have been described in detail in the Information Note on the issuance of Series B Bonds dated May 24, 2019 and the Information Note on the issuance of Series C Bonds dated January 31, 2020 which are available in Polish on the Company's corporate website at https://grupapolsat.pl/pl/relacje-inwestorskie/obligacje.

7. Cyfrowy Polsat on the capital market

7.1. Cyfrowy Polsat shares

Shares of Cyfrowy Polsat are listed on the Warsaw Stock Exchange since May 6, 2008.

The table below presents the characteristics of the shares issued as of December 31, 2020:

Series	Number of shares	Type of shares	Number of votes at the General Meeting	Face value /PLN
A	2,500,000	Preference shares (2 voting rights)	5,000,000	100,000.0
B	2,500,000	Preference shares (2 voting rights)	5,000,000	100,000.0
C	7,500,000	Preference shares (2 voting rights)	15,000,000	300,000.0
D	166,917,501	Preference shares (2 voting rights)	333,835,002	6,676,700.0
D	8,082,499	Ordinary bearer shares	8,082,499	323,300.0
E	75,000,000	Ordinary bearer shares	75,000,000	3,000,000.0
F	5,825,000	Ordinary bearer shares	5,825,000	233,000.0
H	80,027,836	Ordinary bearer shares	80,027,836	3,201,113.4
I	47,260,690	Ordinary bearer shares	47,260,690	1,890,427.6
J	243,932,490	Ordinary bearer shares	243,932,490	9,757,299.6
Total	**639,546,016**		**818,963,517**	**25,581,840.6**
including:	179,417,501	registered	358,835,002	7,176,700.0
	460,128,515	floating	460,128,515	18,405,140,6

The share capital of the Company is PLN 25,581,840.64, divided into 639,546,016 shares. The total number of votes at the General Meeting is 818,963,517.

The shareholding structure as at the date of approval of this Report together with a description of changes in the structure of ownership of significant number of shares of the Company in the period since the publication of the last periodic report are set forth in detail in item 8.4 –*Corporate Governance Statement – Share capital and shareholding structure of Cyfrowy Polsat*.

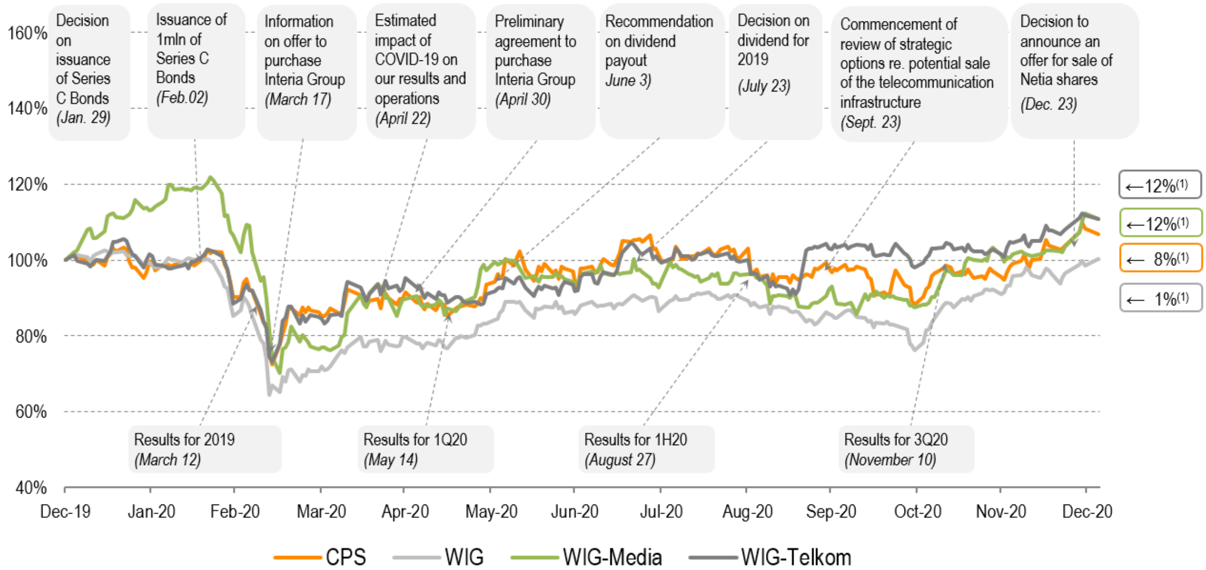
Basic data on the Cyfrowy Polsat shares in trading

Date of first quotation	May 6, 2008
Component of indices	WIG, WIG20, WIG30, WIG-ESG, WIG-TELKOM
Macrosector/sector	TECHNOLOGY/telecommunication
Market	main
Quotation system	continuous
International Securities Identification Number (ISIN)	PLCFRPT00013 (shares admitted and introduced to trading) PLCFRPT00062 (shares with preferential voting rights)
Cyfrowy Polsat's identification codes	
• Warsaw Stock Exchange	CPS
• Reuters	CYFWF.PK
• Bloomberg	CPS:PW

7.2. Shares quotes

Performance of Cyfrowy Polsat shares in 2020

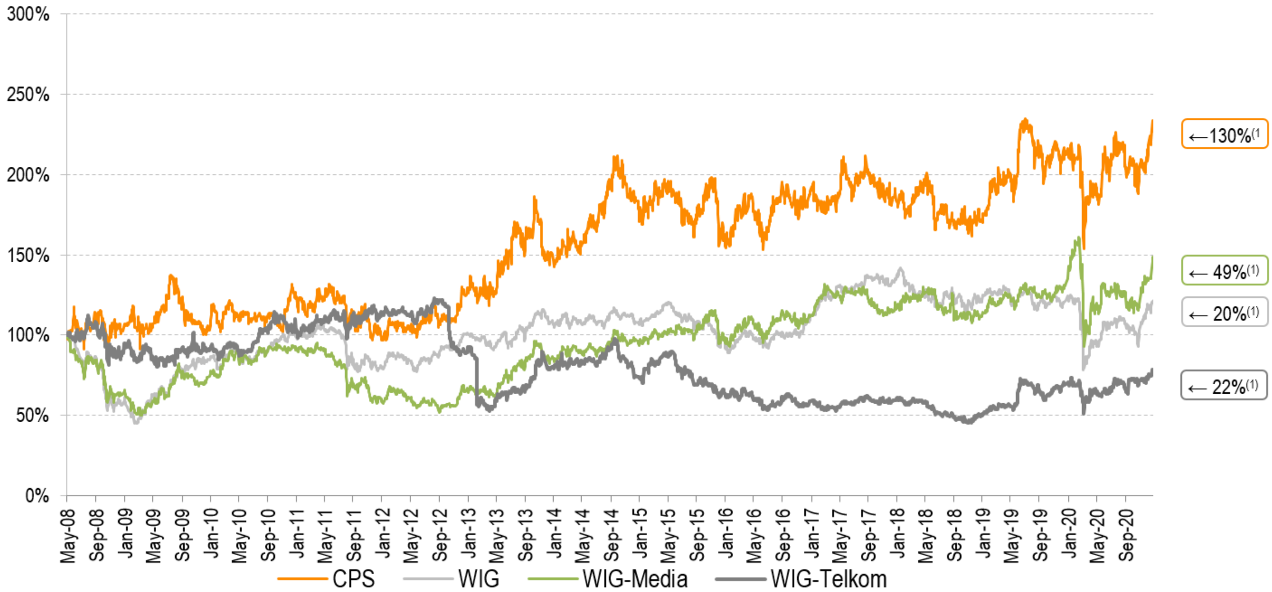
(indexed; 100 = closing price on December 30, 2019)



(1) change December 30, 2020 vs. December 30, 2019

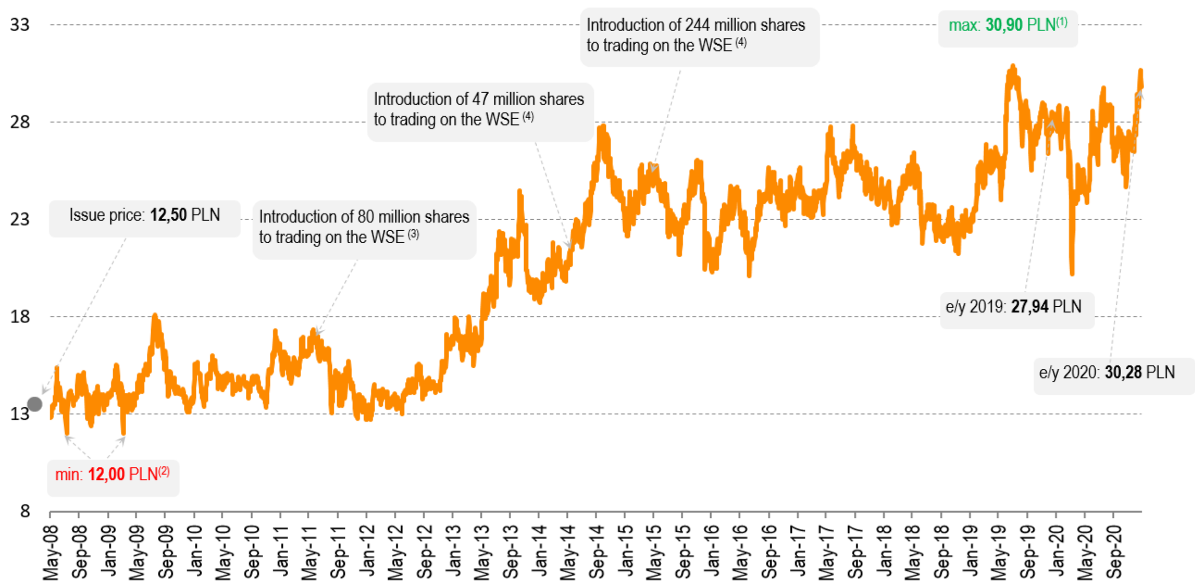
Performance of Cyfrowy Polsat shares since the debut on the WSE in May 2008 until the end of 2020 compared to selected WSE indexes

(indexed; 100 = closing price on May 6, 2008)



(1) change December 30, 2020 vs. May 6, 2008

Performance of Cyfrowy Polsat shares since the debut on the WSE (PLN)



(1) Share price on July 8, 2019.

(2) Share price on July 15-16, 2008, March 12, 2009.

(3) On April 20, 2011, the Company issued 80,027,836 ordinary bearer H Series shares with a nominal value of PLN 0.04 each. These shares were registered on May 30, 2011 in the Central Securities Depository of Poland under ISIN code PLCFRPT00013, and were admitted to trading on the main market of the stock exchange pursuant to the resolution of the Management Board of Warsaw Stock Exchange of May 30, 2011. The proceeds from the issue of H Series shares were used as part of financing the acquisition of Telewizja Polsat. All H Series shares were taken up by the shareholders of Telewizja Polsat.

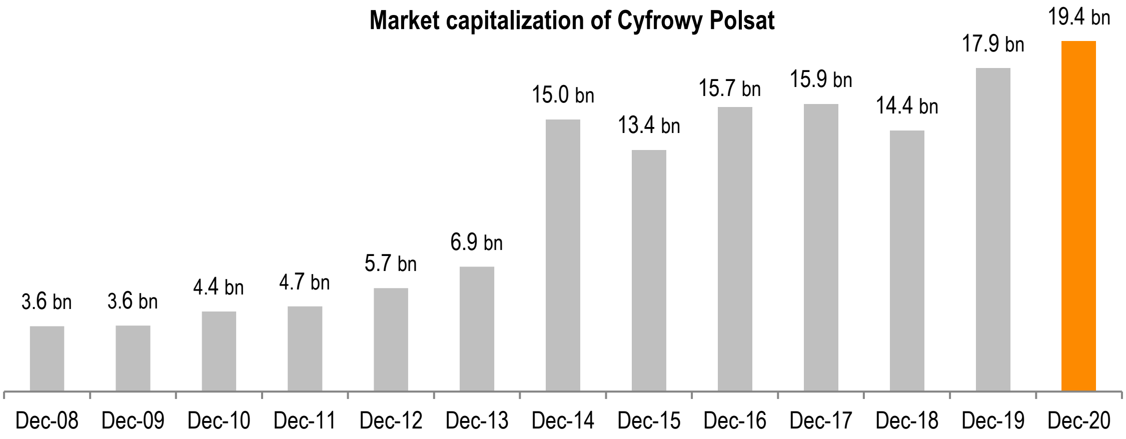
(4) On May 7, 2014 the Company issued 47,260,690 Series I shares and 243,932,490 Series J shares with the nominal value of PLN 0.04 each. On May 14, 2014 these shares were registered in the Central Securities Depository of Poland with ISIN codes PLCFRPT00013 and PLCFRPT00021, respectively. Series I shares were admitted to trading on May 12, 2014 and Series J shares – on April 20, 2015, pursuant to the resolutions of the Management of the Warsaw Stock Exchange in Warsaw. The issue of Series I and J shares provided the source of financing of the transaction of acquisition of Metelem Holding Company Limited, an indirect owner of Polkomtel sp. z o.o. The issued shares were acquired by shareholders of Metelem Holding Company Limited.

Cyfrowy Polsat shares on the stock exchange in 2020

		2020	2019
Year-end price	PLN	30.28	27.94
High for the year	PLN	30.68	30.90
Low for the year	PLN	20.20	22.36
Average for the year	PLN	26.77	26.99
Average daily turnover	PLN '000	14,950	12,754
Average daily trading volume	shares	568,826	472,005
Number of shares (as at year-end)	shares	639,546,016	639,546,016
Bearer shares	shares	460,128,515	460,128,515
Market capitalization (as at year-end)	PLN '000	19,365,453	17,868,916

Market capitalization of Cyfrowy Polsat since its debut on the WSE (PLN)

With market capitalization of PLN 19.4 billion at the end of 2020 Cyfrowy Polsat is the largest media and telecommunications company quoted on the Warsaw Stock Exchange and one of the largest in Middle and Eastern Europe.



7.3. Analysts' recommendations

Brokers covering the Company:

Local

- Dom Maklerski BOŚ S.A.
- Biuro Maklerskie mBanku S.A.
- Dom Maklerski PKO BP S.A.
- Trigon Dom Maklerski S.A.
- IPOPEMA Securities S.A.
- Biuro Maklerskie Pekao

International

- Barclays
- Citigroup Global Markets Inc.
- ERSTE Group Research
- Goldman Sachs
- Haitong Bank S.A.
- Raiffeisen Centrobank AG
- UBS Investment Bank
- Wood&Company
- Santander Biuro Maklerskie

Recommendations for the shares of Cyfrowy Polsat published in 2020

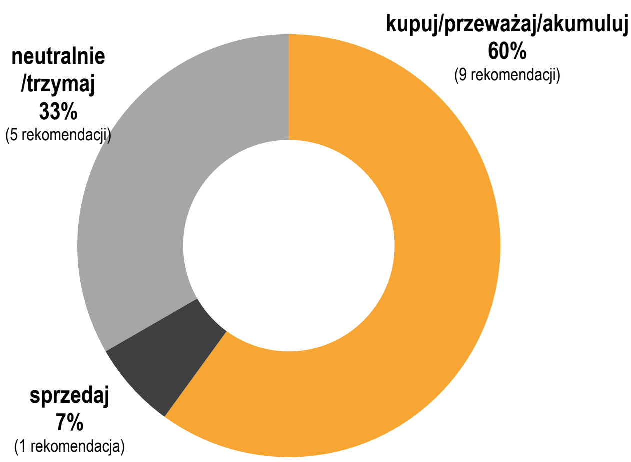
Date	Institution	Recommendation	Target price [PLN]
December 2020	DM BOŚ S.A.	↑ Buy	30.50
14 December 2020	Haitong Bank S.A.	↑ Buy	32.30
11 December 2020	Barclays	↑ Overweight	34.00
8 December 2020	Biuro maklerskie mBanku S.A.	– Hold	27.90
8 December 2020	IPOPEMA Securities S.A.	↑ Buy	33.00
7 December 2020	DM PKO BP S.A	↑ Buy	31.00
1 December 2020	Biuro Maklerskie Pekao	↑ Buy	31.30
23 November 2020	Santander Biuro Maklerskie	– Hold	27.80
5 November 2020	Wood&Co	↑ Buy	30.60

Date	Institution	Recommendation	Target price [PLN]
22 October 2020	Haitong Bank S.A.	Buy	28.70
20 October 2020	Trigon Dom Maklerski S.A.	Buy	30.50
5 October 2020	ERSTE Group Research	Accumulate	31.00
9 September 2020	IPOPEMA Securities S.A.	Buy	33.00
2 September 2020	Biuro maklerskie mBanku	– Hold	26.30
31 August 2020	Goldman Sachs	Sell	25.80
31 August 2020	Santander Biuro Maklerskie	– Hold	27.50
31 August 2020	Haitong Bank S.A.	– Neutral	29.40
20 July 2020	Trigon Dom Maklerski S.A.	Buy	31.10
7 July 2020	Citigroup Global Markets Inc.	– Neutral	29.80
6 July 2020	Trigon Dom Maklerski S.A.	Buy	31.00
24 June 2020	Haitong Bank S.A.	– Neutral	28.90
3 June 2020	Santander Biuro Maklerskie	Buy	29.30
7 May 2020	DM PKO BP S.A	– Hold	26.80
1 April 2020	Biuro maklerskie mBanku S.A.	– Hold	24.10
24 March 2010	Haitong Bank S.A.	Buy	27.40
16 March 2020	Biuro Maklerskie Pekao	Buy	30.60
4 March 2020	Biuro maklerskie mBanku S.A.	– Hold	26.10
26 February 2020	Raiffeisen CENTROBANK	– Hold	30.00
29 January 2020	Santander Biuro Maklerskie	Buy	30.30
24 January 2020	Goldman Sachs	Sell	27.70
24 January 2020	ERSTE Group Research	– Hold	30.00

Recommendations released in 2021 after the reporting period

Date	Institution	Recommendation	Target price [PLN]
5 February 2021	Santander Biuro Maklerskie	– Hold	28.80
16 January 2021	Goldman Sachs	Sell	28.30

Structure of recommendations as at March 24, 2021



Target price as at March 24, 2021 [PLN]

minimum	27.9
maximum	34.0
average	**30.7**

7.3.1. Close dialogue with the capital market

Our corporate strategy aims to create sustainable value of the Company. We support this strategy through regular and open communication with all capital market participants.

In order to ensure current access to information we participate in conferences with investors, we organize numerous individual meetings and roadshows both in Europe and in the United States. Moreover, every quarter, after the publication of financial results, we organize periodical meetings with investors and sell-side analysts as well as teleconferences with Members of the Company's Management Board. Both are open events. In 2020, we held meetings with approximately 270 representatives of the capital market, including during nearly 20 conferences. Due to the COVID-19 pandemic, they were held mainly in the form of online meetings and teleconferences.

When communicating with the capital market we are guided by the main principle of transparency and equal access to information. Following this principle, we introduced the rule of limited communication before the publication of our financial results. Under this rule the representatives of the Company avoid discussions or meetings with analysts and investors two weeks prior to the publication of the quarterly results. This rule is meant to increase transparency and ensure the equal access to information on the Company before the publication of our financial results.

To ensure proper fulfillment of the information obligations imposed by the relevant regulations, including the MAR Regulation, we have implemented, at the Capital Group level, detailed internal rules which define such things as the principles of analysis and identification of events occurring within our organization, the procedures to be followed upon obtaining any information which is subject to reporting as well as the deadlines for fulfillment of information disclosure requirements. We have also adopted an Individual Reporting Standard which supports the identification and classification of events as inside information.

In order to reach a wide audience we also use modern tools to communicate with capital market representatives, such as a website dedicated to investors (http://www.grupapolsat.pl/en/investor-relations), a reliable and practical source of information about Polsat Group, electronic newsletters, RSS, selected social media, periodic newsletters including both information on current events in the Company and latest market developments (press review), as well as reminders of the most important events in the Company.

Numerous distinctions presented to Cyfrowy Polsat in the field of investor relations are the confirmation of our efforts which are aimed at guaranteeing high quality and top standards of the Group's communication with the capital markets in Poland and around the world. Numerous times we were, among others, ranked at the top spots and distinguished in the Best Listed Company of the Year ranking organized by *Puls Biznesu* daily or in the investor relations surveys among WIG30 companies prepared by the daily *Parkiet* and the Chamber of Brokerage Houses in the annual polls of representatives of financial institutions.

7.3.2. Dividend policy

On March 15, 2019, the Management Board of the Company adopted a new dividend policy of the Company, worded as follows:

"The main goal of the strategy of Cyfrowy Polsat S.A. Capital Group (the "Group," "Polsat Group") is the permanent growth of the value of Cyfrowy Polsat S.A. (the "Company") for its shareholders. We intend to achieve this goal by implementing the major elements of our operational strategy which include:

1. growth of revenue from services provided to residential and business customers through consistent building of the value of our customer base by maximizing the number of users of our services as well as the number of services offered to each customer while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
2. growth of revenue from produced and purchased content by expanding its distribution, maintaining the audience shares of our channels and improving our viewer profile,
3. effective management of the cost base of our integrated media and telecom group by exploiting its inherent synergies and economies of scale, and
4. effective management of the Group's finances, including its capital resources.

Predictable dividend payout to shareholders is one of the main goals underlying the capital resources management policy of Cyfrowy Polsat S.A. At the same time, bearing in mind the strategy of deleveraging of the Group, the Management Board has set the desirable consolidated debt level, as measured by the net debt/EBITDA ratio, which should be reduced to below the threshold of 1.75x.

In view of the above, the Management Board of Cyfrowy Polsat S.A. has adopted a resolution regarding the dividend policy which assumes that dividend payout proposals, along with the Management Board's recommendations, will be presented every year to the General Meeting, subject to the observance of the following general principles:

1. the amount of a dividend paid out every year shall guarantee the Company's shareholders an attractive return from invested capital;
2. the level of the obtained return shall be shaped in relation to the commonly available on the Polish market forms of safe investing of funds, in particular in relation to the level of bank deposits rates, while taking into account a risk premium associated with floating of Cyfrowy Polsat's share prices on the Warsaw Stock Exchange;
3. in parallel, a yearly submitted proposal for distribution of the Group's net profit for the previous financial year should allow for the continuation of gradual reduction of Cyfrowy Polsat Group's net debt in order to achieve the desired ratio of net debt to EBITDA at the level below 1.75x.

Simultaneously, the Management Board of Cyfrowy Polsat S.A. reviewed the plans of Cyfrowy Polsat Capital Group and evaluated possibilities of allocating the expected cash resources of the Group with an aim to pay out a stable and predictable dividend stream to its shareholders in medium term. Based on the conducted analysis, the Management Board intends to recommend for 2019-2021 the dividend payout in the total amount of not less than PLN 2.79 per share in three equal installments as follows:

1. at least PLN 0.93 per share to be paid out in 2019;
2. at least PLN 0.93 per share to be paid out in 2020;
3. at least PLN 0.93 per share to be paid out in 2021.

In parallel, the Management Board notes that every time when presenting a proposal for distribution of the profit for the previous year it will take into account the Group's net profit, financial standing and liquidity, existing and future liabilities (including potential restrictions related to facility agreements and other financial documents), the assessment of the Group's prospects in specific market and macroeconomic conditions, potential necessity of spending funds for the Group's development, in particular through acquisitions and embarking on new projects, one-off items, as well as valid legal regulations.

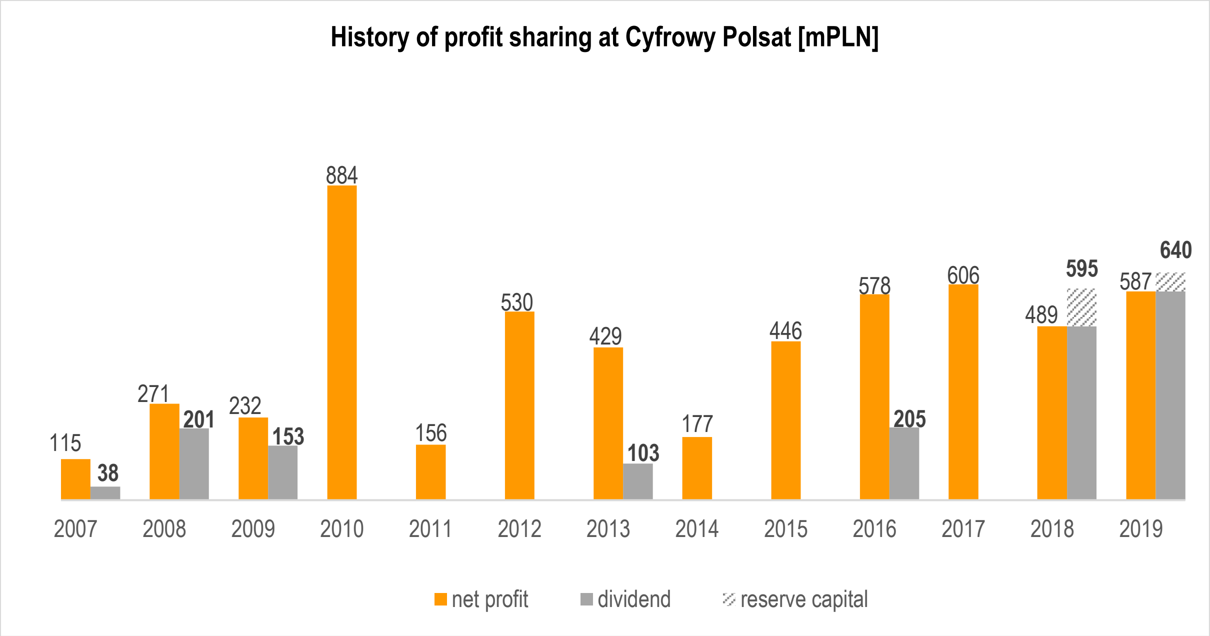
The dividend policy will be subject to regular verification by the Company's Management Board. In particular, the Management Board expects modification to the aforementioned dividend policy following the refinancing of Polsat Group's debt which is expected in 2022.

The new dividend policy will take effect from April 1, 2019."

Distribution of net profit of Cyfrowy Polsat for 2019

Acting in accordance with resolution no. 27 of the Ordinary General Meeting, held on July 23, 2020, regarding profit distribution, the entire net profit earned by the Company in the financial year ended December 31, 2019 in the amount of PLN 587 million was allocated to the dividend payout. Furthermore, an amount of PLN 53 million from the reserve capital created from the profits earned in previous years was also allocated to the dividend payout. The total amount of the dividend was PLN 640 million, i.e., PLN 1.00 per share.

The proposed distribution of profits is in line with the Group's dividend policy, as adopted on March 15, 2019 (see the Company's current report No. 7/2019 dated March 15, 2019).


History of profit sharing at Cyfrowy Polsat [mPLN]
115
38
271
201
232
153
884
156
530
429
103
177
446
578
205
606
489
595
587
640
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
net profit
dividend
reserve capital

8. Corporate governance Statement

8.1. Principles of corporate governance which the Company issuer is subject to

In 2020, Cyfrowy Polsat S.A was subject to the set of principles of corporate governance outlined in the "Best Practices of WSE Listed Companies in 2016" ("Best Practices 2016"), constituting an appendix to resolution No. 26/1413/2015 of the Council of WSE of October 13, 2015. The rules set out in the Best Practices 2016 came into force on January 1, 2016. The document is available on the official website of the Warsaw Stock Exchange dedicated to the issues of the corporate governance of listed companies, at http://corp-gov.gpw.pl.

Application of principles of corporate governance

The Management Board of the Company has adopted the recommendations and principles specified in the Best Practices 2016. In 2020, the Company did not comply with recommendations III.R.1., IV.R.2., VI.R.1., VI.R.2., VI.R.3. and the detailed principles included in items I.Z.1.3., II.Z.7., III.Z.2., III.Z.4., III.Z.5., V.Z.6., VI.Z.4. At the same time, the Management Board decided that the recommendations and detailed principles, marked as items III.Z.6., VI.Z.1. and VI.Z.2. do not apply to the Company.

As of the date of approval of this Report, e.g., March 24, 2021, the Company complied with the recommendations included in items I.Z.1.3 and VI.Z.4.

In 2020, the Company did not comply or complied partially with the listed below recommendations and detailed principles included in the Best Practices 2016:

- **Principle I.Z.1.3.**, requiring the publication on the company's website of a chart describing the division of responsibilities for individual areas of the company's activity among management board members. In the past years the Company did not publish such a chart due to the fact that the division of responsibilities within the Management Board was not formulated in a clear and transparent manner as the Commercial Companies Code provides that in a joint stock company matters are managed by the Management Board in a collective manner, while a formal division of duties can be introduced optionally. As of the date of publication of this Report, the Company complies with the above mentioned principle.

- **Principle II.Z.7.** regarding the application of the provisions of Annex I to the Commission Recommendation 2005/162/EC of February 15, 2005 with respect to the tasks and the operation of the committees of the Supervisory Board. Within the Company's Supervisory Board there are two standing committees operating: the Audit Committee and the Remuneration Committee. The Company does not fulfill all the detailed requirements regarding the functioning of supervisory board committees as indicated in the above mentioned Annex I to the Commission Recommendation.

  Principles governing the creation, composition and operations of specific committees of the Supervisory Board of the Company are set out in § 7 of the Supervisory Board By-laws. Moreover, the provisions of the Bylaws of the Audit Committee apply to meetings, resolutions, and minutes of the Audit Committee.

  At the current stage of operations of the Supervisory Board Committees, the Company do not see the justification for introducing more detailed regulations governing the functioning of these committees.

- **Recommendation III.R.1.** stating that the company's structure should include separate units responsible for the performance of tasks in individual systems or functions, (that is internal control, risk management and compliance systems, as well as an internal audit function). An Internal Audit and Internal Control unit operates in the Company. No organizational units responsible for tasks related to risk management and compliance have been set up within the Company's structure. Nonetheless, relevant internal processes and procedures have been implemented and are in place to guarantee effective financial and operational risk management as well as monitoring the compliance of the Company's operations with regulations in force. In the Management Board's opinion, the internal regulations and processes covering risk management function properly and effectively, and setting up of dedicated units responsible for risk management and compliance will not improve the efficiency of these processes and procedures in a substantial degree. At the same time, the Management Board is of the opinion that the cost associated with setting up and maintaining the above-mentioned organizational units will be incommensurate to the benefits offered by them.

Due to the fact that the Company has not implemented centralized, formal risk and compliance management systems, the Company does not apply **the principles marked as III.Z.2., III.Z.4. and III.Z.5.** to those systems. The Company applies the principle III.Z.2 with regard to persons responsible for internal audit. The person responsible for internal audit in the Company reports directly to the Chief Financial Officer and has the right to communicate directly with the Audit Committee. Once per year the Management Board and the person responsible for internal audit asses independently the functioning of the internal control system and the internal audit function and present their assessment to the Supervisory Board.

Numerous internal procedures and processes are in place in the Company with regard to operational and financial risk management, including the process of drafting of financial statements. These procedures ensure effective identification and monitoring of various types of risks at the level of respective organizational units and they also provide for actions to be taken in the event a given risk materializes. High level managers in charge of the areas covered by respective procedures are responsible for ensuring effective and correct functioning of these procedures.

In spite of the lack of a centralized compliance system, the control of the Company's compliance with legal regulations in respective areas is regulated by internal corporate regulations and takes place at the level of individual organizational units, which deal with a relevant area of activity.

The Management Board carries out on-going verification of the correctness of functioning of internal processes in the areas of risk management and regulatory compliance, and takes necessary actions when needed. The Supervisory Board, and in particular the Audit Committee, monitors and evaluates the effectiveness of functioning of internal processes with regard to operational and financial risk management, including the process of drafting of financial statements, based on documents and reports submitted by the Management Board and the person responsible for internal audit as well as other information obtained during the daily business activities of the Supervisory Board.

- **Recommendation IV.R.2.** stating that the company should enable its shareholders to participate in a General Meeting using means of electronic communication, in particular through:

  – real-time broadcast of the General Meeting;
  – real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting;
  – exercise of the right to vote during a General Meeting either in person or through a plenipotentiary.

  The Company ensures real-time broadcasts of General Meetings and the recordings of the meetings are published on the Company's website. In parallel, the Company does not ensure real-time bilateral communication where shareholders might take the floor during a General Meeting from a location other than the General Meeting. Furthermore, the Company does not ensure the exercise of the right to vote using electronic means of communication. Ensuring the smooth running and the correctness of passing resolutions by the General Meeting are the priorities of the Management Board. The adopted practice of holding General Meetings is aimed at reducing risk of organizational and technical problems, which may disturb the smooth running of the General Meeting, as well as a risk of possible questioning of the resolutions passed by the General Meeting, in particular due to the occurrence of technical defects. Furthermore, domestic and foreign investors have not reported to the Company their interest or need of organizing General Meetings in this form. In view of the above, the Management Board decided not to apply the said recommendation in full.

- **Principle V.Z.6.** stating that in its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company. The Company's internal regulations related to prevention, identification and solving of conflicts of interests do not meet in full the requirements of principle V.Z.6. In particular, they do not include a list of criteria and circumstances under which a conflict of interest may arise in the Company. In accordance with § 3 item 4 of the Supervisory Board By-laws and § 3 item 3 of the Management Board Bylaws, a Supervisory Board Member or a Management Board Member should inform the Supervisory Board, or both the Management Board and the Supervisory Board - in the case of a Management Board Member - of any existing conflict of interests, or the possibility of its emergence, and such an individual should refrain from participation in discussions or voting on resolutions related to a matter in which there exists a conflict of interests. Furthermore, the Remuneration Policy for the Management Board and Supervisory Board Members adopted by the Company includes corresponding provisions with regard to avoiding conflict of interests in the area of the remuneration policy. In the opinion of the Company's Management Board, current internal regulations properly address the principles of conduct in a situation of conflict of interests.

- **Recommendation VI.R.1.** stating that the remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

  The Company complies to the recommendation VI.R.1 with regard to the Management and Supervisory Board Members on the basis of the Remuneration Policy for the Management Board and Supervisory Board Members adopted on July 23, 2020. The Company does not comply to the recommendation VI.R.1 with regard to key managers due to the fact that a formalized remuneration policy covering key managers has not been implemented in the Company. Nevertheless, individual corporate documents and internal regulations, the particular the Remuneration Regulations, define the form, the structure and the manner of determining the remuneration of employees of the Company by the Management Board, thus covering also key managers.

- **Recommendation VI.R.2.,** stating that the remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

  The Company will not comply with recommendation VI.R.2. with regard to tying it to the short- and long-term goals and results. The adopted Remuneration Policy aims to ensure sustained growth of the Company's value whose achievement by the Management Board and the Supervisory Board requires, among others, setting up of a relevant structure of remuneration of the members of the Management Board and the Supervisory Board on account of their overall duties. The aim is accomplished by restricting the remuneration of these individuals to a fixed part, allowing them to perform their duties concerning the overall operations of the Company, without focusing on the pursuit of selected specific goals only.

  The Remuneration Policy for the Management Board and Supervisory Board Members of Cyfrowy Polsat is based on a general assumption that market volatility, the social and economic situation as well as the need for a flexible response to the emerging risks and business opportunities provide no justification for setting fixed goals. The required flexible response to the changing situation and to the emerging challenges is assured – in the case of Management Board Members – by potential bonuses that can be awarded to them. Such a solution offers flexibility in terms of assuring stable operations of the Company and achievement of its long-term interests.

- **Recommendation VI.R.3.** stating that if the supervisory board has a remuneration committee, principle II.Z.7. applies to its operations. A Remuneration Committee operates as a standing committee of the Supervisory Board. However, the Company does not fulfill all the detailed requirements related to functioning of the Remuneration Committee as listed in Annex I to the Commission Recommendations discussed in principle II.Z.7.

  Principles governing the creation, composition and operations of specific committees of the Supervisory Board are set out in § 7 of the Supervisory Board By-laws. At the current stage of operations of the Supervisory Board Committees, Company authorities do not see the justification for introducing more detailed regulations governing the functioning of the Remuneration Committee.

- In its reports on activities of Cyfrowy Polsat and Polsat Group in 2019 the Company did not comply with **Principle VI.Z.4.,** regarding providing of general information on the Company's remuneration policy, due to the fact that the Company adopted its formalized Remuneration Policy for the Management Board and Supervisory Board Members in July 2020. The Company published relevant information on the remuneration policy in the report on the Cyfrowy Polsat and Polsat Group activities in the financial year 2020, thus as of the date of publishing this Report the said principle is applied.

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8.2. Internal control systems and risk management applied with respect to the process of preparing financial statements

The Management Board is responsible for our internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations.

We draw on our employees' extensive experience in the identification, documentation, recording and controlling of economic operations, including numerous control procedures supported by modern information technologies used for recording, processing and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, we apply Accounting Policies for Cyfrowy Polsat S.A. Group and various internal procedures relating to transaction control systems and processes resulting from the activities of the Company and the Group.

We keep our accounts in the computer systems integrated with the underlying source systems and auxiliary books. We ensure data security through the use of access rights on the need-to-know basis granted to authorized users. Systems operations are assured by the specialists with extended experience in this field. In addition, the system security is ensured by applying the appropriate solutions for physical security of the equipment. We have a complete IT system documentation in all its areas. In accordance with Article 10 of the Polish Accounting Act of September 29, 1994, the accounting information systems documentation is periodically reviewed and updated upon approval by heads of units.

An important element of risk management, in relation to the financial reporting process, is ongoing internal control exercised by the Finance and Controlling Department. The Internal Audit Department conducts an independent verification of functioning of the internal control system and, as such, complements its efficient operation.

The Internal audit functions on the basis of the Audit Charter adopted by the Management Board and the Audit Committee of the Supervisory Board. Its primary task is to test and evaluate controls for the reliability and consistency of financial data underlying the preparation of financial statements and management information.

The Controlling department functions on the basis of financial controlling system and business controlling system, and exercises control over both the current processes and the implementation of financial and operational plans, and preparation of financial statements and reports.

An important element of quality control and data review is the use of management standalone and consolidated reporting system, as well as regular monthly analysis of financial and operational performance and key indicators performed by the Management Board. The monthly results analysis is carried out in relation to both the current financial and operational plan and the prior period results.

The budgetary control system is based on monthly and annual financial and operational plans and long-term business projections. Both financial and operating results are monitored regularly in relation to the financial and operational plans. During the year, we perform additional reviews of the financial and operational plans for the year if such need arises. The financial and operational plans are always adopted by the Management Board and approved by the Supervisory Board.

One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms, which guarantee a high standard of service and independence. The Supervisory Board of the Company chooses the Company's auditor. In the subsidiaries, the auditor is chosen by either the Supervisory Board, the General Meeting or the Meeting of Shareholders. The tasks of the independent auditor include, in particular: a review of semi-annual standalone and consolidated financial statements and audit of annual standalone and consolidated financial statements. Auditor's independence is fundamental to ensure the accuracy of the audit.

The Audit Committee, appointed within the Company's Supervisory Board, supervises the financial reporting process in the Company. The Audit Committee oversees the financial reporting process, in order to ensure sustainability, transparency and integrity of financial information. As at the date of approval of this Report, two out of three Members of the Audit Committee meet the independence criteria set out in the Best Practices 2016 in section II.Z.4. and the requirements listed in article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Moreover, under article 4a of the Polish Accounting Act of 29 September 1994 of the accounting act, the duties of the Supervisory Board include ensuring that the financial statements and the report on activities meet the requirements of the law, and the Supervisory Board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the standalone and consolidated financial statements.

8.3. Share capital and shareholding structure of Cyfrowy Polsat

8.3.1. Shareholders with qualifying holdings of shares of Cyfrowy Polsat

The table below presents Shareholders of Cyfrowy Polsat S.A. holding at least 5% of votes at the General Meeting of Cyfrowy Polsat S.A.as at the date of approval of this Report, i.e. March 24, 2021. Data included in the table is based on information received from shareholders on March 15, 2021 pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws 2019, item 623).

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	**372,596,215**	**58.26%**	**532,313,726**	**65.00%**
TiVi Foundation, including through:	*306,432,094*	*47.91%*	*466,149,605*	*56.92%*
Reddev Investments Limited	*306,432,084*	*47.91%*	*466,149,585*	*56.92%*
Embud 2 Sp. z o.o. S.K.A.	64,011,733	10.01%	64,011,733	7.82%
Tipeca Consulting Limited(1)	2,152,388	0.34%	2,152,388	0.26%
Others	**266,949,801**	**41.74%**	**286,649,791**	**35.00%**
Total	**639,546,016**	**100.00%**	**818,963,517**	**100.00%**

(1) Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act.

Changes in the structure of ownership of significant number of shares of the issuer in the period since the publication of the last periodic report

From the date of publication of the previous interim report, i.e. November 10, 2020 (report for the third quarter of 2020), until the date of approval of this Report, i.e. March 24, 2021, the Company received notifications pursuant to Article 69 of the Act on Public Offering from Mr. Zygmunt Solorz, TiVi Foundation and Reddev Investments Limited.

Mr. Zygmunt Solorz

In accordance with the notification received on March 15, 2021, the Company was informed about a change in the share in the total number of votes at the Company held by Mr. Solorz indirectly through an entity controlled by him, which took place on March 10, 2021 following the conclusion of transactions described below, i.e., the acquisition by Reddev, a subsidiary of TiVi Foundation, an entity controlled by Mr. Solorz, of 8,351,797 ordinary bearer shares of Cyfrowy Polsat,

Prior to the above mentioned transactions Mr. Zygmunt Solorz held indirectly 364,244,418 shares of the Company, constituting in total 56.95% of the share capital of the Company and carrying the right to exercise 523,961,929 votes at the Company's general meeting, representing 63.98% of the total number of votes at the Company's general meeting, in such a way that:

(i) TiVi Foundation held:

a. directly, 10 registered, privileged with respect to votes shares of the Company, constituting 0.0000016% of the share capital of the Company and carrying the right to exercise 20 votes at the Company's general meeting, representing 0.0000024% of the total number of votes at the Company's general meeting, and

b. indirectly, through Reddev, 298,080,287 shares of the Company, constituting 46.61% of the share capital of the Company, carrying the right to exercise 457,797,788 votes at the Company's general meeting, representing 55.90% of the total number of votes at the Company's general meeting, including:

i. 159,717,501 registered, privileged with respect to votes shares of the Company, constituting in total 24.97% of the share capital of the Company, carrying the right to exercise 319,435,002 votes at the

Company's general meeting, representing 42.72% of the total number of votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting;

ii. 138,362,786 ordinary bearer shares of the Company, constituting in total 21.63% of the share capital of the Company, carrying the right to exercise 138,362,786 votes at the Company's general meeting, representing 16.89% of the total number of votes at the Company's general meeting;

(ii) Embud 2 spółka z ograniczoną odpowiedzialnością S.K.A., an entity indirectly controlled by Mr. Solorz, held directly 64,011,733 ordinary bearer shares of the Company constituting in total 10.01% of the share capital of the Company, carrying the right to exercise 64,011,733 votes at the Company's general meeting, representing 7.82% of the total number of votes at the Company's general meeting;

and accounting for the shares held directly by Tipeca Consulting Limited which, pursuant to Art. 87 Section 4 Item 1 of the Public Offering Act, is under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act, and which held 2,152,388 ordinary bearer shares of the Company, constituting in total 0.34% of the share capital of the Company, carrying the right to exercise 2,152,388 votes at the Company's general meeting, representing 0.26% of the total number of votes at the Company's general meeting.

Following the above mentioned transactions Mr. Zygmunt Solorz holds indirectly 372,596,215 shares of the Company, constituting in total 58.26% of the share capital of the Company and carrying the right to exercise 532,313,726 of the total number of votes at the Company's general meeting, in such a way that:

(i) TiVi Foundation holds:

a. directly 10 registered, privileged with respect to votes shares of the Company, constituting in total 0.0000016% of the share capital of the Company, carrying the right to exercise 20 votes at the Company's general meeting, representing 0.0000024% of the total number of votes at the Company's general meeting, and;

b. indirectly, through Reddev, 306,432,084 shares of the Company, constituting 47.91% of the share capital of the Company, carrying the right to exercise 466,149,585 votes at the Company's general meeting, representing 56.92% of the total number of votes at the Company's general meeting, including:

i. 159,717,501 registered, privileged with respect to votes shares of the Company, constituting in total 24.97% of the share capital of the Company, carrying the right to exercise 319,435,002 votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting, and

ii. 146,714,583 ordinary bearer shares of the Company, constituting 22.94% of the share capital of the Company, carrying the right to exercise 146,714,583 votes at the Company's general meeting, representing 17.91% of the total number of votes at the Company's general meeting;

(ii) Embud 2 spółka z ograniczoną odpowiedzialnością S.K.A. holds directly 64,011,733 ordinary bearer shares of the Company, constituting in total 10.01% of the share capital of the Company, carrying the right to exercise 64,011,733 votes at the Company's general meeting, representing 7.82% of the total number of votes at the Company's general meeting;

and accounting for the shares held directly by Tipeca Consulting Limited, which, pursuant to Art. 87 Section 4 Item 1 of the Public Offering Act, is under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act, and which held 2,152,388 ordinary bearer shares of the Company, constituting in total 0.34% of the share capital of the Company, carrying the right to exercise 2,152,388 votes at the Company's general meeting, representing 0.26% of the total number of votes at the Company's general meeting.

TiVi Foundation

In accordance with the notification received on March 15, 2021, the Company was informed about an indirect acquisition by TiVi Foundation in the period between March 17, 2020 and March 10, 2021, through Reddev, a direct subsidiary of TiVi Foundation, of 8,351,797 ordinary bearer shares of Cyfrowy Polsat, constituting 1.31% of the share capital of the Company and carrying the right to exercise 8,351,797 votes at the general meeting of the Company, representing 1.02% of the total number of votes at the general meeting of the Company.

Prior to the above mentioned transactions TiVi Foundation held directly and indirectly 298,080,297 shares of the Company constituting 46.61% of the share capital of the Company and carrying the right to exercise 457,797,808 votes at the Company's general meeting, representing 55.90% of the total number of votes at the Company's general meeting, including:

a) directly, 10 registered, privileged with respect to votes shares of the Company, constituting 0.0000016% of the share capital of the Company and carrying the right to exercise 20 votes at the Company's general meeting, representing 0.0000024% of the total number of votes at the Company's general meeting, and
b) indirectly, through Reddev, 298,080,287 shares of the Company, constituting 46.61% of the share capital of the Company, carrying the right to exercise 457,797,788 votes at the Company's general meeting, representing 55.90% of the total number of votes at the Company's general meeting. The above shares consist of:
    (i) 159,717,501 registered, privileged with respect to votes shares of the Company, constituting 24.97% of the share capital of the Company and carrying the right to exercise 319,435,002 votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting, and
    (ii) 138,362,786 ordinary bearer shares of the Company, constituting 21.63% f the share capital of the Company and carrying the right to exercise 138,362,786 votes at the Company's general meeting, representing 16.89% of the total number of votes at the Company's general meeting.

Following the transactions TiVi Foundation n currently holds directly and indirectly 306,432,094 shares of the Company, which constitutes 47.91% of the share capital of the Company and entitles to exercise 466,149,605 votes at the Company's general meeting, representing 56.92% of the total number of votes at the Company's general meeting, including:

a) directly, 10 registered, privileged with respect to votes shares of the Company, constituting 0.0000016% of the share capital of the Company and carrying the right to exercise 20 votes at the Company's general meeting, representing 0.0000024% of the total number of votes at the Company's general meeting, and
b) indirectly, through Reddev, 306,432,084 shares of the Company, constituting 47.91% of the share capital of the Company, carrying the right to exercise 466,149,585 votes at the Company's general meeting, representing 56.92% of the total number of votes at the Company's general meeting. The above shares consist of:
    (i) 159,717,501 registered, privileged with respect to votes shares of the Company, constituting 24.97% of the share capital of the Company and carrying the right to exercise 319,435,002 votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting, and
    (ii) 146,714,583 ordinary bearer shares of the Company, constituting 22.94% of the share capital of the Company and carrying the right to exercise 146,714,583 votes at the Company's general meeting, representing 17.91% of the total number of votes at the Company's general meeting.

Reddev

In accordance with the notification received on March 15, 2021, the Company was informed about a change in Reddev's direct share in the total number of votes in the general meeting of the Company, which took place on March 10, 2021 as a result of a direct acquisition by Reddev in the period between March 17, 2020 and March 10, 2021 of 8,351,797 ordinary bearer shares of the Company, constituting 1.31% of the share capital of the Company and carrying the right to exercise 8,351,797 votes at the General Meeting of the Company at the Company's general meeting, representing 1.02% of the total number of votes at the general meeting.

Prior to the above mentioned transactions Reddev held directly 298,080,287 shares of the Company, constituting 46.61% of the share capital of the Company and carrying the right to exercise 457,797,788 votes at the Company's general meeting, representing 55.90% of the total number of votes at the general meeting. The above shares consisted of:

(i) 159,717,501 registered, privileged with respect to votes shares of the Company, constituting 24.97% of the share capital of the Company, carrying the right to exercise 319,435,002 votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting, and

(ii) 138,362,786 ordinary bearer shares of the Company, constituting 21.63% of the share capital of the Company, carrying the right to exercise 138,362,786 votes at the Company's general meeting, representing 16.89% of the total number of votes at the Company's general meeting.

Following the transactions Reddev holds directly 306,432,084 shares of the Company, which constitutes 47.91% of the share capital of the Company and entitles to exercise 466,149,585 votes at the Company's general meeting, representing 56,92% of the total number of votes at the Company's general meeting. The above shares consist of:

(i) 159,717,501 registered, privileged with respect to votes shares of the Company, constituting 24.97% of the share capital of the Company, carrying the right to exercise 319,435,002 votes at the Company's general meeting, representing 39.00% of the total number of votes at the Company's general meeting, and

(ii) 146,714,583 ordinary bearer shares of the Company, constituting 22.94% of the share capital of the Company, carrying the right to exercise 146,714,583 votes at the Company's general meeting, representing 17.91% of the total number of votes at the Company's general meeting.

8.3.2. Information on material agreements, which can result in a change in the proportion of shares held by hitherto shareholders in the future

As at the date of approval of this Report, i.e. March 24, 2021, the Company did not have any information on agreements which can result in a change in the proportion of shares held by hitherto shareholders in the future.

8.3.3. Shares of Cyfrowy Polsat held by Members of the Management Board and the Supervisory Board

To the Company's best knowledge Members of the Management Board did not hold any shares of the Company, directly or indirectly, as at the date of approval of this Report, i.e. March 24, 2021 as well as at the date of publication of the previous interim report, i.e. November 10, 2020 (report for the third quarter of 2020).

The table below presents the number of shares of Cyfrowy Polsat S.A. which, according to the Company's best knowledge, were held, directly or indirectly, by Members of the Company's Supervisory Board as at the date of approval of this Report, i.e. March 24, 2021, along with changes in shareholdings from the date of publication of the previous interim report, i.e. November 10, 2020 (report for the third quarter of 2020).

Name and Surname	Function	Holding as at November 10, 2020	Increases	Decreases	Holding as at March 24, 2021
Mr. Marek Kapuściński	Chairman of the Supervisory Board	22,150	-	-	22,150
Mr. Aleksander Myszka	Member of the Supervisory Board	56,886	-	-	56,886
Mr. Tomasz Szeląg(1)	Member of the Supervisory Board	25,500	-	-	25,500

(1) Tomasz Szeląg holds the Company's shares indirectly, through Pigreto Ltd.

To the Company's best knowledge the remaining Members of the Supervisory Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. March 24, 2021, nor at the date of publication of the previous interim report, i.e. November 10, 2020 (report for the third quarter of 2020).

8.3.4. Securities with special controlling rights

Current shareholders do not have any rights in the General Meeting of Shareholders other than those resulting from holding the Company's shares. As at December 31, 2020 the shares of the A through D series are shares preferential as to the voting rights in the way that:

- Series A shares totaling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series B shares totaling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series C shares totaling 7,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series D shares totaling 166,917,501 numbered 1-166,917,501 have preferential voting rights entitling their holder to two voting rights per share.

8,082,499 D Series shares, numbered 166,917,502-175,000,000; 75,000,000 E Series shares; 5,825,000 F Series shares, 80,027,836 H Series shares, 47,260,690 I Series shares and 243,932,490 J Series shares are ordinary bearer shares.

8.3.5. Limitations related to shares

There are no limitations to the exercise of voting rights in the Company.

Except for the limitations regarding our securities ownership rights transfer resulting from the general provisions of the law there are no other limitations, in particular contractual limitations, regarding our securities ownership rights transfer.

8.4. Rules of amending the Articles of Association of the Company

An amendment to the Articles of Association of the Company requires a resolution of the General Shareholders' Meeting and a registry in the Court register. The general provisions of law, the Articles of Association and the Bylaws of the General Shareholders' Meeting govern the procedure for adopting resolutions regarding amendments to the Articles of Association.

Pursuant to the provisions of the Articles of Association and taking into account the provisions of art. 417 § 4 of the Commercial Companies Code, an amendment to the Articles of Association may take place without a share buyback.

8.5. General Shareholders' Meeting

The General Shareholders' Meeting acts pursuant to the provisions of the Commercial Companies' Code, the Articles of Association, and the Bylaws of General Shareholders' Meeting adopted by Resolution 6 of the Extraordinary Shareholders' Meeting dated December 4, 2007 and amended by Resolution 29 of the Extraordinary Shareholders' Meeting dated April 23, 2009.

The General Shareholders' Meeting adopts resolutions regarding, in particular, the following issues:

a) reviewing and approving the Management Board Report and the report of the Supervisory Board as well as the financial statements of the Company for the preceding accounting year and the consolidated financial statements,

b) decisions on dividing the profit or on the manner of covering the losses,

c) acknowledgement of the fulfilment of duties by the Supervisory Board Members and Management Board Members,

d) establishing the remuneration of Supervisory Board Members, subject to the provision of Article 18 sec. 3 c) of the Articles of Association, i.e., determining the amount of remuneration of Supervisory Board Members delegated to perform temporarily the tasks of a Management Board Member,

e) amending the Articles of Association,

f) modifying the scope of the Company's operations,

g) increasing or decreasing share capital,

h) merging, dividing, or transforming the Company,

i) winding up and liquidating the Company,

j) issuing convertible bonds or senior bonds as well as issuing subscription warrants,

k) selling or leasing the enterprise, its organised part or property components constituting a significant part of the enterprise as well as establishing limited rights *in rem* in the aforementioned scope,

l) granting consent to any acquisition and sale of real property, perpetual usufruct right or interest in real property, as well as granting consent to establishing a limited right *in rem* on real property, perpetual usufruct right or interest in real property with a value exceeding the 0.2% ratio of the Company's unit EBITDA for the preceding accounting year as stipulated in Article sec. 3.19 of the Articles of Association,

m) any and all issues connected with claims for remedying a loss caused upon the formation of the Company or in the course of its management or supervision.

As of January 1, 2025, the General Shareholders Meeting shall not be entitled to grant consent to the Company incurring any liability whatsoever if incurring it may result in the debt ratio, expressed as the ratio of the Group's net debt to EBITDA, exceeding a threshold of 2.0x.

The General Meeting shall be attended by persons who are shareholders of the Company sixteen days prior to the date of the General Meeting (the day of registration for participation in the General Meeting). The date of registration for participation in the General Meeting is consistent for bearer shares and registered shares holders. Holders of registered shares and interim certificates and lienors and users who have the right to vote, are entitled to participate in the General Meeting of the Company, provided they are entered in the register of shareholders on the day of registration for participation in the General Meeting.

A shareholder, being a natural person, is entitled to participation in the General Shareholders' Meeting and execution of voting rights in person, or through a proxy. A shareholder, being a legal entity, is entitled to participation in the General Shareholders' Meeting and execution of voting rights through a person authorized to make representations of intent on its behalf, or through a proxy.

The power of attorney to attend the General Meeting and exercise voting rights requires a written or an electronic form. The shareholder must notify the Company about electronically granting the power of attorney by sending the information specifying the Shareholder and the Shareholder's proxy, including the name and surname or company (the name) and address (seat), and indicating the number of shares and votes, of which the proxy is authorized to exercise to the address: akcjonariusze@cyfrowypolsat.pl.

The General Meeting should be attended by Members of the Management Board and Supervisory Board - in the composition which allows for substantive answers to the questions posed during the General Meeting.

The General Meeting shall be opened by the Chairperson or, in his/her absence, the Deputy Chairperson of the Supervisory Board (if appointed). In their absence, the General Meeting shall be opened by the President of the Management Board or a person nominated by the President. Next, the General Meeting shall appoint the Chairperson of the Meeting from among persons authorised to participate in the General Meeting.

Each participant in the General Meeting is entitled to be elected the Chairman of the General Meeting, and also nominate one person as candidate to the position of Chairman of the General Meeting. Decisions shall not be made until Chairman of the General Meeting is elected.

The Chairman of the General Meeting directs proceedings in accordance with the agreed agenda, provisions of law, the Articles of Association and the By-laws, and in particular: giving the floor to speakers, ordering voting and announcing the results thereof. The Chairman ensures efficient proceedings and respecting of the rights and interests of all Shareholders. The Chairman may decide on issues of the order of the agenda.

After creation and signing of the attendance list the Chairman approves that the Shareholders' Meeting has been called in a proper manner and is authorized to pass resolutions; presents the agenda and orders the selection of the Ballot Committee.

The General Meeting may pass a motion regarding nonfeasance of voting over an item on the agenda, and also on adjourning the order of issues on the agenda. However, removing an item from the agenda, or its adjourning upon the request of shareholders, requires prior consent of all the shareholders present who have forwarded such a motion, supported by a majority of votes of the General Meeting. Motions regarding the aforementioned issues shall be justified in detail.

The Chairman, after opening an item on the agenda, may give the floor in order of application to speakers. In the event of a significant number of applications the Chairman may set a time limit or limit the number of speakers. The floor may be taken regarding items on the agenda and currently under discussion only. The Chairman may give the floor outside of the order of application to the Members of the Management Board or Supervisory Board, and also to the Company experts called by them.

The Meeting may not pass resolutions regarding items that are not on the agenda unless all the share capital is represented in the General Meeting and none of the present in the Meeting raises any objections as to the adoption of a resolution.

Voting shall proceed in a manner adopted by the General Meeting using a computerized system of casting and counting votes, ensuring that votes are cast in the number corresponding to the number of shares held and - in case of a secret ballot - allowing to eliminate the possibility of detecting the manner of voting by individual shareholders.

Subject to mandatory provisions of law, the General Meeting shall be valid if attended by shareholders representing jointly more than 50% of the total number of votes in the Company. The resolutions of the General Meeting shall be adopted by an absolute majority of votes cast, unless the provisions of the Commercial Companies' Code of or the provisions of Company's Articles of Association provide for a greater majority.

As at December 31, 2020 the shareholders participating in the General Meeting had the number of votes corresponding to the number of shares held, with the stipulation that shares listed in item 8.3.4. – *Securities with special controlling rights* – are preferential in such a way that each of them entitles to casting two votes at the General Meeting.

The Chairman of the General Meeting closes the General Meeting upon exhausting its agenda.

8.6. Management Board of the Company

8.6.1. Rules regarding appointment and dismissal of the management

Pursuant to article 14 of the Articles of Association of the Company the Management Board consist of one or more members, including the President of the Management Board. The President of the Management Board shall be appointed and dismissed by TiVi Foundation with its registered office in Vaduz, Liechtenstein as a personal right vested in that shareholder. The remaining Management Board Members shall be appointed and dismissed by the Supervisory Board. The number of Management Board Members in any given term of office shall be determined by the Supervisory Board. The term of office of the Management Board is joint and lasts three years.

The Management Board of the Company shall consist in their majority of persons holding Polish citizenship. Prior to their appointment, the Company's Management Board Members are required to submit a written statement that they have familiarised themselves with the Company's Articles of Association, the By-laws of the Management Board, the By-laws of the Supervisory Board, the Company's Organisational Regulations, Work Regulations, and Employee Remuneration Rules, and that they undertake to strictly observe and apply them.

8.6.2. Composition of the Management Board and changes in 2020

As at January 1, 2020 the Management Board comprised the following Members:

- Mirosław Błaszczyk – President of the Management Board,
- Maciej Stec – Vice President of the Management Board
- Jacek Felczykowski - Member of the Management Board,
- Aneta Jaskólska - Member of the Management Board,
- Agnieszka Odorowicz - Member of the Management Board,
- Katarzyna Ostap-Tomann - Member of the Management Board.

In 2020 there were no changes to the composition of the Management Board.

The following table presents names, surnames, functions, dates of appointment and dates of expiry of the current term of particular Members of the Management Board as at December 31, 2020.

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Mirosław Błaszczyk	President of the Management Board	2019	2019	2022
Maciej Stec	Vice-President of the Management Board	2014	2019	2022
Jacek Felczykowski	Member of the Management Board	2019	2019	2022
Aneta Jaskólska	Member of the Management Board	2010	2019	2022
Agnieszka Odorowicz	Member of the Management Board	2016	2019	2022
Katarzyna Ostap-Tomann	Member of the Management Board	2014	2019	2022

Mirosław Błaszczyk has been President of the Management Board of Cyfrowy Polsat S.A since April 2019. He is also President of the Management Board of Polkomtel Sp. z o.o. (since April 2019), Supervisory Board Member of Telewizja Polsat Sp. z o.o. and Muzo FM Sp. z o.o. and holds a position of Member of the Council of the Polsat Foundation. Earlier, in 2007-2019, has served as President of the Management Board of Telewizja Polsat Sp. z o.o., and, until March 2019, as President of the Management Board of Lemon Records sp. o.o. and Eska TV S.A.

From 1984 to 1988 he worked as director at Wrocław University of Technology, later he worked for a year as Assistant to President and Sales Representative of the company "Intersoft", next, from 1990 to 1991, as Sales Representative in Munich-based company "Ampol". From 1992 he worked for Przedsiębiorstwo Zagraniczne "Solpol"; until 1993 as Deputy Director, and later as Director of Legal Office. In 1994 he joined Telewizja Polsat, where, until 2007, he held the position of Director of Management Board Office and served as Proxy. At the same time, from March 2005 to September 2006, he was Deputy General Director of Polska Telefonia Cyfrowa Sp. z o.o. Mr. Błaszczyk also served in the past as Member of the Supervisory Boards in, among others, Plus Bank S.A. and Elektrim S.A.

Mr. Mirosław Błaszczyk graduated from the German Faculty at the Wrocław University.

Maciej Stec has been Vice President of the Management Board of Cyfrowy Polsat since April 2019, responsible for strategy and new areas of business development. He has been serving as Member of the Company's Management Board since November 2014. In April 2019 he became Vice-President of the Management Board of Polkomtel and Member of the Supervisory Board of Telewizja Polsat Sp. z o.o. Mr. Stec is Member of the Supervisory Board of Muzo.fm Sp. z o.o. He also holds the function of Management Board Member at Polsat Ltd. and Polsat JimJam Ltd.

In 2007-2019 he was Member of the Management Board and Sales & Foreign Acquisition Director of Telewizja Polsat while in 2018-2019 he served as President of the Management Board of Eleven Sports Network Sp. z o.o. From the beginning of his professional career Mr. Stec was linked with television market. From 1998 he worked, among others, for OMD Poland media house, owned by Omnicom Group, where in the years 1998-2003 he held a position of Managing Director of Brand&Media OMD. From February 2003 to May 2007 he was Managing Director of Telewizja Polsat's advertisement office - Polsat Media Sp. z o.o. (currently Polsat Media Biuro Reklamy Sp. z o.o. Sp.k.).

Mr. Stec graduated from the Management and Marketing Faculty of the Leon Kozminski Academy of Entrepreneurship and Management in Warsaw.

Jacek Felczykowski has been Member of the Management Board of Cyfrowy Polsat since April 2019. He is responsible in the Group for the areas of telecommunication network construction and maintenance as well as for broadly understood technology. Mr. Felczykowski has long-term and versatile experience in company management within the areas of finance and innovative technologies, such as IT and telecommunications. Since 2015 he has been Member of the Management Baord of Polkomtel Sp. z o.o.

In years 2006-2008 he served as President of the Management Board of Centrum Obsługi Wierzytelności Cross Sp. z o.o., and from 2007 to 2008 as Member of the Management Board of TFI Plejada S.A. In years 2008-2010 he managed, as President of the Management Board, NFI Midas S.A., one of the world's pioneers in implementation of fast, mobile Internet in LTE technology. In years 2010-2012 he was President of the Management Board of Sferia S.A. and from 2011 to 2013 he was President of the Management Board of IT Polpager S.A.

Aneta Jaskólska has been has been a Member of the Management Board of Cyfrowy Polsat since July 2010. She is responsible for the Customer Service Department as well as Information Security and Safety Department, including cybersecurity. Ms. Jaskólska is also a Member of the Management Boards of INFO-TV-FM Sp. z o.o., Liberty Poland S.A., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o. and Polkomtel. She serves also as Vice-President of the Clean Poland Program Association.

Between 2004 and 2007 Ms. Jaskólska held the position of Proxy and Director of Legal Department of UPC Polska Sp. z o.o. She was also a Member of the Copyright Committee (Komisja Prawa Autorskiego). She has many years of experience in legal advisory and services to large business entities.

Ms. Jaskólska graduated from the Faculty of Law and Administration at the Warsaw University and completed legal internship with the District Chamber of Legal Advisers in Warsaw, receiving the title of a solicitor. She also graduated from Copyright, Publishing and Press Law Faculty at the Department of Management and Social Communication of the Jagiellonian University.

Agnieszka Odorowicz Member of the Company's Management Board since March 1, 2016 and is responsible for the film production and the management of the Company studios.

From 2001 until 2009 she was an academic staff member at the Department of Trade and Market Institutions at the Cracow Academy of Economics and the author of publications on cultural management and economics as well as the promotion of regions. In the years 2002-2004 the authorities of the Academy appointed her to the position of director of the Development and Promotion Center of the Cracow Academy of Economics. In the years 2003-2004 she acted as deputy Minister of Culture for structural funds, responsible for negotiations with the European Commission regarding the use of EU funds for the development of cultural infrastructure. During the years 1997-2003 she was the artistic director of the International Competition of Contemporary Chamber Music and producer of several dozen shows for public television. In the years 2004-2005 she held the position of Secretary of State at the Ministry of Culture, where she was responsible for the legal and economic departments as well as cooperation with the Parliament. During this period she was the Chairwoman of the inter-ministerial group for the media policy of the State. In the years 2005-2010 she was the first director of the Polish Film Institute. Reelected as director in a competition in 2010, she managed the Polish Film Institute until October 2015. In the years 2014-2015 she served as Member of the Supervisory Board of Polskie Radio S.A.

Ms. Odorowicz is a graduate of the Cracow University of Economics, an economist and a cultural manager. She is a co-author of numerous publications on culture economy. Awarded for her merit for culture, among others with the Officer's Cross of the Order of Polonia Restituta.

Katarzyna Ostap-Tomann has been connected with Cyfrowy Polsat Group since 2009, where she assumed the position of deputy CFO of the Capital Group in 2015, and she has been a Member of the Management Board responsible for the finances of the Group since October 2016. She also holds the position of Member of the Management Baord of Polkomtel Sp. z o.o., INFO-TV-FM Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o. and Polsat License Ltd. She is also a Member of the Supervisory Board of Plus Bank S.A. Earlier, until April 2019, she was also a Member of the Management Board of Telewizja Polsat Sp. z o.o.

She has competence and knowledge in the field of media and telecommunication sectors as well as in accountancy and financial reporting.

In the years 1996–2004 she was employed at various positions at Philip Morris in Poland and in the regional headquarters of the company in Switzerland, where she gained considerable experience in the fields of corporate finance, financial reporting, management accounting and internal audit. In the years 2004-2009 she worked for TVN Group as Financial Controller of the capital group. She was responsible for the preparation of financial statements at the capital group level and internal management reporting. In 2009 she took the position of Director of Controlling at Cyfrowy Polsat, where she became Financial Director in 2012. Since 2011 she has also held the function of Financial Director at Telewizja Polsat, where she was appointed as Member of the Management Board in 2014.

She has been a member of the ACCA since 2001. In 2013-2017 she was a member of the ACCA Council in Poland. Ms. Ostap-Tomann is a graduate of the Warsaw School of Economics with a major in International Economic and Political Relations and also holds the title of MBA from Oxford Brookes University.

8.6.3. Competences and bylaws of the Management Board

In accordance with the Company's Articles of Association, the Management Board conducts the business of the Company and represents it in external relations.

The following are entitled to submit statements on behalf of the Company:

- in the case of one person Management Board – the President of the Management Board acting together with a commercial proxy, and
- in the case of a more numerous Management Board – the President of the Management Board, a Management Board Member, and the commercial proxy acting jointly.

The Management Board operates under legal regulations in force, the Company's Articles of Association, the Bylaws of the Management Board, the Bylaws of the Supervisory Board, the Company's Organisational Regulations, Work Regulations, and Employee Remuneration Rules as well as under the resolutions of the General Shareholders Meeting.

The Management Board performs its obligations collectively whereas each of its Members manages specific areas of the Company's operations within the division of tasks, in accordance with the descriptions included in the biographical notes in item 8.6.2.

All issues related to our management, not restricted by the provisions of the law or the Articles of Association to the competence of the Supervisory Board or the General Meeting, are within the scope of competence of the Management Board.

Decisions regarding an issue or buy back of the Company's shares are within the competence of the General Shareholders' Meeting. The competencies of the Board in respect to the above are limited to the execution of any resolutions adopted by the General Shareholders' Meeting.

In accordance with the provisions of Art. 13 of the Company's Articles of Association, as from January 1, 2025, the Company's Management Board is obliged to manage the business of the Group in such a way that the debt ratio, calculated as the quotient of the Group's net financial debt and EBITDA, never exceeds 2.0x. In the period until December 31, 2024, the Company's Management Board shall be obligated to manage the business of the Group in such a way that a debt ratio not exceeding 2.0x is achieved by December 31, 2024 at the latest. The value of the Group's debt ratio as at December 31, 2024 shall ensue upon the Company's Management Board and the Company's Supervisory Board approving the consolidated financial statements for the accounting year ended on December 31, 2024.

Members of the Management Board may attend the sessions of the Supervisory Board. Furthermore, Members of the Management Board may participate in the sessions of any General Meeting. They provide substantive answers to questions asked during the General Meeting in accordance with the binding laws.

The Management Board conducts the Company's business on the basis of adopted resolutions.

The resolutions of the Management Board are adopted at Management Board's sessions. In extraordinary cases, the resolutions of the Management Board may be adopted without holding a session either in writing or using means of distance communication. Management Board resolutions adopted at a Management Board session are passed by an absolute majority of votes. If the votes are distributed equally, the President of the Management Board has a casting vote. Management Board resolutions may only be adopted if all Management Board Members have been duly notified of a Management Board session and if the session is attended by more than half of the Management Board Members.

Management Board resolutions may be adopted in writing or using means of distance communication if the draft of the resolution has been effectively served to all Management Board Members and the Chairperson of the Supervisory Board, if all Management Board Members take part in the vote, and if an absolute majority of Management Board Members consent to the resolution. Immediately after a resolution is adopted, the President of the Management Board is obliged to deliver it to the Chairperson of the Supervisory Board in the adopted wording together with information on the result of the vote.

Management Board sessions may be attended by the Chairperson of the Supervisory Board and a Supervisory Board Member or Supervisory Board Members appointed by the Chairperson of the Supervisory Board in writing. The President of the Management Board is obliged to notify the Chairperson of the Supervisory Board in writing of the date and agenda of the Management Board session. The aforementioned notification shall be served at least 72 hours prior to the appointed time of the session. In extraordinary cases, said notification may be served within a shorter time-limit upon the written consent of the

Chairperson of the Supervisory Board. Management Board sessions may also be attended by the Company's commercial proxy. The Company's Management Board notifies the commercial proxy of the date of the session and the session agenda.

The Company's Management Board is obliged to maintain the continuity of the commercial power of attorney; in particular, if the commercial power of attorney expires for any reason whatsoever, the Company's Management Board shall be obliged to appoint another commercial proxy immediately. Granting a commercial power of attorney requires the consent of all Management Board Members, subject to the stipulation that it shall only be permitted to grant a commercial power of attorney obliging the commercial proxy to perform transactions jointly with the President of the Management Board and a Management Board Member. A commercial power of attorney may only be granted by the Company's Management Board to candidates approved by the Supervisory Board. A commercial power of attorney shall be revoked by any Management Board Member.

8.6.4. Remuneration of the Members of the Management Board

Rules for remuneration of Members of the Management Board are regulated by the Remuneration Policy for the Management Board and Supervisory Board Members. Information regarding remuneration of Members of the Management Board in 2020 is included in Note 41 of the financial statements for the financial year ended December 31, 2020.

8.6.5. Managerial contracts with Members of the Management Board setting out severance packages payout as a result of their resignation or dismissal from the position without a material cause

The Company has concluded managerial contracts with the following Members of the Management Board: Aneta Jaskólska, Agnieszka Odorowicz and Katarzyna Ostap-Tomann. These contracts do not provide for the payment of severance packages as a result of the resignation of the mentioned above Members of the Management Board or their dismissal from the position without a material cause, or in the case when their resignation or dismissal results from a merger by acquisition of the Company.

8.7. Supervisory Board of the Company

8.7.1. Rules regarding appointment and dismissal of the Supervisory Board

In accordance with Art. 19 of the Company's Articles of Association, the Supervisory Board consists of five to nine members, including the Chairperson of the Supervisory Board. A Supervisory Board Member may be appointed Deputy Chairperson of the Supervisory Board under a resolution of the General Shareholders Meeting. The Chairperson of the Supervisory Board is appointed and dismissed by TiVi Foundation with its registered office in Vaduz, Liechtenstein as a personal right vested in that shareholder. The remaining Members of the Supervisory Board are appointed and dismissed by the General Shareholders Meeting.

The Supervisory Board is appointed for a joint five-year term of office. The number of Supervisory Board Members in any given term of office shall be determined by the General Shareholders Meeting.

The Supervisory Board of the Company shall consist in their majority of persons holding Polish citizenship. Prior to their appointment, the Company's Management Board Members and Supervisory Board Members are required to submit a written statement that they have familiarised themselves with the Company's Articles of Association, the Bylaws of the Management Board, the Bylaws of the Supervisory Board, the Company's Organisational Regulations, Work Regulations, and Employee Remuneration Rules, and that they undertake to strictly observe and apply them.

The Supervisory Board consists of two Members meeting the criteria of an independent Member of the Supervisory Board as set out in article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and in principle II.Z.4 of the Best Practices 2016. A Supervisory Board Member is required to submit a statement to the Management and Supervisory Boards of the Company on his or her compliance with independence criteria.

8.7.2. Composition of the Supervisory Board

As at January 1, 2020 the Supervisory Board comprised the following Members:

- Marek Kapuściński – Chairman of the Supervisory Board, Member of the Remuneration Committee,
- Józef Birka – Member of the Supervisory Board,
- Robert Gwiazdowski – Independent Member of the Supervisory Board, Chairman of the Audit Committee,
- Aleksander Myszka - Member of the Supervisory Board,
- Leszek Reksa – Independent Member of the Supervisory Board, Member of the Audit Committee,
- Tomasz Szeląg - Member of the Supervisory Board, Chairman of the Remuneration Committee, Member of the Audit Committee,
- Piotr Żak - Member of the Supervisory Board.

Base on the resolutions adopted on July 23, 2020, the Annual Shareholders Meeting of the Company resolved that the Supervisory Board of the present term of office shall consist of nine members. Simultanously, the Annual Shareholders Meeting resolved to appoint Mr. Marek Grzybowski and Mr. Paweł Ziółkowski as Members of the Supervisory Board, effective July 23, 2020.

In parallel, during the Supervisory Board meeting held on July 23, 2020 Mr. Robert Gwiazdowski and Mr. Leszek Reksa resigned from their functions as Members of the Audit Committee. The Supervisory Board, acting based on § 7 item 3 of the Bylaws of the Supervisory Board, filled the vacancies in the Audit Committee by appointing to its composition Mr. Marek Grzybowski and Mr. Paweł Ziółkowski. In addition, the Supervisory Board, acting based on § 2 item 5 of the Bylaws of the Audit Committee, appointed Mr. Marek Grzybowski as Chairman of the Audit Committee.

The following table presents names, surnames, functions, dates of appointment and dates of expiry of the current term of particular Members of the Supervisory Board as at December 31, 2020.

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Marek Kapuściński	Chairman of the Supervisory Board Member of the Remuneration Committee	2016	2018	2021
Józef Birka	Member of the Supervisory Board	2015	2018	2021
Marek Grzybowski	Independent[(1)] Member of the Supervisory Board Chairman of the Audit Committee	2020	2020	2021
Robert Gwiazdowski	Member of the Supervisory Board	2008	2018	2021
Aleksander Myszka	Member of the Supervisory Board	2015	2018	2021
Leszek Reksa	Member of the Supervisory Board	2008	2018	2021
Tomasz Szeląg	Member of the Supervisory Board Chairman of the Remuneration Committee Member of the Audit Committee	2016	2018	2021
Paweł Ziółkowski	Independent[(1)] Member of the Supervisory Board Member of the Audit Committee	2020	2020	2021
Piotr Żak	Member of the Supervisory Board	2018	2018	2021

(1) conforms with the independence criteria listed article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and in principle II.Z.4 of the Best Practices 2016.

Marek Kapuściński joined the Company's Supervisory Board on October 1, 2016, and has performed the function of Chairman since October 25, 2016. He also serves as Member of the Remuneration Committee. Mr. Kapuściński graduated from the Faculty of Trade of the Academy of Planning and Statistics in Warsaw (now the Warsaw School of Economics) and completed postgraduate studies at SEHNAP in cooperation with Stern School of Business – New York University.

Until the end of September 2016, for over 25 years, he has been part of the Procter&Gamble team. From July 2011 as a General Manager and Vice President (that is a President of the Management Board/CEO) for nine key markets of the Central Europe, and before that – from January 2007 he was responsible for Poland and Baltic states. Currently, he is a Member of the Supervisory Boards of Bank Handlowy w Warszawie S.A. and Cydrownia S.A. and provides consulting services within the Essences Consulting Group. He is also involved in the activities of the public benefit organizations supporting the development of the young Polish culture and arts.

Józef Birka joined the Company's Supervisory Board in April 2015. He is an advocate and graduate of the Faculty of Law of Wroclaw University. He has been associated with Telewizja Polsat S.A. since its inception, he was in charge of the function of the President of the Management Board of Telewizja Polsat during the first licensing procedure granting terrestrial license to broadcast the first independent countrywide TV channel in Poland. Since its establishment, he is a Member of the Board of the POLSAT Foundation, one of the largest non-governmental organizations operating in Poland.

Mr. Józef Birka has extensive experience of working in statutory bodies of commercial-law companies. He is a Member of the Supervisory Boards of Polkomtel Sp. z o.o., Telewizja Polsat Sp. z o.o. and Elektrim S.A. Between 2004 and 2006 he was also the Supervisory Board Member of Polska Telefonia Cyfrowa Sp. z o.o. He acted actively in the Association of Private Media Employers, incorporated into Polish Confederation of Private Employers "Lewiatan." He was honored by the Polish Bar Council with a medal "Commendable Service to the Advocates Bar."

Marek Grzybowski was appointed as Member of the Company's Supervisory Board in July 2020, where he is also a Chairman of the Audit Committe. Associate Professor Marek Grzybowski PhD has been a member of the Faculty of Law and Administration of Warsaw University since 1977.

He has authored and co-authored numerous academic publications: monograph studies, commentaries to the Act on the Bank Guarantee Fund, professional journal articles, and judicial interpretations. His academic research interests relate in the main to public policy issues of banking law, including regulation and supervision of financial markets and bank deposit guarantee schemes.

He is an attorney-at-law and, since 1983, a member of the Warsaw Bar Association of Attorneys-at-Law. Between 1987 and 2000, he was a partner in the law firms: Consultor LC and T. Komosa, C. Wiśniewski, M. Grzybowski and Wspólnicy LP. In the years 2001 – 2003, he was partner at the international law firm Linklaters LP, and, until 2020, attorney-at-law and proxy representing the firm. In the period 1995 – 1999, he sat on the Board of Directors of the Bank Guarantee Fund and was elected President of the Board of Directors of the Bank Guarantee Fund for the term of 1999 – 2003.

In 2005, he was awarded the Golden Cross of Merit for service to the Polish banking system.

Since 1997, he has been editor-in-chief of "GLOSA" – a monthly law journal until 2005, subsequently a quarterly, published by Wolters Kluwer. In the years 1999 – 2007, he was an editorial board member of the "Bezpieczny Bank" (Safe Bank) quarterly, and its editor-in-chief between 1999 and 2003. He currently sits on the editorial board of The European Journal of Legal Education.

Since 2012, he has been deputy dean in charge of financial affairs of the Faculty of Law and Administration of Warsaw University.

In 2014, he was elected member of the Board of the European Law Faculties Association (ELFA), of which he is now president since April 2019.

Robert Gwiazdowski has been a Member of the Company's Supervisory Board since July 2008. Mr. Gwiazdowski holds a post-doctoral degree of Habilitated Doctor (*doctor habilitatus*) in law and is a professor at Łazarski University. Mr. Gwiazdowski is an active attorney-at-law and tax advisor.

In the years 2005-2014, he served as President of Adam Smith Centre. He is currently a Chairman of the Institute's Council. In 2006-2007, he served as Chairman of the Supervisory Board of the Polish Social Insurance Institution (Zakład Ubezpieczeń Społecznych). At present, he serves as Member of the Supervisory Boards of the following listed companies: DGA S.A., SARE S.A., Dom Maklerski IDM S.A., and MNI S.A., which operates on the telephony and TV markets.

Aleksander Myszka joined the Company's Supervisory Board in April 2015. He is a solicitor and graduate of the Faculty of Law of Wroclaw University. In 1976, he commenced his career as a solicitor in a Law Firm in Oleśnica, and then he worked for Law Office No. 4 in Wrocław where he also held a position of a Director for two terms of office. In particular, he focused in his practice on civil law and since the mid-eighties he has specialized in commercial law and developed legal services for business entities. He was honored by the Polish Bar Council with a medal "Commendable Service to the Advocates Bar." His career has been connected with Telewizja Polsat since its establishing, as he is one of its co-founders. For 12 years – in the period from 1995 to 2007 – he held the position of the President of the Management Board of Telewizja Polsat.

Since April 2007 he has been a Member of the Supervisory Board of Telewizja Polsat and since November 2011 - a Member of the Supervisory Board of Polkomtel. He is also Member of the Polsat Foundation Council since its creation, that is since 1996. He is also a co-founder and a Member of Stowarzyszenie Kreatywna Polska, a society gathering the community of artists and creative industries, whose main goals are the protection of copyrights and intellectual property. In 2015, he was elected to the Council of the Polish Film Institute.

Leszek Reksa was appointed as Member of the Company's Supervisory Board in July 2008. He graduated from the Foreign Trade Faculty of the Central School of Planning and Statistics in Warsaw (currently: Warsaw School of Economics). He has also completed numerous specialist seminars and courses in management and finance, including a seminar on corporate management at the Faculty of Finance at DePaul University in Chicago.

He has vast experience in managerial positions at various companies, including 20 years in the banking sector (Powszechna Kasa Oszczędności Bank Polski S.A.). He also has many years' experience in serving on the governing bodies of commercial-law companies, which includes the positions of President of the Management Board of PHU BIMOT S.A., Member of the Supervisory Board of Bankowy Fundusz Leasingowy S.A., Member of the Supervisory Board of Zakłady Azotowe Kędzierzyn S.A. and Vice President (CFO) of the Management Board of AGRAIMPEX Sp. z o.o. Currently he is Member of Supervisory Board of EBU Węgrzynowo Sp. z o.o.

Tomasz Szeląg has been a Member of the Company's Supervisory Board since October 2016, where he is also Chairman of the Remuneration Committee and Member of the Audit Committee. He graduated from the National Economy Faculty of the Economic Academy of Wrocław, with major in International Economic and Political Relations specializing in Foreign Trade. He has been involved with Cyfrowy Polsat since 2009. In 2016 he was appointed a Member of Supervisory Boards of Polkomtel Sp. z o.o., Telewizja Polska Sp. z o.o. and ZE PAK S.A.

He has extensice knowledge and competence in the field of media and telecommunication, finance and banking as well as prepating and auditing financial statements.

In 2000-2003, he was an assistant at Foreign Trade Faculty of the Economic Academy of Wrocław. In May 2003 he received his PhD title for a thesis on hedging transactions used by world copper producers and went on to become a lecturer in the Faculty of International Economic Relations of the Economic Academy of Wrocław. Between 2003 and 2004 he also held a position of lecturer at the Wrocław School of Banking - at the Faculty of International Economic Relations. Parallel to his academic career Mr. Szeląg also developed his professional career gaining experience in managerial positions in the area of finance and investment. From 2003, he was Chief Specialist in the Currency Risk Department of KGHM Polska Miedź S.A., and then of the Market Risk and Analysis Department. In September 2004, he became Director of the Department. In December 2004, he became Director of Hedging Department of KGHM and held the function until March 2007. From April 2007 to June 2008 he worked as Director of Branch of Société Générale Bank in Wrocław. In July 2008, he took the position of Vice-president for Finance in Telefonia Dialog S.A., which he held until March 2009. In Telefonia Dialog S.A. he was responsible for finance, accounting, controlling, and budgeting management, and also owner supervision and capital investment, logistics and purchases, project management and IT.

From May 2009 until September 2016 he held the position of Member of the Management Board and Chief Financial Officer at Cyfrowy Polsat and was responsible for broadly understood finances in Polsat Group. In the years 2010-2016 Mr. Szeląg was Member of the Management Boards of numerous companies from Polsat Group, including Telewizja Polsat (October 2011-October 2014), INFO-TV-FM (July 2012-November 2016), CPSPV1 and CPSPV2 (April 2013 – November 2016), Plus TM Management (April 2014-December 2016) and Polkomtel (September 2014-December 2016). He was also President of the Management Board of Cyfrowy Polsat Trade Marks Sp. z o.o. (2010-2016) and Telewizja Polsat Holdings Sp. z o.o. (2012-2016) and Member of the Supervisory Board of Plus Bank S.A. (2016-2018).

Paweł Ziółkowski was appointed as Member of the Company's Supervisory Board in July 2020, where he is also Member of the Audit Committee. Paweł Ziółkowski is a graduate of the Foreign Trade Faculty of the Warsaw School of Economics.

He has extensive experience in corporate and investment banking, in particular in the fields of finance management, risk management, relationship management, as well as trade finance and debt capital markets.

He began his career in banking in 1992 at ING Bank, where he acted as Department Head in the field of Trade and Commodity Finance until 1996. In the years 1996-1998 he held the position of Management Board Member at SBC Warburg Sp. z o.o. responsible for debt capital markets and global trade finance. From 1998, he worked for RBS Bank Polska S.A. (formerly ABN AMRO Bank Polska S.A.) where he held various functions. In the years 2000-2001 he was Head of Corporate Banking and from 2001 Member of the Management Board in charge of relationship management. In 2004, he was appointed CEO and President of the Management Board of RBS Bank Polska, a function he held until 2019. During the years 2000-2019 he was a Member of the Credit Committee and the ALCO at RBS Bank Polska.

From 2009 until 2016 he acted as Non-Executive Board Member of the Polish Banking Association.

Piotr Żak was appointed as Member of the Company's Supervisory Board in June 2018. He holds a graduate degree in economics from Royal Holloway, University of London. He also graduated from the Faculty of Management of the Warsaw University.

He has been pursuing business operations in Poland since 2014, among others in the area of establishing and supporting start-up enterprises. He focuses his activities on the high-technology sector, particularly on creating and developing innovative projects that exploit the potential of Internet and traditional media, Internet entertainment, and the use of data transmission in solutions, services and products addressed to individual and business customers. He pursues his professional interests also by developing and implementing modern marketing communications tools for enterprises from the media and telecommunications sector.

He is a founder of such companies as, among others, Frenzy Sp. z o.o., a dynamically developing entity from the e-Sports industry which since 2018 has been producing programs for Polsat Games, and Golden Coil Sp. z o.o., a company conducting operations in the field of marketing and Internet advertising.

Since March 2016 Mr. Piotr Żak has been a Member of the Supervisory Board of Telewizja Polsat and since June 2018 - a Member of the Supervisory Board of Netia in which he currently serves as Chairman. From June 2018 he is a Memebrs of the Supervisory Board of Cyfrowy Polsat. In April 2019 he was appointed to the Supervisory Board of Polkomtel Sp. z o.o., the operator of Plus network. He has been on the Supervisory Board of Asseco Poland S.A. since July 2020 and on the Supervisory Board of Grupa Interia.pl Sp. z o.o. since November 2020.

8.7.3. Competences and Bylaws of the Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code and also pursuant to the Articles of Association of the Company and the Bylaws of the Supervisory Board.

Pursuant to the Articles of Association of the Company the Supervisory Board performs ongoing supervision of the Company's operations in all its fields. In order to exercise supervision in the scope and under the terms stipulated in the Articles of Association, the Supervisory Board is entitled to review any documents of the Company, request reports and explanations from the Management Board, and review the status of the Company's assets. The Supervisory Board performs its obligations collectively but may also delegate its members to perform specific supervisory activities independently. The Supervisory Board is entitled to establish committees in circumstances provided for under applicable law. The Supervisory Board is also be entitled to appoint other committees and determine the scope and terms of their operation.

The Chairperson of the Supervisory Board is authorised to perform individually supervisory tasks with regard to the manner of performing obligations by the Management Board stipulated under Article 13 sec. 1.3 of the Articles of Association as well as to the activity of the Management Board with respect to agreements, revenue, costs, and expenses.

The competencies of the Supervisory Board include matters restricted by the Commercial Companies Code and provisions of the Company's Articles of Association, in particular:

a) reviewing the annual financial statements of the Company and the consolidated financial statements with respect to their consistency with both the books and documents and the facts; reviewing the annual Management Board Report on the Company's operations and the assessment of the Management Board's work, reviewing the Management Board's motions with respect to distributing profits or covering losses, and submitting a written report on the results of the aforementioned reviews to the Annual Shareholders Meeting,

b) drafting a report on the activities of the Supervisory Board, the assessment of the Company's standing, the assessment of the manner of performing the information obligations by the Company, the assessment of the rationality of the policy pursued by the Company, including but not limited to the price policy, and the assessment of the internal control system and the system for managing significant risks for the Company, in each case in accordance with the terms of corporate governance adopted by the Company, and presenting them to the Annual Shareholders Meeting,

c) delegating Supervisory Board Members to perform temporarily the tasks of a Management Board Member who has been revoked, has resigned or is unable to perform his/her duties for other reasons, for a period not longer than three months,

d) determining the remuneration of Management Board Members,

e) appointing a statutory auditor to audit the financial statements of the Company,

f) granting consent to the payment of an advance towards the predicted dividend to the shareholders,

g) approving the terms, plans and prices of acquisition or sale of goods and services by the Company in the scope stipulated under the Bylaws of the Management Board or a resolution of the Supervisory Board.

Moreover, the competencies of the Supervisory Board include:

a) reviewing and issuing opinions on issues that shall constitute the object of the resolutions of the General Shareholders Meeting,

b) approving quarterly, annual, and multi-year plans for the Company's operations drafted by the Management Board and monitoring their performance on an ongoing basis,

c) determining the amount of remuneration of Supervisory Board Members delegated to perform temporarily the tasks of a Management Board Member,

d) granting consent to the appointment and dismissal of supervisory board members of the following companies: Telewizja Polsat sp. z o.o. with its registered office in Warsaw, Polkomtel sp. z o.o. with its registered office in Warsaw, Netia S.A. with its registered office in Warsaw, and every company from the Group if that company's EBITDA in the preceding 12 months exceeded 5% of the Group's consolidated EBITDA, excluding supervisory board members of the above mentioned companies who are appointed and dismissed on the basis of personal rights granted to a partner or a shareholder of these companies,

e) granting consent to the performance by the Company of any legal transaction that does or can result in the disposal in favour of or liability on any account towards a single entity in the value exceeding 0.2% of the Company's standalone EBITDA in the previous accounting year,

f) approving the selection of bidders in the procurement proceedings held by the Company and approving bids submitted by the Company in procurement proceedings,

g) granting consent to any acquisition and sale of real property, perpetual usufruct right or interest in real property, as well as to establishing a limited right in rem on real property, perpetual usufruct right or interest in real property with a value up to the 0.2% ratio of the Company's standalone EBITDA for the preceding accounting year,

h) granting consent to hiring for the positions of director, deputy director, expert or consultant, irrespective of the basis for such employment, including in particular on the basis of employment relationship and other legal relationships.

Modification and termination of the aforementioned employment shall also require the consent of the Supervisory Board.

i) approving the Work Regulations and Employee Remuneration Rules,

j) granting consent to the application for, modification or waiver of any license or permit stipulated under Article 6 sec. 2 of the Articles of Association, as well as to transferring or granting access to them to third parties,

k) granting consent to the conclusion of any agreement on consultancy services by the Management Board,

l) granting consent to the issue of bonds by the Company other than bonds convertible to shares or senior bonds,

m) granting consent to any acquisition, sale, assumption or encumbrance of shares and stock in companies as well as any participation titles in entities and organisations other than companies,

n) approving plans for merging or dividing the Company before they are passed and any plans for the reorganisation of the Company.

As from January 1, 2025, the Company's Supervisory Board is not entitled to grant consent to incurring any liability whatsoever if incurring it may result in exceeding the 2.0 threshold of the debt ratio expressed as the ratio of the Group's net financial debt and EBITDA.

The detailed terms of activity and operation of the Supervisory Board, including but not limited to the terms of operation of its respective committees, are determined in the Supervisory Board Regulations approved by the General Shareholders Meeting. Any amendment to the Supervisory Board Regulations shall require a resolution of the General Shareholders Meeting.

Sessions of the Supervisory Board take place at least once a quarter. Supervisory Board sessions are convened by the Chairperson of the Supervisory Board. In the absence of the Chairperson, a Supervisory Board session shall be convened by the Deputy Chairperson of the Supervisory Board (if appointed) or, if no Deputy Chairperson has been appointed, the session is convened by a Supervisory Board Member so nominated in writing by the Chairperson. Supervisory Board sessions are convened ex officio upon the motion of the Management Board or at least two Supervisory Board Members. Supervisory Board sessions are chaired by the Chairperson of the Supervisory Board or, in the Chairperson's absence, by the Deputy Chairperson (if appointed) or, if no Deputy Chairperson has been appointed, by a Supervisory Board member nominated by the Chairperson.

Apart from Supervisory Board Members, Supervisory Board sessions may be attended by Management Board Members, the commercial proxy, and invited guests. The person chairing a Supervisory Board session shall be entitled to order persons other than Supervisory Board Members to leave the room where the session is held.

Supervisory Board resolutions shall be passed by two-thirds of cast votes. All Supervisory Board Members must be invited to a Supervisory Board session and more than 50% of Supervisory Board Members must attend the session for the Supervisory Board resolutions to be binding. Supervisory Board Members shall be entitled to participate in adopting Supervisory Board resolutions by casting their vote in writing through the agency of another Supervisory Board Member. Casting a vote in writing shall not apply to issues added to the agenda at the session of the Supervisory Board.

The resolutions of the Company's Supervisory Board may be adopted without holding a session either in writing or using means of distant communication. Resolutions adopted in writing or using means of distant communication as well as electronically are passed, if the draft resolution has been effectively served to all Supervisory Board Members, if all Supervisory Board Members take part in the vote, and if at least two-thirds of Supervisory Board Members vote for the resolution. Resolutions may also be adopted electronically. An electronic vote shall be ordered by the Chairperson of the Supervisory Board. In the absence of the Chairperson, an electronic vote shall be ordered by the Deputy Chairperson of the Supervisory Board (if appointed) or, if no Deputy Chairperson has been appointed, by a Supervisory Board Member nominated by the Chairperson.

In 2020, the Supervisory Board held 15 sessions. Due to the restrictions introduced as a result of the COVID-19 epidemic, most of the sessions of the Supervisory Board were held remotely and resolutions were adopted in accordance with Article 21 item 4 of the Company's Articles of Association and Article 5 item 4 of the Bylaws of the Supervisory Board, i.e., using means of distant communication. In 2020, the average attendance at the Supervisory Board meetings was 100%.

The table below presents the attendance of the Supervisory Board Members in the sessions held in 2020.

Name of Supervisory Board Member	Average attendance at meetings in 2020
Marek Kapuściński	100%
Józef Birka	100%
Marek Grzybowski (1)	100%
Robert Gwiazdowski	100%
Aleksander Myszka	100%
Leszek Reksa	100%
Tomasz Szeląg	100%
Paweł Ziółkowski (1)	100%
Piotr Żak	100%

(1) Supervisory Board Member from July 23, 2020 to December 31, 2020, attendance for the indicated period.

8.7.4. Committees of the Supervisory Board

Pursuant to the Bylaws of the Supervisory Board, the Supervisory Board may appoint permanent committees, in particular an Audit Committee, a Remuneration Committee, or a Strategic Committee, as well as ad hoc committees to investigate certain issues remaining in the competence of the Supervisory Board or acting as advisory and opinion bodies of the Supervisory Board.

The functioning of the Audit Committee is regulated by the Bylaws of the Audit Committee. The provisions of the Bylaws of the Supervisory Board apply to sessions, resolutions, and minutes of remaining committees of the Supervisory Board.

The aforesaid committees may be appointed by the Supervisory Board from among its Members by means of a resolution. The committee appoints, by means of a resolution, the Chairman of the particular committee from among its Members. The mandate of a Member of a particular committee expires upon expiry of the mandate of the Member of the Supervisory Board. The Supervisory Board may, by means of a resolution, resolve to dismiss a Member from the composition of a particular committee before the expiry of the mandate of the Member of the Supervisory Board. Dismissal from membership in a committee is not tantamount to dismissal from the Supervisory Board.

The first meeting of a committee is convened by the Chairman of the Supervisory Board or another Member of the Supervisory Board indicated by him or her. Meetings of the committees are convened as the need arises, ensuring thorough delivery of duties assigned to a particular committee. Minutes of committee's meetings and adopted resolutions are made available to the Members of the Supervisory Board that are not Members of the committee. The Chairman of a given committee chairs its proceedings. The Chairman also performs supervision over the preparation of the agenda, distribution of documents, and preparation of minutes of the meetings of the committee.

Pursuant to article 128 item 1 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight, an Audit Committee functions in the Company.

As at January 1, 2020, **the Audit Committee** comprised the following Members of the Supervisory Board:

- Robert Gwiazdowski, independent Member of the Supervisory Board and Chairman of the Audit Committee,
- Leszek Reksa, independent Member of the Supervisory Board,
- Tomasz Szeląg.

At the session of the Supervisory Board held on July 23, 2020 Mr. Robert Gwiazdowski and Mr. Leszek Reksa resigned from their functions as Members of the Audit Committee. The Supervisory Board, acting based on § 7 item 3 of the Bylaws of the Supervisory Board, filled the vacancies in the Audit Committee by appointing to its composition Mr. Marek Grzybowski and Mr. Paweł Ziółkowski. In addition, the Supervisory Board, acting based on § 2 item 5 of the Bylaws of the Audit Committee, appointed Mr. Marek Grzybowski as Chairman of the Audit Committee.

As at December 31, 2020, **the Audit Committee** comprised the following Members of the Supervisory Board:

- Marek Grzybowski, independent Member of the Supervisory Board and Chairman of the Audit Committee,
- Paweł Ziółkowski, independent Member of the Supervisory Board,
- Tomasz Szeląg.

The composition of the Audit Committee meets the requirements listed in article 128 item 1 and article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and Best Practice and in principle II.Z.4 of the Best Practices 2016.

In 2020, the Audit Committee held nine sessions. Due to the restrictions introduced as a result of the COVID-19 epidemic, most of the meetings of the Audit Committee were held remotely and resolutions were adopted using means of distant communication.

The table below presents the attendance of the Audit Committee Members at meetings held in 2020.

Name of Audit Committee Member	Average attendance at meetings in 2020
Marek Grzybowski(1)	100%
Robert Gwiazdowski(2)	100%
Leszek Reksa(2)	100%
Tomasz Szeląg	100%
Paweł Ziółkowski(1)	100%

(1) Audit Committee Member from July 23,2020 to December 31, 2020, attendance for the indicated period.
(2) Audit Committee Member from January 1, 2020 to July 23, 2020, attendance in 2020 for the indicated period.

A **Remuneration Committee** also functions within the Supervisory Board of the Company which, as at December 31, 2020, comprised the following Members of the Supervisory Board:

- Tomasz Szeląg, Chairman of the Remuneration Committee,
- Marek Kapuściński.

During 2020 the composition of the Remuneration Committee remained unchanged.

In 2020, the Remuneration Committee held 4 sessions. Due to the restrictions introduced as a result of the COVID-19 epidemic, most of the meetings of the Remuneration Committee were held remotely and resolutions were adopted using means of distant communication.

The table below presents the attendance of the Remuneration Committee Members at meetings held in 2020.

Name of Remuneration Committee Member	Average attendance at meetings in 2020
Tomasz Szeląg	100%
Marek Kapuściński	100%

Audit Committee

In accordance with the By-laws of the Audit Committee, the Committee consists of at least three Members, appointed for the term of office of the Supervisory Board. The Chairman of the Committee is appointed by the Company's Supervisory Board. Most Members of the Committee, including its Chairman, are independent from the Company that is they meet the independence criteria set out in Article 129 item 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and principle II.Z.4 of the Best Practices 2016.

Among the Members of the Audit Committee, the statutory independence criteria are met by the following persons:

- Marek Grzybowski, an independent Member of the Supervisory Board and Chairman of the Audit Committee,
- Paweł Ziółkowski, an independent Member of the Supervisory Board.

The independence of the indicated Members of the Supervisory Board has been verified by the Supervisory Board on the basis of statements submitted by them confirming that they meet the independence criteria set forth in Article 129 item 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and in principle II.Z.4 of the Best Practices 2016 and, moreover, based on the information gathered by the Company and sourced in the Company concerning the relations of the persons in question with the Company and other companies from Polsat Group, in particular the capital structure and the composition of governing bodies of Polsat Group and legal relations between the persons in question and the Company and the companies from Polsat Group.

Both Mr. Paweł Ziółkowski and Mr. Tomasz Szeląg, Members of the Audit Committee, possess knowledge and skills in accounting and/or auditing financial statements which were obtained during studies and extensive professional practice.

Furthermore, Mr. Tomasz Szeląg possesses knowledge and skills with regard to the sector in the which the Company operates, gained during many years of professional career on key managerial positions within Cyfrowy Polsat Group, among others, as Member of the Management Board responsible for finance in Cyfrowy Polsat.

Regulations of the Audit Committee apply to the meetings, resolutions and minutes of meetings of the Audit Committee.

Meetings of the Audit Committee are convened by the Chairman of the Audit Committee or a Member of the Audit Committee authorized by the Chairman and are held at least once a quarter, at dates determined by the Chairman of the Audit Committee. Additional meetings of the Audit Committee may be convened by the Chairman of the Audit Committee at the request of the Member of the Audit Committee, Chairman of the Supervisory Board or another Supervisory Board Member, as well as at the request of the Management Board.

The Audit Committee passes resolutions if at least half of its Members are present at the meeting and all Members were properly invited. Resolutions are passed by an absolute majority of votes and in the case of an equal number of votes, the Chairman of the Audit Committee shall have a casting vote. Members of the Audit Committee may participate in the Committee's meetings and vote in person, or by means of distant communication.

The work of the Audit Committee is managed by its Chairman who is responsible for preparing an agenda of each meeting or may appoint a Secretary of the Audit Committee whose tasks include in particular the preparation of an agenda of each meeting and organization of the distribution of documents for the Committee's meetings. A notification of the meeting, including its agenda together with all required materials, must be delivered to the Members of the Audit Committee at least 7 days before the meeting and in extraordinary circumstances a Committee's meeting may be convened at a shorter notice than the above mentioned deadline.

The Chairman of the Audit Committee may ask a relevant Management Board Member to prepare appropriate materials.

Minutes are taken of every meeting of the Audit Committee and are then signed by all Members who participated in a given meeting. Minutes of the Audit Committee meetings, including conclusions, instructions, opinions and recommendations are presented to the Supervisory Board at its next meeting as well as to the Management Board.

Members of the Supervisory Board who are not part of the Audit Committee may, at their own initiative, participate in the Committee's meeting, however without a voting right. The Chairman of the Audit Committee may invite Members of the Supervisory Board, auditors, employees of the Company and other persons as experts.

The tasks of the Audit Committee include in particular monitoring of the financial reporting process, efficiency of internal control systems and risk management systems as well as internal audit and performing financial revision activities, in particular carrying out audits by an audit company.

Pursuant to the Audit Charter, the Internal Audit Director meets directly the Audit Committee. In 2020, there were 9 such meetings. In addition, at the request of the Audit Committee he or she joins its sessions and presents additional/supplementary information.

The Audit Committee evaluates, controls and monitors independence of a certified auditor and audit company, in particular in the case when the audit company provides the Company with services other than auditing of financial documents in the Company and grants consent to provision of such services by the audit company. The Audit Committee notifies the Company's Supervisory Board about the results of audit and the role of the Committee in the auditing process as well as explains how this audit contributed to the reliability of financial reporting in the Company.

The tasks of the Audit Committee also include developing a policy of selection of an audit company to carry out the audit as well as developing a policy of provision by the selected audit company, its affiliated entities and members of the audit company's network of permitted services which are not part of the audit.

Main assumptions underlying the selection of an auditor in Cyfrowy Polsat

- In accordance with the Company's Articles of Association, the Company's Supervisory Board is the party selecting the chartered accountant (the auditor) for carrying out the statutory audit, while the General Meeting of Shareholders of the company is the party approving the Company's financial statement.
- The first contract with an auditor for carrying out the statutory audit is concluded by the Company for the period of at least 2 years, subject to the possibility of terminating the contract if justified grounds to do so emerge. It is assumed that the contract for the statutory audit can be extended once for another period of 2 years, however the maximum uninterrupted period of time during which statutory audits can be conducted by the same auditor or by a company related to that auditor, or any member of a given chain of companies operating in EU states of which such companies are members, may not exceed 5 years.
- The Audit Committee approves the procedure of selection of the auditor for performing the statutory audit. The auditor selection procedure is determined at Audit Committee's discretion.
- If the an auditor for statutory audit is selected, the selection procedure must meet the following criteria:
  - the auditor on its own, or as part of a chain of companies operating on the territory of the European Union, has not conducted statutory audits for the Company for a period of at least past 5 consecutive years, or of if such a company did conduct a statutory audit for the Company for a continuous period of 5 consecutive years in the past, then the period of at least 4 years has already elapsed since the last of such audits,
  - the organization of the tender process does not exclude, from the selection process, the companies which have obtained less than 15% of their total remuneration on account of auditing public interest units in the Republic of Poland during the past year which are found in the list of auditors published on the website of the Audit Oversight Committee (Komisja Nadzoru Audytowego) (a sub-page of www.mf.gov.pl).
  - neither the auditor, nor any member of the chain, of which the auditor is a member, has provided, either directly or indirectly to the company or to its subsidiaries, any prohibited services, as defined by Article 136 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, during the current financial year (the first year of the period covered by the tender), as well as any services related to development and implementation of internal control procedures or risk management procedures associated with the development or control of financial information, or development and implementation of any technological systems concerning financial information during the preceding year (the year preceding the first year of the period covered by the tender).
- The value of permitted services, other than required by the law as provided by the auditor performing a statutory audit of the company and by all of the entities being members of its chain, may not exceed 70% of the average compensation for the audits during past 3 years.

Major assumptions of the policy of provision by the selected auditor to Cyfrowy Polsat of the permitted services which are not audit services

- The Company shall not conclude, with the auditor, its related companies or the members of the chain of which the auditor is a member, any agreements for the provision of prohibited services, as defined in Article 5, section 1, paragraph 2 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.
- Prior to contracting any work, being permitted services and not being an audit, the Audit Committee performs assessment of the threats and safeguards related impartiality, mentioned in Articles 69-73 of the Act on Statutory Auditors, Audit Firms and Public Oversight. The Audit Committee also oversees compliance of the performed work with the valid law.
- Permitted services include:
  - services involving due diligence procedures related to the company's economic-and-financial standing;

- issuing comfort letters in connection with prospectuses issued by the audited entity, carried out in accordance with the national standard for related services and consisting of performance of agreed procedures;
- assurance services related to pro forma financial information, forecasts of results or estimated results which are included in the audited unit's prospectus;
- audit of historical financial information to be included in the prospectus which is mentioned in the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
- verification of consolidation packages;
- confirmation of fulfillment of the terms of facility agreements concluded by the Company based on the financial information coming from the financial statements examined by a given auditor
- assurance services in the scope related to reporting on corporate governance, risk management and corporate social responsibility;
- services involving assessment of the compliance of the disclosures made by financial institutions and investment firms with the requirements related to disclosure of information concerning capital adequacy and variable components of remuneration;
- assurance concerning financial statements or other financial information intended for the supervisory authority, the supervisory board or any other supervising body of the company, or the owners whose scope exceeds the scope of the statutory audit and which are intended to assist these authorities in the fulfillment of their statutory duties.

The Audit Committee provides the Supervisory Board with recommendation regarding the selection of audit company.

In the financial year 2018 the Audit Committee recommended to the Supervisory Board to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. to audit the financial statements of the Company and the consolidated financial statements of the Company's capital group for the years 2018 and 2019. The recommendation fulfilled the criteria set in the adopted policy of selection of an audit company and followed the selection procedure organized by the company which met the binding criteria. The recommendation was accepted by the Supervisory Board.

In the financial year 2020 the Supervisory Board granted content to to extend the agreement and choose Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022.

Additionally, the Audit Committee presents recommendations to the Company's Management Board aimed at ensuring the reliability of financial reporting in the Company.

8.7.5. Agreements with an entity certified to perform an audit of the financial statements

On July 6, 2018, the Company entered into an agreement with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with registered office in Warsaw, for the performance of an audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the financial years ended December 31, 2018 and December 31, 2019.

On February 26, 2020, the Company's Supervisory Board consented to extend the agreement and choose Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022.

The following summary presents a list of services provided by the certified auditor and remuneration for the services in the twelve month period ended on December 31, 2020 and December 31, 2019.

[mPLN]	For the year ended December 31	
	2020	2019
Review of interim financial statements	0.1	0.1
Audit of financial statements for the year and other services	0.4	0.3
Total	**0.5**	**0.4**

In the financial year 2020, Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. provided the following permitted services other than audit services: (i) the review of financial statements and (ii) the execution of agreed procedures with regard to verification of the fulfillment of conditions of concluded credit agreements, based on the analysis of the financial information from the audited consolidated financial statements of Cyfrowy Polsat Group, after being granted consent from the Audit Committee.

8.7.6. Remuneration of the Members of the Supervisory Board

Rules for remuneration of Members of the Supervisory Board are regulated by the Remuneration Policy for the Management Board and Supervisory Board Members. Information regarding remuneration of Members of the Supervisory Board in 2020 is included in Note 42 of the financial statements for the financial year ended December 31, 2020.

8.8. Diversity policy applicable to administrative, managing and supervising bodies of the Company

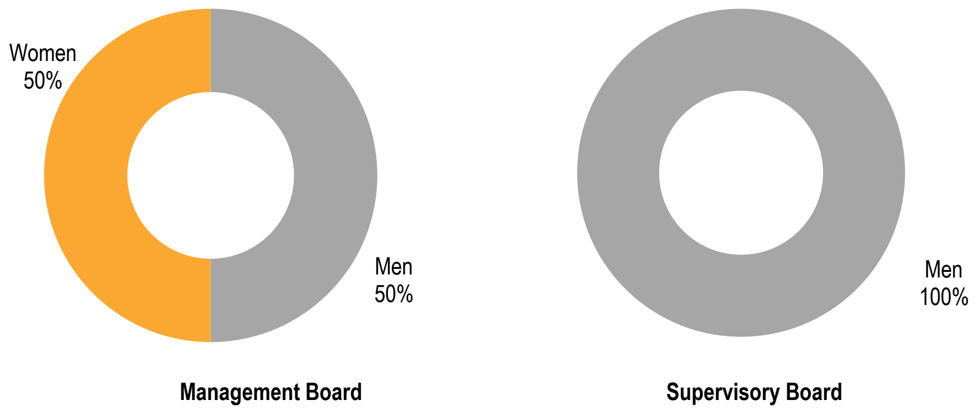
Polsat Group adopted the Diversity and Human Rights Policy of Cyfrowy Polsat Group (the “Diversity Policy”) which has the purpose of supporting the pursuit of the Group’s business goals. The policy enables the Group to respond in a better way to the employees’ expectations, make full use of their potential and at the same time help the companies who are part of the Group to adjust to the changes occurring on the labor market. We trust that diversity is one of the sources of our competitive advantage, and competing views, opinions, work styles, skills and experience generate new quality and enable companies to achieve better business results.

The basic principles of Polsat Group’s Diversity Policy include respect for human rights and prohibition of any discrimination due to gender, age, sexual orientation, competence, experience, potential degree of disability, nationality, ethnic and social origin, color of skin, language, parental status, religion, confession or lack of any confession, political views, or any other dimensions of diversity which are defined by valid law.

Within the empowerment of these principles, we have developed separate documents which protect diversity and indicate the basic ethical rules. These include, among others: Personal Policy, Anti-Mobbing Policy, Code of Ethics, Work Regulations, Remuneration Regulations or working time register. The Diversity Policy is implemented, among others, by including diversity-related issues in HR processes and tools, such as organization of training and staff development sessions and recruitment. We expect our leasers to have skills that allow for managing diversified teams and benefit from their diversity in order to fully leverage the potential of employees that make up those teams. An Ethics Ombudsman has been appointed in the Group whose tasks include, among others, the prevention of discrimination and mobbing.

The provisions of Polsat Group’s Diversity Policy apply to all employees, including Management Board Members and Supervisory Board Members. While our aim is to promote gender equality among top managerial positions, our policy is to appoint persons with appropriate competencies, professional experience and education to the Management and Supervisory Boards of the Company. The diagrams below present the gender and age structures of the Members of the Management and Supervisory Boards of Cyfrowy Polsat.

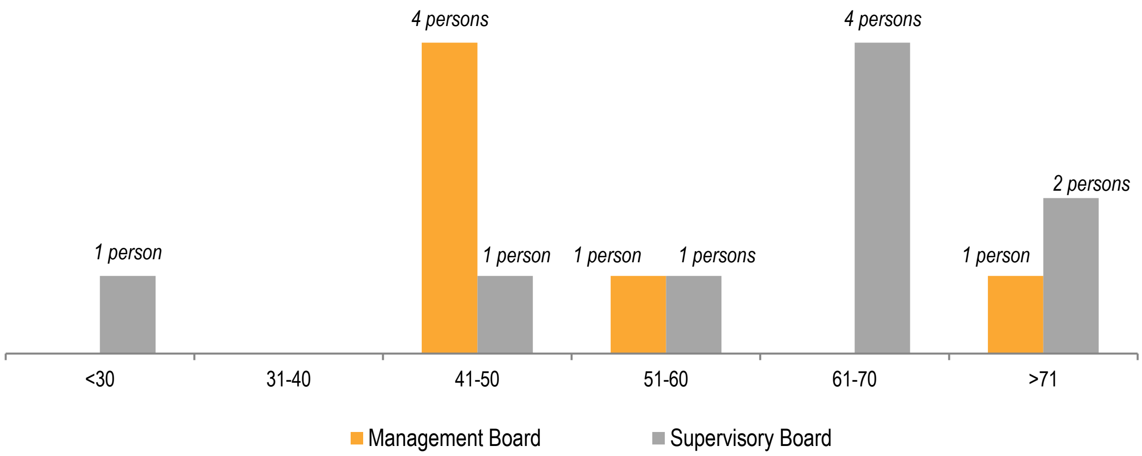
Structure of the Management Board and the Supervisory Board with respect to gender in 2020



As at December 31, 2020 three men and three women sat on Cyfrowy Polsat's Management Board while the Supervisory Board included nine men.

Members of the Management Board and the Supervisory Board have education in such fields as management and marketing, law, economy, finance, or technical education as well as rich and diverse professional experience.

Structure of the Management Board and Supervisory Board with respect to age



Mirosław Błaszczyk *President of the Management Board*	Katarzyna Ostap-Tomann *Member of the Management Board*
Maciej Stec *Vice President of the Management Board*	Jacek Felczykowski *Member of the Management Board*
Aneta Jaskólska *Member of the Management Board*	Agnieszka Odorowicz *Member of the Management Board*

Warsaw, March 24, 2021

Glossary

Capitalized terms used herein and not defined in this Report shall have the meaning assigned to them below, unless the context requires otherwise.

Glossary of general terms

Term	Definition
Aero 2	Aero 2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Polkomtel.
Asseco	Asseco Poland Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000033391.
Act of Public Offering	Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies (Journal of Laws of 2019 Item 623)
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of December 31, 2024.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.
Eleven Sports Network	Eleven Sports Network spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000558277, a producer and distributor of sports content on the territory of Poland.

Esoleo	Esoleo spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000541114, operating previously under the company name Alledo Sp. z o.o.
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Interia, Interia Group	Grupa Interia.pl Sp. z o.o. spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000324955 and Grupa Interia.pl Media Sp. z o.o. Sp.k. spółka z ograniczoną odpowiedzialnością spółka komandytowa entered in the register of entrepreneurs of the National Court Register under entry No. 0000392344 jointly with their subsidiaries.
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.

Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
Second Amendment and Restatement Deed	Agreement concluded on March 2, 2018 between the Company and UniCredit Bank AG, London Branch, amending and consolidating the CP SFA and the PLK SFA and amending the Amendment, Restatement and Consolidation Deed.
Senior Facilities Agreement, SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015, the Second Amendment and Restatement Deed of March 2, 2018 and the Third Amendment and Restatement Deed of April 27, 2020.
Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion, redeemed prematurely on May 17, 2019.
Series B Bonds	Dematerialized, interest-bearing, senior and unsecured Series B bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/29/01/2020 dated January 29, 2020.
Series C Bonds	Dematerialized, interest-bearing, senior and unsecured Series C bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 1/25/03/2019 dated March 25, 2019.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
Third Amendment and Restatement Deed	Agreement concluded on April 27, 2020 between the Company and UniCredit Bank AG, London Branch, amending the SFA along with the Amendment, Restatement and Consolidation Deed and the Second Amendment, Restatement and Consolidation Deed.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to SMG Poland (previously SMG).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Commercial group	Viewership group comprising viewers aged 16-49, including time-shifted viewership Live+2, i.e. for two consecutive days after the original airing date).
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue).
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.

Term	Definition
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
FTR	A wholesale charge for call termination in another operator's fixed-line telecommunications network (Fixed Termination Rate).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mbps for download and up to 5.7 Mbps for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mbps (downlink, using MIMO 2x2 antennas).
LTE Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gbps (downlink, using MIMO 8x8 antennas).
Mbps	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.

Term	Definition
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Group based on a set comprising an external LTE modem (ODU) and an indoor WiFi router (IDU), which increases effective coverage and improve the quality of the LTE signal.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue).
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kbps (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

Pursuant to the requirements of the *Regulation of the of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent,* the Management Board of Cyfrowy Polsat S.A. represented by:

Mirosław Błaszczyk, President of the Management Board,
Maciej Stec, Vice-President of the Management Board,
Jacek Felczykowski, Member of the Management Board,
Aneta Jaskólska, Member of the Management Board,
Agnieszka Odorowicz, Member of the Management Board,
Katarzyna Ostap-Tomann, Member of the Management Board,

hereby represents that:

- to the best of its knowledge the annual financial statements and the comparative information were prepared in accordance with the currently effective accounting principles, and they truly and fairly present the financial position of the Company as well as its financial performance and the Management Board’s report on activities contains a true image of the Company’s development, achievements and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has audited the annual financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the financial statements pursuant to relevant provisions of the national law and industry norms.

Mirosław Błaszczyk	Maciej Stec	Jacek Felczykowski	Aneta Jaskólska
President of the Management Board	Vice-President of the Management Board	Member of the Management Board	Member of the Management Board

Agnieszka Odorowicz	Katarzyna Ostap-Tomann
Member of the Management Board	Member of the Management Board

Warsaw, 24 March 2021

Representations of the Supervisory Board

Pursuant to the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent the Supervisory Board of Cyfrowy Polsat S.A. comprised of:

- Marek Kapuściński – Chairman of the Supervisory Board,
- Józef Birka – Member of the Supervisory Board,
- Marek Grzybowski – Member of the Supervisory Board,
- Robert Gwiazdowski – Member of the Supervisory Board,
- Aleksander Myszka – Member of the Supervisory Board,
- Leszek Reksa – Member of the Supervisory Board,
- Tomasz Szeląg – Member of the Supervisory Board,
- Paweł Ziółkowski – Member of the Supervisory Board,
- Piotr Żak – Member of the Supervisory Board

hereby make the following representations:

I. Statement on the policy of section of an auditing company

The Supervisory Board hereby states the following:

1) On 26 February 2020 it consented to extend the agreement and choose Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, in compliance with the applicable regulations,
2) Both the audit firm and the audit team members met the conditions to develop an impartial and independent report on the audit of annual financial statements in line with the mandatory legal provisions, standards of profession and rules of professional ethics,
3) Cyfrowy Polsat S.A. complies with the provisions on the rotation of the audit firm and the key auditor as well as mandatory cooling-off periods,
4) Cyfrowy Polsat S.A. has adopted the policy of section of an audit company and the policy of provision to the issuer by an audit company, entities affiliated with that audit company or a member of their networks, of authorized non-audit services, including services exempted conditionally from the ban on provision of services by an audit company,
5) The requirements relating to the establishment, composition and functioning of the Audit Committee including those relating to independence of the majority of its members as well as to knowledge and skills in the sector in which Cyfrowy Polsat S.A. operates and in accounting or auditing are fulfilled,
6) The Audit Committee has performed the tasks set forth in the mandatory legal provisions.

II. Assessment of the financial statements of Cyfrowy Polsat S.A., the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group, the report of the Management Board on the activities of Cyfrowy Polsat S.A. and the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in 2020

The Supervisory Board has examined and assessed the following documents:

1) the financial statements of Cyfrowy Polsat S.A. for the financial year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards, including:
   a) the balance sheet as at December 31, 2020, showing the balance sheet total of PLN 15,575.9 million,
   b) the profit and loss account for the financial year ended December 31, 2020, showing net profit of PLN 405.0 million,
   c) the statement of comprehensive income for the financial year ended December 31, 2020, showing a total comprehensive income of PLN 396.7 million,
   d) the statement of changes in equity for the financial year ended December 31, 2020, showing a decrease in total equity by PLN 242.8 million,
   e) the cash flow statement for the financial year ended December 31, 2020, showing an increase in net cash and cash equivalents by PLN 693.3 million,
   f) notes to financial statements.
2) the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2020,
3) the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2020 prepared in accordance with International Financial reporting Standards, including:
   a) the consolidated balance sheet as at December 31, 2020, showing the balance sheet total of PLN 33,115.0 million,
   b) the consolidated profit and loss account for the financial year ended December 31, 2020, showing net profit of PLN 1,146.2 million,
   c) the statement of comprehensive income for the financial year ended December 31, 2020, showing a total comprehensive income of PLN 1,158.8 million,
   d) consolidated statement of changes in equity for the financial year ended December 31, 2020, showing a decrease in total consolidated equity by PLN 38.3 million,
   e) consolidated cash flow statement for the financial year ended December 31, 2020, showing an increase in net cash and cash equivalents by PLN 609.4 million,
   f) notes to consolidated financial statements.
4) the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in the financial year ended December 31, 2020.

Having analyzed the above-mentioned documents and taking into consideration the independent auditor's reports on the audit of the annual financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2020, and having acquainted itself with the information of the Audit Committee on the course and results of the examination of fairness of financial reporting in Cyfrowy Polsat S.A. Capital Group, the Supervisory Board hereby states that the information presented in the above mentioned statements reflects in an accurate and proper manner the operational and financial standing of Cyfrowy Polsat S.A. and Cyfrowy Polsat S.A. Capital Group.

Considering the above, the Supervisory Board hereby represents that:

- the financial statements of Cyfrowy Polsat S.A. for the financial year 2020,
- the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2020,
- the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year 2020,
- the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in 2020

have been drawn up in accordance with the books and documents as well as with the factual status and mandatory legal provisions.

Marek Kapuściński Chairman of the Supervisory Board	Józef Birka Member of the Supervisory Board	Robert Gwiazdowski Member of the Supervisory Board
Marek Grzybowski Member of the Supervisory Board	Aleksander Myszka Member of the Supervisory Board	Leszek Reksa Member of the Supervisory Board
Tomasz Szeląg Member of the Supervisory Board	Paweł Ziółkowski Member of the Supervisory Board	Piotr Żak Member of the Supervisory Board

Warsaw, March 24, 2021

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Shareholders Meeting and Supervisory Board of Cyfrowy Polsat S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A, containing: balance sheet as at 31 December 2020, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for the period from 1 January 2020 to 31 December 2020 and notes to the financial statements (the 'financial statements').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,

- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 24 March 2021.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in our audit**
<u>**Revenue recognition and accounting**</u> Revenues from sales of the Company for the year ended 31 December 2020 amounted to PLN 2,401.0 million. Revenue recognition was assessed as a key audit matter due to the fact that the accuracy of the revenue recognition is an inherent industry risk. This is because of the complexity of the billing and other IT systems, that process large volumes of data, combination of different products and services offered, including bundled offers. Furthermore, the application of International Financial Reporting	In the course of performed audit procedures, we have documented our assessment of Company's accounting policies in regards to revenue recognition and accounting in accordance with IFRS 15 and related key judgements and estimates applied by the Company's Management. Additionally, our procedures included, among others: - understanding of the processes of revenue recognition, as well as identification and assessment of key controls mechanisms;

Standard 15 'Revenue from contracts with customers' ('IFRS 15'), involves a number of key judgements and estimates, that are related among others to identification of the performance obligations, determination of the transaction price or identification of material rights. Taking into account the above, we considered revenue recognition and accounting as a key audit matter. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to revenue recognition are included in note 5 "Accounting policies" to the financial statements. Disclosures on revenue are included in note 8 "Revenue" to the financial statements.	- testing of controls over revenue related processes; - evaluation of relevant IT systems, including testing of controls in place, engaging our IT audit experts, which included manage changes as well as logical access controls in IT systems used in the revenue recognition processes; - analytical procedures, including analysis of monthly trends and data for significant revenue streams versus budgets and forecasts; - reconciliation of balances of contract assets, contract costs and contract liabilities to source documentation; - substantive testing on sample of agreements and invoices for customers in respect of revenue recognition and verification of payments received; - analysis of allowance for bad debt, capitalized contract costs and contract assets, including assessment of the adequacy of methodology applied for the purpose of allowance calculation as well as analysis of significant, unsettled balances. We also assessed the adequacy of the Company's disclosures in respect of the revenue recognition and accounting in the financial statements.
<u>Fixed assets (including goodwill) impairment analysis</u> As at 31 December 2020 the Company presents fixed assets in the amount of PLN 14,334.6 million (including goodwill in the amount of PLN 197 million and investments in subsidiaries and associates in the amount of PLN	Our audit procedures in relation to the described key audit matter, included among others: - understanding and assessment of the accounting policies and procedures applied (including internal control environment) in the area of assessment of impairment indicators,

13,428.8 million), which constitutes 92% of total assets. Under requirements of International Accounting Standard 36 'Impairment of assets' ('IAS 36'), the Company tested the amount of goodwill for impairment. For the purpose of impairment tests the Company's Management used certain judgements such as: (i) identification of cash generating units ('CGU') and allocation of goodwill to these cash generating units, (ii) continuance of current and expected market and economics conditions, (iii) expected revenue and costs levels, (iv) planned CAPEX, (v) weighted average cost of capital ("WACC"). This matter was considered key audit matter from the financial statements perspective, due to the following: (i) significance of the non-current assets; (ii) significance of the impact of Company's Management professional judgement necessary to establish the recoverable amounts of non-current assets based on discounted cash flows, which are generally uncertain as well as identification of impairment indicators. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to the impairment of assets are included in	including impairment indicators of investments in subsidiaries and associates, identification of the events indicating the impairment as well as impairment tests; - understanding and assessment of the judgements and estimates used by the Company's Management in relation to grouping the assets within CGUs and goodwill allocation; - assessment, with involvement of the valuation specialists, of assumptions and estimates made by the Company's Management and used for the purposes of defining the recoverable amount, including: (i) applied future key macroeconomic assumptions (including: discount rate, forecasted growth rate) by benchmarking to the market data and observable external data, (ii) assumptions applied for establishing terminal values i.e. cash flows and interest rate after the forecast period; - verification of mathematical accuracy of discounted cash flows model; - inquiring the financial personnel and Company's Management about status of historical accuracy of assumptions made, including validity and applicability of these key assumptions; - analysis of information from external sources such as industry press in reference to potential risks related to realization of the assumptions made by the Company's Management; - reconciliation of the source data being the basis for the impairment test models and assessment of impairment indicators based on forecasts and budgets;

note 5 "Accounting policies" to the financial statements. Disclosures related to key estimates and assumptions, including sensitivity analysis as well as results of goodwill impairments test, which were prepared by the Company's Management, are included in note 16 "Impairment test on goodwill allocated to the "B2B and B2C" cash-generating unit" and in the note 45 "Judgments, financial estimates and assumptions" to the financial statements.	- assessing the sensitivity analysis of the models prepared by the Company's Management to changes in significant assumptions. We also assessed the adequacy of the disclosures made in the financial statements describing the impairment test and sensitivity analysis.
<u>**Claims, disputes and contingent liabilities**</u> Due to its complex structure and the fact that the Company is operating in constantly changing legal and regulatory environment, the Company is a party to court and administrative proceedings, including tax and regulatory authorities. The decision whether to account for liability or the provisions and in what amount, as well as the estimate and scope of disclosures of contingent liabilities are subject to the Company's judgments, often based on currently available information on the legal status of the proceedings, which involves an inherent risk of uncertainty. Consequently, claims, disputes and contingent liabilities were assessed as a key audit matter. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to	Our audit procedures in relations to the described key audit matter, included among others: - understanding and evaluation of the applied procedures, including the internal control environment relating to the identification, recognition and measurement of events indicating the need to recognize provisions or making disclosures in the financial statements; - monitoring of information from the external sources in order to identify the Company's breach or potential breach of laws and regulations; - analysis and evaluation, with the support of our tax law specialists, of the responses received from law and tax offices responsible for conducting court, tax and administrative proceedings on behalf of the Company, including an assessment of the probability of negative resolutions of these proceedings; - analysis and assessment of contingent liabilities and changes in the value of provisions for claims and litigations;

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the provisions and contingent liabilities are included in note 5 "Accounting policies" to the financial statements. Disclosures related to the claims, disputes and contingent liabilities are included in note 39 "Litigations", note 43 "Important agreements and events" and note 45 "Judgments, financial estimates and assumptions" to the financial statements.	- review of minutes from meetings of the decision making bodies of the Company as well as protocols from the controls conducted by supervisory authorities and correspondence with these authorities. We also assessed the adequacy of disclosures regarding significant pending court, out-of-court and tax proceedings and contingent liabilities in the Company's financial statements.
<u>Taxation (current and deferred tax)</u> Current composition of the capital group, in which the Company is a parent is a result of consolidation, structure-related activities and other transactions involving assets of considerable value, implemented over the recent years by and between the group's companies. Those activities had an effect on the tax settlements, deferred tax assets and deferred tax liabilities not only for the companies directly involved in such consolidation, structure-related activities and other transactions involving assets of considerable value, but also on respective members or shareholders. The Company is subject of ongoing, unresolved tax proceedings. Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established rulings that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between tax	Our audit procedures in relations to the described key audit matter, included among others: - understanding and assessment of the procedures applied, including internal control environment, in the area of accounting for tax purposes (current and deferred income tax); - analysis of tax rulings possessed by the Company, internal and external analyses supporting executed structure-related activities; - monitoring of current case-law and tax rulings for cases where the fact pattern and considered issue were similar to the state and issues existing in the Company; - analysis and assessment, with assistance of tax experts, obtained responses from Company's tax advisors regarding status of ongoing tax controls and tax proceedings, including estimation of probability of unfavorable outcome, including significant transactions from previous years having an impact on tax settlements or recognition of additional deferred tax assets or decrease of deferred tax liabilities;

administration units as well as tax administration authorities and entrepreneurs. In the light of these ambiguities, the final tax treatment application of particular economic transactions may not be known until issuance of the final administration decision by the relevant tax authority or the courts. Based on the above, in accordance with the IFRS, an administration or court dispute or fact of examination of a particular tax treatment by the authorized government authority may affect the Company's accounting for a current or deferred tax asset or liability. Consequently, the Company's Management considered key judgements and estimates in respect of most likely outcomes of tax conclusions made by tax organs. Additionally, on 15 July 2016, amendments were made to the 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. As at 31 December 2020, the Company's Management performed detailed analysis of the deferred tax assets recoverability. In addition, Company's Management's assessment process in respect to deferred tax asset recoverability is based on assumptions, specifically the timing and amount of future taxable profits, against which deductible temporary differences and tax losses carried forward can be utilized.	- understanding of the current and deferred tax computation process and assessment of key control mechanisms in this area; - review of deferred tax asset recoverability model; - analysis of assumptions used for recognition and computation of deferred tax and their consistency with the analysis of goodwill impairment test and financial forecasts prepared by the Company's Management; - obtaining specific representations and assessment of the assumptions related to the recognition of deferred tax liability on temporary differences between the carrying amounts and tax bases of the investments in subsidiaries. We have also assessed the adequacy of disclosures relating to taxes (both current and deferred) included in the financial statements.

Due to the significance of tax settlements and significant element of Company's Management judgement related to interpretation of tax regulations, assessment of expected tax proceedings outcomes as well as, in many cases, lack of unequivocal certification, we considered this topic as key audit matter. *Reference to related disclosures in the financial statements* Disclosures on taxes are included in note 5 "Accounting Policies", note 12 "Income tax", note 43 "Important agreements and events", note 44 "Events subsequent to the reporting date" and note 45 "Judgments, financial estimates and assumptions" of the financial statements as well as in "Key risk and threat factors" included in the Company's Management Report for the period from 1 January 2020 to 31 December 2020.	

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

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

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

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2020 to 31 December 2020, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),

- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has included in Directors' Report information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation procedures services in respect to the separate report on non-financial information and do not express any assurance in its respect.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Supervisory Board from 23 January 2018 and reappointed based on the resolution from 26 February 2020. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2018, i.e. for the past three consecutive years.

Warsaw, 24 March 2021

Key Certified Auditor

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of:
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130

This document is a conversion to pdf format of the official financial statements issued in xhtml format.

CYFROWY POLSAT S.A.

Financial Statements
for the year ended 31 December 2020

Prepared in accordance
with International Financial Reporting Standards
as adopted by the European Union

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APPROVAL OF THE FINANCIAL STATEMENTS

On 24 March 2021, the Management Board of Cyfrowy Polsat S.A. approved the financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Income Statement for the period from 1 January 2020 to 31 December 2020 showing a net profit for the period of:	PLN 405.0
Statement of Comprehensive Income for the period from 1 January 2020 to 31 December 2020 showing a total comprehensive income for the period of:	PLN 396.7
Balance Sheet as at 31 December 2020 showing total assets and total equity and liabilities of:	PLN 15,575.9
Cash Flow Statement for the period from 1 January 2020 to 31 December 2020 showing a net increase in cash and cash equivalents amounting to:	PLN 693.3
Statement of Changes in Equity for the period from 1 January 2020 to 31 December 2020 showing a decrease in equity of:	PLN 242.8

Supplementary Information to the Financial Statements

The financial statements have been prepared in PLN million unless otherwise indicated.

Mirosław Błaszczyk President of the Management Board	Maciej Stec Vice-President of the Management Board	Jacek Felczykowski Member of the Management Board	Aneta Jaskólska Member of the Management Board
Agnieszka Odorowicz Member of the Management Board	Katarzyna Ostap-Tomann Member of the Management Board	Agnieszka Szatan Chief Accountant	

Warsaw, 24 March 2021

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Income Statement

		for the year ended	
	Note	31 December 2020	31 December 2019
Revenue	8	2,401.0	2,378.8
Operating costs	9	(1,950.0)	(1,948.5)
Other operating income, net		7.2	2.2
Profit from operating activities		**458.2**	**432.5**
Gain on investment activities, net	10	127.7	358.8
Finance costs, net	11	(89.7)	(89.8)
Gross profit for the period		**496.2**	**701.5**
Income tax	12	(91.2)	(114.7)
Net profit for the period		**405.0**	**586.8**
Basic and diluted earnings per share (in PLN)	14	**0.63**	**0.92**

Statement of Comprehensive Income

		for the year ended	
	Note	31 December 2020	31 December 2019
Net profit for the period		**405.0**	**586.8**
Items that may not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss)		(0.2)	-
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	28	(8.1)	0.4
Other comprehensive income/(loss), net of tax		**(8.3)**	**0.4**
Total comprehensive income for the period		**396.7**	**587.2**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Balance Sheet - Assets

	Note	31 December 2020	31 December 2019
Reception equipment	15	343.1	306.4
Other property, plant and equipment	15	112.8	113.3
Goodwill	16	197.0	197.0
Brands		7.8	7.8
Other intangible assets	17	72.1	63.4
Right-of-use assets	18	23.0	26.4
Investment property	19	36.4	38.5
Shares in subsidiaries and associates	20	13,428.8	13,404.5
includes shares in associates		*1,260.2*	*1,248.8*
Non-current deferred distribution fees	21	26.5	32.4
Other non-current assets	22	87.1	21.5
includes derivative instruments		-	*0.3*
Total non-current assets		**14,334.6**	**14,211.2**
Contract assets		160.2	200.8
Inventories	23	46.7	80.5
Trade and other receivables	24	118.7	137.0
Income tax receivables		-	0.3
Current deferred distribution fees	21	64.2	66.0
Other current assets	25	16.1	103.4
includes derivative instruments		-	*0.1*
Cash and cash equivalents	26	835.4	142.1
Total current assets		**1,241.3**	**730.1**
Total assets		**15,575.9**	**14,941.3**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Balance Sheet - Equity and Liabilities

	Note	31 December 2020	31 December 2019
Share capital	27	25.6	25.6
Share premium	27	7,174.0	7,174.0
Other reserves		(8.5)	(0.2)
Retained earnings		3,719.6	3,954.1
Total equity		**10,910.7**	**11,153.5**
Loans and borrowings	29	1,387.1	1,330.4
Issued bonds	30	1,959.2	969.2
Lease liabilities	31	19.9	22.8
Deferred tax liabilities	12	84.6	81.2
Other non-current liabilities and provisions	33	6.3	1.3
includes derivative instruments		*4.7*	-
Total non-current liabilities		**3,457.1**	**2,404.9**
Loans and borrowings	29	140.9	662.9
Issued bonds	30	38.7	34.8
Lease liabilities	31	3.7	3.8
Contract liabilities		246.1	247.2
Trade and other payables	34	353.3	384.4
includes derivative instruments		*5.5*	*0.2*
Liabilities to shareholders related to dividend for 2019	27	415.7	-
Income tax liability		6.4	46.6
Deposits for equipment		3.3	3.2
Total current liabilities		**1,208.1**	**1,382.9**
Total liabilities		**4,665.2**	**3,787.8**
Total equity and liabilities		**15,575.9**	**14,941.3**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Cash Flow Statement

		for the year ended	
	Note	31 December 2020	31 December 2019
Net profit		**405.0**	**586.8**
Adjustments for:		**226.7**	**6.9**
Depreciation, amortization, impairment and liquidation	9	173.7	176.8
Interest expense		83.6	80.3
Change in inventories		33.8	49.7
Change in receivables and other assets		134.5	27.2
Change in liabilities and provisions		(21.6)	65.5
Change in contract assets		40.6	(21.1)
Change in contract liabilities		(1.1)	10.1
Income tax	12	91.2	114.7
Net increase in reception equipment provided		(170.3)	(144.7)
Dividends income and share in the profits of partnerships	10	(121.5)	(358.8)
Other adjustments		(16.2)	7.2
Cash from operating activities		**631.7**	**593.7**
Income tax paid		(125.8)	(135.6)
Interest received from operating activities		1.9	4.2
Net cash from operating activities		**507.8**	**462.3**
Received dividends and shares in the profits of partnerships		120.2	364.4
Acquisition of shares in subsidiaries and associates	20	(25.8)	(1,233.1)
Share capital increase in subsidiary and associates	20	-	(19.6)
Acquisition of property, plant and equipment		(19.4)	(10.2)
Acquisition of intangible assets		(29.3)	(16.0)
Loans granted		(80.4)	(3.9)
Other inflows		7.5	7.7
Net cash used in investing activities		**(27.2)**	**(910.7)**
Bonds issue (Series C Bonds)	30	1,000.0	-
Bonds issue (Series B Bonds)		-	893.0
Bonds redemption (Series A Bonds)		-	(893.0)
Loans inflows	29	-	1,780.0
Net cash from the Cash Management System Agreement with interest paid		-	(0.1)
Repayment of loans and borrowings	29	(454.4)	(747.6)
Payment of interest on loans, borrowings, bonds and commissions*		(96.8)	(96.0)
Dividend paid	27	(223.8)	(594.8)
Other outflows		(12.3)	(9.2)
Net cash from financing activities		**212.7**	**332.3**
Net increase/(decrease) in cash and cash equivalents		**693.3**	**(116.1)**
Cash and cash equivalents at the beginning of the year		**142.1**	**258.3**
Effect of exchange rate fluctuations on cash and cash equivalents		**-**	(0.1)
Cash and cash equivalents at the end of the year		**835.4**	**142.1**

* Includes impact of hedging instruments, amount paid for costs related to the new financing.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Number of shares	Share capital	Share premium	Other reserves	Retained earnings*	**Total Equity**
Balance as at 1 January 2020		**639,546,016**	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**
Dividend approved	27	-	-	-	-	(639.5)	**(639.5)**
Total comprehensive income		-	-	-	(8.3)	405.0	**396.7**
Hedge valuation reserve	*28*	-	-	-	*(8.1)*	-	***(8.1)***
Actuarial gain/(loss)		-	-	-	*(0.2)*		***(0.2)***
Net profit for the period		-	-	-	-	*405.0*	***405.0***
Balance as at 31 December 2020		**639,546,016**	**25.6**	**7,174.0**	**(8.5)**	**3,719.6**	**10,910.7**

Statement of Changes in Equity
for the year ended 31 December 2019

	Number of shares	Share capital	Share premium	Other reserves	Retained earnings*	**Total Equity**
Balance as at 1 January 2019	**639,546,016**	**25.6**	**7,174.0**	**(0.6)**	**3,962.1**	**11,161.1**
Dividend approved and paid	-	-	-	-	(594.8)	**(594.8)**
Total comprehensive income	-	-	-	0.4	586.8	**587.2**
Hedge valuation reserve	-	-	-	*0.4*	-	***0.4***
Net profit for the period	-	-	-	-	*586.8*	***586.8***
Balance as at 31 December 2019	**639,546,016**	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**

* In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. As at 31 December 2020 and 31 December 2019, the capital excluded from distribution amounted to PLN 8.5.

Notes to the Financial Statements

General information

1. The Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Company's registered head office is located at 4a Łubinowa Street in Warsaw.

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). As at 31 December 2020 the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Polkomtel Infrastruktura Sp. z o.o., Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, INFO-TV-FM Sp. z o.o., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k., Netshare Media Group Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Orsen Holding Limited and its subsidiaries, TVO Sp. z o.o. and its subsidiaries, Mese Sp. z o.o., Esoleo Sp. z o.o. and its subsidiaries and BCAST Sp. z o.o.

The Company as the Parent Company prepared the consolidated financial statements (approved on 24 March 2021). These financial statements should be read in conjunction with the consolidated financial statements.

2. Composition of the Management Board of the Company

- Mirosław Błaszczyk	President of the Management Board,
- Maciej Stec	Vice-President of the Management Board,
- Jacek Felczykowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board,
- Katarzyna Ostap-Tomann	Member of the Management Board.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- Marek Grzybowski	Member of the Supervisory Board (from 23 July 2020),
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board,
- Paweł Ziółkowski	Member of the Supervisory Board (from 23 July 2020),
- Piotr Żak	Member of the Supervisory Board.

Principles applied in the preparation of financial statements

4. Basis of preparation of the financial statements

Statement of compliance

These financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS EU). The Company applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2020 and the financial statements for 2019, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2020.

During the year ended 31 December 2020 the following became effective:

a) Amendments to IFRS 3: Business Combinations – a definition of a business
b) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
c) Amendments to IAS 1 and IAS 8: Definition of Material
d) Amendments to References to the Conceptual Framework in IFRS Standards
e) Amendments to IFRS 16: Leases *Covid 19-Related Rent Concessions*.

Amendments and interpretations apply for the first time in 2020, but do not have material impact on the financial statements of the Company.

Standards published but not yet effective:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
b) Amendments to IFRS 3 Business Combinations
c) Amendments to IAS 16 Property, Plant and Equipment
d) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
e) Annual Improvements 2018-2020 - the amendments contain explanations and clarify the guidelines for recognition and measurement: IFRS 1 Adoption of International Financial Reporting Standards for the first time, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples to illustrate IFRS 16 Leases
f) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current.

The Company has not early adopted the new or amended standards in preparing these financial statements.

5. Accounting policies

The accounting policies set out below have been applied by the Company consistently to all periods presented in the financial statements.

a) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are valued at fair value.

b) Going concern assumption

These financial statements have been prepared assuming that the Company will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2020.

c) Functional currency and presentation currency

The financial data in the financial statements is presented in Polish zloty, rounded to million. The functional currency of the Company is the Polish zloty.

d) Judgments and estimates

The preparation of financial statements in conformity with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies is included in note 45.

e) Comparative financial information

Comparative data or data presented in previously published financial statements has been updated, if necessary, in order to reflect presentational changes introduced in the current period. The changes had no impact on previously reported amounts of net income or equity.

f) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates effective on a day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the valuation. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

g) Financial instruments

(i) Non-derivative financial instruments

(i) Financial assets

Financial assets are classified in the following measurement categories depending on the business model in which assets are managed and their cash flow characteristics:

- assets measured at amortised cost - if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- financial asset measured at fair value through other comprehensive income – if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- assets measured at fair value through profit or loss - all other financial assets.

Financial assets at initial recognition are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Trade receivables that do not have a significant financial component are initially measured at their transaction price

Financial assets measured at amortised cost

Financial assets measured at amortised cost include trade and other receivables, loans granted and cash and cash equivalents. Interest income from these financial assets is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial assets classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset.

(ii) Financial liabilities

Financial liabilities include financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.
Financial liabilities are recognised initially at fair value and, in the case of financial liabilities which are not measured at fair value through profit or loss, net of directly attributable transaction costs.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include loans and borrowings, issued bonds, trade and other payables and lease liabilities. Interest expense related to these financial liabilities is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net or Finance costs, net.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial liabilities classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

Accounting policies related to gains and losses on investment activities and finance costs are presented in 5u.
(ii) Derivative financial instruments

Hedge accounting

The Company may use derivative financial instruments such as forward currency contracts, foreign exchange call options, interest rate swaps and cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. The Company may use forward currency contracts and foreign exchange call options as cash flow hedges of its exposure to foreign currency risk in forecasted payments as well as interest rate swaps and cross-currency interest rate swaps for its exposure to interest rate risk.

For the purpose of hedge accounting, the Company's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognized immediately in the profit or loss.

The amounts recognized within other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the related gain or loss is recognized in finance cost or when a forecast sale occurs.

Gains and losses from the settlement of derivative instruments that are designated as, and are effective hedging instruments, are presented in the same position as the impact of the hedged item. The derivative instrument is divided into a current portion and a non-current portion only if a reliable allocation can be made.

In accordance with IFRS 9, the Company chose to apply hegde accounting requirements as in IAS 39 instead of those included in IFRS 9.

h) Equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

Preferred shares

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Costs attributable to the issue and public offer of shares

Costs attributable to a new issue of shares are recognized in equity while costs attributable to a public offering of existing shares are recognized directly in finance costs. These costs relating to both new issue and sale of existing shares are recognized on a pro-rata basis in equity and finance costs.

Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

Retained earnings

Retained earnings include net result, reserve capital and effect of merger with the Company. Effect of merger is calculated as the difference between assets and liabilities of the merged entity.

In accordance with the provisions of article 396 of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. This capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

i) Property, plant and equipment

(i) Property, plant and equipment owned by the Company

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received.

The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Investment property

Investment property is defined as a property (land, building, or both) held by the Company to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost. Once recognized all investment property held by the Company are measured using the cost model as set out in IAS 16. This means that the assets are recognized at cost model as presented in (i) above.

Investment property is removed from the balance sheet on disposal or when it is permanently withdrawn from use and no further economic benefits are expected from its disposal.

(iii) Subsequent costs

Subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and the amount of the cost can be measured reliably. Replaced item is derecognised. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Buildings and structures	2-61	Years
Reception equipment	2 or 3 or 5	Years
Technical equipment and machinery	2-22	Years
Vehicles	2-10	Years
Other	2-26	Years

Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end and adjusted if appropriate.

(v) Leased assets

Assets used by the Company under lease, tenancy, rental or similar contracts which meet lease definition, are classified separately in the balance sheet as right-of-use assets.
Equipment that is provided to customers under operating lease agreements are recognized within non-current assets (Reception equipment in the balance sheet) and depreciated as described in point (iv). The set-top boxes are depreciation over a period that exceeds the period the lease agreements are entered into.

Carrying amounts of reception equipment and other items of property, plant and equipment as well as right-of-use assets may be reduced by impairment losses whenever there is uncertainty as to those assets' revenue generating potential or their future use in the Company's operations. The accounting policies relating to impairment are presented in note 5n.

Detailed accounting policies related to lease contracts are described in point 5v.

j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to acquirer's cash-generating units for the purpose of testing for impairment. 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.

(ii) Other intangible assets

The Company capitalizes costs of IT software internally generated, including employee-related expenses, directly resulting from generating and preparing an asset to be capable of operating, if the Company is able to demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for respective intangible assets groups are as follows:
- Computer software: 2 – 15 years,
- Other: 2 – 7 years.

k) Shares in subsidiaries and associates

Shares in subsidiaries and associates are measured at cost less impairment losses. Accounting principles relating to impairment testing are presented in note 5n.

Subsidiaries are entities controlled by the Company. Associates are all entities over which the Company has significant influence but not control or joint control, over the financial and operating policies. This is generally the case where the Company holds between 20% and 50% of the voting rights.

l) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory.

The cost of inventories includes purchase price, costs relating directly to the acquisition and the costs related to preparing the inventory for use or sale.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, mobile phones, modems and tablets, which under the business model applied by the Company are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Company creates an allowance for slow-moving or obsolete inventories.

m) Settlements concerning data transfer purchases

Settlements concerning data transfer purchases are recognized in the nominal value upon payments made. The costs are recognized in the income statement based on actual usage of data transmission and contractual. Payments, which will be settled after 12 months from the balance sheet date are presented as other non-current assets.

n) Impairment of assets

(i) Financial assets measured at amortised cost

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets. The trade receivables are assessed for impairment collectively in groups that share similar credit risk characteristics. The expected credit losses are estimated based on historical pattern for overdue receivables collection adjusted with currently available forward-looking information. The credit risk characteristics of contract assets correspond to the credit risk characteristics of trade receivables for a particular type of contract.

The Company considers financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The Company considers a financial asset to be credit impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, including significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of intangible assets which are not yet ready for use is assessed at each financial year-end.

The Company considers on annual basis whether there are indicators that investments in subsidiaries suffered any impairment (i.a. value of net assets). If so, then the impairment test is performed and the recoverable amount of the investment is estimated based on value-in-use calculations.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the income statement. An impairment loss for a cash-generating unit is initially recognized as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In the case of assets that do not generate independent cash flows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss for goodwill cannot be reversed. As for other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss other than that in respect of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o) Employee benefits

(i) Defined contribution program

The Company is obliged, under applicable regulations, to collect and remit the contribution to the state pension fund. These benefits, according to IAS 19 *Employee Benefits* represent state plans and are classified as defined contribution plans. Therefore, the Company's obligations for each period are estimated as the amount of contributions to be remited for a given period.

(ii) Defined benefit program – retirement benefits

The Company is obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee rotation is estimated based on historical experience and forecasts of future employment levels.

Changes in the value of the retirement benefit provision are recognized in the income statement. Actuarial gains and losses are recognized in the equity, in other comprehensive income in full in the period they originated.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

The Company recognizes a liability and charges the income statement for the amounts expected to be paid under short-term bonuses, if the Company has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

p) Provisions

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Company discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

Certain disclosures may not be included in these financial statements as they relate to sensitive information.

Warranty provision

A warranty provision is recognized when products or goods, for which the warranty was granted, are sold. The amount of the provision is based on historical warranty data and on a weighted average of all possible outflows connected with warranty claims against their associated probabilities.

q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events, but its amount cannot be estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

A contingent liability is disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Unless the possibility of any outflow in settlement is remote, the Company discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:
- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any outflow and
- the possibility of any reimbursement.

r) Revenue

Revenue, which excludes value added tax, returns, trade discounts and volume rebates, represents the gross inflow of economic benefit from Company's operating activities. Revenue is measured at the transaction prices of the consideration received or receivable. The Company's main sources of revenue are recognized as follows:

(a) Retail revenue consists primarily of subscription fees paid by our pay digital television contract customers and our contract customers for telecommunication services. Retail revenue also includes received contractual penalties related to terminated agreements which are recognized when the contract is terminated and revenue from the rental of reception equipment. Revenue from above mentioned services is recognized as these services are provided.
Revenue from the rental of reception equipment and activation fees are recognized on a straight-line basis over the minimum base period of the subscription contract.
Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilised or forfeited.

(b) Wholesale revenue consists of revenue from the sale of broadcasting and signal transmission, advertising and sponsorship revenue, revenue from the sale of licenses, sublicenses and property rights and interconnect revenue. Wholesale revenue is recognized, net of any discount given, when the services are provided.

(c) Revenue from sale of equipment is measured at the fair value of the consideration received or receivable, in case of multi-element contracts after the allocation of the transaction price based on the standalone selling price, net of discounts, rebates and returns. Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(d) Other revenue is recognized, net of any discount given, when the relevant goods or service are provided.

The Company's process for revenue recognition from multi-element contracts consists of:

a) assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract

b) determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

s) Distribution fees

Commissions for distributors for registering new subscribers and for retention of existing subscribers are recognized during the minimum basic period of the subscription agreement and presented in the income statement in Distribution, marketing, customer relation management and retention costs

Turnover commissions for concluding a certain number of subscription contracts are recognized in the income statement as they are due.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as non-current assets.

t) Revenues and costs of barter transactions

Revenues from barter transactions for dissimilar services or goods are recognized when the services are rendered or goods are delivered. Programming licenses, products or services are expensed or capitalized when received or used. The Company recognizes barter transactions based on the estimated fair value of the programming licenses, products or services.

u) Gains and losses on investment activities and finance costs

Gains and losses on investment activities income includes interest income on funds invested, interest expenses (including interest on lease liabilities but other than interest expenses on borrowings), dividends income, share in the profits of partnerships, net foreign currency gains/losses, and results on completed forward exchange contracts and call options related to investment activities, impairment losses recognized on financial assets. Interest income and expense (other than interest expense on borrowings) is recognized as it accrues in profit or loss using the effective interest method. Dividends income is recognized in profit or loss on the date that the Company's right to receive payment is established, with the exception of advance dividend shown as other liabilities, if there is a likelihood of the return on the basis of the final distribution of financial results of the subsidiaries. Share in the profits of partnerships are recognized once unconditional right to the division of these profits is gained. Share in the losses of partnerships are recognized in accordance with the partners' agreements.

Finance costs comprise interest expense on borrowings (including bank loans and issued bonds), foreign exchange gains/losses on bank loans and issued bonds, realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank and other charges on borrowings as well as guarantee fees resulting from the indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

v) Leasing

Company as a lessor

Agreements which meet the lease definition are classified as finance lease or operating lease. The main criterion is the extent to which the risks and rewards associated with the leased asset are transferred between the Company and the lessee.

Similarly to agreements in which the Company acts as a lessee, the Company as a lessor also determines for each agreement: commencement date, lease term, lease payments and interest rate. At the commencement date lessor accounts for the finance lease by:

- excluding carrying amount of the underlying asset;
- recognizing net investment in the lease;
- recognizing selling profit or loss in profit and loss statement (if applicable).

For operating leases, the Company recognizes revenue in profit and loss statement on a straight line basis.

Company as a lessee

(i) Assets

Assets used under agreements which meet the lease definition are recognized as right-of-use assets and lease liabilities representing the Company's obligation to make payments for the underlying assets on the day when the leased assets are available for use by the Company.

At the commencement date, the right-of-use assets are measured at cost and consist of the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee;
- an estimate of costs of dismantling, removing and restoring the underlying asset and/or the site where it is located.

After the commencement date, the right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and adjusted for remeasurement of the lease liability resulting from reassessment or lease modification which does not require recognition of a separate lease component.

Right-of-use assets are depreciated on a straight-line basis over the shorter of: the term of the lease agreement or the useful life of the underlying asset. If the Company is reasonably certain that ownership of the underlying asset will be transferred to the lessee by the end of the lease term – then the right-of-use asset shall be depreciated from the commencement date to the end of its useful life.

The Company depreciates the right-of-use assets as follows:
- office space and other premises: 3-13 years,
- points of sale premises: 2-4 years.
- vehicles: 4-5 years.

Right-of-use assets are subject to impairment based on the accounting policies as presented in note 5n.

(ii) Liabilities

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
- fixed payments (including in-substance 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;
- the exercise price of purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease (understood as any economic factors discouraging the Company from terminating the contract), if the lease term reflects that the lessee will exercise the option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise the lessee's incremental borrowing rate is used.

After the commencement date, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. change in the lease term or the amount of future lease payments.

Interest expenses on lease liabilities are recognized in profit or loss over the term of the lease.

w) Taxation

Income tax expense/benefit for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Company does not recognize deferred tax liability for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements when the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is recognized using the balance sheet method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, respectively, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realised. When not recognized deferred tax asset becomes recoverable, it is recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The Company recognizes a deferred tax asset used to carry over unused tax losses to the extent that it is probable that the future taxable profits will be available and unused tax losses may be utilized. While assessing whether the future taxable profits available will be sufficient, the Company takes into account *inter alia* forecasted future tax revenues

Deferred tax assets and liabilities are offset by the Company as criteria for offsetting from IAS 12 are fulfilled.

x) Earnings per share

The Company presents basic and diluted earnings per share for its ordinary and preference shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from the continued operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares adjusted for all potentially dilutive ordinary and preference shares.

y) Segment reporting

The Company operates in the services to individual and business customers segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services and the online TV services.

The Company conducts its operating activities in Poland.

Further information on segments is presented in the consolidated financial statements of the Group.

z) Cash flow statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the balance sheet.

The purchase of reception equipment provided to clients under operating lease contracts is classified in the cash flow statement in operating activities. The purchase and sales of reception equipment are classified in the cash flow statement in operating activities and presented as “Net disposals/(additions) in reception equipment provided under operating lease”.

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

aa) Business combinations among entities under common control

In principle, the issues relating to acquisitions and business combinations are regulated by IFRS 3 “Business combinations”. However, transactions under common control are excluded from the scope of this standard. The situation in which a given transaction or business phenomenon that require recognizing in financial statements prepared in accordance with IFRS are not regulated by the provisions of the individual standards is regulated by the provisions of IAS 8, points 10-12. These provisions put an entity which prepares its financial statements in accordance with IFRS under an obligation to determine an accounting policy and to use it on a consistent basis for similar transactions.

The Company decided to apply the predecessor accounting method to account for the combination of entities that are under common control. This method is based on the assumption that the entities combining were, both before and after the transaction, controlled by the same shareholder and, therefore, the financial statements reflect the continuity of joint control.

The predecessor accounting method guidelines for the merger of the parent company with its subsidiaries are as follow:

a) Assets and liabilities are not adjusted to reflect fair values as at the merger date. Instead, the acquirer recognizes in its financial statements assets and liabilities in the amount as recognized in the financial statements of the predecessor. “Predecessor values” are the carrying amounts of the merged subsidiary, which were recognized in the consolidated financial statements of the parent company. These amounts include the goodwill on acquisition of shares in a subsidiary recognized in the consolidated financial statements of the parent company.
b) Intercompany transactions and balances between the merging entities are eliminated.
c) Goodwill other than already recognized in the consolidated financial statements of the parent company is not recognized.
d) Share capital of the combined entity is the share capital of the acquiring entity. Share capital of a predecessor is eliminated.
e) Other elements of predecessor’s equity are added to the relevant items of the acquiring company’s equity. The

difference between the value of net assets and payment is recognized in the Retained earnings.

Pursuant to the predecessor accounting method, the Company recognizes in its financial statements the assets and liabilities of the acquired subsidiary at their carrying amounts as recognized in the consolidated financial statements of the Group.
The Company recognized business combinations under common control prospectively from the date of the merger, i.e. standalone financial statements of the Company will include the assets, liabilities, income, costs and cash flows of acquired entities from the date of the legal merger. Comparative data will remain unchanged.

6. Determination of fair values

A number of accounting principles and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In justified cases, further information on methods of fair value measurement is described in the appropriate notes specific to that asset or liability.

(i) Derivatives

The fair value of derivatives is calculated based on their quoted closing bid price at the balance sheet date or, in the lack thereof, other inputs that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices). In the second case, the fair value of derivatives is estimated as the present value of future cash flows, discounted using the market interest rate at the reporting date. Information on the structure of Polish and eurozone interest rates and Polish złoty exchange rate are used in order to estimate future cash flows and market interest rate.

(ii) Non-derivative financial assets

The fair value of non-derivative financial asset for disclosure purposes is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on liabilities' quoted closing bid price at the balance sheet date or, in the lack thereof, estimated on the present value of future principal and interest cash flows, discounted using the market interest rate at the reporting date. Market interest rate is estimated as interbank interest rate for a given currency zone (WIBOR, EURIBOR) plus a margin regarding the Company's credit risk. A market interest rate for a lease contract is estimated based on interest rates for similar lease contracts.

7. Approval of the Financial Statements

These financial statements were approved for publication by the Management Board on 24 March 2021.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Explanatory notes

8. Revenue

	for the year ended	
	31 December 2020	31 December 2019
Retail revenue	2,194.0	2,190.4
Wholesale revenue	114.7	101.0
Sale of equipment	22.1	22.2
Other revenue	70.2	65.2
Total	**2,401.0**	**2,378.8**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

9. Operating costs

		for the year ended	
	Note	31 December 2020	31 December 2019
Content costs		771.5	727.1
Technical costs and costs of settlements with telecommunication operators		461.8	488.6
Distribution, marketing, customer relation management and retention costs		313.8	341.0
Depreciation, amortization, impairment and liquidation		173.7	176.8
Salaries and employee-related costs	a)	121.9	121.7
Cost of equipment sold		18.8	21.2
Cost of debt collection services and bad debt allowance and receivables written off		6.3	11.8
Other costs		82.2	60.3
Total		**1,950.0**	**1,948.5**

a) Salaries and employee-related costs

	for the year ended	
	31 December 2020	31 December 2019
Salaries	102.7	102.5
Social security contributions	15.2	14.8
Other employee-related costs	4.0	4.4
Total	**121.9**	**121.7**

Average headcount of non-production employees*

	for the year ended	
	31 December 2020	31 December 2019
Employment contracts (full-time equivalents)	811	789

* excluding workers who did not perform work in the reporting period due to long-term absences

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

10. Gain on investment activities, net

	for the year ended	
	31 December 2020	**31 December 2019**
Dividends	65.7	299.5
Share in the profits of partnerships	55.8	59.3
Other	6.2	-
Total	**127.7**	**358.8**

11. Finance costs, net

	for the year ended	
	31 December 2020	**31 December 2019**
Interest expense on loans and borrowings	41.7	34.2
Interest expense on issued bonds	44.0	41.0
Valuation and realization of hedging instruments	1.8	0.6
Cumulative catch-up	(7.4)	-
Guarantee fees	8.2	5.0
Bank and other charges	1.4	9.0
Total	**89.7**	**89.8**

12. Income tax

(i) Income tax in the income statement

	for the year ended	
	31 December 2020	**31 December 2019**
Corporate income tax	85.9	127.2
Change in deferred income tax in the income statement	5.3	(12.5)
Income tax expense in the income statement	**91.2**	**114.7**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	for the year ended	
Change in deferred income tax	**31 December 2020**	**31 December 2019**
Receivables and other assets	(3.3)	4.1
Liabilities	4.8	(17.7)
Deferred distribution fees	(1.5)	(2.3)
Tangible and intangible non-current assets	5.3	3.5
Other	-	(0.1)
Change in deferred income tax – total	**5.3**	**(12.5)**

(ii) Income tax recognized in other comprehensive income

	for the year ended	
	31 December 2020	**31 December 2019**
Change in deferred income tax on hedge valuation	(1.9)	0.1
Income tax expense recognized in other comprehensive income - total	**(1.9)**	**0.1**

(iii) Effective tax rate reconciliation

	for the year ended	
	31 December 2020	**31 December 2019**
Profit before income tax	496.2	701.5
Profit before tax multiplied by the statutory tax rate in Poland of 19%	94.3	133.3
Dividend received from subsidiaries	(12.5)	(56.9)
Other	9.4	38.3
Tax charge for the year	**91.2**	**114.7**
Effective tax rate	**18.4%**	**16.4%**

(iv) Deferred tax assets

	31 December 2020	**31 December 2019**
Liabilities	48.8	51.9
Tangible and intangible non-current assets	0.1	0.9
Receivables and other assets	23.7	30.6
Total deferred tax assets	**72.6**	**83.4**
Offsetting of deferred tax liabilities and deferred tax assets	(72.6)	(83.4)
Deferred tax assets in the balance sheet	**-**	**-**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(v) Deferred tax liabilities

	31 December 2020	31 December 2019
Receivables and other assets	43.1	53.3
Deferred distribution fees	17.2	18.7
Tangible and intangible non-current assets	78.4	73.9
Liabilities	18.5	18.7
Total deferred tax liabilities	**157.2**	**164.6**
Offsetting of deferred tax liabilities and deferred tax assets	(72.6)	(83.4)
Deferred tax liabilities in the balance sheet	**84.6**	**81.2**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. Furthermore, on 15 July 2016 provisions of General Anti-Avoidance Rule (GAAR) were introduced, which aim at preventing establishing and using artificial legal arrangements with tax savings as its principal purpose. Frequent amendments in the tax laws and contradicting legal interpretations among the tax authorities result in uncertainties and lack of consistency in the tax system, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future.

13. EBITDA (unaudited)

EBITDA (earnings before interest, taxes, depreciation, amortization, impairment and liquidation) presents the Company's key measure of earnings performance. The level of EBITDA measures the Company's ability to generate cash from recurring operations, however it is neither a measure of liquidity nor cash level. The Company defines EBITDA as operating profit adjusted by depreciation, amortization, impairment and liquidation. EBITDA is not an IFRS EU measure, and as such can be calculated differently by other entities.

	for the year ended	
	31 December 2020	31 December 2019
Net profit for the period	405.0	586.8
Income tax (see note 12)	91.2	114.7
Gain on investment activities, net (see note 10)	(127.7)	(358.8)
Finance costs, net (see note 11)	89.7	89.8
Depreciation, amortization, impairment and liquidation* (see note 9)	173.7	176.8
EBITDA (unaudited)	**631.9**	**609.3**
COVID costs	8.1	-
EBITDA adjusted (unaudited)	**640.0**	**609.3**

* depreciation, amortization, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets and right-of-use assets as well as net book value of disposed property, plant, equipment and intangible assets

14. Basic and diluted earnings per share

As at the balance sheet date, the Company did not have financial instruments that could have a dilutive effect, therefore the Company's diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2020	**31 December 2019**
Net profit for the period	405.0	586.8
Weighted average number of ordinary and preference shares in the year	639,546,016	639,546,016
Earnings per share in PLN (not in million)	**0.63**	**0.92**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

15. Property, plant and equipment

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	Advances for tangible assets under construction	**Other property, plant and equipment**
Cost									
Cost as at 1 January 2020	**1,302.5**	**15.5**	**106.4**	**181.3**	**1.2**	**20.1**	**7.5**	**-**	**332.0**
Additions	170.8	-	1.6	9.4	-	2.5	0.8	0.2	14.5
Transfer from assets under construction	-	-	-	2.6	-	0.1	(2.7)	-	-
Disposals	(75.9)	-	-	(12.6)	(0.4)	(0.3)	-	-	(13.3)
Cost as at 31 December 2020	**1,397.4**	**15.5**	**108.0**	**180.7**	**0.8**	**22.4**	**5.6**	**0.2**	**333.2**
Accumulated impairment losses as at 1 January 2020	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**-**	**0.3**
Decrease	(0.5)	-	-	-	-	-	-	-	-
Accumulated impairment losses as at 31 December 2020	**3.8**	**-**	**-**	**0.3**	**-**	**-**	**-**	**-**	**0.3**
Accumulated depreciation									
Accumulated depreciation as at 1 January 2020	**991.8**	**-**	**49.2**	**151.0**	**1.1**	**17.1**	**-**	**-**	**218.4**
Additions	133.6	-	4.4	9.2	0.1	1.3	-	-	15.0
Disposals	(74.9)	-	-	(12.6)	(0.4)	(0.3)	-	-	(13.3)
Accumulated depreciation as at 31 December 2020	**1,050.5**	**-**	**53.6**	**147.6**	**0.8**	**18.1**	**-**	**-**	**220.1**
Carrying amount									
As at 1 January 2020	**306.4**	**15.5**	**57.2**	**30.0**	**0.1**	**3.0**	**7.5**	**-**	**113.3**
As at 31 December 2020	**343.1**	**15.5**	**54.4**	**32.8**	**-**	**4.3**	**5.6**	**0.2**	**112.8**

The Company recognized utilisation of an impairment loss on items of property, plant and equipment. The impairment allowance is recognized in ‘depreciation, amortization, impairment and liquidation’.

Property, plant and equipment are subject of collateral described in detail in the Report of the Management Board on the activities of the Company in note 4.4.5

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost								
Cost as at 1 January 2019 *(IAS 17 basis)*	**1,228.4**	**15.5**	**103.9**	**186.3**	**2.7**	**20.1**	**4.3**	**332.8**
Right-of-use reclassification	-	-	-	-	(1.4)	-	-	(1.4)
Cost as at 1 January 2019 *(IFRS 16 basis)*	**1,228.4**	**15.5**	**103.9**	**186.3**	**1.3**	**20.1**	**4.3**	**331.4**
Additions	145.2	-	1.7	5.6	0.1	0.1	5.9	13.4
Transfer from assets under construction	-	-	0.8	1.9	-	-	(2.7)	-
Disposals	(71.1)	-	-	(12.5)	(0.2)	(0.1)	-	(12.8)
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1,302.5**	**15.5**	**106.4**	**181.3**	**1.2**	**20.1**	**7.5**	**332.0**
Accumulated impairment losses as at 1 January 2019	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Recognition	1.0	-	-	-	-	-	-	-
Utilisation	(1.0)	-	-	-	-	-	-	-
Accumulated impairment losses as at 31 December 2019	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Accumulated depreciation								
Accumulated depreciation as at 1 January 2019 *(IAS 17 basis)*	**925.0**	**-**	**45.0**	**153.9**	**1.4**	**15.8**	**-**	**216.1**
Right-of-use reclassification	-	-	-	-	(0.2)	-	-	(0.2)
Accumulated depreciation as at 1 January 2019 *(IFRS 16 basis)*	**925.0**	**-**	**45.0**	**153.9**	**1.2**	**15.8**	**-**	**215.9**
Additions	136.1	-	4.2	9.6	0.1	1.4	-	15.3
Disposals	(69.3)	-	-	(12.5)	(0.2)	(0.1)	-	(12.8)
Accumulated depreciation as at 31 December 2019 *(IFRS 16 basis)*	**991.8**	**-**	**49.2**	**151.0**	**1.1**	**17.1**	**-**	**218.4**
Carrying amount								
As at 1 January 2019 *(IAS 17 basis)*	**299.1**	**15.5**	**58.9**	**32.1**	**1.3**	**4.3**	**4.3**	**116.4**
As at 1 January 2019 *(IFRS 16 basis)*	**299.1**	**15.5**	**58.9**	**32.1**	**0.1**	**4.3**	**4.3**	**115.2**
As at 31 December 2019 *(IFRS 16 basis)*	**306.4**	**15.5**	**57.2**	**30.0**	**0.1**	**3.0**	**7.5**	**113.3**

The Company recognized utilisation of an impairment loss on items of property, plant and equipment. The impairment allowance is recognized in ‘depreciation, amortization, impairment and liquidation’.

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16. Impairment test on goodwill allocated to the "B2C and B2B" cash-generating unit

The Company recognized goodwill in the amount of PLN 197.0 on the acquisition of M.Punkt Holdings Ltd. and Redefine Sp. z o.o. in the financial statements and allocated them to the "B2C and B2B services" cash-generating unit. "B2C and B2B services" cash-generating unit is equivalent to the Company. Upon merger of M.Punkt Holdings and Redefine with the Company the amount of goodwill recognized in consolidated financial statements was transferred to these financial statements (see accounting policy in note 5aa).

Goodwill was tested for impairment as at 31 December 2020. The impairment test did not indicate impairment.

The impairment test was based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. The Company tests the total carrying amount of the cash-generating unit and any impairment identified is recognized in the profit or loss immediately with respect to goodwill first and is not subsequently reversed. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to other assets of the cash-generating unit on a pro rata basis.

In the annual impairment test performed by the Company as at 31 December 2020 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow before tax projections based on actual financial business plans covering the 5-year period until 2025. Cash flow projections after 5-year forecast period are estimated using the terminal growth. Terminal growth rate does not exceed the long-term average growth rate for the country in which the Company operates.

<u>The key financial assumptions</u>

The most sensitive key financial assumptions used in the value-in-use calculations of the "B2C and B2B services" cash-generating unit were as follows:

- discount rate
- terminal growth rate used for estimating fee cash flows beyond the period of financial plans

	B2C and B2B services	
	2020	2019
Terminal growth	2%	2%
Discount rate before tax	7.5%	8.2%

Discount rate – the discount rate reflects the estimate made by the management of the risks specific to cash-generating unit, taking into account the time value of money and risks specific to the asset. The discount rate was estimated on the basis of weighted average cost of capital method (WACC) and considered Company's business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment expected by the Company's investors while cost of debt is based on the interest bearing debt instruments. Operating segment - specific risk is considered by the estimation of beta. Beta is estimated annually and is based on the market data.

Terminal growth rate – growth rates are based on widely available published market data.

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Sensitivity analysis of key financial assumptions

The Company believes that the key assumptions made in testing for impairment of the cash-generating unit as at 31 December 2020 are reasonable and are based on our experience and market forecasts that are published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause the impairment charge to be recognized.

17. Other intangible assets

	Software and licenses	Other	Under development	Total
Cost				
Cost as at 1 January 2020	**221.2**	**1.5**	**23.7**	**246.4**
Additions	5.2	-	22.8	**28.0**
Transfer from intangible assets under development	11.4	-	(11.4)	**-**
Disposals	(6.2)	(0.4)	-	**(6.6)**
Cost as at 31 December 2020	**231.6**	**1.1**	**35.1**	**267.8**
Accumulated amortization				
Accumulated amortization as at 1 January 2020	**181.9**	**1.1**	**-**	**183.0**
Additions	19.2	0.1	-	**19.3**
Disposals	(6.2)	(0.4)	-	**(6.6)**
Accumulated amortization as at 31 December 2020	**194.9**	**0.8**	**-**	**195.7**
Carrying amounts				
As at 1 January 2020	**39.3**	**0.4**	**23.7**	**63.4**
As at 31 December 2020	**36.7**	**0.3**	**35.1**	**72.1**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Software and licenses	Other	Under development	Total
Cost				
Cost as at 1 January 2019	**207.8**	**1.3**	**23.6**	**232.7**
Additions	4.2	-	14.0	**18.2**
Transfer from intangible assets under development	13.7	0.2	(13.9)	**-**
Disposals	(4.5)	-	-	**(4.5)**
Cost as at 31 December 2019	**221.2**	**1.5**	**23.7**	**246.4**
Accumulated amortization				
Accumulated amortization as at 1 January 2019	**168.6**	**1.0**	**-**	**169.6**
Additions	17.8	0.1	-	**17.9**
Disposals	(4.5)	-	-	**(4.5)**
Accumulated amortization as at 31 December 2019	**181.9**	**1.1**	**-**	**183.0**
Carrying amounts				
As at 1 January 2019	**39.2**	**0.3**	**23.6**	**63.1**
As at 31 December 2019	**39.3**	**0.4**	**23.7**	**63.4**

18. Right-of-use assets

	Vehicles	Points of sale premises	Office space and other premises	Total
Cost				
Cost as at 1 January 2020	**1.4**	**0.6**	**28.5**	**30.5**
Additions	0.1	0.1	0.3	**0.5**
Disposals	(0.1)	(0.2)	-	**(0.3)**
Cost as at 31 December 2020	**1.4**	**0.5**	**28.8**	**30.7**
Accumulated amortization				
Accumulated amortization as at 1 January 2020	**0.4**	**0.2**	**3.5**	**4.1**
Additions	0.2	0.1	3.5	**3.8**
Disposals	(0.1)	(0.1)	-	**(0.2)**
Accumulated amortization as at 31 December 2020	**0.5**	**0.2**	**7.0**	**7.7**
Carrying amount				
As at 1 January 2020	**1.0**	**0.4**	**25.0**	**26.4**
As at 31 December 2020	**0.9**	**0.3**	**21.8**	**23.0**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Vehicles	Points of sale premises	Office space and other premises	Total
Cost				
Cost as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from property, plant and equipment)	1.4	-	-	**1.4**
Implementation of IFRS 16	-	0.4	28.2	**28.6**
Cost as at 1 January 2019 *(IFRS 16 basis)*	**1.4**	**0.4**	**28.2**	**30.0**
Additions	-	0.2	0.3	**0.5**
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1.4**	**0.6**	**28.5**	**30.5**
Accumulated amortization				
Accumulated amortization as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from property, plant and equipment)	0.2	-	-	**0.2**
Accumulated amortization as at 1 January 2019 *(IFRS 16 basis)*	**0.2**	**-**	**-**	**0.2**
Additions	0.2	0.2	3.5	**3.9**
Accumulated amortization as at 31 December 2019 *(IFRS 16 basis)*	**0.4**	**0.2**	**3.5**	**4.1**
Carrying amount				
As at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
As at 1 January 2019 *(IFRS 16 basis)*	**1.2**	**0.4**	**28.2**	**29.8**
As at 31 December 2019 *(IFRS 16 basis)*	**1.0**	**0.4**	**25.0**	**26.4**

19. Investment property

	2020	2019
Cost		
Cost as at 1 January	**47.5**	**47.4**
Additions	-	0.1
Cost as at 31 December	**47.5**	**47.5**
Accumulated depreciation		
Accumulated depreciation as at 1 January	**9.0**	**6.9**
Additions	2.1	2.1
Accumulated depreciation as at 31 December	**11.1**	**9.0**
Carrying amounts		
As at 1 January	**38.5**	**40.5**
As at 31 December	**36.4**	**38.5**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

20. Shares in subsidiaries and associates

Shares in subsidiaries and associates as at 31 December 2020

	Company's registered office	Activity	Voting rights percentage	Cost and carrying amount
Polkomtel Sp. z o.o.	Konstruktorska 4, Warsaw	telecommunication activities	100%	4,498.7
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%	3,899.0
Polkomtel Infrastruktura Sp. z o.o.**	Konstruktorska 4, Warsaw	telecommunication activities	74.98%	2,293.1
Netia S.A.	Poleczki 13, Warsaw	telecommunication activities	65.98%	1,277.5
Asseco Poland S.A.*	Olchowa 14, Rzeszów	software activities	22.95%	1,229.2
Interphone Service Sp. z o.o.**	Inwestorów 8, Mielec	production of set-top boxes	99%	64.0
Orsen Holding Limited	Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	34.9
Vindix S.A.*	Rzymowskiego 53, Warsaw	other financial services	46.27%	31.0
INFO-TV-FM Sp. z o.o.**	Łubinowa 4a, Warsaw	radio and TV activities	73.5%	29.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp.k.**	Ostrobramska 77, Warsaw	media	37.75%	25.2
Teleaudio Dwa Sp. z o.o. Sp.k.**	Al. Stanów Zjednoczonych 61, Warsaw	call center and premium rate services	99%	21.0
TVO Sp. z o.o.	Kielecka 5, Gdynia	retail sales	75.96%	8.4
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	70.02%	7.5
Esoleo Sp. z o.o. (formerly: Alledo Sp. z o.o.)	Al. Wyścigowa 6, Warsaw	technical services	51.25%	6.9
Netshare Media Group Sp. z o.o.	Ostrobramska 77, Warsaw	advertising activities	100%	2.1
Karpacka Telewizja Kablowa Sp. z o.o.	Warszawska 220, Radom	dormant	99%	0.9
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, Warsaw	web portals activities	4.76%	0.1
Orsen Limited**	Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	0.2%	0.0

	Company's registered office	Activity	Voting rights percentage	Cost and carrying amount
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	0.0
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	0.0
Mese Sp. z o.o.	Al.Stanów Zjednoczonych 61a, Warsaw	movie and TV production	100%	0.0
			Total	**13,428.8**

* shares in associates include shares in Vindix S.A. and Asseco Poland S.A.

** the Company holds directly and indirectly 100% shares

	31 December 2019	Additions	Decreases	31 December 2020
Polkomtel Sp. z o.o.	4,498.7	-	-	4,498.7
Telewizja Polsat Sp. z o.o.	3,899.0	-	-	3,899.0
Polkomtel Infrastruktura Sp. z o.o.	2,293.1	-	-	2,293.1
Netia S.A.	1,277.5	-	-	1,277.5
Asseco Poland S.A.	1,217.8	11.4(a)	-	1,229.2
Interphone Service Sp. z o.o.	64.0	-	-	64.0
Orsen Holding Limited	34.9	-	-	34.9
Vindix S.A.	31.0	-	-	31.0
INFO-TV-FM Sp. z o.o.	29.3	-	-	29.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	25.2	-	-	25.2
Teleaudio Dwa Sp. z o.o. Sp.k.	21.0	-	-	21.0
TVO Sp. z o.o.	8.4	-	-	8.4
BCAST Sp. z o.o.	-	7.5(b)	-	7.5
Esoleo Sp. z o.o. (formerly: Alledo Sp. z o.o.)	-	6.9(c)	-	6.9
Netshare Media Group Sp. z o.o.	2.1	-	-	2.1
Karpacka Telewizja Kablowa Sp. z o.o.	2.4	-	(1.5)(d)	0.9
Polskie Badania Internetu Sp. z o.o.	0.1	-	-	0.1
Orsen Limited	0.0	-	-	0.0
CPSPV1 Sp. z o.o.	0.0	-	-	0.0
CPSPV2 Sp. z o.o.	0.0	-	-	0.0
Mese Sp. z o.o.	0.0	-	-	0.0
Total	**13,404.5**	**25.8**	**(1.5)**	**13,428.8**

(a) On 31 July 2020 Cyfrowy Polsat purchased from Reddev Investments Limited 184,127 (not in millions) shares of Asseco Poland S.A. for the price of PLN 11.4. Following this transaction, the Company holds a total of 22.95% of Asseco shares.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(b) On 25 March 2020 the Cyfrowy Polsat acquired 69.13% shares in BCAST Sp. z o.o. for the purchase price of PLN 7.4. On 23 December 2020 the Cyfrowy Polsat acquired additional 0,89% shares in BCAST Sp. z o.o. for the purchase price of PLN 0.1. As at 31 December 2020 the Company holds a total of 70.02% of BCAST Sp. z o.o. shares.

(c) On 13 January 2020 the Cyfrowy Polsat acquired 51.25% shares in Alledo Sp. z o.o. for the purchase price of PLN 6.9. On 5 August 2020 the Company's name was changed to Esoleo Sp. z o.o.

(d) The Company valued the shares at cost, taking into account their impairment.

No impairment on shares in subsidiaries and associates was recognized as at 31 December 2020 (except shares in Karpacka Telewizja Kablowa Sp. z o.o.).

	31 December 2018	Additions	Decreases	31 December 2019
Polkomtel Sp. z o.o.	4,498.7	-	-	4,498.7
Telewizja Polsat Sp. z o.o.	3,899.0	-	-	3,899.0
Polkomtel Infrastruktura Sp. z o.o.	2,293.1	-	-	2,293.1
Netia S.A.	1,277.5	-	-	1,277.5
Asseco Poland S.A.	-	1,217.8(a)	-	1,217.8
Interphone Service Sp. z o.o.	64.0	-	-	64.0
Orsen Holding Limited	34.9	-	-	34.9
Vindix S.A.	-	31.0(b)	-	31.0
INFO-TV-FM Sp. z o.o.	29.3	-	-	29.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	25.2	-	-	25.2
Teleaudio Dwa Sp. z o.o. Sp.k.	21.0	-	-	21.0
TVO Sp. z o.o.	4.5	3.9(c)	-	8.4
Karpacka Telewizja Kablowa Sp. z o.o.	2.4	-	-	2.4
Netshare Media Group Sp. z o.o.	2.1	-	-	2.1
Polskie Badania Internetu Sp. z o.o.	0.1	-	-	0.1
Orsen Limited	0.0	-	-	0.0
CPSPV1 Sp. z o.o.	0.0	-	-	0.0
CPSPV2 Sp. z o.o.	0.0	-	-	0.0
Mese Sp. z o.o.	-	0.0(d)	-	0.0
Total	**12,151.8**	**1,252.7**	**-**	**13,404.5**

(a) On 30 December 2019 the Company acquired a significant stake in Asseco Poland S.A. – directly after that transaction the Company held 22.73% of shares.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(b) On 13 June 2019 the Company acquired 40.76% shares in Vindix S.A. for the purchase price of PLN 14.7. On 1 July 2019 share capital increase in Vindix S.A. was registered by the court thus increasing the number of shares held by the Company to 46.27%.

(c) On 30 May 2019 the Company acquired additional 12 shares in TVO Sp. z o.o. for the purchase price of PLN 0.6 thus increasing the number of shares held to 104 shares (i.e. 50.98%). On 9 August 2019 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 51.22%. On 10 February 2020 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 75.96%.

(d) On 24 October 2019 the Company acquired 100% of shares in Mese Sp. z o.o.

No impairment on shares in subsidiaries and associates was recognized as at 31 December 2019.

21. Deferred distribution fees

	31 December 2020	31 December 2019
Deferred distribution fees	90.7	98.4
Of which:		
Current	*64.2*	*66.0*
Non-current	*26.5*	*32.4*

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Company to profit or loss over the minimum base period of the subscription contracts.

As at 31 December 2020, the balance of distribution fees relating to agreements whose basic period as at the date of signing was more than 12 months amounted to PLN 90.7 (as at 31 December 2019: 98.3 PLN).

22. Other non-current assets

	31 December 2020	31 December 2019
Non-current trade receivables*	10.1	14.9
Non-current loans granted	76.6	5.2
Other deferred costs	0.4	1.1
Derivative instruments (IRS) assets (see note 35)	-	0.3
Total	**87.1**	**21.5**

*Long-term receivables are denominated in PLN.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

23. Inventories

Types of inventories	31 December 2020	31 December 2019
Set-top boxes and disc drives	26.4	44.9
Mobile phones, modems, tablets and laptops	6.9	9.8
Other inventories	13.4	25.8
Total net value	**46.7**	**80.5**

Write-downs of inventories	2020	2019
Opening balance	**6.2**	**6.9**
Increase	2.6	0.3
Utilisation	(0.5)	(0.8)
Reversal	(0.1)	(0.2)
Closing balance	**8.2**	**6.2**

24. Trade and other receivables

	31 December 2020	31 December 2019
Trade receivables from related entities	27.5	29.9
Trade receivables from non-related entities	47.4	66.3
Tax and social security receivables	4.5	15.7
Other receivables	39.3	25.1
includes loans granted	*18.6*	*5.7*
Total	**118.7**	**137.0**

Trade receivables from non-related entities include receivables from individual clients, distributors and others.

Trade receivables by currency

Currency	31 December 2020	31 December 2019
PLN	53.5	81.4
EUR	20.0	14.2
USD	1.4	0.6
Total	**74.9**	**96.2**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Movements in bad debt allowance – short-term and log-term

	2020	2019
Opening balance as at 1 January	**39.3**	**36.9**
Increase	7.3	9.0
Reversal	(4.7)	-
Utilisation	(20.2)	(6.6)
Closing balance as at 31 December	**21.7**	**39.3**
Of which:		
Short-term	*21.2*	*38.7*
Long-term	*0.5*	*0.6*

25. Other current assets

	31 December 2020	31 December 2019
Other deferred costs	2.0	93.2
Unbilled revenue	12.5	9.6
Derivative instruments (IRS) assets (see note 35)	-	0.1
Other	1.6	0.5
Total	**16.1**	**103.4**

Other deferred costs as at 31 December 2019 comprise mainly deferred costs related to the agreement with Polkomtel Sp. z o.o. for the data transfer services.

26. Cash and cash equivalents

	31 December 2020	31 December 2019
Current accounts	343,4	18.0
Deposits*	492,0	124.1
Total	**835.4**	**142.1**

* with maturity of up to 3 months from the date of establishing the deposit

The Company places its cash and cash equivalents in banks and financial institutions with reliability proven by ratings awarded by universally recognized agencies Standard & Poor's, Moody's or Fitch, as required by the loan agreement and policies adopted therein. As at 31 December 2020, the largest concentration of funds in one bank was 39%.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Currency	31 December 2020	31 December 2019
PLN	834.9	135.6
EUR	0.3	5.7
USD	0.1	0.7
CHF	0.1	0.1
Total	**835.4**	**142.1**

As the Company cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

27. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 December 2020 and 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type
A	2,500,000	0.1	preference shares (2 voting rights)
B	2,500,000	0.1	preference shares (2 voting rights)
C	7,500,000	0.3	preference shares (2 voting rights)
D	166,917,501	6.7	preference shares (2 voting rights)
D	8,082,499	0.3	ordinary bearer shares
E	75,000,000	3.0	ordinary bearer shares
F	5,825,000	0.2	ordinary bearer shares
H	80,027,836	3.2	ordinary bearer shares
I	47,260,690	1.9	ordinary bearer shares
J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The shareholders' structure as at 31 December 2020 and 31 December 2019 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
TiVi Foundation [2], including through:	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.

[2] Entity is controlled by Mr. Zygmunt Solorz.

[3] the Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

(iii) Retained earnings

On 23 June 2020 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2019 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounted to PLN 639.5. The dividend day was scheduled for 15 October 2020 and the dividend payout was made in two tranches as follows:
1) Tranche I: PLN 223.8 on 22 October 2020
2) Tranche II: PLN 415.7 on 11 January 2021.

28. Hedge valuation reserve

On 19 August 2019 the Company concluded interest rate swap transaction with Santander Bank Polska S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.3520%.
The transaction was concluded for the period from 30 September 2020 to 30 September 2021. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

On 11 February 2020 the Company concluded interest rate swap transaction with PKO Bank Polski S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.6170%.
The transaction was concluded for the period from 31 December 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

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On 28 February 2020 the Company concluded interest rate swap transaction with BNP Paribas. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.1600%.
The transaction was concluded for the period from 30 September 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

On 6 March 2020 the Company concluded interest rate swap transaction with Santander Bank Polska S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.0625%.
The transaction was concluded for the period from 30 September 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2020

	IRS
Liabilities	
Long-term	(4.7)
Short-term	(5.5)
Total	**(10.2)**

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2019

	IRS
Assets	
Long-term	0.3
Short-term	0.1
Liabilities	
Short-term	(0.2)
Total	**0.2**

Impact of hedging instruments valuation on hedge valuation reserve

	2020	**2019**
Balance as at 1 January	**(0.2)**	**(0.6)**
Valuation of cash flow hedges	(10.0)	0.5
Deferred tax	1.9	(0.1)
Change for the period	**(8.1)**	**0.4**
Balance as at 31 December	**(8.3)**	**(0.2)**

29. Loans and borrowings

Loans and borrowings	31 December 2020	31 December 2019
Short-term liabilities	140.9	662.9
Long-term liabilities	1,387.1	1,330.4
Total	**1,528.0**	**1,993.3**

Change in loans and borrowings liabilities

	2020	2019
Loans and borrowings as at 1 January	**1,993.3**	**958.6**
Term facility loan	-	1,000.0
Revolving facility loan	-	780.0
Repayment of capital	(54.4)	(217.6)
Repayment of revolving facility loan	(400.0)	(530.0)
Repayment of interest and commissions	(45.2)	(31.9)
Cumulative catch-up	(7.4)	-
Interest accrued	41.7	34.2
Loans and borrowings as at 31 December	**1,528.0**	**1,993.3**

Amendment and restatement deeds to the Group's Senior Facilities Agreement

On 27 April 2020, the Company, acting as the agent for the Obligors, and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the Third Amendment and Restatement Deed (the "Third Amendment and Restatement Deed") to the Senior Facilities Agreement dated 21 September 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed dated 21 September 2015 and the Second Amendment and Restatement Deed dated 2 March 2018, originally entered into between the Company, Polkomtel Sp. z o.o. and selected companies from the Cyfrowy Polsat Group and a consortium of Polish and foreign financial institutions (the "Senior Facilities Agreement"). The Senior Facilities Agreement provided a term facility loan (the "Term Facility Loan") of up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") of up to the maximum amount of PLN 1,000,000,000 (not in million).

The Third Amendment and Restatement Deed, among others, introduced the following amendments:

(i) a change in the final repayment date of the Term Facility Loan and the Revolving Facility Loan (other than any Additional Term Facility Loan and any Additional Revolving Facility Loan) to 30 September 2024;

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel Sp. z o.o. jointly shall make quarterly repayments of equal amounts, amounting to PLN 200,000,000 (not in million) each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants.

In order to reflect the amendments to the Senior Facilities Agreement set forth in the draft Third Amendment and Restatement Deed, on 27 April 2020, the Company, acting as the agent for the obligors and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the First Amendment and Restatement Deed to the deed of accession to the Senior Facilities Agreement (the Additional Facility Accession Deed) concerning an additional term facility, concluded on 27 November 2019 (the "Accession Deed"), which, among others, provides for the following amendments:

(i) amendment of the final repayment date of the additional term facility loan granted in the Accession Deed (the "Additional Term Facility Loan") to 31 March 2025; and
(ii) in connection with the implementation of IFRS 16, a change in the Total Leverage on which the Margin on the Additional Term Facility Loan depends.

The Company recognized an amendment to the conditions of the loan agreements as a modification of a financial liability which does not result in derecognition. The Company recognized an adjustment to the carrying amount of the financial liability in the amount of PLN 7.4 as at the date of the modification.

30. Issued bonds

	31 December 2020	31 December 2019
Short-term liabilities	38.7	34.8
Long-term liabilities	1,959.2	969.2
Total	**1,997.9**	**1,004.0**

Change in issued bonds payable

	2020	2019
Issued bonds liabilities as at 1 January	**1,004.0**	**1,018.3**
Bonds issue (Series C Bonds)	1,000.0	-
Bonds issue (Series B Bonds)	-	1,000.0
Bonds redemption (Series A Bonds)	-	(1,000.0)
Repayment of interest and commission	(49.1)	(55.3)
Interest accrued	43.0	41.0
Issued bonds liabilities as at 31 December	**1,997.9**	**1,004.0**

Issuance of bonds

On 29 January 2020 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series C Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series C Bonds.

On 31 January 2020 the Management Board of the Company decided to allot 1,000,000 (not in million) Series C Bonds with a nominal value of PLN 1,000 (not in million) each and an aggregated nominal value of PLN 1,000,000,000 (not in million). The Series C Bonds were allotted to a total of 69 investors.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The issue of Series C Bonds was completed on 14 February 2020. Planned redemption date of the Series C Bonds falls on 12 February 2027. The amounts of interest are payable in arrears, every six months, with the first interest payment made on 14 August 2020.

The Series C Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market on 24 February 2020.

31. Lease liabilities

	31 December 2020	31 December 2019
Short-term liabilities	3.7	3.8
Long-term liabilities	19.9	22.8
Total	**23.6**	**26.6**

Change in lease liabilities:

	2020	2019
Lease liabilities as at 1 January	**26.6**	**1.2**
Implementation of IFRS 16 (as at 1 January 2019)	-	28.6
Change in the period	0.5	0.4
Interest accrued	1.2	0.7
Repayment of capital and interest	(4.7)	(4.3)
Lease liabilities as at 31 December	**23.6**	**26.6**

32. Company as a lessor

Company as a lessor

Operating leases

The Company entered into contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment, lease of TV production studio and garage. Assets connected with such contracts are presented as property, plant and equipment.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 12 to 36 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by subscribers or new contracts are signed.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Future minimum lease payments under operating lease are as follows:

	31 December 2020	31 December 2019
within 1 year	192.9	176.2
between 1 and 5 years	104.7	114.9
in more than 5 years	1.7	7.4
Total	**299.3**	**298.5**

In 2020 the Company generated revenues from operating lease agreements in the amount of PLN 238.9.

33. Other non-current liabilities and provisions

	31 December 2020	31 December 2019
Other provisions	1.6	1.3
Derivative instruments (IRS) liabilities (see note 35)	4.7	-
Total	**6.3**	**1.3**

34. Trade and other payables

	31 December 2020	31 December 2019
Trade payables to related parties	71.0	85.3
Trade payables to non-related parties	53.0	64.0
Taxation and social security payables	11.6	10.6
Payables relating to purchases of non-current assets	0.9	6.2
Accruals	179.2	197.0
Short-term provisions	18.3	14.8
Derivative instruments (IRS) liabilities (see note 35)	5.5	0.2
Other	13.8	6.3
Total	**353.3**	**384.4**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Accruals

	31 December 2020	31 December 2019
Salaries	26.2	24.8
Licence fees and royalties for copyright management organizations	84.4	103.3
Distribution costs	11.2	12.4
Marketing costs	21.4	25.4
Other	36.0	31.1
Total	**179.2**	**197.0**

Short-term and long-term provisions

	2020	2019
Opening balance as at 1 January	**16.1**	**15.3**
Increases	3.8	0.8
Closing balance as at 31 December	**19.9**	**16.1**
Of which:		
Short-term	*18.3*	*14.8*
Long-term	*1.6*	*1.3*

Provisions comprise mainly of provisions for license fees, litigation and disputes.

Trade payables and payables relating to purchases of non-current assets by currency

Currency	31 December 2020	31 December 2019
PLN	104.0	123.5
EUR	3.7	26.2
USD	17.2	5.8
Total	**124.9**	**155.5**

Accruals by currency

Currency	31 December 2020	31 December 2019
PLN	158.2	174.8
EUR	15.1	19.3
USD	5.1	2.9
GBP	0.8	-
Total	**179.2**	**197.0**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Other notes

35. Financial instruments

Overview

Cyfrowy Polsat S.A. is exposed to the following financial risks:
- credit risk,
- liquidity risk,
- market risk:
    a. currency risk,
    b. interest rate risk.

The Company's risk management policies are designed to reduce the impact of adverse conditions on the Company's results.

The Management Board is responsible for oversight and management of each of the risks faced by the Company. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on market, credit and liquidity risks.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these financial statements.

Bank loans, bonds, cash, interest rate swaps and short-term bank deposits are the main financial instruments used by the Company, with the intention of securing the financing for the Company's activities. The Company also holds other financial instruments including trade receivables and payables and payables relating to purchases of tangible and intangible assets which arise in the course of its business activities.

Financial assets	Carrying amount	
	31 December 2020	**31 December 2019**
Financial assets measured at amortized cost, including:	**1.036.3**	**283.4**
Loans granted	95.2	10.9
Trade and other receivables from related parties	27.8	30.3
Trade and other receivables from non-related parties	58.4	81.9
Share in the profits of partnerships receivables	19.5	18.2
Cash and cash equivalents	835.4	142.1
Hedging derivative instruments:	**-**	**0.4**
Interest rate swaps	-	0.4

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Financial liabilities	Carrying amount	
	31 December 2020	**31 December 2019**
Financial liabilities measured at amortised cost, including:	**4,286.4**	**3,385.8**
Loans and borrowings	1,528.0	1,993.3
Issued bonds	1,997.9	1,004.0
Lease liabilities	23.6	26.6
Trade payables and other payables to third parties and deposits	70.4	79.3
Trade and other payables to related parties	71.6	85.6
Liabilities to shareholders related to dividend for 2019	415.7	-
Accruals	179.2	197.0
Hedging derivative instruments:	**10.2**	**0.2**
Interest rate swaps	10.2	0.2

Credit risk

Credit risk is defined as the risk that counterparties of the Company will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging or other derivative transactions are undertaken,
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

Credit risk arises mainly on trade receivables and contract assets. In the financial year ended 31 December 2020, the Company was not materially exposed to credit risk arising from sales on credit. The Company's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Receivables from subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to Internet client.

The Company pursues a credit policy under which credit risk exposure is constantly monitored.

Due to diversification of risk in terms of the nature of individual entities, their geographical location and cooperation with highly-rated financial institutions, also taking into consideration the fair value of liabilities arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

Maximum exposure to credit risk

	Carrying amount	
	31 December 2020	**31 December 2019**
Loans granted	95.2	10.9
Trade and other receivables from related parties	27.8	30.3
Trade and other receivables from non-related parties	58.4	81.9
Share in the profits of partnerships receivables	19.5	18.2
Contract assets	160.2	200.8
Cash and cash equivalents	835.4	142.1
Total	**1,196.5**	**484.2**

The maximum exposure to credit risk for trade and other receivables and assets related to contracts, by type of customer, was:

	Carrying amount	
	31 December 2020	**31 December 2019**
Receivables from subscribers	193.0	250.6
Receivables from distributors	0.9	1.5
Receivables from media companies	20.9	23.3
Receivables and loans granted to related parties, including share in the profits of partnerships receivables	141.7	59.2
Other receivables and loans granted to non-related parties	4.6	7.5
Total	**361.1**	**342.1**

The ageing of trade and other receivables and assets related to contracts at the reporting date was:

	31 December 2020			31 December 2019		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Not past due	79.4	6.2	73.2	86.8	7.1	79.7
Past due 0-30 days	10.4	0.5	9.9	23.2	0.4	22.8
Past due 31-60 days	6.3	0.6	5.7	4.2	0.5	3.7
Past due more than 60 days	28.0	11.1	16.9	41.7	17.5	24.2
Total	**124.1**	**18.4**	**105.7**	**155.9**	**25.5**	**130.4**
Assets related to contracts	163.5	3.3	160.2	204.1	3.3	200.8
Total	**287.6**	**21.7**	**265.9**	**360.0**	**28.8**	**331.2**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

To estimate impairment due to expected loss model the Company performed analysis using a provision matrix. Bad debt allowance is recognized for trade and other receivables in the amount of expected credit losses in instrument's life cycle.

Liquidity risk

The Company's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits.

The Company prepares, on an ongoing basis, analyses and forecasts of cash requirements based on projected cash flows.

The following are the contractual maturities of the Company's financial liabilities.

	31 December 2020						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans and borrowings	1,528.0	1,641.9	52.4	91.4	180.6	1,317.5	-
Issued bonds	1,997.9	2,233.8	19.7	19.4	39.0	117.2	2,038.5
Lease liabilities	23.6	28.4	2.3	2.3	4.4	7.9	11.5
Trade and other payables to non-related parties and deposits	70.4	70.4	70.4	-	-	-	-
Trade and other payables to related parties	71.6	71.6	71.6	-	-	-	-
Liabilities to shareholders related to dividend for 2019	415.7	415.7	415.7				
Accruals	179.2	179.2	179.2	-	-	-	
Hedging derivative instruments:							
IRS*	10.2	10.3	2.9	2.7	3.9	0.8	-
	4,296.6	**4,651.3**	**814.2**	**115.8**	**227.9**	**1,443.4**	**2,050.0**

* pursuant to the agreements settlements shall be on a net basis

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	31 December 2019						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans and borrowings	1,993.3	2,134.6	536.4	132.6	259.5	1,206.1	-
Issued bonds	1,004.0	1,230.4	17.8	17.8	35.4	106.3	1,053.1
Lease liabilities	26.6	31.4	2.0	2.2	4.1	9.7	13.4
Trade and other payables to non-related parties and deposits	79.3	79.3	79.3	-	-	-	-
Trade and other payables to related parties	85.6	85.6	85.6	-	-	-	-
Accruals	197.0	197.0	197.0	-	-	-	-
Hedging derivative instruments:							
IRS*	0.2	0.3	(0.2)	0.1	0.4	-	-
	3,386.0	**3,758.6**	**917.9**	**152.7**	**299.4**	**1,322.1**	**1,066.5**

* pursuant to the agreements settlements shall be on a net basis

The Company may utilize revolving facility line of credit up to the amount of PLN 1.000. As at 31 December 2020 the final maturity date was set on 30 September 2024. As at 31 December 2019 the revolving facility was partially utilized.

Market risk

The Company has an active approach to managing its market risk exposure. The objectives of market risk management are:

- to limit fluctuations in profit/loss before tax,
- to increase the probability of meeting budget assumptions,
- to maintain the healthy financial condition, and
- to support the process of undertaking strategic decisions relating to investing activity, with attention to sources of capital for this activity.

All the market risk management objectives should be considered as a whole, while their realisation is dependant primarily upon the internal situation and market conditions.

The Company applies an integrated approach to market risk management. This means a comprehensive approach to the whole spectrum of identified market risks, rather than to each of them individually. The primary technique for market risk management is the use in the Company of hedging strategies involving derivatives. Apart from this, natural hedging is also used to the extent available.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

All of the potential hedging strategies and the selection of those preferred reflect the following factors: the nature of identified market risk exposures of the Company, the suitability of instruments to be applied and the cost of hedging, current and forecasted market conditions. In order to mitigate market risk, derivatives are primarily used. The Company transacts only those derivatives for which it has the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, the Company relies on information obtained from particular market leading banks, brokers and information services.
It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

Currency risk

One of the main risks to which the Company is exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by the Company are denominated mainly in Polish zloty, however, a portion of operating costs and capital expenditures are incurred in foreign currencies. The Company's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity agreements (EUR), fees for conditional access system (EUR and USD) and purchases of reception equipment and accessories for reception equipment (USD and EUR).

In respect of licence fees and transponder capacity agreements, the Company partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

The Company's exposure to foreign currency was as follows based on currency amounts:

	31 December 2020			**31 December 2019**	
	EUR	**USD**	**GBP**	**EUR**	**USD**
Trade receivables	4.3	0.4	-	3.3	0.2
Cash and cash equivalents	0.1	-	-	1.3	0.2
Lease liabilities	-	-	-	(0.1)	-
Trade payables	(0.8)	(4.6)	-	(6.2)	(1.5)
Accruals	(3.3)	(1.4)	(0.2)	(4.5)	(0.8)
Gross balance sheet exposure	**0.3**	**(5.6)**	**(0.2)**	**(6.2)**	**(1.9)**
Net exposure	**0.3**	**(5.6)**	**(0.2)**	**(6.2)**	**(1.9)**

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Following foreign exchange rates were applied in the presented periods:

	Average rate		Rates at the balance sheet date	
(in PLN)	**2020**	**2019**	**31 December 2020**	**31 December 2019**
1 EUR	4.4448	4.2980	4.6148	4.2585
1 USD	3.8993	3.8395	3.7584	3.7977
1 GBP	5.0003	4.8995	5.1327	4.9971
1 CHF	4.1532	3.8634	4.2641	3.9213

For the purposes of exchange rate volatility sensitivity analysis as at 31 December 2020 and 31 December 2019 it was assumed that probable volatility will be in the +/- 5% band. This analysis assumes that all other variables, in particular interest rates, remain constant.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	2020					2019				
	As at 31 December 2020		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	As at 31 December 2019		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
	in currency	in PLN				in currency	in PLN			
Trade receivables										
EUR	4.3	20.0	5%	0.8	-	3.3	14.2	5%	0.6	-
USD	0.4	1.4	5%	0.2	-	0.2	0.6	5%	0.2	-
Cash and cash equivalents										
EUR	0.1	0.3	5%	0.2	-	1.3	5.7	5%	0.1	-
USD	0.0	0.1	5%	-	-	0.2	0.7	5%	0.1	-
CHF	0.0	0.1	5%	-	-	0.0	0.1	5%	-	-
Lease liabilities										
EUR	0.0	(0.2)	5%	-	-	(0.1)	(0.4)	5%	-	-
Trade payables										
EUR	(0.8)	(3.7)	5%	(0.2)	-	(6.2)	(26.2)	5%	(1.5)	-
USD	(4.6)	(17.2)	5%	(1.0)	-	(1.5)	(5.8)	5%	(0.2)	-
Accruals										
EUR	(3.3)	(15.1)	5%	(0.9)	-	(4.5)	(19.3)	5%	(0.8)	-
USD	(1.4)	(5.1)	5%	(0.4)	-	(0.8)	(2.9)	5%	(0.3)	-
GBP	(0.2)	(0.8)	5%	(0.3)	-	-	-	5%	-	-
Change in operating profit				(1.6)	-				(1.8)	-
Income tax				0.3	-				0.3	-
Change in net profit				(1.3)	-				(1.5)	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	2020					2019				
	As at 31 December 2020		**Estimated change in exchange rate in %**	**Estimated change in profit in PLN**	**Estimated change in other comprehensive income in PLN**	**As at 31 December 2019**		**Estimated change in exchange rate in %**	**Estimated change in profit in PLN**	**Estimated change in other comprehensive income in PLN**
	in currency	**in PLN**				**in currency**	**in PLN**			
Trade receivables										
EUR	4.3	20.0	-5%	(0.8)	-	3.3	14.2	-5%	(0.6)	-
USD	0.4	1.4	-5%	(0.2)	-	0.2	0.6	-5%	(0.2)	-
Cash and cash equivalents										
EUR	0.1	0.3	-5%	(0.2)	-	1.3	5.7	-5%	(0.1)	-
USD	0.0	0.1	-5%	-	-	0.2	0.7	-5%	(0.1)	-
CHF	0.0	0.1	-5%	-	-	0.0	0.1	-5%	-	-
Lease liabilities										
EUR	0.0	(0.2)	-5%	-	-	(0.1)	(0.4)	-5%	-	-
Trade payables										
EUR	(0.8)	(3.7)	-5%	0.2	-	(6.2)	(26.2)	-5%	1.5	-
USD	(4.6)	(17.2)	-5%	1.0	-	(1.5)	(5.8)	-5%	0.2	-
Accruals										
EUR	(3.3)	(15.1)	-5%	0.9	-	(4.5)	(19.3)	-5%	0.8	-
USD	(1.4)	(5.1)	-5%	0.4	-	(0.8)	(2.9)	-5%	0.3	-
GBP	(0.2)	(0.8)	-5%	0.3	-	-	-	-5%	-	-
Change in operating profit				1.6	-				1.8	-
Income tax				(0.3)	-				(0.3)	-
Change in net profit				1.3	-				1.5	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	2020		2019	
	Estimated change in profit in PLN	**Estimated change in other comprehensive income in PLN**	**Estimated change in profit in PLN**	**Estimated change in other comprehensive income in PLN**
Estimated change in exchange rate by 5 %				
EUR	(0.1)	-	(1.3)	-
USD	(1.0)	-	(0.2)	-
GBP	(0.2)	-	-	-
Estimated change in exchange rate by -5 %				
EUR	0.1	-	1.3	-
USD	1.0	-	0.2	-
GBP	0.2	-	-	-

Had the Polish zloty strengthened 5% against the basket of currencies as at 31 December 2020, the Company's net profit would have decreased by PLN 1.3 and other comprehensive income would have been unchanged in 2020. Had the Polish zloty appreciated 5%, the Company's net profit would have been increased by PLN 1.3 in 2020 and other comprehensive income would have been unchanged in 2020. Had the Polish zloty strengthened 5% against the basket of currencies as at 31 December 2019, the Company's net profit would have decreased by PLN 1.5 and other comprehensive income would have been unchanged in 2019. Had the Polish zloty appreciated 5%, the Company's net profit would have increased by PLN 1.5 in 2019 and other comprehensive income would have been unchanged in 2019, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into account.

Interest rate risk

Changes in market interest rates have no direct effect on the Company's revenues, however, they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans and bonds.

The Company regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Company estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from interest payments on floating rate senior facility, the Company stipulated interest rate swaps.

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At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount	
	31 December 2020	**31 December 2019**
Fixed rate instruments		
Financial assets*	82.8	10.7
Variable rate instruments		
Financial assets*	847.8	142.3
Financial liabilities*	(3,572.4)	(3,029.8)
Net interest exposure	**(2,724.6)**	**(2,887.5)**

* nominal values

The Company's management classifies loan liabilities as variable rate instruments. Changes in the interest rate components do not result in a change in the carrying amount of the loan liability. The changes are reflected prospectively in the interest expense on loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments (pre-tax effect):

	Income statement		Other comprehensive income		Equity	
	Increase by 100 bp	**Decrease by 100 bp**	**Increase by 100 bp**	**Decrease by 100 bp**	**Increase by 100 bp**	**Decrease by 100 bp**
31 December 2020						
Variable rate instruments*	(27.2)	27.2	9.3	(9.3)	(17.9)	17.9
Cash flow sensitivity (net)	**(27.2)**	**27.2**	**9.3**	**(9.3)**	**(17.9)**	**17.9**
31 December 2019						
Variable rate instruments*	(28.9)	28.9	2.2	(2.2)	(26.7)	26.7
Cash flow sensitivity (net)	**(28.9)**	**28.9**	**2.2**	**(2.2)**	**(26.7)**	**26.7**

* include sensitivity in fair value changes of derivative instruments (interest rate swaps) due to changes in interest rate

The Company applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN by interest rate swap.

Fair value vs. carrying amount

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

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Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Presented below are fair values and carrying amounts of financial assets and liabilities not measured in fair value.

	Category according to IFRS 9	Level of the fair value hierarchy	31 December 2020		31 December 2019	
			Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	95.9	95.2	10.9	10.9
Trade and other receivables	A	*	105.7	105.7	130.4	130.4
Cash and cash equivalents	A	*	835.4	835.4	142.1	142.1
Loans and borrowings	B	2	(1,542.9)	(1,528.0)	(1,994.7)	(1,993.3)
Issued bonds	B	1	(2,023.1)	(1,997.9)	(1,025.7)	(1,004.0)
Lease liability	B	2	(23.6)	(23.6)	(26.6)	(26.6)
Accruals	B	*	(179.2)	(179.2)	(197.0)	(197.0)
Liabilities to shareholders related to dividend for 2019	B	2	(415.7)	(415.7)	-	-
Trade and other payables and deposits	B	*	(142.0)	(142.0)	(164.9)	(164.9)
Total			**(3,289.5)**	**(3,250.1)**	**(3,125.5)**	**(3,102.4)**
Unrecognized gain/(loss)				**(39.4)**		**(23.1)**

A – assets subsequently measured at amortised cost

B – liabilities subsequently measured at amortised cost

* it is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 31 December 2020 loans and borrowings comprised term facility loan. As at 31 December 2019 loans and borrowings comprised term facility loan and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 31 December 2020, forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loan obtained in 2015, changed in 2018 and changed in 2020) and to 31 March 2025 (assumed date of repayment of the additional loan obtained in 2019 and changed in 2020). When determining the fair value of senior facility as at 31 December 2019,

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan obtained in 2015 and changed in 2018 as at 31 December 2019) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019 as at 31 December 2019).
The fair value of bonds as at 31 December 2020 and 31 December 2019 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 31 December 2020, the Company held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	31 December 2020	Level 1	Level 2	Level 3
IRS		-	(10.2)	-
Total		**-**	**(10.2)**	**-**

The fair value of interest rate swaps is determined using financial instruments valuation models, based on generally published interest rates. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

As at 31 December 2019, the Company held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
IRS		-	0.4	-
Total		**-**	**0.4**	**-**

Liabilities measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
IRS		-	(0.2)	-
Total		**-**	**(0.2)**	**-**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Items of income, costs, profit and losses recognized in profit or loss generated by loans and issued bonds (including hedging transactions)

For the period from 1 January 2020 to 31 December 2020	Loans and borrowings	Issued bonds	Hedging instruments	**Total**
Interest expense on loans and borrowings	(34.3)	-	(1.8)	**(36.1)**
Interest expense on issued bonds	-	(44.0)	-	**(44.0)**
Total finance costs	(34.3)	(44.0)	(1.8)	**(80.1)**
Total gross profit/(loss)	**(34.3)**	**(44.0)**	**(1.8)**	**(80.1)**
Hedge valuation reserve	**-**	**-**	**(10.0)**	**(10.0)**

For the period from 1 January 2019 to 31 December 2019	Loans and borrowings	Issued bonds	Hedging instruments	**Total**
Interest expense on loans and borrowings	(34.2)	-	(0.6)	**(34.8)**
Interest expense on issued bonds	-	(41.0)	-	**(41.0)**
Total finance costs	(34.2)	(41.0)	(0.6)	**(75.8)**
Total gross profit/(loss)	**(34.2)**	**(41.0)**	**(0.6)**	**(75.8)**
Hedge valuation reserve	**-**	**-**	**0.5**	**0.5**

Hedge accounting and derivatives

Cash Flow Hedge of interest rate risk of interest payments

At 31 December 2020, the Company held a number of interest rate swaps, designated as hedges of floating interest payments on senior facility denominated in PLN. The interest rate swaps are being used to hedge the interest rate risk of the Company's floating rate financing in PLN.

The terms of the interest rate swaps have been negotiated to match the terms of the floating rate financing in PLN. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no element of hedge ineffectiveness requiring recognition in the income statement.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Table below presents the basic parameters of IRS designated as hedging instruments, including the periods in which cash flows occur due to cash flow hedges, periods they will affect the financial results and fair value in PLN of hedging instruments as at the balance sheet date.

	31 December 2020	31 December 2019
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument (PLN)	500.0	250.0
Fair value of hedging instruments	(10.2)	0.2
Hedge accounting approach	Cash Flow Hedge	Cash Flow Hedge
Expected period the hedge item affect income statement	Until 31 March 2023	Until 30 September 2021

Change in fair value of cash flow hedges recognized in equity is presented below (pre-tax):

	2020	2019
Opening Balance	**0.2**	**(0.8)**
Effective part of gains or losses on the hedging instrument	(12.2)	0.5
Amounts recognized in equity transferred to the profit and loss statement, of which:	1.8	0.5
- adjustment of interest costs	1.8	0.5
Closing Balance	**(10.2)**	**0.2**

36. Capital management

This note presents information about the Company's management of capital. Further quantitative disclosures are also included throughout these financial statements.

The goal of capital management is to maintain the Company's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Company might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

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The Company monitors capital on the basis of leverage ratio, which is calculated as a ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings and issued bonds less cash and cash equivalents (including restricted cash).

	Carrying amount	
	31 December 2020	**31 December 2019**
Loans and borrowings	1,528.0	1,993.3
Issued bonds	1,997.9	1,004.0
Cash and cash equivalents	(835.4)	(142.1)
Net debt	**2,690.5**	**2,855.2**
Equity	10,910.7	11,153.5
Equity and net debt	**13,601.2**	**14,008.7**
Leverage ratio	**0.20**	**0.20**

37. Barter transactions

The Company is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenue comprise revenue from services, goods and materials sold, costs comprise costs of sales.

	for the year ended	
	31 December 2020	**31 December 2019**
Revenues from barter transactions	7.5	7.2
Cost of barter transactions	8.0	7.5

	31 December 2020	**31 December 2019**
Barter receivables	1.5	2.0
Barter payables	-	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

38. Transactions with related parties

Receivables

	31 December 2020	31 December 2019
Subsidiaries	46.5	46.8
Joint ventures and associates	0.3	1.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.5	0.9
Total	**47.3**	**48.7**

A significant portion of receivables is represented by receivables from share of the profits of partnerships and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services.

Other assets

	31 December 2020	31 December 2019
Subsidiaries	8.5	98.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.6	0.1
Total	**9.1**	**98.5**

Other current assets comprise mainly unbilled revenue from InterPhone Service (sale of set-top box design) and deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilities

	31 December 2020	31 December 2019
Subsidiaries	97.0	109.2
Joint ventures and associates	1.4	3.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	255.6	22.9
Total	**354.0**	**135.4**

A significant portion of liabilities is represented by programming licence fees, Polkomtel services and lease liabilities.

Loans granted

	31 December 2020	31 December 2019
Subsidiaries	94.4	10.7
Total	**94.4**	**10.7**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Revenues

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries	143.9	113.4
Joint ventures and associates	2.2	1.5
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	2.6	1.2
Total	**148.7**	**116.1**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, advertising, programming fees, property rental services.

Expenses

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries	711.7	745.6
Joint ventures and associates	5.0	0.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	22.4	18.6
Total	**739.1**	**764.3**

The most significant transactions include data transfer services.

The Company also pays license fees for broadcasting Telewizja Polsat's programs, commissions on sales, and incurs expenses for IT services, rental of properties, telecommunication services with respect to the Company's customer call center and advertising production.

Gains/(loss) on investment activities, net

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries	74.5	365.2
Joint ventures and associates	57.2	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(2.3)	(0.5)
Total	**129.4**	**364.7**

Gains and losses on investment activities comprises mostly of dividends, income from share of the profits of partnerships and guarantees granted by the Company in respect to Polkomtel's and Netia's term facilities.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Finance costs

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries	8.2	5.0
Total	**8.2**	**5.0**

Finance costs comprise mostly of guarantee fees in respect to the term facilities.

39. Litigations

Management believes that the provisions for litigations as at 31 December 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

Proceedings before the Office of Competition and Consumer ("UOKiK")

On 30 December 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 5.3. The Company appealed to SOKiK against the decision. On 7 August 2019 the court dismissed the appeal of the Company. The Company appealed against the decision. Pursuant to the Court of Appeals verdict from 11 March 2021, the Company is required to pay a penalty of PLN 5.3. The Company examines the possibility of bringing a cassation appeal.

On 30 December 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 4.4. The Company appealed to SOKiK against the decision. On 14 October 2019 SOKiK dismissed the appeal. The Company appealed against the decision. On 31 December 2020 the Company's appeal was dismissed. On 14 January 2021 the Company paid the penalty. The Company examines the possibility of bringing a cassation appeal.

On 19 December 2019 the President of UOKiK issued a decision stating that the operations of the Company were allegedly infringing collective consumer interests by hindering access to ZDF and Das Erste channels during the Euro 2016 championship by removing these channels and incomplete and unreliable information to consumers in response to reports regarding unavailability of the above programs. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 34.9. The Company appealed to SOKiK against the decision.

Other proceedings

On 28 April 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on 8 May 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement. On 6 May 2020, the Company received a letter from the Court, included the mediator's position summarizing the course of mediation, with a request to refer to its content. On 25 May 2020, the Company submitted a response informing the Court about the settlement being impossible to reach by the parties.

By lawsuit, delivered to the Company on 16 December 2019, the Association of Performing Artists (SAWP) filed two claims against the Company: information claim and claim for payment. The information claim relates to television programs rebroadcasted by the Company in the period from 20 August 2009 to 20 August 2019. In the claim for payment, SAWP claims PLN 153.3 for the alleged violation of related rights to artistic performances of musical and verbal - musical works through their non-contractual cable rebroadcast. The Company filed for the dismissal entirely. The date of next hearing is scheduled for 28 June 2021.

40. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the facilities agreement. Detailed information in respect to the agreements is presented in the Management Report in note 4.4.5.

Other securities

The Company provided guarantees and surety to its subsidiaries in respect to purchase contracts. Information regarding the amounts of guarantees provided was not separately disclosed, as in the opinion of the Company's Management, such disclosure could have a negative impact on the relations with the third parties.

Contractual liabilities related to purchases of non-current assets

Total amount of capital commitments resulting from agreements for property construction and improvements was PLN 0.2 as at 31 December 2020 (PLN 1.2 as at 31 December 2019). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software was PLN 0.3 as at 31 December 2020 (PLN 0.3 as at 31 December 2019).

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Future contractual obligations

As at 31 December 2020 the Company had future liabilities due to transponder capacity agreements. The table below presents future payments (in total):

	31 December 2020	31 December 2019
within one year	122.5	102.4
between 1 to 5 years	489.9	452.1
more than 5 years	-	113.0
Total	**612.4**	**667.5**

41. Remuneration of the Management Board

The table below presents the remuneration of the Management Board members of the Company in 2020 and 2019.

Name	Function	2020	2019
Mirosław Błaszczyk	President of the Management Board	0.5	0.4
Tobias Solorz	President of the Management Board (to 31 March 2019)	-	0.1
Maciej Stec	Vice-President/Member of the Management Board	0.4	0.3
Dariusz Działkowski	Member of the Management Board (to 31 March 2019)	-	0.2
Jacek Felczykowski	Member of the Management Board	0.2	0.2
Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019)	-	0.2
Aneta Jaskólska	Member of the Management Board	0.6	0.6
Agnieszka Odorowicz	Member of the Management Board	0.6	0.6
Katarzyna Ostap-Tomann	Member of the Management Board	0.5	0.5
Total		**2.8**	**3.1**

The bonuses payable to each member of the Management Board of the Company for years 2020 and 2019 from the Company and subsidiaries are presented below:

Name	Function	2020	2019
Mirosław Błaszczyk	President of the Management Board	2.5	2.0
Maciej Stec	Vice-President/Member of the Management Board	2.5	2.0
Jacek Felczykowski	Member of the Management Board	1.5	1.4
Aneta Jaskólska	Member of the Management Board	1.7	1.5
Agnieszka Odorowicz	Member of the Management Board	0.8	0.8
Katarzyna Ostap-Tomann	Member of the Management Board	2.0	1.8
Total		**11.0**	**9.5**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The table below presents the remuneration of the Management Board of Cyfrowy Polsat S.A. in 2020 and 2019 from other related companies:

Name	Function	2020	2019
Mirosław Błaszczyk	President of the Management Board	0.5	0.6
Tobias Solorz	President of the Management Board (to 31 March 2019)	-	0.3
Maciej Stec	Vice-President/Member of the Management Board	0.4	0.6
Jacek Felczykowski	Member of the Management Board	0.8	0.8
Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019)	-	0.1
Aneta Jaskólska	Member of the Management Board	0.3	0.3
Katarzyna Ostap-Tomann	Member of the Management Board	0.5	0.5
Total		**2.5**	**3.2**

42. The Supervisory Board remuneration

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007. On 29 June 2016 the Annual General Meeting adopted the resolution concerning changes in remuneration of members of the Supervisory Board.

The table below presents the total remuneration payable to the Supervisory Board members in 2020 and 2019:

Name	Function	2020	2019
Marek Kapuściński	President of the Supervisory Board	0.24	0.24
Józef Birka	Member of the Supervisory Board	0.18	0.18
Marek Grzybowski	Independent Member of the Supervisory Board (from 23 July 2020)	0.08	-
Robert Gwiazdowski	Member of the Supervisory Board	0.18	0.18
Aleksander Myszka	Member of the Supervisory Board	0.18	0.18
Leszek Reksa	Member of the Supervisory Board	0.18	0.18
Tomasz Szeląg	Member of the Supervisory Board	0.18	0.18
Paweł Ziółkowski	Member of the Supervisory Board (from 23 July 2020)	0.08	-
Piotr Żak	Member of the Supervisory Board	0.18	0.18
Total		**1.48**	**1.32**

43. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Voivodship Administrative Court in Cracow dismissed the complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filled a cassation complaint to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set.

The Tax Office control activities in the aforesaid matter were in progress in relation to 2013 and 2014.

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court. On 15 October 2020, the Voivodship Administrative Court in Cracow dismissed the complaint. The Company, based on the opinions of reputable advisers, does not agree with the court's decision and filed a cassation appeal to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set. The Company has not created any provisions encumbering its financial results.

The Head of the Tax Office in Cracow issued a decision on 20 September 2019 in respect to the year 2014. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2014 in the amount of PLN 1.7 increased by interest on tax arrears. The Company appealed against the decision of the Tax Authority. In a second instance decision issued on 8 June 2020, the Tax Authority fully maintained its position. The Company filed a complaint against the decision to the Administrative Court. On 20 October 2020, the Voivodship Administrative Court in Cracow dismissed the complaint. The Company, based on the opinions of reputable advisers, does not agree with the court's decision and filed a cassation appeal to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set. The Company has not created any provisions encumbering its financial results.

The initiation by the European Commission of the procedure based on Art. 108 sec. 2 of the European Union Treaty

In the beginning of October 2020, Cyfrowy Polsat S.A. and Sferia S.A. (Sferia), a company owned by the Cyfrowy Polsat Group in 51% since 29 February 2016, received from the Ministry of Digital Affairs a copy of the European Commission's decision dated 21 September 2020 regarding the initiation of the formal investigation procedure against the Republic of Poland concerning the

alleged illegal state aid provided to Sferia. The alleged illegal state aid relates to granting in 2013 to Sferia the right to use a frequency block of 800 MHz range in place of the frequency 850 MHz range previously held by Sferia. According to the decision, the European Commission intends to investigate, whether the state aid was granted, and if so, whether it can be considered compatible with the internal market.
The Management Boards of Cyfrowy Polsat and Sferia believe that the company has acted in accordance with the regulations, and thus there cannot be any consideration of an illegal state aid. Additional information will be provided in the course of further proceedings.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon the introduction by the Polish government of the state of emergency due to an epidemics, in effect from 13 March 2020, Cyfrowy Polsat Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities mainly included ensuring safety of the employees as well as guaranteeing high quality of services provided to the customers of the Group's companies.

In the Management Board's view, the Company and Group's core business is relatively resistant to the adverse impact of the pandemic, maintains a high level of liquidity and generates positive cash flows. Accordingly, no factors indicating impairment of the Company's assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 3.1 and 5.9.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire Cyfrowy Polsat Group's operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group's control and which include, among others, the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

A tender offer for shares in Netia S.A.

On 23 December 2020, the Company announced a tender offer for 114,173,459 (not in million) shares issued by Netia S.A., entitling to 114,173,459 (not in million) votes at Netia's general meeting, representing ca. 34.02% of Netia's share capital and ca. 34.02% of the total number of votes at Netia's general meeting. The share price in the tender offer was set at PLN 4.80 (not in million) per Netia's share.

As the share price in the tender offer was below the market price of Netia's shares as at 31 December 2020, the Company estimated the probability of acquiring Netia's shares under tender offer as low as at balance sheet date and did not recognize any liability in this respect.

As a result of the tender offer, on 8 March 2021 the Company acquired 84,868 (not in millions) Netia's shares representing ca. 0.0253% of its share capital and carrying the right to ca. 0.0253% of total votes at Netia's general meeting and held, as at that date, in total 221,489,753 (not in million) Netia's shares representing ca. 66.0024% of its share capital and carrying the right to ca. 66.0024% of total votes at Netia's general meeting.

The tender offer was secured with a bank guarantee granted up to PLN 548.

44. Events subsequent to the reporting date

Execution of a conditional sale agreement for shares in subsidiary

On 26 February 2021 Company and its Subsidiary Polkomtel Sp. z o. o. (together “Sellers”) concluded a conditional sale agreement (“Sale Agreement”) of shares in Polkomtel Infrastruktura Sp. z o. o. (“Polkomtel Infrastruktura”). According to the Sale Agreement, Company agreed to sell all shares held representing 74.98% of the share capital of Polkomtel Infrastruktura for the price of PLN 5,302.1, while Polkomtel Sp. z o. o. agreed to sell shares representing 25.01% of the share capital for the price of PLN 1,768.2. The completion of the Transaction is conditional on the fulfillment of the following conditions precedent: the buyer must obtain consent of the President of the Office of Competition and Consumer Protection for the and the Sellers must obtain consents required under the financing documentation of the Sellers, as well as conditional or unconditional release of security interests encumbering the Shares. The Sale Agreement will terminate, if the conditions precedent are not fulfilled on or before 31 October 2021. This deadline may be postponed until 31 December 2021 by way of a unilateral declaration of will by any of the parties. In connection with the Sale Agreement of shares in Polkomtel Infrastruktura, the Company is not able to control the reversal of the temporary differences related to this investment as of 26 February 2021, and from that date it became probable that these differences will reverse in the foreseeable future. As a result of the above, unless the circumstances affecting the assessment of meeting the conditions of the above-mentioned Sale Agreement change, the Company will not be able to apply the exemption from recognition of deferred income tax liability in 2021.

Entry into exclusive negotiations regarding potential acquisition

On 11 March 2021 Management Board of the Company decided to enter into exclusive negotiations regarding potential acquisition of 10% shares of eobuwie.pl S.A. from CCC S.A. within the scope of pre-IPO investment for a consideration of PLN 500 for the shares.

45. Judgments, financial estimates and assumptions

The preparation of financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates and assumptions made primarily related to the following:

- *Classification of lease agreements*

In the case of contracts where the Company acts as a lessor, the Company classifies leasing agreements as operating or financial based on the assessment as to what extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on the economical substance of each transaction. The Company concludes agreements for the rental of reception equipment (set-top boxes, modems and routers) to its customers in the course of its business operations. These lease agreements are classified as operating leases as the Company holds substantially all the risks and rewards incidental to ownership of the reception equipment. For more information see note 32.

- *Lease term*

For agreements which meet the lease definition, the Company determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. While determining the lease term, the Company considers all relevant facts and circumstances, which could indicate that the Company will exercise the option to extend the lease. A lessee has to reassess an extension option upon the occurrence of either a significant event or significant change in the circumstances that are within the control of the lessee. In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term. The Company estimates lease term to be 2 years for point of sale agreements with indefinite periods.

- *Discount rate used by the lessee*

Discount rate is understood as the interest rate implicit in the lease (if that rate can be readily determined) or the incremental borrowing rate of the Company, determined as the cost of interest on the loan, which the Company would have to incur when taking a loan to purchase a given asset with adequate security. The incremental borrowing rate can be defined as the sum of the risk free rate and the Company's credit risk premium. Discount rates applied by the Company take into account the maturity and the currency of lease contracts.

- *Depreciation rates of property, plant and equipment and intangible assets with definite useful lives*

Depreciation rates are based on the expected economic useful lives of property, plant and equipment (including reception equipment provided to customers under lease agreements) and intangible assets. The expected economic useful lives are reviewed on an annual basis based on the experience of the entity.

The economic useful lives of the set-top boxes rented to customers under operating lease agreements are estimated for 5 years, modems and routers 3 years. For information on the useful lives of property, plant and equipment, programming assets and other intangible assets with definite useful lives see notes 5i and 5j. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives and right-of-use assets see notes 15, 17 and 18.

- *The impairment of goodwill*

The Company performed impairment test on goodwill arising on the acquisition of M.Punkt Holdings and Redefine. The impairment test was based on the value-in-use calculations of the "B2C and B2B Services" cash-generating unit to which the goodwill has been allocated on the initial recognition. The value-in-use calculations included estimation of discounted cash flows for the given cash-generating unit and the relevant discount rate. The value of goodwill tested at each cash-generating unit, the key assumptions used in the value-in-used calculations for each cash-generating unit, impairment test results and sensitivity analysis of reasonably possible changes in the key assumptions are presented in note 16.

- *The impairment of investment in subsidiaries*

The Company analyzed whether any indicators of potential impairment of investments in subsidiaries exist as at the balance sheet date. The analysis did not indicate such impairment indicators (with the exception of recognised impairment loss of shares in Karpacka Telewizja Kablowa Sp. z o.o.) therefore the Company did not perform an impairment test for these assets. Impairment value of shares in Karpacka Telewizja Kablowa Sp. z o.o. are presented in note 20.

- *The impairment of non-financial non-current assets*

As at the reporting date the Company has assessed whether there are any indications that intangible and tangible assets with definite useful lives may be impaired. The impairment loss recognised equals the difference between net book value and recoverable amount. The impairment values are presented in notes 15 and 17.

- *Impairment of receivables*

The value of receivables is updated taking into account the expected credit losses for trade receivables and contract assets in the amount corresponding to the expected credit losses throughout the life of the instrument. The amount of expected losses is calculated on the basis of historical data regarding the repayment of receivables and the effectiveness of debt collection, taking into account current expectations regarding the future development of these parameters. For more information see notes 5n, 24 and 35.

- *Provisions for pending litigation*

During the normal course of its operations the Company participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Company, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Company's lawyers who participate in the current litigations and who estimate Company's possible future obligations taking the progress of litigation proceedings into account. The Company also recognizes provisions for potential unreported claims resulting from past events, should the Management Board find that the resulting outflow of economic benefits is likely. Provisions regarding probable claims are recognized as a result of Management Board's estimates based on accessible information regarding market rates for similar claims. Management believes that the provisions as at 31 December 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

- *Deferred tax*

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses, except for the cases excluding recognition in accordance with IAS 12 and taking into account the possibility of deferred tax asset realization. The key assumption in relation to deferred tax accounting is the assessment of the expected timing and manner of realization or settlement of the carrying amounts of assets and liabilities held at the reporting date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deductible temporary differences can be utilized. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For further details refer to notes 5w and 12.

- *Deferred tax related to investment in Polkomtel Infrastruktura Sp. z o.o.*

Management believes that taking into account facts and circumstances existing as at 31 December 2020 the Company was still able to control the timing of the reversal of the temporary differences related to investment in Polkomtel Infrastruktura Sp. z o.o. and it was probable that the temporary differences will not reverse in the foreseeable future. Therefore, in line with accounting policy presented in note 5w, the Company did not recognized deferred tax liability for temporary differences related to investment in Polkomtel Infrastruktura Sp. z o.o.

- *Fair value of financial instruments*

Fair value of financial instruments for which there is no active market is estimated using appropriate techniques of measurements. The techniques are chosen based on the professional judgment. For more information about the method of establishing the fair value of financial instruments and key assumption made see note 5g.

- *Loan liabilities measured at amortised cost*

The Term Facility and the Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Term Facility and the Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA. Accordingly, the Company's management classifies loan liabilities as variable rate instruments.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Financial results for the 3 months ended 31 December 2020 and 31 December 2019

46. Income Statement

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Revenue	628.9	603.3
Operating costs	(514.4)	(504.0)
Other operating income, net	10.3	1.7
Profit from operating activities	**124.8**	**101.0**
Gain on investment activities, net	25.2	20.4
Finance costs, net	(22.4)	(22.1)
Gross profit for the period	**127.6**	**99.3**
Income tax	(27.8)	(20.1)
Net profit for the period	**99.8**	**79.2**
Basic and diluted earnings per share (in PLN)	**0.16**	**0.13**

47. Statement of Comprehensive Income

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Net profit for the period	**99.8**	**79.2**
Items that may not be reclassified subsequently to profit or loss:	**(0.2)**	-
Actuarial gain/(loss)	(0.2)	-
Items that may be reclassified subsequently to profit or loss:	**0.8**	-
Valuation of hedging instruments	1.0	-
Income tax relating to hedge valuation	(0.2)	-
Other comprehensive income, net of tax	**0.6**	**-**
Total comprehensive income for the period	**100.4**	**79.2**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

48. Revenue

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Retail revenue	564.7	552.0
Wholesale revenue	37.1	28.5
Sale of equipment	7.9	5.6
Other revenue	19.2	17.2
Total	**628.9**	**603.3**

49. Operating costs

		for the 3 months ended	
	Note	**31 December 2020 unaudited**	**31 December 2019 unaudited**
Content costs		202.6	192.7
Technical costs and costs of settlements with telecommunication operators		106.3	100.6
Distribution, marketing, customer relation management and retention costs		84.7	103.8
Depreciation, amortization, impairment and liquidation		44.9	43.7
Salaries and employee-related costs	a	38.5	37.7
Cost of equipment sold		6.8	5.5
Cost of debt collection services and bad debt allowance and receivables written off		1.2	3.4
Other costs		29.4	16.6
Total		**514.4**	**504.0**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Salaries	33.3	32.8
Social security contributions	3.8	3.5
Other employee-related costs	1.4	1.4
Total	**38.5**	**37.7**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

50. Gain on investment activities, net

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Share in the profits of partnerships	21.5	18.1
Other	3.7	2.3
Total	**25.2**	**20.4**

51. Finance costs, net

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Interest expense on loans and borrowings	8.6	11.1
Interest expense on issued bonds	10.4	9.0
Valuation and realization of hedging instruments	1.0	0.1
Guarantee fees	2.0	1.6
Bank and other charges	0.4	0.3
Total	**22.4**	**22.1**