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CYFROWY POLSAT S.A.

CAPITAL GROUP

Annual Consolidated Report
for the financial year ended
December 31, 2020

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Content of the consolidated annual report of Cyfrowy Polsat Group

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. Capital Group in the financial year ended December 31, 2020

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Polsat Group at a glance

Polsat Group is 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** offered mainly by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe – and our subsidiary Netia. 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, pay-per-view, Video On Demand) and Multiroom. We also provide online video services through IPLA, the leader on Poland's online video market;
- **telecommunication services**, including voice and data transmission services, as well as various added services (VAS). We provide mobile telecommunication services mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators, and fixed-line telecommunication services mainly through our subsidiary Netia;
- **mobile broadband Internet**, offered under two alternative brands: Cyfrowy Polsat and Plus. We provide these services in the state-of-the-art LTE, LTE Advanced and 5G technologies. 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;
- **fixed-line broadband Internet**, offered under Netia and Plus brands based on the infrastructure of our subsidiary Netia whose own access networks reach 2.75 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on access to the infrastructure of Orange Polska, Nexera and Inea;
- **broadcasting and television production** through Telewizja Polsat, the leading commercial TV broadcaster on the Polish market, offering 36 popular TV channels, including our main channel POLSAT, one of the leading FTA channels in Poland;
- **Internet media** through the portal 'Interia.pl', one of the three largest horizontal portals in Poland and member of our Group, and a number of thematic portals such as 'Polsatnews.pl' or 'Polsatsport.pl'. Following the acquisition of Interia Group we became one of the leaders of the Polish online advertising market;
- **wholesale services to other operators**, including, i.a., network interconnection, IP and voice traffic transit, lease of lines and national and international roaming services.

We operate mainly on the territory of Poland in two business segments: the B2C and B2B services segment and the media segment: television and online.

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 video 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 Capital Group S.A. (the "Report") prepared as required by Article 60 sections 1 and 2 and Articles 70 and 71 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. Capital Group (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 Group, unless it is clear from the context that they apply only to the Company. A glossary of terms used in this document is presented at the end of this Report.

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our consolidated 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 consolidated financial data for the three- and twelve-month periods ended December 31, 2020 and December 31, 2019. This information should be read in conjunction with the consolidated 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 Polsat Group*.

Selected financial data:

- from the consolidated income statement and the consolidated cash flow statement for the three-month periods ended December 31, 2020 and December 31, 2019 have been converted into euro at a rate of PLN 4.5072 per EUR 1, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from October 1, 2020 to December 31, 2020;
- from the consolidated income statement and the consolidated 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 consolidated 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.

It should be noted that the financial data for the three- and twelve-month periods ended December 31, 2020 and December 31, 2019 are not fully comparable due to the acquisitions and changes to the Group's structure in the period from January 1, 2020 to December 31, 2020, which are described in detail in item 1.2 of this Report - *Composition and structure of Polsat Group*.

Consolidated balance sheet

	December 31, 2020		December 31, 2019	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	1,365.8	296.0	753.1	163.2
Assets	33,139.0	7,181.0	32,589.6	7,062.0
Non-current liabilities	13,414.4	2,906.8	12,256.9	2,656.0
Non-current financial liabilities	11,987.5	2,597.6	10,610.0	2,299.1
Current liabilities	5,274.4	1,142.9	5,868.2	1,271.6
Current financial liabilities	1,224.2	265.3	2,340.8	507.2
Equity	14,426.2	3,126.1	14,464.5	3,134.4
Share capital	25.6	5.5	25.6	5.5

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

Consolidated cash flow statement

	for the twelve-month period ended December 31			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	3,251.7	731.6	3,473.4	781.4
Net cash used in investing activities	(1,786.3)	(401.9)	(2,715.1)	(610.8)
incl. capital expenditures[(1)]	*(1,217.9)*	*(274.0)*	*(1,231.6)*	*(277.1)*
Net cash used in financing activities	(856.0)	(192.6)	(1,184.7)	(266.5)
Net increase/(decrease) in cash and cash equivalents	609.4	137.1	(426.4)	(95.9)

(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, or payments for telecommunication concessions, which are reported in a separate line of our cash flow statement

Consolidated income statement

	for the three-month period ended December 31				for the twelve-month period ended December 31			
	2020		2019		2020		2019	
	mPLN	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*
Revenue	**3,248.2**	**720.7**	**3,069.1**	**680.9**	**11,962.9**	**2,691.4**	**11,676.1**	**2,626.8**
Retail revenue	1,660.1	368.3	1,618.4	359.1	6,480.4	1,458.0	6,458.8	1,453.1
Wholesale revenue	1,043.9	231.6	925.4	205.3	3,526.7	793.4	3,350.2	753.7
Sale of equipment	424.4	94.2	445.4	98.8	1,596.7	359.2	1,585.0	356.6
Other sales revenue	119.8	26.6	79.9	17.7	359.1	80.8	282.1	63.4
Total operating cost	**(2,731.3)**	**(606.0)**	**(2,593.8)**	**(575.4)**	**(10,073.8)**	**(2,266.4)**	**(9,754.8)**	**(2,194.6)**
Technical costs and cost of settlements with telecommunication operators	(615.0)	(136.4)	(580.3)	(128.7)	(2,460.9)	(553.7)	(2,311.3)	(520.0)
Depreciation, amortization, impairment and liquidation	(602.3)	(133.6)	(567.5)	(125.9)	(2,305.7)	(518.7)	(2,229.7)	(501.6)
Cost of equipment sold	(359.5)	(79.8)	(368.6)	(81.8)	(1,338.2)	(301.1)	(1,320.4)	(297.1)
Content costs	(484.0)	(107.4)	(454.8)	(100.9)	(1,638.4)	(368.6)	(1,658.5)	(373.1)
Distribution, marketing, customer relation management and retention costs	(259.4)	(57.5)	(278.1)	(61.7)	(963.2)	(216.7)	(1,021.3)	(229.8)
Salaries and employee-related costs	(265.8)	(59.0)	(253.1)	(56.2)	(905.9)	(203.8)	(870.6)	(195.9)
Cost of debt collection services and bad debt allowance and receivables written off	(25.2)	(5.6)	(27.6)	(6.1)	(128.9)	(29.0)	(98.9)	(22.2)
Other costs	(120.1)	(26.7)	(63.8)	(14.1)	(332.6)	(74.8)	(244.1)	(54.9)
Other operating income/(cost), net	**7.1**	**1.6**	**19.0**	**4.2**	**(2.9)**	**(0.6)**	**45.7**	**10.3**
Profit from operating activities	**524.0**	**116.3**	**494.3**	**109.7**	**1,886.2**	**424.4**	**1,967.0**	**442.5**
Gain/(loss) on investment activities, net	(11.5)	(2.6)	34.2	7.6	(113.1)	(25.4)	(27.0)	(6.1)
Financial costs, net	(64.9)	(14.4)	(95.3)	(21.1)	(333.0)	(74.9)	(465.9)	(104.8)
Share of the profit/(loss) of associates accounted for using the equity method	(45,6)	(10,2)	(1,6)	(0,4)	2,0	0,4	(6,5)	(1,4)
Gross profit for the period	**402,0**	**89,2**	**431,6**	**95,8**	**1.442,1**	**324,4**	**1.467,6**	**330,2**
Income tax	(75,3)	(16,7)	(119,7)	(26,6)	(295,9)	(66,6)	(353,0)	(79,4)
Net profit for the period	**326,7**	**72,5**	**311,9**	**69,2**	**1.146,2**	**257,9**	**1.114,6**	**250,8**
Net profit attributable to equity holders of the Parent	324,9	72,1	313,8	69,6	1.141,6	256,8	1.100,6	247,6
Net profit/(loss) attributable to non-controlling interest	1.8	0.4	(1.9)	(0.4)	4.6	1.0	14.0	3.2

	for the three-month period ended December 31				for the twelve-month period ended December 31			
	2020		2019		2020		2019	
	mPLN	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*
Basic and diluted earnings per share in PLN (not in millions)	**0,52**	**0,12**	**0,48**	**0,11**	**1,79**	**0,40**	**1,74**	**0,39**
Weighted number of issued shares (not in millions)	639,546,016		639,546,016		639,546,016		639,546,016	
EBITDA[(1)]	**1,126.3**	**249.9**	**1,061.8**	**235.6**	**4,191.9**	**943.2**	**4,196.7**	**944.1**
EBITDA margin	34.7%	34.7%	34.6%	34.6%	35.0%	35.0%	35.9%	35.9%
COVID-related costs (incl. donations)	(1.1)	(0.2)	-	-	(45.9)	(10.3)	-	-
adjusted EBITDA [(2)]	**1,127.4**	**250.1**	**1,061.8**	**235.6**	**4,237.8**	**953.5**	**4,196.7**	**944.1**
adjusted EBITDA margin	34.7%	34.7%	34.6%	34.6%	35.4%	35.4%	35.9%	35.9%
Operating margin	16.1%	16.1%	16.1%	16.1%	15.8%	15.8%	16.8%	16.8%

(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, including donations, incurred in 2020.

1. Characteristics of Polsat Group

1.1. Who we are

Polsat Group is the largest provider of integrated media and telecommunications services in Poland. We are the leading pay TV provider and one of the leading telecommunications operators in the country. We are also one of Poland's leading private broadcasters in terms of both audience and advertising market shares. We offer a complete package of multimedia services designed for the entire family: pay TV via satellite, terrestrial and online (IPTV and OTT) broadcasting, mobile and fixed-line telephony, data transfer services and broadband Internet access, mainly in LTE and LTE Advanced mobile technologies as well as 5G technology and also through fixed-line networks, including fiber-optic. Additionally, we provide a wide array of wholesale services to other telecommunications operators, television operators and broadcasters. Moreover, we are a leading player on the Internet media market - the portal 'Interia.pl', belonging to the Group, is one of the three largest horizontal portals in Poland. We also operate on the Polish online advertising market offering modern marketing and promotional solutions.

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, which 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, acquired both internally and externally, as we consider it an important competitive advantage in our operations.

We operate in two business segments: the B2C and B2B services segment (hitherto called the segment of services provided to individual and business customers), and the media segment: television and online (the hitherto broadcasting and television production segment).

In the B2C and B2B services segment we provide the following services: satellite and Internet television, mobile and fixed-line Internet access, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunications equipment and production of set-top boxes and sales of photovoltaic installations. At the end of December 2020 we had around 5.5 million contract customers and companies from our Group provided a total of nearly 18 million active services, including nearly 15.4 million contract RGUs (the above data does not include the activities conducted by Netia Group companies).

Our media segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels mainly in Poland. Furthermore, the segment consists of activities conducted in the Internet media by our Interia Group, including operations of our thematic portals and on the online advertising market.

1.2. Composition and structure of Polsat Group

The following table presents the organizational structure of Polsat Group 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
B2C and B2B services segment				
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Infrastruktura Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	call center and premium-rate services	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o.	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	65.98%
ISTS Sp. z o.o.	Bociana 4A / 68A, 31-231 Cracow	wired communication	65.98%	65.98%
IST Sp. z o.o.	Księcia Janusza 13, 18-400 Łomża	wired communication	65.98%	-
TVO Sp. z o.o.	Kielecka 5, 81-303 Gdynia	retail sales	75.96%	51.22%

Company	Registered office	Activity	Share in voting rights (%) as at December 31, 2020	Share in voting rights (%) as at December 31, 2019
Pure Omni Wework Sp. z o.o. S.k.	Kielecka 5, 81-303 Gdynia	retail sales	75.96%	51.22%
Wework Sp. z o.o.	Kielecka 5, 81-303 Gdynia	administrative services	75.96%	51.22%
Plus Finanse Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	monetary intermediation	100%	100%
Esoleo Sp. z o.o.	Al. Wyścigowa 6, 02-681 Warsaw	technical services	51.25%	-
Alledo Express Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	-
Alledo Parts Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	-
Alledo Parts Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	-
Alledo Setup Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Setup Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
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%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	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.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	finance activities	(1)	(1)
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
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%

Company	Registered office	Activity	Share in voting rights (%) as at December 31, 2020	Share in voting rights (%) as at December 31, 2019
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	70.02%	-
Subsidiaries consolidated using the equity method				
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.95%	22.73%
Media segment: television and online				
Subsidiaries consolidated using the full consolidation method				
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.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	media	100%	100%
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
Music TV Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
TV Spektrum Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	-
Grupa Interia.pl Sp. z o.o.	Os. Teatralne 9a, 31-946 Cracow	holding activities	100%	-
Grupa Interia.pl Media Sp. z o.o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	-

Company	Registered office	Activity	Share in voting rights (%) as at December 31, 2020	Share in voting rights (%) as at December 31, 2019
Grupa Interia.pl Sp. z o. o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	-
Mobiem Polska Sp. z o.o.	Fabryczna 5a, 00-446 Warsaw	holding activities	100%	-
Mobiem Polska Sp. z o.o. Sp.k.	Fabryczna 5a, 00-446 Warsaw	advertising agency activities	100%	-
Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.)	Solskiego 55, 52-401 Wrocław	consulting	60%	-
Polot Media Sp. z o.o. Sp.k. (formerly Tako Media Sp. z o.o. Sp.k.)	Solskiego 55, 52-401 Wrocław	movie and TV production	60%	-
Subsidiaries consolidated using the equity method				
TV Spektrum Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting	-	49.48%
Polsat JimJam Ltd.	111 Salusbury Road London NW6 6RG Great Britain	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%

(1) Cyfrowy Polsat indirectly holds 100% of certificates.

Additionally, the following entities were included in the consolidated financial statements for the financial year ended December 31, 2020:

Company	Registered office	Activity	Share in voting rights (%) as at December 31, 2020	Share in voting rights (%) as at December 31, 2019
Karpacka Telewizja Kablowa Sp. z o.o.[1]	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	21.43%	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25E/216 10-686 Olsztyn	investment project advisory	1.5%[2]	1.5%[23]
Pluszak Sp. z o.o.	Domaniewska 47, 02-672 Warsaw	retail sales	9%	-

(1) Investment accounted for at cost less any accumulated impairment losses.
(2) Altalog Sp. z o.o. holds a 2.3% share in voting rights in InPlus Sp. z o.o.

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2020 until the date of approval of this Report, i.e. March 24, 2021 the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions and the systematically executed process of simplifying the capital structure of the Group. The changes in the Group's structure entail, among other things, improved efficiency of financial management on the consolidated level through the simplification and streamlining of intragroup financial flows and the elimination of redundant costs. What is more, they translate into greater credibility and transparency of Polsat Group, which in turn has a positive influence on the possibilities of obtaining and using external debt financing.

Date	Description
B2C and B2B services segment	
January 13, 2020	Acquisition of 51.25% of shares in Alledo Sp. z o.o. On August 5, 2020 the court registred the change in the name of the acquired company to Esoleo Sp. z o.o.
February 10, 2020	Registration by court of the share capital increase in TVO Sp. z o.o. (following the registration of the share capital increase the shareholding in TVO Sp. z o.o. amounts to 75.96%).
February 14, 2020	Acquisition of 100% of shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. by Netia which resulted in Cyfrowy Polsat holding 65.98% of shares in that company. On February 27, 2020 the acquired company was renamed to IST Sp. z o.o.
March 25, 2020	Acquisition of 69.13% of shares in BCAST Sp. z o.o.
April 24, 2020	Acquisition of 9% of shares in Pluszak Sp. z o.o.
July 31, 2020	Acquisition from Reddev of 0.22% of shares in Asseco Poland, resulting in Cyfrowy Polsat holding 22.95% of shares in Asseco Poland.
December 23, 2020	Acquisition of additional 0.9% of shares in BCAST Sp. z o.o., resulting in the Group holding 70.02% of shares in BCAST Sp. z o.o.
Media segment: television and online	
July 8, 2020	Acquisition of 100% of shares in Grupa Interia.pl Sp. z o.o. and of all rights and obligations of a limited partner of Grupa Interia.pl Media Sp. z o.o. Sp.k.
September 18, 2020	Acquisition of 50.52% of additional shares in TV Spektrum Sp. z o.o., resulting in the Group holding 100% of shares in TV Spektrum Sp. z o.o.
December 23, 2020	Acquisition of 60% shares in Tako Media Sp. z o.o. On February 2, 2021 a change in the company's name into Polot Media Sp. z o. o. was registered.
December 23, 2020	Direct acquisition of 58.2% shares in Tako Media Sp. z o.o. Sp.k. On February 18, 2021 a change in the company's name into Polot Media Sp. z o. o. Sp. k. was registered.

1.3. B2C and B2B services segment

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 in terms of the number of active services, as well as market share. We actively expand our pay TV offer by adding both 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 entertainment, sports and e-sports, music, lifestyle, news/information, children's, education and movie 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.

Furthermore, our subsidiary Netia provides an IPTV service under the brand of 'Personal Television' ('*Telewizja Osobista*'). Currently, Netia's Personal Television offering includes approximately 220 channels and the number of TV services provided by Netia as at December 31, 2020 amounted to over 279 thousand.

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 and fixed-line telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators. As at December 31, 2020 we provided 11 million mobile telephony services in both the postpaid and prepaid models.

We offer a comprehensive array of mobile telecommunications services under the established umbrella brand 'Plus' and our additional brand 'Plush,' as well as under the brands belonging to Aero 2 and under the 'Netia' brand. Our offer includes retail services, comprising contract and prepaid voice services, as well as data transmission services encompassing basic mobile broadband services, MMS, value added services such as entertainment, information and comprehensive convergent telecommunications services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support LTE, LTE Advanced and 5G technologies. Our retail mobile telephony offering is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises, and the SOHO (Small Office/Home Office) segment.

We provide fixed-line telecommunications services under the 'Netia' and 'Plus' brands based on the infrastructure of our subsidiary Netia, who operates based on both own telecommunications infrastructure and access to the infrastructure of Orange Polska, Nexera and Inea. The dedicated retail offering of fixed-line telephony offered under the 'Netia' brand includes both business customers, including institutions, medium and large enterprises and small companies, as well as individual customers.

Mobile broadband Internet

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. This technology is being successively developed, as demonstrated by our launch of the QAM 256 and MIMO 4x4 modulation, which allows for increased transmission speed while using the same radio band. We are also pursuing aggregation of bands in two, three and, selectively, four frequencies which further contributes to increasing the capacity of our network, thus making our mobile Internet faster and more stable. As at December 31, 2020, we provided around 1.9 million mobile broadband Internet access services, mostly in the contract model.

In May 2020, we launched the first commercial 5G network in Poland using the spectrum from the 2.6 GHz TDD frequency band. The launch was the first step en route to Plus's nationwide 5G network coverage in Poland. At the end of 2020, thanks to the next phase of network extension, over 7 million people were within the reach of our 5G network and the total number of base stations exceeded 1,000. Our aim is to continue the roll-out of our 5G network in 2021 to over 1,700 transceivers to expand the footprint of our network to over 11 million people living in over 150 locations.

We provide a comprehensive array of mobile broadband Internet access services to both individual and business customers under three alternative brands: 'Plus,' 'Cyfrowy Polsat' and 'Netia.' We offer broadband Internet in both the contract and the prepaid model. Moreover, thanks to our LTE Internet access service combined with the set Home LTE Internet we can offer customers a product that constitutes a substitute for fixed-line Internet. Additionally, pursuant to the provisions of the concession related to the purchase of the 2600 MHz TDD band, our subsidiary Aero 2 provides free of charge Internet access services, however with limited parameters (BDI offer).

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.

Fixed-line broadband Internet

Through our subsidiaries Netia and Polkomtel we provide fixed-line broadband Internet services, among others in fiber optic technologies. Fixed-line services are being rendered via own access networks with over 2.75 million homes passed, out of which, as at end of December 2020, 1.73 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, we offer fixed-line Internet services based on access to Orange Polska's, Nexera's and Inea's networks.

We provide fixed-line broadband Internet services to both individual and business customers.

Services to individual customers are sold mainly in bundles with TV and voice services, including a mobile offering. The service offering is supplemented by a number of value added services which support ARPU levels and the loyalty of our customers. Netia Spot, a wireless Wi-Fi router, and Netia Player, an innovative multimedia set-top box with access to a variety of TV channels, VOD services, Internet apps and the possibility to open own multimedia files all constitute a part of the home multimedia platform which uses broadband Internet access for distribution of content to members of a household.

Broadband Internet access services for business customers are offered in fiber optic, Ethernet, xDSL and HFC technologies. They are part of a wide range of services, including traditional fixed-line telephony solutions (analogue and ISDN access), the latest IP telephony services with hosted PABX (Next Generation Network – NGN technology), Unified Communications services, video communications (video conference services in HD quality), wholesale messaging, lease of digital lines, VPN and Ethernet networks, and data center services which are addressed to companies using Internet in business solutions, running portals and news services.

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.

Wholesale business

As part of our wholesale business we provide services to other telecommunication operators. These services include network interconnection, texting (SMS) and MMS traffic routing, international roaming, services to MVNOs, shared access to network assets and lease of network infrastructure.

Network interconnection

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad.

Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures and acquisitions carried out in the past, our Group has an extensive telecommunications infrastructure, which allows us to handle constantly increasing usage of telecommunications products and services. In order to optimize costs of maintenance of our infrastructure, we share access to network assets and lease components of our network infrastructure from and/or to other telecommunications providers on the Polish market. Within the Group we execute projects which benefit from telecommunications infrastructure owned by our entities, thus gaining synergies by the replacement of the infrastructure leased from the third parties with assets possessed by the Group companies.

International roaming

Within our wholesale business we provide international roaming services to foreign mobile operators that allow customers of foreign mobile telecommunications network operators to use mobile telecommunications services (voice calls, texting and data transmission) when logged to our network and outside their home network. We also enter into international roaming wholesale agreements in order to provide, both to our own customers and the customers of MVNOs operating on our network, international roaming services in the networks of our roaming partners.

Virtual operators (MVNOs)

We provide operators present in Poland with wholesale access to our mobile telecommunications network based on different models of cooperation.

Mobile Virtual Network Operators (MVNOs) are operators who provide mobile telephony and data transmission services, as well as fixed-lined telephony services based on Polkomtel's networks in a model in which Polkomtel provides access to its mobile network, exchange of interconnection traffic to/from MVNOs' customers and other possible forms of wholesale support to operations of MVNOs. As a rule, this type of cooperation is used by operators who do not own complete technical infrastructure required to provide telecommunications services (including frequency allocations). Such cooperation allows operators to take advantage of each party's strengths: Polkomtel's high quality nationwide network and its support in servicing telecommunications aspects of MVNO operations and dedicated offerings, marketing and sales under own brand of the MVNO wholesale partners.

As part of the cooperation with MVNOs, we provide wholesale services including voice calls, text messaging and data transmission (including MMS services), premium rate services, value-added services, international roaming, services provided to specific governmental authorities and agencies, hosting services on Polkomtel's billing platform, customer support, handling claims of MVNOs' customers, access to SIM cards, telephone devices and Polkomtel's telephone card recharging sales channels as well as other services, depending on the needs and selected technical model of cooperation.

Polkomtel was the first mobile operator in Poland to open its network to MVNOs (in 2006) and since then it sustains the leading position in this telecommunications market segment.

1.4. Media segment: television and online

Broadcasting and television production

Our activities in broadcasting and television production include primarily production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels. Our portfolio comprises 36 channels including our flagship channel POLSAT. Moreover, there is a group of 6 cooperating channels which are related with Polsat Group either by capital links or joint broadcasting projects.

The Group's channels are delivered both over multiplexes in the terrestrial network (free of charge) and over cable or satellite (paid).

Channel	Description
POLSAT **POLSAT HD**	The main channel, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain a nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of shares in the commercial audience group. POLSAT broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-L4 and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats in most cable networks and satellite platforms. The channel features a broad selection of films, entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.
General interest	
Super Polsat **Super Polsat HD**	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions from the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
TV4 **TV4 HD**	Nationwide entertainment channel, the programming offer of which includes feature movies, series, entertainment and popular science programs and sports. The channel is available in digital terrestrial television.
TV6 HD	Nationwide entertainment channel broadcasting popular foreign formats, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Nowa TV **Nowa TV HD**	Universal TV channel airing lifestyle programs, series, news, journalistic shows and cabaret skits. Available in digital terrestrial television.
Sports	
Polsat Sport HD	The first sports channel of Polsat Group broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, world class boxing and MMA contests), which include live broadcasts.
Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon.
Polsat Sport News HD	Sports channel dedicated to sports news.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, professional boxing galas and mixed martial arts, as well as coverages of Polsat Boxing Night.
Eleven Sports 1 HD	Sports channel devoted solely to football. The most interesting live events, matches from the most interesting European leagues, championships and qualifying games. Eleven Sports 1 HD broadcasts 24 hours a day, in HD quality and with Polish commentary.
Eleven Sports 2 HD	Channel that broadcasts large sports events and offers sports fans premium quality entertainment. The channel broadcasts 24 hours a day, in HD quality and with Polish commentary.

Channel	Description
Eleven Sports 3 HD	Channel offering the most important European football live matches. In addition, the channel presents documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1 and Eleven Sports 2 channels.
Eleven Sports 4 HD	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.
Polsat Sport Premium 1 HD	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Polsat Sport Premium 2 HD	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Movies	
Polsat Film HD	Movie channel broadcasting movie hits, top box office productions from the libraries of major US movie studios as well as non-mainstream movies.
Polsat Seriale HD	Channel created for and dedicated to women. The programming offer includes feature movies as well as popular Polish and foreign series.
Music	
Eska TV **Eska TV HD**	Music and entertainment channel broadcasting the latest music clips, exclusive interviews, gossip about show biz stars and information about musical events. Available in digital terrestrial television.
Eska TV Extra **Eska TV Extra HD**	Channel broadcasting recent hits and the greatest pop music hits of the last 20 years.
Eska Rock TV	Channel offering music defined as mainstream pop-rock, classic rock and alternative rock.
Polo TV **Polo TV HD**	Channel broadcasting the greatest hits of disco polo and dance, coverage of the most famous festivals of disco dance, concerts and euro disco hits, italo disco and dance music from the 80s and the 90s. Available in digital terrestrial television.
Polsat Music	Channel broadcasting rock and pop music as well as the best video clips, both classics and novelties.
Vox Music TV	Music and entertainment channel broadcasting disco hits from the 80s and the 90s, italo disco, euro dance and disco polo. The channel's programming offer also includes programs devoted to pop stars and hit lists.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
News	
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs.
Superstacja	News and entertainment channel addressed to people who are active and curious about the world. It offers journalism in light edition. The channel's programming offer includes also sensational news from the world of show business and sports.
Lifestyle	
Polsat Cafe HD	Channel dedicated to women, focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult TV series.

Channel	Description
Polsat Games HD	Channel devoted to gamers. Addressed not only to fans of computer games or e-sports, but also to enthusiasts of new technologies and animation. The channel's programming includes original gaming programs, coverage from e-sports tournaments, Japanese animated series and documentaries.
Polsat Rodzina HD	Family channel for three generations: from children, via parents, to grandparents, and living anywhere in Poland. The channel helps to deal with challenges of the modern world. Its programing includes informative programs, educational cartoon, series and Christian matters programs.
TV Okazje	Channel broadcasting 24 hours a day, dedicated to teleshopping and broadcasting solely spots that encourage shopping.
Popular science	
Fokus TV	Thematic channel of an educational and cognitive character, addressed to the entire family. Main thematic sections are knowledge, documentary and entertainment. Fokus TV's mission is to convey knowledge through fun and in an accessible way. The channel is broadcast in DDT technology.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)	
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
CI Polsat HD	Criminal channel that takes its viewers to the world of crime providing insight into criminal laboratories, police archives and courtrooms. The channel is a joint project of Polsat Group and A+E Networks UK.
Polsat Viasat Explore HD	Channel dedicated to men, simple-unusual people, who work hard and have fun while making extraordinary dreams come true. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature HD	Nature channel targeting the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History HD	Channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time. The content features historical events that influenced world history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Polsat Comedy Central Extra HD	Channel broadcasting Polish and foreign comedy series and cabaret programs, launched on March 3, 2020 as a result of cooperation between TV Polsat and ViacomCBS. Previously the channel was aired under the name Comedy Central Family.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on estimates from Publicis Group we evaluate that in 2020 Polsat Group channels captured 28.5% of the Polish TV advertising market worth approximately PLN 3.9 million in that period while in the fourth quarter of 2020 alone the share of the Group's channels reached 29.2% in the market valued at PLN 1.4 million in that period.

The key factor with a bearing on our revenue from advertising and sponsoring time sale is our share in total audience. Airtime on our channels is more attractive if the demographic profile of the audience meets advertisers' requirements. In order to make our airtime more attractive, our programming offering is carefully selected and broadcast in specific parts of the day.

Sale of channel broadcasting rights

Our channels are distributed by the majority of Polish cable networks, including such operators as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., and by all major satellite platforms (with the exception of selected sports channels, which are exclusive to the Cyfrowy Polsat platform), as well as using the IPTV technology (Cyfrowy Polsat, Orange Polska, Netia). Our agreements with third-parties provide for a non-exclusive license of a specific duration to distribute our channels. The agreements also provide for monthly licensing fees, charged as the product of the contractual rate and the number of customers, or as fixed fees.

Internet media

We develop thematic web portals which leverage on the unique content produced by our TV channels and dedicated editorial teams. In particular, the portals “Polsatnews.pl' and “Polsatsport.pl” are worth mentioning. In turn, Interia Group, acquired by us in July 2020, is a leading player on the Polish market of new generation media.

The Internet portal 'Interia.pl', which belongs to the Group, is one of the three largest horizontal portals in Poland and reaches nearly 40% of Polish Internet user. It provides individual users with a vast selection of the highest quality information, entertainment, social and communication services. In addition, Interia Group includes a number of thematic websites, including, among others, Pomponik.pl, Smaker.pl, Styl.pl and Deccoria.pl, as well as one of country's first mail services with approximately 2.6 million regular users. In parallel, thanks to the acquisition 'Pogoda.interia.pl' weather forecast service which is a leader in its category, we became the number 1 among online weather forecast services in Poland.

According to the Mediapanel survey, in the fourth quarter of 2020 the average number of users per month for the combined Polsat-Interia media group exceeded 19.7 million, and the monthly average number of page and app views was around 1.7 billion.

The largest of Polsat Group's portals, websites and services which are used for advertising purposes are presented in the table below.

Internet portal	Description
General interest	
Interia.pl	One of the largest Polish horizontal portals, including many thematic services.
VOD	
ipla.tv	Internet television offering VOD, live broadcasts and broadcast of linear channels over the Internet.
Sports	
Polsatsport.pl	Portal is a unique combination of a news and journalistic service with a video platform specializing solely in sports, in particular football, volleyball, boxing, MMA, basketball, tennis and e-sports. Available also in a mobile app.
Sport.interia.pl	Versatile sports new service, devoted especially to football, martial arts, volleyball, speedway, tennis, basketball and winter sports. Available also in a mobile app.
Weather	
Twojapogoda.pl	Convenient and intuitive portal with both daily and long-term weather forecasts as well as with forecasts for a specific time and location. Beside information on the weather, it provides meteorological and scientific curiosities related to changes of weather conditions. Available also in a mobile app.
Pogoda.interia.pl	Poland's most popular weather forecasts service with comprehensive forecasts and maps of air quality. It presents the hourly, long-term and local forecasts.
Mail	
Poczta.interia.pl	Mail service launched as one of the first mail services in the country, with approximately 2.6 million regular users. Available also in a mobile app.

Internet portal	Description
Popular science	
Nt.interia.pl	Popular science and technology service of Interia for novelty funs. It presents information about the latest technical achievements, medical innovations and recent scientific discoveries, which are described in an interesting and accessible way.
Opracowania.pl	Vortal for primary and secondary school students, with helpful descriptions and preparations of readings, exam topics and questions and answers from many popular school subjects.
Bryk.pl	Must-have for students from all educational levels and source of knowledge from various fields, with accessible descriptions, essays, cheat sheets and learning materials.
News	
Polsatnews.pl	One of top news portals in Poland, with the latest information and news about the economy, sports, science, business as well as domestic and international events. The informative part is complemented with journalistic content. Available also in a mobile app.
Wydarzenia.interia.pl	Interia's news service with news, events, facts and expert opinions. Available also in a mobile app.
Business	
Biznes.interia.pl	Versatile service for those who keep an eye on finance. It describes current issues from the international and local markets, economic situation, provides stock and currency quotations and numerous opinions and statements from experts.
Lifestyle	
Pomponik.pl	Interia's entertainment service, it presents very popular and up-to-date information from the show-biz world. Available also in a mobile app.
Styl.pl	Interia's top vortal, it presents news and recent trends in fashion, concept of beauty, beauty care, cuisine, diets and many other popular topics from daily life.
Deccoria.pl	Almanac of interior inspirations, ideas for interior design in small and large apartments, houses and residences. A source of ideas for home decoration, renovation or design lifting.
Menway.interia.pl	Service addressed to real men; pop culture, life activities, trends, tips, sex, health and fitness.
Kobieta.interia.pl	A comprehensive source of knowledge about a broadly understood women's world: passion, hobbies, cosmetics, fashion and tips awaited for all Internet surfing ladies.
Tipy.interia.pl	Service with advices for all who need help. Simple and brief tips from various fields.
Entertainemnt	
Gry.interia.pl	Source of knowledge for gamers – users of all platforms, who are hungry for novelties and special offers. Rankings, opinions, reviews and tips for gamers.
Motoryzacja.interia.pl	Versatile service devoted to motor industry. It presents a rich offer of valuable editorials, expert video materials, car reviews and tests as well as photo galleries, event reports and all types of novelties about cars.
Muzyka.interia.pl	One of the most popular Polish Internet services devoted to modern music art.: top musical pieces, music events, authors and bands. Service allows to broaden knowledge about specific music genres, includes interesting editorial reviews and a gallery of video clips.
Teksciory.interia.pl	Service for music fans, it includes lyrics of popular songs and popularity rankings.
Swiatseriali.interia.pl	Thematic service for fans of series and actors playing in them. It includes information about around 650 popular series, photo galleries, numerous video materials and quizzes.
Film.interia.pl	Broad source of knowledge about historical and contemporary films, interesting facts from film sets, reviews, trailers and recommendations.

Social	
Smaker.pl	Social cooking service, one of the most popular ones in Poland, with thousands of user recipes. It offers free cooking books and many editorials concerning culinary art and famous chefs. Available also in a mobile app.
Maxmodels.pl	Specialized service for modeling sector; portfolio of the most interesting faces, ongoing castings, workshops and advice from industry experts. Available also in a mobile app.
Forum.interia.pl	Service aimed at exchanging opinions between Internet users on various subjects.

(1) Only the websites with over half a million of users in the fourth quarter of 2020 are presented.

1.5. Strategy of the Group

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 video 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.

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. 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 multiplay 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.

1.6. Competitive advantages

We are 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 sharing.

We are the largest provider of pay TV services in Poland and a leading DTH provider in Europe. Since 2006, Cyfrowy Polsat has 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," "Plus," "Telewizja Polsat," "IPLA," "Netia" and "Internetia" - 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 mobile telephony, 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 Ipsos survey also demonstrated that Cyfrowy Polsat is the best recognized pay TV provider in Poland with aided brand recognition on the level of 90%.

Polsat Media Biuro Reklamy advertising sales office is currently the largest broker on the television market with around 80 TV channels in its portfolio, including a large nationwide TV station. In the beginning of 2021, the total share in viewership of TV stations serviced by Polsat Media in terms of advertising reached approximately 40% in a target group aged 16-49 years while its share in the TV advertising market was at the level of 45%. In addition, starting from October 2020 Polsat Media is responsible for all advertising services and sales of advertising space in website services of Interia.pl Group. In 2020 Polsat Media was recognized as the "Fighter of the Year" in the report of Media and Marketing Polska.

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 which allow to offer high quality telecommunication services, we constantly increase 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-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 multiplay 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.

[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.

We are the country's leader in development of 5G technology

We develop our telecommunication network on an ongoing basis in order to provide the most technologically advanced services to our customers. We were the first operator in Poland to implement LTE technology, which enabled our customers to enjoy its advantages already in 2011. In turn, in 2020 we offered Poland's first commercially available 5G network.

The network went operational in May 2020 and then our first customers in selected cities were able to start using the 5G technology in the 2.6 GHz TDD bandwidth. This was the first stage of development of Plus's nationwide 5G network. The investment moved on dynamically and that it why already at the end of 2020 the footprint of our 5G network covered over 7 million of people in Poland and the total number of base stations exceeded 1,000.

The 5G technology is currently at an early stage of development in Europe whereas, in our opinion, it will gradually gain popularity. According to the estimates presented in the Ericsson Mobility Report of November 2020, the scale of penetration with this technology among users of mobile devices in the Central and Eastern Europe region will reach approximately 35% in 2026. Thus Ericsson expects that the 5G technology will be gaining popularity significantly faster than the LTE technology at the time of its implementation a decade ago. Simultaneously, data transfer in 5G technology is expected to outrank the total data transfer in networks built in 2G/3G/4G technologies. Rapidly increasing usage of data in smartphones is to be the main driver for data transmission growth in mobile networks, with a forecasted 26% CAGR in 2020-2026 and ultimate level of 29GB per month (compared to 7.3 GB in 2020). We want to actively benefit from the above mentioned increasing demand by leveraging on our investment in 5G technology.

For the purpose of construction of our 5G network we are presently using the unique 2.6 GHz TDD bandwidth, which ensures a significant advantage over other operators active in the country. The TDD technology implemented at the current stage of development of our 5G network enables data transmission while using one common fragment of spectrum for alternating downlink/uplink transmission. Thus it offers balance between data transfer speed (up to 600 Mbps) and coverage (i.e. wide availability), while keeping both parameters at a very high quality levels. In the future, as the 5G network develops, current use of the2.6 GHz band will guarantee better land mass coverage than when using the 3.4-3.8 GHz bands only, and it will enable maintaining the edge during further stages of 5G network roll out by offering the possibility 5G frequency bands aggregation.

We are also working on the development of 5G technology while using further radio frequencies and technologies. This will enable us to strengthen our position as the 5G technology leader in Poland in the future and offer the services to even more customers in even a bigger number of locations.

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.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in the Ericsson Mobility Report dated November 2019 in the years 2019-2025 data consumption of video content will increase at an average annual rate of 30%, reaching ca. 76% of the entire data traffic in 2025. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future. As of August 2018 a dedicated sports package "IPLA Polsat Sport Premium" is available in IPLA. The package offers live broadcasts, without ads, of all the UEFA Champions League matches as well as the UEFA Europa League games to which Polsat Group has acquired exclusive broadcast rights. The package is offered to our Group's customers as well as to customers of other operators.

We own the biggest portfolio of TV channels in Poland, offering attractive programing content for each family member

We offer the largest and most diversified portfolio of channels on the Polish market, giving us a leading position in terms of audience share among television groups in Poland which translates into our advertising market share. TV Polsat Group channels' portfolio consists of 36 channels. Moreover, there is a group of 6 cooperating channels which are related with Polsat Group either by capital links or joint broadcasting projects. The portfolio of our thematic channels includes general entertainment, music, sports, news, lifestyle, movie and children's channels. Our direct production is focused on news, documentary and entertainment programs, series based on international formats and own concepts.

We have contracts with major film studios, such as Sony Pictures Entertainment Inc., 20th Century Fox International Television, Inc., The Walt Disney Company, Paramount Pictures International Limited or Kino Świat Sp. z o.o., which guarantees access to a wide selection of the most attractive films and series.

We are of the opinion that a rich portfolio of Polish language TV channels we built and collecting assets which enable the production of diversified and attractive Polish language video content dedicated Polish viewers will allow us to successfully build our revenue on many fields of operation, representing in parallel our key competitive differentiator. Thereby, Polsat Group will be in a position to successfully compete not only with the companies which offer media or communication services in Poland, but also with the competitive pressure emerging from the global content producers operating in the OTT model.

We successfully monetize a rich portfolio of sports rights

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA European Championships and the FIFA World Championships, the football Nations League, big volleyball tournaments – the men's and women's World Volleyball Championships, new, attractive games of the volleyball Nations League, the World Cup, the men's and women's Europe Volleyball Championships, the club volleyball competitions of Polish Plus Liga and Turon Liga and, starting from 2020/2021 season, also the volleyball CEV Champions League, boxing and mixed martial arts galas (UFC, KSW, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, we own rights to the most popular football club competitions – the UEFA Champions League and the UEFA Europa League (rights until the end of the 2020/2021 season). Thanks to taking control over the Polish company Eleven Sports Network in May 2018 we gained access to attractive sports rights which are sold as program packages to pay TV operators active on the Polish market as well as directly to customers through OTT applications (among others, ELEVEN SPORTS and IPLA). This premium sports content includes Spanish LaLiga Santander, German Bundesliga (rights until the end of the 2020/2021 season), Italian Serie A TIM, English The Emirates FA Cup, Carabao Cup and Championship, French Ligue 1 Uber Eats, Portugese Primeira Liga, F1™ and DTM races as well as Polish PGE Ekstraklasa speedway. Unique content represents an important element that builds the value of our pay TV offering.

We believe that attractive content, including exclusive content that is not available in the offer of other pay TV operators, is a significant competitive advantage over other pay TV operators in Poland.

Concurrently, we seek to monetize TV channels from our portfolio, also by offering them in a wholesale offer to other entities which provide pay TV services on the Polish market. This translates positively into the level of wholesale revenues we generate in the media segment.

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.

We have a high quality telecommunication infrastructure and broad portfolio of frequency bands

We provide telecommunication services including voice, data transmission and wholesale services, as well as a broad array of added services based on our own, integrated 2G/3G/4G/5G mobile network. Our network supports the following technologies: GSM/GPRS/EDGE (2G), UMTS/HSPA/HSPA+/HSPA Dual Carrier (3G), LTE/LTE Advanced (4G) and 5G. As the first operator in Poland we introduced services based on the LTE and LTE Advanced technologies. Within the Group we own spectrum reservations in an extensive portfolio of telecommunication frequencies, including 420 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2600 MHz and 2600 MHz TDD bands. In particular, in 2011 we introduced as the first operator in Poland the services based on LTE and LTE Advanced technologies and in May 2020 we offered our customers Poland's first 5G network.

Our 5G network is the only network in Poland which operates based on the unique 2600 MHz TDD band, which ensures visibly better technical parameters of the offered technology than in the case of other mobile operators in the country. With the use of this band we are able to achieve balance between data transfer speed (up to 600 Mbps) and coverage (i.e. wide availability), while keeping both parameters at a very high quality levels. I

Thanks to our extensive mobile network we are able to reach with our telecommunication services customers who live in less populated suburban and rural areas of Poland, while incurring substantially lower costs than cable TV or fixed-line operators. This enables us to build a strong position in smaller cities and less urbanized areas of Poland and provide telecommunication services – in a cost-effective way – to the customers of Cyfrowy Polsat, who are located mainly in the aforementioned areas. Due to the high cost of network roll-out or starting of operations and regulatory barriers related to obtaining access to frequencies, we will continue to profit from our strong market position.

Currently, practically the entire population of Poland is within the coverage of our 2G/3G/4G mobile services while the coverage of our 5G network already reaches 7 million of Poles.

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, telecommunication and TV broadcasting 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. As far as fixed-line telecommunications services, in particular broadband Internet access, are concerned, the entry barriers include time- and capital-consuming outlays which new players would need to incur to develop their network infrastructure.

We have strong, stable and diversified cash flows

We generate revenue through two distinct revenue streams: the B2C and B2B services segment and the media segment: TV and online. In the B2C and B2B services segment, 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.

1.7. 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 bundled 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.

Changes in pricing of mobile services

A significant event on the mobile telephony market in the years 2019 -2020 was the introduction of modifications to the retail pricelists for services, which consisted in increasing monthly fees in exchange for higher data transmission packages (the more-for-more pricing strategy), cancelling selected low-end tariff plans or increasing rates for connections made above the packages. These changes were associated, among others, with increased demand for data transfer, more stable competitive situation on the mobile market and a shift in strategies of certain operators towards bigger than in the past focus on building customer value and fostering revenue and profitability, which were related, among others, with the planned investments in 5G network construction.

The gradual launch of 5G networks will also enable operators to apply different prices to offers based on the latest technology, that ensures a definitely higher comfort of using mobile services. 5G technology allows to obtain speeds which ultimately can exceed 1 Gb/s while minimizing latency. At the same time, it will ensure a significantly larger capacity of newly built networks, translating into a higher number of end-user equipment which can simultaneously use data transfer in a comfortable manner. However, intensive usage of 5G technology will require larger data packages, which will be offered in higher-end tariff plan proposals.

We expect that the above mentioned changes, in connection with increasing demand for transfer in mobile devices and growing popularity of remote working and learning, shall translate favorably into the growth of the Polish mobile market in the medium- and long-term.

Demand for data transmission on smartphones

In Poland, the popularity of smartphones has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales mix. Concurrently, there is an increasing interest in more and more technologically advanced devices, which ensure much higher comfort of using. In particular, in 2020 the first models of smartphones operating in 5G technology entered the Polish market. The prices of such devices, which were originally relatively high, decreased quickly and at present there are the firsts offers of 5G devices priced at less than PLN 1,000.

The growing popularity of smartphones is reflected in increasing demand for data transfer in the small screen equipment segment. According to the estimates presented in the Ericsson Mobility Report of November 2020, the scale of data transmission in the Central and Eastern Europe region, to which Poland was classified, will increase from 7.5 GB per month in 2020 to 29 GB per month in 2026, driven also by increasing popularity of 5G technology.

We expect that the growing popularity and availability of smartphones which, combined with improving quality parameters of data transmission over our mobile network and the constantly expanded offer of applications and content for customers, shall continue to be the driving factor behind growing demand for data transmission services.

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation. Assuming a gradual phasing out of the negative economic effects caused by the COVID-19 pandemic, and thus a return of the Polish economy to positive GDP growth dynamics in the years 2021-2022 (forecasted by European Commission at 3.4% in both years), we believe that continued growth of the Polish advertising market can be expected.

In our opinion, television will remain an effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still growth potential for TV advertising in Poland in the long term. Furthermore, the economic growth assumed in the years 2021-2022 shall impact positively the scale of advertisement spending in Poland. It is worth noting that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime mainly thanks to new technical opportunities which include an increasing number of HD channels and growing popularity of VOD, as well as thanks to a growing number of smart-TVs.

Prospects of the online advertising market are also positive. Although according to the IAB AdEx report, in the three quarters of 2020 online advertising expenditures decreased slightly at a rate of 0.4% YoY and reached the value of PLN 3.52 billion. This was principally the result of the market breakdown in the beginning of the pandemic, from March to June, while the third quarter itself showed growing revenue and it is expected that the full year 2020 will end in the black. The two main segments of the online advertising in which we are present, i.e., display and video, were responsible for over 43% of total expenditures on the online advertising market. We believe that following the acquisition of Interia Group and thus gaining a leading position on the online advertising market we can benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

Main general entertainment channels (FTA) are experiencing a gradual decline in audience shares as a result of the high penetration level of the Polish market by pay TV which provides viewers with an increasingly greater selection of thematic channels, as well as an offer of channels available via digital terrestrial television (DTT). According to data published by Nielsen Audience Measurement, in 2020 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 31.3%, while in 2019 it was equal to 35.6%.

In turn, the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience shares and advertising market shares, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers. From that point of view, the initiation of cooperation and acquisitions in the field of thematic TV channels, made by the Group from 2017 to 2020, are perfectly in line with the Group's long-term strategy to maintain a strong market presence, measured by viewership results, on an increasingly fragmented market. The channels Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV, acquired in December 2017, significantly strengthen the music programming in Telewizja Polsat. Moreover, in June 2018 we included Superstacja, a news channel, and in May 2019 TV Okazje, a telesales channel, into our thematic channels portfolio. In turn, in September 2020 we increased our capital engagement in Nowa TV and Fokus TV channels, becoming their sole owner and, at the same time, strengthening our position among the channels available via digital terrestrial television.

We pay a lot of attention to creating a strong sports offering for our viewers. An important step in strengthening our position in this field consisted in starting strategic cooperation with Eleven Sports in Poland in May 2018. By taking control over its Polish company, Eleven Sports Network, we included premium sports content of the highest quality in our retail and wholesale offering. This represented yet another strategic investment aimed at consistent creating of the best programming offering for our viewers.

In July 2018, we introduced to our offering the TV package "Polsat Sport Premium", thanks to which football fans are able to enjoy live coverage of all the UEFA Champions League matches as well as watch the UEFA Europa League games for three consecutive seasons (until the end of the 2020/2021 season). The package consists of two Super HD channels, i.e. Polsat Sport Premium 1 and Polsat Sport Premium 2, as well as 4 premium PPV services. Bearing in mind these football games in particular, Polsat launched the most advanced and the biggest sports studio in Poland, allowing football fans to receive complete setting for the matches, in the highest visual quality and with an excellent journalist and reporter team of Polsat Sport.

1.8. Development prospects

Development prospects in the B2C and B2B services segment

As the largest media and telecommunications group in Poland we have 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 the customer base of Polsat Group 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.

We are a leader in 5G development in Poland. At the beginning of 2020 we 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 Plus's position as the technology leader in Poland.

We invest in the development of new generation broadband fixed-line Internet. Thanks to the acquisition of a controlling stake in Netia in May 2018, we currently reach with fixed-line access infrastructure approximately 2.75 million households in Poland. Until recently, Netia's strategy focused very strongly on the business customers market segment (B2B) while simultaneously addressing needs of residential customers (B2C) using both own resources and the infrastructure leased from Orange Polska, the incumbent, resulted in a relatively low level of saturation of Netia's own access infrastructure with services for individual customers, which continues to stand at approximately 16%. We believe that thanks to modernization of Netia's access network and preparing a convergent offering for Netia customers, expanded with an attractive video content at the Polsat Group's disposal, we shall be able to increase significantly the scale of commercialization of Netia's existing access network. In addition, we are gradually transferring Netia's fixed-line customers to whom the services are provided over the leased infrastructure onto Polsat Group's own infrastructure resources and we contemplate possibilities for expanding the reach of our fixed-line network not excluding selective acquisitions in this regard.

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 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. 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.

Development prospects in the media segment

We are the leading group on the Polish TV broadcasting market in terms of both audience shares and advertising revenue and advertising market shares. Based on data from Publicis Group, we estimate that in 2020, we captured 28.5% (a year-on-year increase of 0.6 p.p.) of the Polish TV advertising market worth approximately PLN 3.9 billion. At the same time, Polsat Media Biuro Reklamy advertising sales office is currently the largest broker on the television market with around 80 TV channels in its portfolio and full advertising service of Interia.pl Group web services.

The audience shares of thematic channels are growing continuously as the process of fragmentation of the Polish television market continues to progress. We believe that we can profit from this fragmentation by strengthening our wide portfolio of channels targeted to the entire family, extending and strengthening our distribution network on cable and satellite platforms including also our B2C and B2B services segment, within which we manage the largest pay TV platform in Poland. We believe that our presence on all significant satellite platforms and our distribution by cable TV operators will result in maintaining the high audience shares of our channels, and, consequently, give us the opportunity to grow at least in line with the TV advertising market, and increase revenues from cable and satellite operators. Currently, our channels portfolio includes 36 channels, and their total audience share is in an upward trend.

We implement strategy aimed at the widest possible distribution of content using the latest devices and technologies. That is why we monetize our content also through distribution via our internet television IPLA, which is the leading platform on the online video market in Poland as well as through Internet portals of the newly acquired Interia.pl Group. In parallel, we are open for partnership cooperation with other entities distributing TV channels either in the traditional or the Internet pay TV models. Therefore, Polsat Group's TV channels can be found in the offers of the majority of cable, satellite or Internet TV operators in Poland. Selected channels of Polsat Group or the offer of IPLA, our Internet TV, can be also found in the offerings of those telecommunication operators who prefer to build content offer in the OTT application model. The wholesale sales of content produced by Telewizja Polsat's channels represents a significant and, at the same time, increasing revenue stream of the media segment.

We invest in attractiveness of our TV channels by continuously building our viewer's profile. We place great weight on offering such content in Telewizja Polsat's channels which meets preferences of viewers from our target groups. We constantly invest in producing the most attractive entertainment, film or news content and, simultaneously, we closely monitor the market of sports rights and film licenses. These actions are aimed at maintaining high viewership of our channels while building an attractive, from the advertisers' perspective, profile of our viewers. We also believe that thanks to possible synergies within the largest integrated media and telecommunication group in Poland in fields such as purchase of content, distribution, sales and marketing, we are able to strengthen our position on the broadcasting and television production market.

We expand our presence on the media market beyond TV segment. We expand Internet thematic portals which use the unique content produced by our TV channels and dedicated editorial offices. We invest in development of our portals, especially "Polsatnews.pl" and "Polsatsport.pl". In turn, Interia.pl Group acquired by us in July 2020 is the leading player on the Polish online media market. Following the acquisition of Interia we became one of the key entities on the online and television advertising market in Poland, offering unique marketing and crossmedia solutions. According to the Mediapanel survey, in the fourth quarter of 2020 the average number of users per month for the combined Polsat-Interia media group exceeded 19.7 million, and the monthly average number of page and app views was around 1.7 billion. In parallel, we believe that strengthening cooperation between Telewizja Polsat - as a video content producer, Interia.pl Group - as a leading entity on the online media market in the country and Polsat Media Biuro Reklamy – as the largest broker on the Polish advertising market, will bring additional synergies solidifying our position on the perspective online advertising market.

2. Business overview of Polsat Group

2.1. Activities on the pay TV market

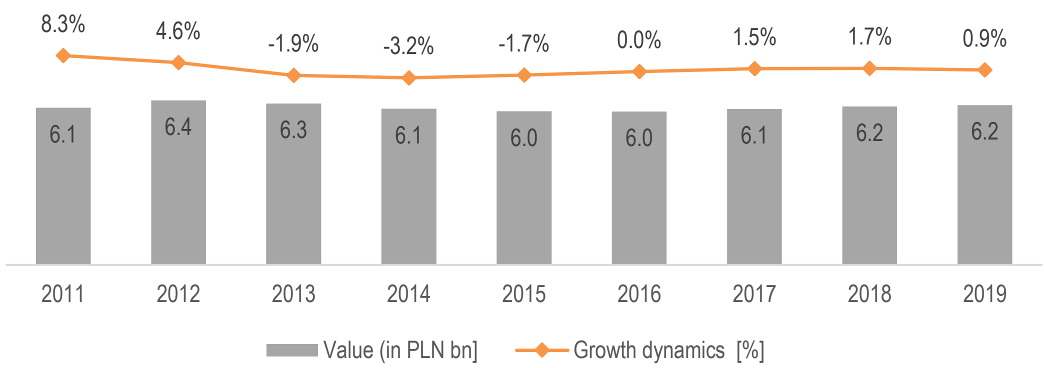
2.1.1. Pay TV market in Poland

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 the pay TV market in Poland



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

Competitive environment

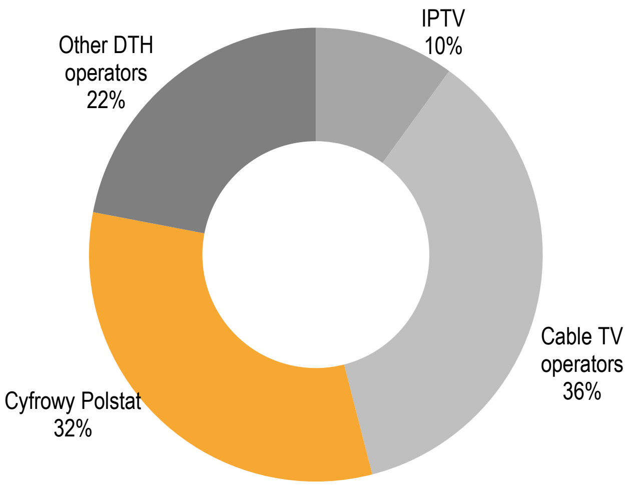
Pay TV services in Poland are offered by satellite platform operators (DTH), cable TV operators as well as by IPTV providers. According to our estimates, sector data and PMR forecasts, in 2019 operators of satellite TV platforms had the dominant share, both in terms of the number of subscribers and revenue, 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 the number of subscribers



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 2.1 million subscribers in 2019, based on PMR's data, which translated into a market share in the pay TV market of ca. 22%. 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, as the process of digitization of terrestrial TV in Poland reached its completion, and it has continued on a slight upward trend. According to PMR estimates, in 2019 35% of households in Poland used the free-to-air DVB-T television only, while in 2025 the 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 nearing 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 expansion of IPTV is less important due to the underdeveloped infrastructure for broadband Internet access. At present, it is difficult to estimate whether and when the 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 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).

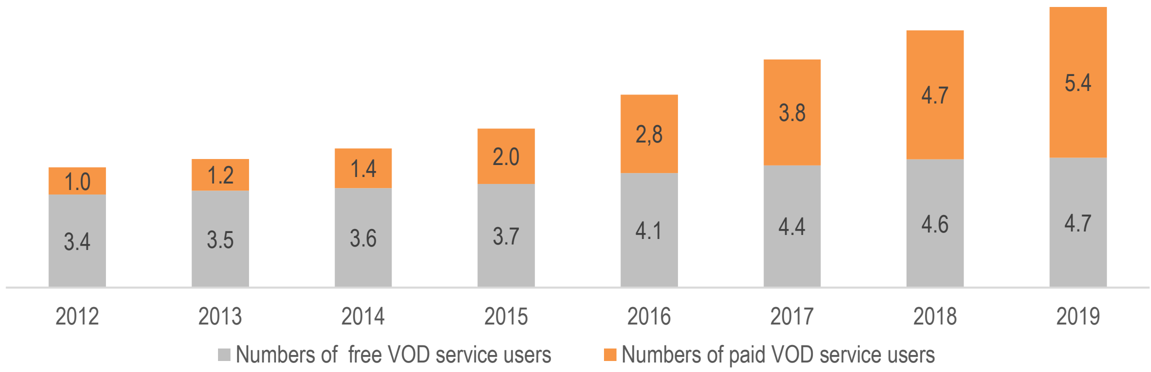
Video-on-demand (VOD) services

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.

VOD market evolution in terms of the number of users (in millions)



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.

The 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 the 2020/2021 season), 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* - and9 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 which provides access to football matches of the UEFA Champions League and the UEFA Europa League for three consecutive seasons (until the end of the 2021/2021 season) 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

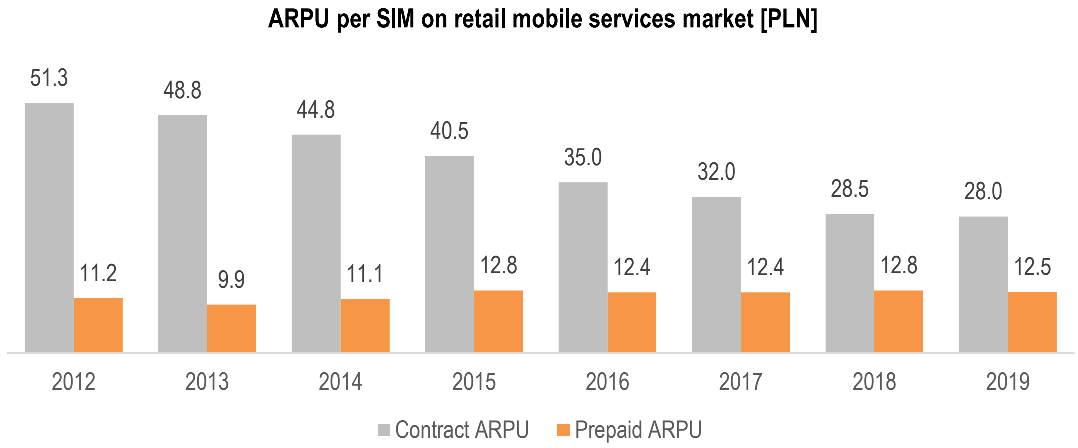
2.2.1. Mobile telephony market in Poland

Market value and growth dynamics

The Polish mobile telephony market is a mature market characterized by a high level of saturation with services and competition. Based on the estimates published by PMR, the number of mobile telephony SIM cards per capita amounts statistically to 1.4. Over the past years, the reported rate of penetration with SIM cards in Poland has decreased considerably. This was the result of gradual realigning of the number of reported SIM cards by operators in order to reflect only those SIM cards which are active and generate revenues, as well as of the introduced requirement to have all prepaid SIM cards registered by February 1, 2017. At the same time, the share of postpaid SIM cards in the structure of the Polish mobile market has been clearly growing and at the end of 2019 it exceeded 72%. The trend is, among others, supported by the operators pursuit of a strategy which involves bundling of services. Furthermore, the high saturation with mobile services is driven by the SIM cards used in the m2m segment (machine-to-machine communication) and by the segment of dedicated mobile Internet services (in the "modem/card + computer" model).

Mobile telephony remains the largest segment of the Polish telecommunications market, with a share in the total market revenue of 58% in 2019 (including revenue from mobile Internet access). According to PMR, the estimated value of the mobile telephony market in Poland in 2019, expressed as the sum of operators' retail and wholesale revenues (including revenue from sales of equipment and other revenue) was PLN 25.9 billion (+0.3 YoY), demonstrating average yearly growth rate at the level of 1% CAGR over the past 5 years.

In recent years average revenue per SIM in mobile voice services (ARPU per SIM) decreased systematically as a result of competitive pressure stimulated by regulatory reductions of wholesale voice and SMS termination rates (MTR) and the regulations relating to international roaming (RLAH in particular). According to PMR, in 2019 the average revenue per contract SIM on retail market amounted to PLN 28.0, which is one of the lowest levels recorded among EU Member States.



Source: Own estimates based on PMR, Telecommunication market in Poland in 2020

Adjustment of price lists by respective MNO operators, done in-line with the *more-for-more* strategy, was one of the most important events on the Polish mobile telephony market in the years 2019-2020. For many years telecoms have carried on an aggressive price war, which resulted in the current level of prices for telecommunication services, which is the lowest in Europe. Current strategies of main mobile telecommunication operators are evolving towards building value and increasing revenue and profitability, which is related to a large degree to extensive infrastructure investments into frequencies as well as LTE and 5G networks. In our opinion, this is a very positive change which should have a positive impact on the value of the mobile telephony market in the years to come, thus enabling the continuation of the investments aimed at expanding mobile network coverage and data throughputs to cope with the growing demand for data transmission. The impact of these changes on price levels was visible already at the end of 2019 when PMR estimated that the value of the mobile telephony market reached PLN 14.6 billion, up by 2% YoY.

Growing revenues from postpaid services are one of the key trends that are visible on the market. According to PMR, customers using contract services generated nearly 84% of retail revenues from mobile telephony services in 2019. The operators' focus on the contract service customers helps, on the one hand, to reduce customer base turnover, and on the other it supports stabilization of revenue streams in the mid-term. Bundling of voice services with non-mobile services, like pay TV (VOD) or broadband Internet access via fixed-line connections, usually on the basis of wholesale agreements, is an equally important trend.

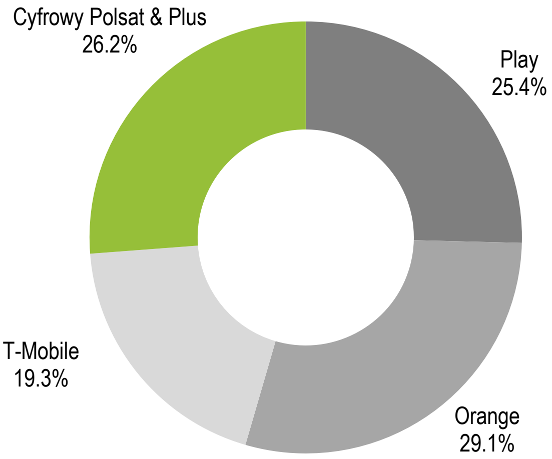
Dynamic growth of use of mobile Internet access on smartphones is becoming an increasingly important market trend. According to PMR, mobile data transmission increased by over 30% YoY in 2019 and reached more than 4,000 million GB. This means that in 2019 a mobile network customer consumed an average of 6.6 GB of data monthly, or by 1.4 GB more than in 2018 and nearly two times more than in 2017. Mobile data consumption was also growing significantly during 2020, which resulted from growing popularity of remote work and learning, caused by the restrictions that were introduced as a result of the COVID-19 pandemic.

Competitive environment

The Polish mobile telephony market is relatively polarized and highly competitive. Four leading infrastructural operators operate on the Polish market: Polkomtel (Plus network), Orange Polska (Orange network), T-Mobile Polska (T-Mobile network) and P4 (Play network). According to UKE's report, there are also 86 mobile virtual network operators (MVNOs), but their market share in terms of revenue and customer base is relatively low (while excluding MVNOs belonging to Polsat Group, according to PMR the remaining virtual operators held jointly ca. 1.3 million SIM cards at the end of 2019).

The graph below presents market shares of the major MNOs in terms of the number of contract SIM cards at the end of 2020.

Market shares in 2020 in terms of the number of reported contract SIM cards



Source: Based on own estimates and data published by operators

Five MNOs operate commercially in Poland based on allocated frequency bands and the infrastructure necessary to provide mobile telephony services on their own, that is Polkomtel, Orange, T-Mobile, P4, and Aero2. Both Polkomtel and Aero2 are part of Polsat Group.

According to our estimates, Polkomtel, Orange, T-Mobile and P4 together accounted for approximately 97% of total revenue generated on the Polish mobile telephony market in 2020. Polkomtel operates under the umbrella Plus brand and also owns an alternative Plush brand. Since 2014 it has been a member of Polsat Group.

Orange Polska operates under Orange umbrella brand and also has Orange Flex and nju.mobile sub-brands. Apart from the operations on the mobile market, Orange Polska is also the leading Polish fixed-line telephony operator, currently focusing its strategy on the development of broadband access services based on the fiber optic infrastructure delivered to retail and wholesale clients.

P4 operates under Play umbrella brand and also owns several additional sub-brands, i.e. PLAY Next, Red Bull Mobile, Fakt Mobile and Virgin Mobile (in August 2020 P4 finalized the acquisition of Virgin Mobile MVNO which operated while using P4 infrastructure). In November and December 2020 the French group Iliad acquired 100% of shares of Play Communications, a company which controls P4. Iliad simultaneously announced that it planned to revise the strategy of P4, which has so far focused on mobile services, by adding operations on the convergent services market, including fixed-line broadband services. As of the date of this report, Play's operations on the fixed-line Internet access market rely on a wholesale agreement for access to the infrastructure of Vectra, a cable network operator.

T-Mobile operates under the T-Mobile umbrella brand and also uses additional brands such as Heyah and Tu Biedronka. T-Mobile currently provides fixed-line telephony services addressed to business customers based on the infrastructure of GTS Poland, a company it acquired in 2014. At present, based on the cooperation with Orange Polska, Nexera and INEA, T-Mobile offers access to a fiber-optic network for its individual customers

Aero2 operates on the residential market, where, in line with its license obligations, it offers free-of-charge broadband Internet access and provides services to residential customers in the prepaid model based on “wRodzinie” brand. Aero2 has been a part of Polsat Group since February 2016.

Frequency allocations. The following table presents key information on the frequencies allocated to MNOs.

MNO	Frequency band	Size of allocated band	Date of issue of first allocation decision	Allocation decision expiry date
Polkomtel	900 MHz	2x9 MHz	February 23, 1996	February 24, 2026
	1800 MHz	2x9.6 MHz + 1x0.8 MHz	September 13, 1999	September 14, 2029
	2100 MHz	2x14.8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	2x20 MHz	January 25, 2016	January 25, 2031
	420 MHz	2x2.5 MHz	May 25, 2006	December 31, 2035
Aero2	900 MHz	2x5 MHz	December 9, 2008	December 31, 2023
	1800 MHz	2x19.8 MHz	November 30, 2007	December 31, 2022
	2600 MHz	1x50 MHz	November 10, 2009	December 31, 2024
Orange	800 MHz	2x10 MHz	January 25, 2016	January 25, 2031
	900 MHz	2x6.8 MHz	July 5, 1999	July 6, 2029
	1800 MHz	2x9.6 MHz + 2x0,4 MHz	August 21, 1997	August 22, 2027
	2100 MHz	2x14.8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	2x15 MHz	January 25, 2016	January 25, 2031
T-Mobile	800 MHz	2x10 MHz	January 25, 2016	June 23, 2031
	900 MHz	2x9 MHz	February 23, 1996	February 28, 2026
	1800 MHz	2x9.6 MHz	August 11, 1999	August 12, 2029
	1800 MHz	2x10 MHz	June 14, 2013	December 31, 2027
	2100 MHz	2x14.8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	2x15 MHz	January 25, 2016	January 25, 2031
P4	800 MHz	2x5 MHz	January 25, 2016	June 23, 2031
	900 MHz	2x5 MHz	December 9, 2008	December 31, 2023
	1800 MHz	2x15 MHz	June 14, 2013	December 31, 2027
	2100 MHz	2x14.8 MHz + 1x5 MHz	August 23, 2005	December 31, 2022
	2600 MHz	2x20 MHz	January 25, 2016	January 25, 2031

Source: Own analysis based on UKE's summary dated January 17, 2020.

For the purpose of planning, building and maintaining a new mobile telecommunications network, and participating in related tenders, Orange Poland and T-Mobile formed a joint venture in 2011 under the name NetWorks! The agreement, related to sharing of RAN resources, was signed for a period of 15 years with an option for further extension. In the following year these operators extended their cooperation enabling Orange to provide LTE services using the 1800 MHz spectrum owned by T-Mobile. In 2016, both operators signed an agreement under which they undertook to develop their own LTE networks based on the 800 MHz band, jointly using the network of NetWorks! transmitters, however without sharing the owned RAN resources. In May 2018, both operators signed an annex to the agreement based on which they terminated cooperation with regard to sharing frequencies in the 900 MHz and 1800 MHz bands.

Mobile virtual network operators (MVNOs) are the operators who provide mobile telephony and/or mobile data transmission services but do not hold any frequency allocations on their own and do not need to have their own infrastructure to provide such services. Under the MVNO business model existing infrastructural operators provide frequency resources and the necessary infrastructure to MVNOs. According to the UKE report, 86 operators provided mobile services under the MVNO model in 2019, whereas in 2018 and 2017 operations of this type were declared by 80 and 31 entities, respectively. A nearly triple growth of the number of MVNO operators in 2018 is due to the appearance on the market of companies that have agreements with a mobile operator (MNO) and re-sell services to other smaller operators. As a result of such a cooperation, small MVNOs provide mobile telephony services based on agreements signed with an intermediary, and not directly with an infrastructural mobile operator.

Despite a substantial number of MVNOs operating on the Polish market, none of them has significant market power. According to the UKE report, in 2019 the joint share of all MVNOs in the mobile market was 3.5% in terms of the number of users, whereas total revenue of all MVNOs accounted for a mere 2.2% of the total value of the Polish mobile telephony market in 2019.

Development forecasts for the mobile telephony market

Upward repositioning of prices, started in mid-2019, may be a factor of key importance for the direction of further development of the mobile market in Poland in the years to come. A factor which could potentially support this trend is implementation and commercial launch of 5G services. What is also important is the extension of mobile operators' activities to new areas, including sale of dedicated equipment and bundling of voice services with TV or fixed-line Internet access services.

As PMR forecasts, mobile market measured by the operators' total revenue, including mobile Internet access, will be growing at an average yearly rate of 0.2% (CAGR 2020-2025) until 2025 when its value will reach PLN 26.2 billion. The growth drivers in next years will be data transmission, wholesale services and growing revenues from sale of equipment, whereas the revenue from voice calls will continue to demonstrate negative growth dynamics. However, looking at the retail mobile services market only (upon excluding wholesale revenue and revenue from the sale of equipment) PMR expects positive dynamics in the years 2020-2025 (CAGR +1.9%), which is derived from the mobile services pricing increases introduced in the years 2019-2020.

According to PMR's estimates, the SIM card base in Poland will be growing organically in the years 2021-2025, whereby in the long term the market will be stabilizing (volume growth rates above 1%). In PMR's opinion the growth will be mainly generated by the business segment, *machine-to-machine* cards and, to some extent, also by the data transmission segment. The share of the prepaid segment will continue to shrink in the volumes of SIMs reported by operators.

Due to the high level of competition on the market and high penetration with services, take-over of customers from competitors will be the main factor driving the growth of mobile customer bases, in PMR's opinion. Number porting between networks is possible since 2009. According to the data published by UKE, 1.4 million users changed the operator in 2019. However, it should be noted that, similarly as in 2018 and 2019, also in 2020 a downward trend was observed on the MNP market – the volume of phone numbers ported between networks decreased by ca. 17% YoY. In our opinion, it is a proof of maturity of the market and equalization of price levels between individual operators' offers as well as of the progressing growth of loyalty of operators' customers bases, resulting from successive popularization of bundled offers, as one of the underlying reasons.

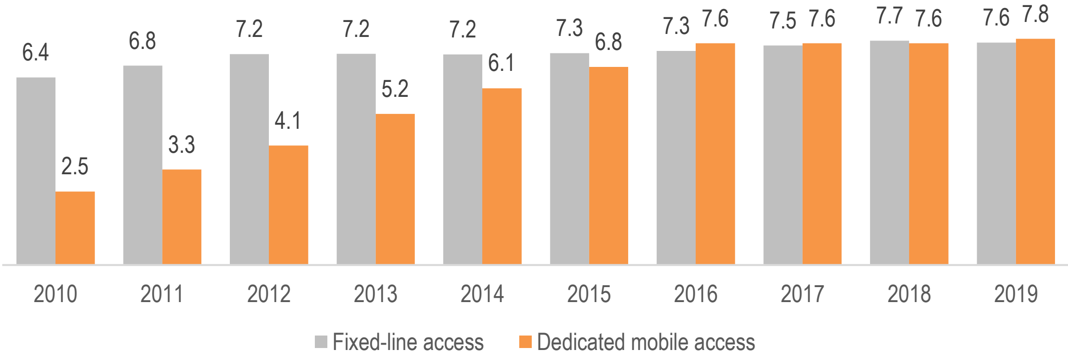
Monetization of telecommunication infrastructure by operators is a new phenomenon on the domestic telecommunication market which manifested itself in 2020. Iliad Group, the new owner of P4, informed of its intention to sell, to Cellnex of Spain, 60% of the shares it holds in a company which owns Play's passive network infrastructure.

2.2.2. 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%.

Users of fixed-line broadband Internet and dedicated mobile Internet acceess in Poland [mln]



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

2.2.3. Mobile telephony offer

We provide mobile telephony services mainly through our subsidiary Polkomtel, the operator of Plus network. We offer mobile voice telephony services to business and residential customers. Mobile voice telephony services are available in 2G and 3G technologies, while in the case of LTE technology the currently used Circuit Switched FallBack solution is being successively supplemented with VoLTE and VoWiFi technologies. Plus is the only operator on the Polish market to dedicate a separate 2600 MHz band in TDD technology to 5G network, thus increasing the network capacity. The solution used by us for the 5G network roll-out is the world's most advanced technology, which enables data transmission while using one common chunk of spectrum for alternating in time downlink/uplink data transmission.

At present, over 7 million people in Poland are within the coverage of our 5G network. In 2021, we plan to offer 5G on over 1,700 base stations, in all current and former provincial capitals and a number of other towns, to over 11 million individuals.

Residential mobile voice services

Our residential contract offer is standardized and includes a variety of contract plans. Currently, it is available in the postpaid and prepaid model as well as in the mix offer.

Our postpaid residential offer, marketed under our main brand Plus and sub-brand Plush, is based on a monthly subscription fee which includes minutes for voice calls and other services such as text and multimedia messaging, data packages, packages of minutes and data in roaming, online video services available on the handset, such as IPLA or HBO GO, or finally Internet protection and device repair services. Similarly to other offers available on the Polish market, our offer is currently based on unlimited tariffs which allow the customer to make unlimited calls in both mobile and fixed networks and send unlimited text messages and multimedia messages (MMS). We also offer our customers data packages within a subscription fee, the size of which depends on the value of the commitment. As a rule, the higher the fee, the larger the data package available without additional costs. Customers who choose to pay a lower subscription fee can purchase additional services not included in the subscription such as additional data packages or roaming packages. Our offer also includes a solution dedicated to families under which our customers can purchase - additionally to the owned subscription of at least PLN 50 - up to 3 subsequent subscriptions (also with the commitment of at least PLN 50) with a 50% discount. Under our sub-brand Plush we also offer an option to purchase more than one subscription which results in a PLN 5 discount for each subscription/SIM card owned.

From January 2021 Polkomtel offers, under both the main brand *Plus* and the subbrand *Plush*, the tariffs plans dedicated to the 5G technology. The contracts are concluded for a fixed term - typically 24 months, while in our sub-brand Plush contracts can be concluded for an indefinite period of time. Customers can select a tariff without a handset or choose from a broad selection of handsets offered in the installment plan model. Monthly subscription fees range from ca. PLN 30 to PLN 75per SIM card for LTE tariff plans and from PLN 60 to PLN 120 for 5G tariff plans.

Mix offers combine the characteristics of a prepaid and contract offer. Customers commit to make a specified number of top-ups of specified values, which can be used for telecommunication services, including minute packages, text messages or data packages. Under the contract the customer also receives a chosen handset. Unlike traditional contract plans, the period for providing services is not fixed and customers are only required to make one top-up of a specified value at least once every 30 days. Similarly to prepaid offers, customers of our mix tariffs can compose (change, active or deactivate) packages of services at will at any time. Values of the periodical top-ups range from PLN 30 to PLN 50.

Prepaid offerings allow customers to gain access to our mobile network upon the purchase and registration of a starter pack (SIM card with a fixed amount of credits to be used for mobile services). Prepaid offers do not entail monthly subscription fees and customers are obligated to make a top-up only when they wish to use our services. All prepaid plans provide that the top-up can be made at any time with the use of a prepaid top-up available from agents, dealers, the operator's website, through banks and other sales channels available on the open market. Prepaid voice services are offered both under our key brand Plus and our sub-brand Plush. The customer can adjust the offer to meet his or her specific needs by choosing among available packages and additional options, such as data packages or unlimited voice calls or SMS, prolongation of the account validity and adequately managing the value of top-ups.

Solutions for business customers

Through Polkomtel and Netia, companies who operate on the telecommunications market, our Group offers business customers mainly contract solutions. In the medium companies segment, there are mostly the ready-to-use offers while in the largest customers segment the solutions are often prepared either to serve specific needs of an given customer's projects or on the basis of solicited tenders.

Within our Group, there is synergy of actions targeted to meet customers' needs and expand the portfolio of services. Our resources and potential allow to prepare the cutting-edge solutions in response to the requirements of the contemporary telecommunication and ICT markets. The sales structures of the B2B area are prepared and own the highest competencies to serve diverse customer segments. Customers belonging to the corporate segment (except for smaller companies belonging to the SME category) are serviced by ca. 65 Key Account Managers and ca. 140 dedicated account managers. Customers belonging to the SME segment and bigger customers from the SOHO segment (*Small Office/Home Office)*, that is customers with at least five SIM cards and generating higher revenues than the average revenue of SOHO customers, are services by ca. 260 authorized Business Advisors.

The remaining customers from the SOHO segment, together with residential customers, are serviced by authorized Plus' Points of Sale, and also by the company's own call center, call centers of partners providing telemarketing services to the company and by the Internet Store.

We offer our business customers a whole range of services allowing not only to provide reliable basic telecommunication connectivity (voice services, data transmission, text messages SMS), but also a fast Internet access. Polkomtel is a leader of the mobile market in this field on the grounds of its extensive introduction of 5G technology in 2020, including for business customers. Beside the highest speeds, we pay also attention to the development of specific B2B services, among others the services which ensure the quality and the safety of information exchanged. In this respect, we develop terminal equipment management (Mobile Device Management) and the confidentiality of communication (UseCrypt) services through new partnerships concluded in 2020. In 2020, the Group's product offering was continuously expanded also in the area of M2M and IoT offers, which were addressed, among others, to the utilities-type sectors. Similarly, close attention was paid also to services for the banking and insurance sector, in which we steadily modernize our offer of communication registration services.

In 2020, the COVID-19 pandemic was a challenge for the entire market. In the B2B segment, it was at the same time an opportunity to deliver customers the solutions for direct and remote communication. A considerable acceleration in digital transformation could have been noticed which, as we expect, may positively influence the perception of communication needs in the B2B sector in the future. At the same time, during the pandemic there occurred difficulties in relations with customers and in accessing needs by the customers as well as there was noticeable deterioration, in certain segments, of customers' financial standing.

Through Netia we are also expanding ICT services through, among others, the development of data centers and cloud computing (including potentially selective acquisitions of competencies or infrastructure in this areas), the construction of partnerships with regard to convergent services in order to offer a full scope of telecommunications services which are based on data transmission, the development of competencies and services in cybersecurity, and the development of integrator competencies within the NetiaNext project in the areas of IT outsourcing, data center & cloud, Internet of things, solutions based on data analysis (big data, business intelligence).

Beside services, our offering for business customers also includes phone handsets, routers and other devices necessary to build reliable and effective communication. The Group co-operates in this regard with the number of renowned suppliers on the market.

International roaming

As part of retail services, we provide our customers with international roaming services, thanks to which the customers can use telecommunications services while abroad and logged into foreign networks.

Effective June 15, 2017, Polkomtel's customers may freely use roaming in the EEA countries at the same pricing and according to the same rules as in their domestic country (*Roam Like at Home* Regulation). Thanks to the acquisition of new roaming partners, in 2020 we opened 173 new roaming services worldwide which allow our customers to enjoy an even wider coverage of telecommunication services during their stays abroad, in particular the rapidly growing coverage footprint of the ultrahigh speed LTE data transmission offered in roaming. In 2020, we launched data transmission services in international roaming in 40 new networks offering LTE data transmission services and another 47 networks offering access to 3G technology. While developing the scope of international roaming services, above all we focused on the activation of access to ultrahigh speed LTE Internet in European Union countries most willingly visited by our customers. As regards the remaining roaming services (voice calls and text messages), our priority is to expand the reach of roaming services so that our customers can use our services in any place in the world. Simultaneously, we took steps aimed at promoting Polkomtel as the first choice network for roaming customers visiting Poland.

Starting from January 2021 Great Britain definitively left the European Union which, we expect, shall be reflected in a decrease of roaming traffic due to the introduction of border controls, duties and restrictions in transfer of employees.

2.2.4. 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 to 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.

2.2.5. End-user devices offer

Consumer electronics market in 2020 was marked with the COVID-19 pandemic and sharp changes in supply and demand. Restrictions in movement of people and closure of part of sales points resulted in lower sales, particularly in March and April 2020. At the same time, the switch to remote working and learning as well as longer periods of time spent at home brought a sudden increase in demand for equipment dedicated for working and learning or providing Internet access. This demand could not be satisfied by limited, due to the COVID-19, production and availability of parts. Logistic problems were occurring during the whole year, delivery dates got extended and shipping prices increased significantly. The above factors affected problems with availability of entire product categories. In parallel, the ban imposed of the US companies in trading with Huawei of China caused a breakdown in the latter's sales of smartphones and availability of routers in production of which it was dominating. Ensuring the continuous availability of the full range of devices while keeping requirements with regard to margins on purchase and sale of equipment unchanged was a challenge for Polsat Group. We were able to meet this challenge.

Handsets

Commercial launch of our 5G network in the 2600 MHz TDD frequency band, which took place in May 2020, was an important event of last year. Since that time, our offer of smartphones enabling access to modern, fast Internet is constantly expanding. The devices operating in this technology gain popularity and become more available in terms of pricing. In late 2020 we were the only operator to offer, in Plus network, a 5G phone priced below PLN 1,000. 5G smartphones represented already over 20% of phones sold to individual customers in last month of 2020. According to GFK's report for 2020, this represents the highest share of 5G equipment sales on the operator and retail markets. The said result was achieved with the use of 18 phone models which support 2600 MHz frequency. The 5G phones offered come from both the renowned brands, such as Samsung, Xiaomi or Motorola, and market newcomers, such as Oppo or Realme. The position of Huawei, which in 2019 was battling with Samsung for a leading position, weakened significantly. The share of that supplier was declining dramatically during the whole year 2020, with Xiaomi, LG and Motorola replacing it in the sales ranking. A slowdown in trade translated into a visible decrease of smartphone sales quantity-wise versus the prior year.

Internet equipment

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). Apart from 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 equipment necessary for working, learning or for entertainment. The prices ranged 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 used 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 for 2019 and 2020, the sales of laptops grew last year by over 60% in terms of quantities.

Other device categories

Apart from handsets and Internet access devices, we intensively develop sales of other categories of equipment:

- we dynamically expanded sales of body-worn electronics (wearables): watches and sports bands. This is the fastest growing product category. Wearables in Plus network consist of products of reputable brands (Samsung, Huawei, LG, Oppo), which are priced from PLN 199 (in case of sports bands) to PLN 1,999 (in case of most advanced intelligent watches). Quantity-wise, this product assortment is on the third place after phones and modems. Sales of this category increased several times year on year both in terms of quantity and value,
- TV-sets offer was expanded with competitively prices Smart TV with a 43" screen and with advanced models with a 55" screen QLED. An increase in sales of this category reached a dozen or so percent compared to 2019,
- in 2020 it is worth mentioning the further sales of electric scooters. From spring the customers could buy in Plus points of sales scooters made by Fiat 500 and Motus Scooty. The sales of electric scooters increased several times compared to the previous year. Scooters represent an excellent alternative for urban transport during the present pandemic. The above also demonstrates that Plus does not limit itself to telecommunication-related equipment only, but offers devices which increase comfort levels and ease daily life in many ways,
- we also expanded the offer of devices addressed to Polsat Group customers by indoor and outdoor wireless speakers, new models of wireless headphones, electronic thermometers and air purifiers for individual and business customers.

End-user equipment is offered both under an installment model and in full price retail sales. Modems and set-top boxes are also available to rent. On the business market segment we use subsidized sales. In 2021 we plan to continue to dynamically develop new categories of product which are adjusted to changing market conditions.

2.2.6. 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.

As at December 31, 2020, Polsat Group's 2G access network consisted of 7,663 BTS systems, while the 3G network consisted of 10,959 NodeB systems (UMTS/HSPA+) stations. Moreover, the LTE network consisted of 17,349 eNodeB systems operating in the LTE/LTE Advanced technology and the 5G network included 1,047 base stations operating in the 2600 MHz frequency band using TDD technology.

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.

As regards LTE transceivers, our mobile network relies mainly on the LTE1800 and LTE2600 technologies. We emphasize that the majority of locations has not yet been equipped with LTE2100 and LTE2600 transceivers (in both TDD and FDD versions), which means that we still have potential for further development of capacity and quality of the LTE layer without having to incur the cost of leasing new base station locations.

In 2020, the capacity of our network was increased thanks to increasing the number of the LTE900, LTE1800, LTE2600FDD, LTE2600TDD, LTE2100 and 5G transceivers.

	Number of BTS on-air as at December 31, 2020.	Change YoY
2G technology, including:	**7.663**	
GSM900	7.041	87
GSM1800	622	-50
3G technology, including:	**10.959**	
WCDMA 2100	3.906	-32
WCDMA 900	7.053	143
4G technology, including:	**17.349**	
LTE 1800	6.883	281
LTE 2600 TDD	326	164
LTE 2600 FDD	2.298	851
LTE 2100	696	410
LTE 900	7.146	201
5G technology, including:	**1.047**	
2600 TDD	1.047	1.047

Our access network is supported by a transmission network using mainly packet data transmission technologies. The network is divided into an access layer (microwave links with throughput ranging from 180 Mbps to 2 Gbps and fiber optic links); an aggregation layer (solely fiber optic), using the existing Carrier Ethernet Transport MPLS-TP technology (mainly 10 Gbps of throughput) and the completely new, modern, program-driven IP/MPLS network (with throughput being the multiple of 10 Gbps and 100 Gbps); as well as a backbone layer (solely fiber optic), using the IP/MPLS (SDN) technology, with throughput being the multiple of 100 Gbps.

The backhaul microwave network is composed of over 9,600 PHD links in the access layer. The aggregation layer of the backhaul network is composed of over 1,000 new generation and high capacity IP/MPLS nodes (SDN). The backbone layer consists of 10 nodes with redundant IP/MPLS routers. 94 DWDM nodes operate in the physical layer, all equipped with facilities enabling traffic transmission at the multiple of 100 Gbps throughput (the multiple is adjusted to current needs of a given node). The transport network is used to provide dedicated services to the business segment, such as virtual private networks (with broadband Internet access), PBX (private branch exchange) switchboards and leased lines.

The span of Polsat Group's fiber optic network is nearly 40,000 km, with approximately 11,000 km of own or leased fiber optic cables used for the purposes of the mobile network.

The core network ensures central handling of customer services, integrating them for the 2G/3G/4G/5G technologies (Single Core). In this way, we are able to provide customers with access to our services irrespective of the radio technology applied, enabling an evolutionary transition of voice services from 2G (GSM), through 3G (including higher quality voice services), to 4G (with voice services based on CSFB or VoLTE) and 5G. The same strategy was used for data transmission services, enabling customers to use the broadband Internet access both in the 3G (HSPA+, HSPA+ Dual Carrier) as well as the 4G (LTE/LTE Advanced) and 5G (2600 MHz TDD) networks. The core network architecture facilitates effective and easy capacity expansion to match the growth of the customer base and increased service demand.

Network upgrade and maintenance

We are the owner of both passive infrastructure (such as towers, masts, containers, power systems, and air-conditioning systems) and active infrastructure (including base transceiver stations, base station controllers and transmission systems). Active infrastructure is provided by leading international suppliers, such as Nokia Solutions and Networks and Ericsson (2G/3G/LTE hardware), as well as Huawei, Ericsson and NEC (transmission layer). Typically, we usually enter into framework agreements, without defining in detail the obligations regarding network expansion, combined with support services, such as software upgrades and updates as well as repairs and troubleshooting with respect to the development of our network.

We regularly upgrade and expand our network in order to provide our customers with technologically advanced services and optimize the network's technical performance and efficiency. Network modifications include increasing the capacity of the network's existing elements, hardware replacement and installation of additional hardware, as well as continuous optimization achieved by reconfiguring the network parameters.

Our network is monitored and maintained through the main network management center (NMC) and four regional operation and maintenance centers (OMC). The maintenance centers are responsible for continuous monitoring and supervision of the access network, handling of failures and defects, integration and configuration work, and coordination of repair work carried out by field maintenance teams. The network management center provides support of the core network and the platforms for value added services (to the same extent as the maintenance centers) and also serves as Polkomtel's central contact point for state administration bodies, as well as for other domestic and foreign operators in crisis situations and in the event of failures.

As part of the optimization process covering all components of the network, including the access network, transport network, core network and all network contact points, traffic distribution and certain network and service parameters are constantly monitored and analyzed.

Development of the 5G technology

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.

In May 2020 we launched, under the Plus brand, the first in Poland 5G network using the spectrum from the 2.6 GHz TDD frequency band. The TDD technology implemented at the current stage of development of our 5G network enables data transmission while using one common chunk of spectrum for alternating downlink/uplink transmission. Thus it offers balance between data transfer speed (up to 600 Mbps) and coverage (i.e. wide availability), while keeping both parameters at a very high quality levels.

In the future, as the 5G network develops, current use of the 2.6 GHz band will guarantee better land mass coverage than when using the 3.4-3.8 GHz bands only, and it will enable maintaining the edge during further stages of 5G network roll out by offering the possibility 5G frequency bands aggregation.

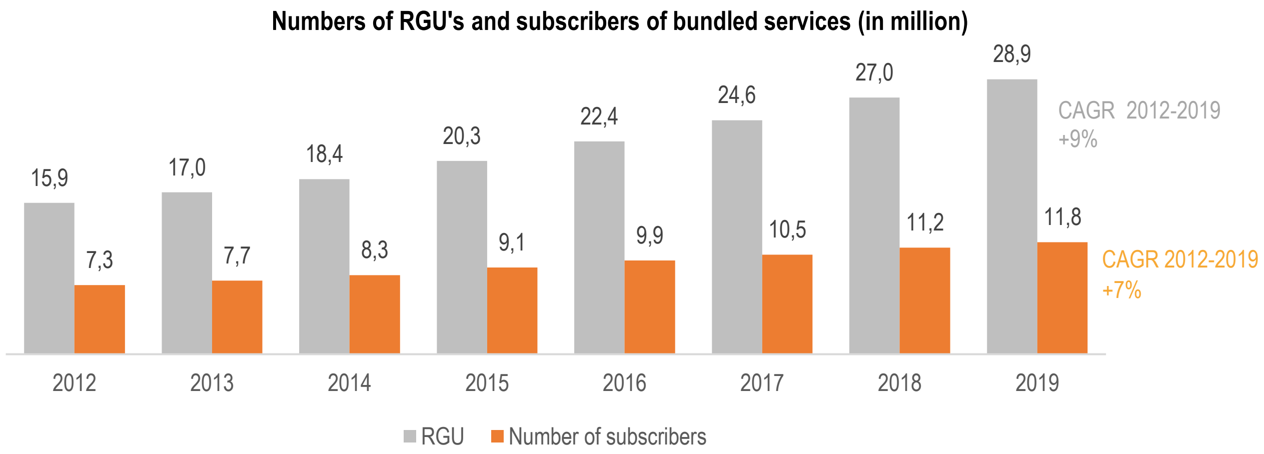
Plus is also working on the development of 5G technology while using further radio frequencies and technologies. This will enable us to strengthen our position as the 5G technology leader in Poland in the future and offer the services to even more customers in even a bigger number of locations.

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.

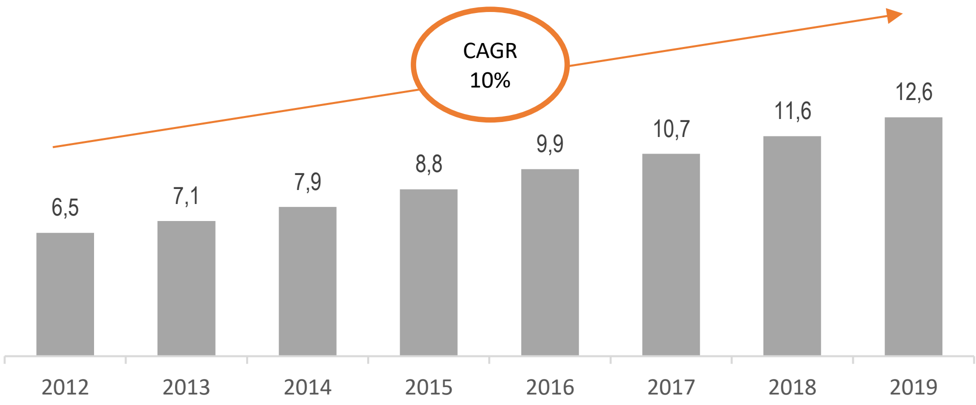
The Polish multi-play services market has been growing systematically and recorded average annual growth rate of nearly 9% in the years 2012-2019. According to PMR estimates, at the end of 2019 the number of services sold in bundles increased to nearly 29 million, while the total number of subscribers (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.



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

Similarly 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.

smartDOM and smartFIRMA are unique savings programs 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, Polkomtel's and Netia'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 Polsat Group's services also take place through remote channels. As at December 31, 2020 Cyfrowy Polsat had 6 telemarketing centers (own and external), whose role was customer retention and the sale of core products. Furthermore, as at December 31, 2020 Netia was using 4 telemarketing centers (own and external).

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.

Sales of prepaid telecommunication services take place through other channels of distribution. As at December 31, 2020, Polkomtel had 30 active agreements with non-exclusive independent dealers of its prepaid services, with a total of approximately 60 thousand outlets selling starter kits and scratch cards and approximately 150 thousand outlets selling electronic top-ups. Prepaid top-ups are also executed online via our own websites: www.doladuj.plus.pl and www.doladuj.plushbezlimitu.pl, via the dedicated websites of our partners and via Internet banking services.

Our Group's B2B area has an extensive sales structure adjusted to support various segments of business customers. Customers from the corporate segment (excluding smaller entrepreneurs who are classified as SMEs) are served by a group of ca. 65 Key Account Managers and ca. 140 dedicated account managers. The customers from the SME segment (Small and Medium Enterprises) and larger customers in the SOHO segment (Small Office/Home Office), i.e. customers having at least five SIM cards and generating revenue higher than the average SOHO, are served by about 270 authorized business advisers. The remaining Small Office/Home Office customers, along with residential customers, are served by authorized points of sales of Plus network as well as by own call center, call centers of our telesales partners and an e-shop.

Call center

Our call center is an important channel of communication with our customers. We provide Cyfrowy Polsat's, Polkomtel's and Netia'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, the call center of Polkomtel consists of over 800 operator stands and about 350 back-office stands, while Netia's call center comprises over 250 operator stands and about 250 back-office stands (including handling technical 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 the programming, multimedia and telecommunication offers of Polsat Group, 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 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.

On the commercial websites www.plus.pl and www.plushbezlimitu.pl customers can verify Polkomtel's telecommunication offer, chose a handset or Internet access device (tablet, laptop, router or game console) and finally check current promotional offers and purchase services or equipment. Polkomtel operates its own e-shop with products and services available to both existing and new customers. Given the diversity of available offers, our website is divided into three categories: for individual customers, for small business and for medium and large business. When placing an order for contract services a customer can also choose additional services. Recently, we introduced new standards of customer service for our online customers, which resulted in a significant increase of customer satisfaction and their willingness to buy services through the online channel. Thanks to regular research regarding user experience when surfing on our websites, we are constantly improving the sales process through online channels.

On the www.netia.pl web page existing and potential customers can find detailed information on the company's current offer. In the section addressed to individual customers and small businesses, the promoted services include in particular broadband Internet access, Internet access combined with TV as well as value-added services. Netia's web service also contains a section addressed to institutional clients. The topics that are touched upon there cover business of the future, in the broad sense of the term, including Cybersecurity, Artificial Intelligence (AI), Internet of Things (IoT), cloud solutions or block chain.

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 access to online accounts – the Internet Customer Service Center for Cyfrowy Polsat's customers and Plus Online for Polkomtel's customers and Netia Online for Netia customers. The self-care portals provided for the Group's customers enable access to subscriber accounts over the Internet and offers the possibility of resolving many issues without having to contact customer service by phone. Customers can manage their subscriber accounts through the Internet, where, after logging in, they can check the status of purchased services, payments, subscribed packages, dates of payments or order additional services. Furthermore, Polkomtel launched a mobile application dedicated to subscriber account management. It offers a wide array of functionalities and is compatible with the most popular mobile operating systems available on the market. In turn, Netia customers can access their accounts also from the level of Netia Player – a multimedia set-top box which is supplied to all subscribers of Netia TV services and which enables customers to select TV packages in a self-care mode.

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.

Polkomtel also offers a wide range of self-service account management options to its customers. These tools include automatic Interactive Voice Response, the possibility to make changes in customer accounts via SMS, and Unstructured Supplementary Service Data (USSD), i.e. short codes entered through the phone key-pad. In addition, the proposed customer service solutions include an Internet-based self-care system (Plus Online), including, but not limited to, FAQs, an online contact form based on the mechanism that ensures automated analysis of customers' queries and automatic response sent to the customer prior to forwarding the question to an agent, and an online communication channel offering customer support via electronic mail and Live Chat.

Polkomtel also provides a mobile application dedicated to customer account management. This application enables constant and free-of-charge access to up-to-date information on billing, current offering, current usage, allows the purchase of additional packages and services and effect online payments. The use of this service is free of charge and data traffic generated through this application is not subject to fees for data transmission.

Netia's customers, beside getting support via phone, email and Facebook platform, have also at their disposal a self-care system Netia Online, self-care mechanisms within an IVR (interactive voice response) system, and a possibility to introduce changes and purchase TV packages via set-top boxes. As part of technical support, customers are partly serviced by an application which runs automatic diagnostics and repair of technical issues. In 2021, further development and optimization of Netia Online, the IVR and implementation of support in Live Chat are planned.

Since 2000, Polkomtel has an implemented and consistently improved quality management system and since 2012 also an environmental management system. To confirm the above, Polkomtel obtained international certification ISO 9001:2015 and ISO 14001:2015 issued by DEKRA Certification Sp. z o.o. The scope of the certificates comprises sales of telecommunication products and services, sales of electric energy and customer management and retention. In September 2020, Polkomtel was successfully audited by DEKRA Certification Sp. z o.o. for compliance of quality management and environmental management systems.

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. Wholesale business

As part of our wholesale business we offer network interconnection, international and national roaming, services to MVNOs, shared access to network assets, lease of network infrastructure, as well as other telecommunications and non-telecommunications services provided to other telecommunications companies in Poland and abroad.

Exchange of traffic between operators (network interconnection)

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing (voice calls, SMS and MMS) to networks of all operators domestically and abroad. As at December 31, 2020, Polkomtel was party to 23 interconnection agreements with national and foreign operators with respect to voice calls. Such a number of interconnection relations allows for reducing our costs of call termination in the networks of other operators, while maintaining the highest quality of telecommunication services for our end-users with respect to traffic, both initiated and terminated in our network.

The extraordinary circumstances taking place in 2020 and related to the pandemic situation in the country and abroad, causing changes in the methods of carrying out work, professional and private communication by individuals, resulted in extraordinary increases of voice traffic carried by us in relations with operators. These increases were related to both the connections outgoing from Polkomtel's network to other operators, particularly to fixed-line networks, and connections incoming from other networks and terminated in Polkomtel's network. Thanks to the high number of interconnect relations and the properly secured capacity of interconnection points between the networks, the intensified telecommunication traffic from/to Polkomtel's subscribers was served without any serious problems, which allowed at that time to ensure our customers the highest level of service.

In parallel with the measures aimed at securing technical support for the intensified voice traffic, and as in previous years, active steps were taken in relations with domestic and foreign operators in order to reduce the costs of wholesale call termination incurred by us. In 2020, we recorded a visible increase of wholesale revenues from call termination services in Polkomtel's network and the service of the sale of interconnection traffic transit to Polish mobile operators.

In connection with taking control over Netia, during 2020 the synergy initiatives aimed at obtaining additional benefits for the Group were continued. In the wholesale business, the main areas having a positive impact on financial results of the Group are: exchange of voice traffic, optimization of costs related to domestic termination of calls and optimizing interconnection points between Polkomtel and Netia which was associated with replacing the infrastructure bought from third parties with the infrastructure of the Group and dismantling of duplicating interconnection points.

In 2020, Polkomtel signed a cooperation agreement with Netia with respect to the resale by Netia to Polkomtel of fixed broadband Internet access based on Orange Polska's network in the BSA model. This service enables the customers of Polkomtel to use Internet access on Orange's network, thanks to which the reach of Polkomtel's fixed-Internet access service was expanded.

In 2020 we continued the project of migrating Polkomtel's points of interconnection with other operators to IP technology using the SIP (Session Initiation Protocol) signaling protocol which enables the internetwork provision of voice calls in HD quality (HD voice). This technology is used by Polkomtel to carry the telecommunication traffic in relations with all domestic mobile operators and with the largest international carriers. Thus our subscribers received a possibility to make voice calls in higher HD quality while the Group obtained savings on transmission costs and maintenance of TDM systems. In 2021 we plan to migrate onto SIP technology in relations with the remaining domestic and international operators.

International roaming

In 2020, we continued our policy of reducing the wholesale roaming costs in the networks of foreign operators, among others by focusing on the reduction of costs of voice and data transmission services, while at the same time increasing wholesale revenues from the sale of inbound roaming service to current or newly-acquired partner foreign networks.

In 2020 the main factor influencing changes on the international roaming market was the outbreak of the pandemic and related to that fact border closures, which contributed to a significantly reduced tourist and business traffic and, as a result, to lower roaming traffic. Therefore, a need has arisen to modify Polkomtel's strategy for wholesale sales as well as for the purchase of roaming services.

In particular, COVID-19 provoked a significant decrease of roaming traffic during the lockdown periods, in particular in our relations with non-EU countries. Therefore, already in March 2020 we initiated talks with our roaming partners in order to mitigate the harmful impact of the pandemic on sales and purchases of roaming services. In particular, we were extending discount periods by expected duration of the pandemic's impact and we renegotiated our liabilities. Contract renegotiations which we executed and selective borders opening in the second half of 2020 enabled us to successfully neutralize the influence of COVID-19 on our financial results in the area of the wholesale roaming settlements in the entire year 2020.

We offer our residential and business customers the most competitive and safe roaming data packs on the Polish market, that is the "Atlantic" pack which includes 35 European countries as well as Andorra, USA and Turkey, and the "Oriental" pack which includes 101 most popular countries in the world outside Europe, in terms of Poles' trips. Thanks to the active policy of acquisition of new roaming partners for discount agreements, mainly outside of the EAA, i.e. in areas where the costs of wholesale international roaming have been quite high so far, we are constantly reducing the costs of roaming in exotic countries, so that our customers could use our services in these countries at lower prices.

Our goal is to ensure that each EEA country has an LTE data transmission roaming service available for our customers and LTE service is available in at least one network of the most popular destinations for customers of Polkomtel network outside the EEA, and at least two 2G/3G networks are available in every country in other regions. We are also extending to new countries the CAMEL service (protocol used to settle roaming services in real time) for Polkomtel prepaid and mix users, as well as for MVNO customers to facilitate dialing and voice calls in international roaming without the need of using the callback function. Currently, the CAMEL service is available to our customers and customers of MVNOs co-operating with us in 328 networks in 184 countries.

Furthermore, we have negotiated new wholesale roaming agreements for 2021, while focusing on compensating the costs of using regulated roaming in EEA by our customers with the wholesale revenues from the sale of roaming in Plus' network.

As at December 31, 2020, our network offered international roaming services for voice calls in 613 networks in 220 countries and designated areas. In addition, our international roaming service offers roaming data transmission packages in 536 networks in 191 countries and designated areas. Access in LTE technology is possible in 245 networks in 126 countries and designated areas, while access in 3G was offered in 460 networks in 170 countries and designated areas.

Furthermore, at the end of 2020 we offered the data transmission service in LTE standard in Polkomtel's network to customers of 276 foreign networks, which contributes to the increase of wholesale revenue from inbound roaming and enabled Polkomtel to maintain the high share in total revenue from passive roaming among all Polish operators in 2020.

In 2020 we launched commercially for our customers, as the first operator in Poland, 5G roaming in three countries (The Netherlands, Austria and Latvia) as part of our strategy of providing access to the best 5G network in Poland. These networks are available to our customers unattended; it is sufficient to posses a proper hand-set in order to use 5G technology for international roaming. Moreover, we make available the 5G technology to foreigners logging in our network (at present the offer covers 7 networks from 6 countries), thus building also Plus' position as a leader of the 5G technology also among the foreign customers and operators.

Virtual operators (MVNOs)

In 2020, Polkomtel strengthened its position on the wholesale MVNO market. Despite the continuing COVID-19 pandemic, our MVNO partners achieved significant successes in terms of acquiring customers on the mobile market. This is proved, among others, by the results of customer acquisitions through mobile number portability (MNP). According to the UKE report, in the MNP ranking for 2020, Premium Mobile, in which Polkomtel is a stakeholder, was an absolute leader among all Polish virtual mobile operators in terms of net customer acquisitions while all our MVNO partners acquired jointly ca. two-thirds (net) of all customers acquired by MVNO operators acting on the domestic market. It is also important to notice that our MVNO partners sell mainly subscribed services, which were less affected by the pandemic than prepaid services.

An important factor influencing our wholesale revenue in 2020 was a considerable increase in telecommunication traffic, which was due to shifting to the remote forms of learning and working. In the difficult circumstances of the pandemic we organized special wholesale promotions so that the customers of our MVNO partners could use services more extensively while not bearing excessively high costs.

Polkomtel is also developing co-operation with its wholesale partners with regard to servicing virtual numbers, which play an important role in service provisioning for end customers in the increasingly digitizing world. We are also finishing works aimed at providing the VoLTE and VoWiFi services so that also the customers of our MVNO partners could use services of the highest quality under any circumstances.

Very good results of MVNO partners operating on Polkomtel's network indicate, on the one hand, that the market is still open to offers of new MVNO operators, and on the other, they may constitute an additional stimulus for new, potential partners to make a decision about launching operations under the MVNO model with Polkomtel. They are also evidence that cooperation with us is beneficial to both new entities and to those that have already been using our services for some time. A flexible wholesale offering and professional technical support enable our MVNO partners to develop dynamically.

Our broad scope of services and creation of dedicated solutions for the needs of our wholesale partners allow us to cooperate under various wholesale business models, from technologically advanced models for partners who have their own telecommunications infrastructure (for instance, their own points of interconnection with operators and IT platforms), through interim models to models that require only marketing and sales channels from MVNO partners while technical implementation is limited to an absolute minimum. We actively develop our wholesale product in order meet the requirements of our MVNO partners and quickly respond to the dynamically changing business conditions.

2.7. Media segment: television and online

2.7.1. Market overview

The Polish **TV broadcasting market** consists of state-owned and private commercial broadcasters airing both at the regional and national levels. A significant number of stations are offered through paid channels, such as cable networks and DTH platforms.

TV broadcasting in Poland started in the 1950s by the state-owned TV broadcaster TVP, which was the sole Polish TV broadcaster until 1992. Following political changes the Polish TV market was opened to private commercial broadcasters in 1992, the number of TV channels has increased substantially. In 2013, the process of implementing digital terrestrial television (DTT – Digital Terrestrial Television) had ended. Currently, DTT offers free access to 28 channels and the outreach of the multiplexes exceeds 99% of Poland's population.

The Polish TV broadcasting market is supervised by the National Broadcasting Council (KRRiT) which grants broadcasting licenses and supervises the operations of Polish TV broadcasters (such as checking compliance with license terms for specific channels).

The Polish **online market** consists of a mix of various entities, starting from large international corporations, through large Polish media groups and smaller publishers, to small websites owned by companies and private individuals.

The online market is not regulated, any company or a physical person can create an own website and the only requirement in place is that a website address which is not currently in use must be registered in a proper domain. NASK is the body which serves in Poland as a register for the 'pl' Internet domain, but there are no geographical restrictions and any Polish Internet surfer may register a website in a domain of any country of his or her choice. A few restrictions in force include the lack of possibility to register a website is some functional domains such as, for example, a 'gov' domain which is reserved for governmental institutions.

Polish advertising market. According to the estimates of Zenith media house, in 2020 Poland was the second largest advertising market in Central-Eastern Europe (after Russia) with a total net advertising expenditure exceeding PLN 8.9 billion (after discounts or rebates) and a decrease rate of 6.7% compared to 2019 as a result of the COVID-19 pandemic.

In 2020, TV was the dominant advertising medium in Poland with 43% share in the total advertising expenditure. According to Zenith forecasts, this share is expected to remain stable in upcoming years with a slight downward tendency. The increase of the share of Internet as an advertising medium does not influence television's position in a substantial way, due to the decline of advertising expenditures in printed media.

Advertising expenditure by medium from 2016 to 2023:

	2016	2017	2018	2019	2020	2021P	2022P	2023P
TV	48%	47%	46%	45%	43%	43%	42%	42%
Internet	30%	32%	34%	36%	41%	41%	41%	41%
Radio	8%	8%	8%	8%	8%	8%	8%	8%
Outdoor	6%	6%	5%	6%	4%	4%	5%	5%
Print	7%	6%	5%	5%	3%	3%	3%	3%
Cinema	2%	2%	2%	2%	0,4%	1%	1%	1%

Source: Zenith, "*Advertising Expenditure Forecasts - December 2020". In the aforesaid report Zenith introduced changes in the methodology resulting in recalculation of market shares for historical periods.*

The Polish TV ad market is characterized by a continuously high level of TV consumption. In 2020, the average daily TV viewing time among the surveyed population remained at a very high level, estimated at 261 minutes. Considering such a high average TV viewing time, it is justified to assume that the TV market will continue to be an attractive communications platform for advertisers.

Based on data from the media house Publicis Group, we estimate that in 2020 Polsat Group had a 28.5% share of the Polish TV advertising market, estimated at ca. PLN 3.9 billion and an advertising power ratio (measured as the ratio of advertising market share to total individual audience share in the group All 4+) of 1.2. We believe TV is a highly effective advertising medium. Moreover, given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, in our opinion there is still substantial growth potential for TV advertising in Poland. The Polish advertising market constitutes 0.39% of GDP, representing a substantially lower value as a percentage of GDP than in certain other European markets such as the United Kingdom (1.02%), Slovakia (0.75%), Germany (0.66%) or Austria (0.45%).

Key TV channels

The Polish TV market remains dominated by the four largest terrestrial channels: POLSAT, TVN, TVP1 and TVP2, which collectively had 31.3% of the aggregate audience share in the commercial group in 2020. In 20120 further significant fragmentation of the TV market was observed. The importance of smaller broadcasters available on the multiplexes was growing, mainly at the expense of the abovementioned four largest TV channels available earlier in analogue terrestrial television.

In 2020, our main channel POLSAT had an all-day audience share of 9.5%. Average annual technical coverage was 99.9%. Other channels of the Polsat Group had a 14.4% combined audience share. The thematic channels of Polsat Group, apart from the main channel, include 35 thematic channels with competitive offers on various market segments (including sport, information, games, e-sport, music and channels dedicated to female and male audiences). They include channels distributed by cable and satellite networks, as well as six channels available through DTT: four on MUX-2 (POLSAT, TV4, TV6 and Super Polsat), and two on MUX-1 (ESKA TV and Polo TV as of December 4, 2017). The Group's main channel POLSAT available on MUX-2, competes with nationwide channels: TVN, TVP1, TVP2 and smaller channels available on digital terrestrial television.

In 2020, POLSAT's main competitor, TVN achieved an 9.6% all-day audience share and had 100% average annual technical coverage. The TVN channel, launched in 1997, currently belongs to TVN Discovery Polska Group. Discovery Group's thematic channels achieved a 17.0% combined all-day audience share in 2020.

TVP Group broadcasts 12 channels, including TVP1 and TVP2, and is also one of the main players on the Polish TV advertising market. In 2020, the main channels of TVP Group had 5.7% (TVP1) and 6.4% (TVP2) all-day audience shares. The technical coverage of these channels reached 100% (TVP1) and 99.9% (TVP2) of TV households in Poland. TVP's thematic channels had an 8% audience share. Except advertising revenue, as the national state-owned broadcaster, TVP receives additional revenue from license fees mandatorily charged to Polish citizens owning TV or radio sets under the License Fees Act of April 21, 2005. The regulations preventing TVP from interrupting programs to broadcast advertising significantly decreases its advertising inventory and TVP group generated only 38.2% of its revenue from license fees in 2018.

Digital Terrestrial TV

Starting from July 2013, terrestrial television is broadcast digital in the Digital Video Broadcasting – Terrestrial (DVB-T) technology. Digital TV systems use an electronic program guide, which enables viewers to compile their own sets of favorite programs and exercise parental control and allows broadcasters to offer new multimedia services such as adding additional soundtracks for individual channels (e.g. additional narration for the visually impaired – audio description, or the original soundtrack) or the possibility to add subtitles for people with hearing disabilities.

A multiplex, or MUX, is a term used to describe the package of radio and TV channels, possibly enriched by additional services, transmitted digitally on a specific band. Currently, digital television is offered in Poland within four free multiplexes (MUX-1, MUX-2, MUX-3, MUX-8) and one pay multiplex (MUX-4), dedicated for TV reception on mobile devices and on several local multiplexes. It is expected that the process of digitalization in Poland may involve six multiplexes.

POLSAT, our main channel, as well as Super Polsat, TV4 and TV6 channels are broadcast in the nationwide digital transmitter network on MUX-2 and on local multiplexes. Other channels of Polsat Group, i.e., Eska TV, Polo TV and Focus TV, are aired in the transmitter network within MUX-1 and Eska TV Extra channel is broadcast on local multiplexes. Moreover, Nowa TV channel which we now own is aired on the nationwide MUX-8 and MUX-4 is reserved for INFO-TV-FM (subsidiary of Cyfrowy Polsat) and is dedicated to broadcasting of television on mobile devices.

Key players on Polish online market

Key players on Polish online market include two types of entities:

- international technological giants offering their products and services globally, who dominate the world's online market, including, among others, Google, YouTube and Facebook,
- large local media groups.

Polsat-Interia Group is among the leading online media groups defined as Internet publishers producing editorial content.

L.p.	Media Gorup	Number of real users	Coverage	Page views	Average time per user	Average time per visit
1	Grupa Wirtualna Polska	21,748,176	65.42%	3,514,025,022	2h 42m 14s	3m 59s
2	Grupa RAS Polska	21,597,192	64.97%	2,463,779,391	2h 9m 45s	4m 29s
3	Grupa Polsat-Interia	20,105,496	60.48%	1,712,452,454	1h 8m 17s	3m 51s
4	Grupa Agora	18,038,376	54.26%	615,683,054	44m 40s	2m 44s
5	Grupa Polska Press	17,383,248	52.29%	960,686,594	20m 15s	1m 42s
6	Grupa ZPR Media	16,323,768	49.10%	305,577,911	19m 0s	2m 25s
7	Grupa TVN	13,356,576	40.18%	295,784,570	1h 19m 25s	10m 48s
8	Grupa Eurozet	12,843,360	38.63%	85,657,960	8m 56s	1m 58s
9	Grupa RMF	10,346,616	31.12%	93,420,391	36m 39s	6m 54s
10	Grupa TVP	10.272.744	30,90%	130.935.463	1h 13m 7s	14m 51s

Source: Mediapanel, January 2021

2.7.2. Offer

Channels

We believe we have a portfolio of channels that appeal to the important audience segments and that we will maintain the leading position in sports programming and we will strengthen our position in news programming. Our portfolio of channels addresses the entire family. As at the end of December 2020 the Group's portfolio comprised 36 channels (own and 6 cooperating channels).

Channels portfolio of Cyfrowy Polsat Group

Channel	Broadcasting standard	Start date	Thematic group	Signal distribution	Availability	Household coverage[1]
POLSAT	SD/HD	December 5, 1992	General interest	Terrestrial/cable/ satellite	FTA	99.9%
Polsat Sport	HD/SD mob	August 11, 2000	Sport	Cable/satellite	non-FTA	45.0%
Polsat Sport Extra	HD/SD mob	October 15, 2005	Sport	Cable/satellite	non-FTA	37.1%
Polsat Film	HD/SD mob	October 2, 2009	Movie	Cable/satellite	non-FTA	54.0%
Polsat Café	HD/SD mob	October 6, 2008	Lifestyle	Cable/satellite	non-FTA	54.6%
Polsat Play	HD/SD mob	October 6, 2008	Lifestyle	Cable/satellite	non-FTA	51.2%
Polsat2	HD	March 1, 1997	General interest	Cable/satellite	non-FTA	61.5%
Polsat News	HD/SD mob	June 7, 2008	News	Cable/satellite	non-FTA	67.1%
Polsat News 2	SD	February 8, 2007	Business	Cable/satellite	non-FTA	56.3%
Polsat Sport News	HD	June 1, 2011	Sport	Cable/satellite	non-FTA	30.0%
TV4	SD/HD	April 1, 2000	General interest	Terrestrial /cable/satellite	FTA	99.9%
TV6	SD/HD	May 30, 2011	Entertainment	Terrestrial /cable/satellite	FTA	95.7%
Polsat Seriale	HD	September 1, 2013	Women's	Cable/satellite	non-FTA	50.2%
Disco Polo Music	SD	May 1, 2014	Music	Cable/satellite	non-FTA	50.5%
Polsat Music	HD	September 26, 2014	Music	Cable/satellite	non-FTA	49.2%
Polsat 1	SD	December 18, 2015	General interest	Satellite	non-FTA	n/a
Polsat Sport Fight	HD	August 1, 2016	Sport	Satellite	non-FTA	20.1%
Super Polsat	SD/HD	January 2, 2017	General interest	Terrestrial /cable/satellite	FTA	98.3%
Polsat Doku	HD	February 10, 2017	General interest	Cable/satellite	non-FTA	36.4%
Eska TV	SD/HD	August 8, 2008	Music	Terrestrial /cable/satellite	FTA	98.7%
Eska Rock TV	SD	September 1, 2017	Music	Cable/satellite	non-FTA	48.4%
Eska TV Extra	SD/HD	June 16, 2017	Music	Cable/satellite	non-FTA	62.3%
Polo TV	SD/HD	May 7, 2011	Music	Terrestrial/cable/satellite	FTA	98.8%
VOX Music TV	SD	April 28, 2014	Music	Cable/satellite	non-FTA	57.2%
Superstacja	HD	October 2, 2006	News/ entertainment	Cable/satellite	non-FTA	56.2%
Eleven Sports 1	HD/UHD	August 2, 2015	Sport	Cable/satellite	non-FTA	15.4%
Eleven Sports 2	HD	August 8, 2015	Sport	Cable/satellite	non-FTA	15.5%
Eleven Sports 3	HD	September 12, 2016	Sport	Cable/satellite	non-FTA	n/a
Eleven Sports 4	HD	November 20, 2017	Sport	Cable/satellite	non-FTA	n/a
Polsat Sport Premium 1	HD	August 21, 2018	Sport	Satellite	non-FTA	n/a
Polsat Sport Premium 2	HD	August 21, 2018	Sport	Satellite	non-FTA	n/a
Polsat Games	HD	October 15, 2018	Sport	Cable/satellite	non-FTA	30.4%
Polsat Rodzina TV	HD	October 16, 2018	Family	Cable/satellite	non-FTA	28.0%
TV Okazje	SD	October 2, 2017	Telesales	Cable/satellite	non-FTA	n/a
Fokus TV	SD/HD	April 28, 2014	Educational	Terrestrial/cable/satellite	FTA	98.3%
Nowa TV	SD/HD	November 9, 2016	General interest	Terrestrial/cable/satellite	FTA	83.9%

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)

Channel	Broadcasting standard	Start date	Thematic group	Signal distribution	Availability	Household coverage[1]
Polsat Jim Jam	SD	August 2, 2010	Children	Cable/satellite	non-FTA	45.2%
CI Polsat	HD	November 24, 2011	Criminal	Cable/satellite	non-FTA	43.3%
Polsat Viasat Explore	HD	March 1, 2013	Lifestyle	Cable/satellite	non-FTA	44.2%
Polsat Viasat Nature	HD	March 1, 2013	Nature	Cable/satellite	non-FTA	44.3%
Polsat Viasat History	HD	March 1, 2013	History	Cable/satellite	non-FTA	51.4%
Polsat Comedy Central Extra	HD	March 3, 2020	Series & entertainment	Cable/satellite	non-FTA	49.7%

(1) NAM, average TV household coverage, arithmetic average of monthly coverage in 2020.

Audience share for our channels for 2018-2020[1]

Channel	Audience share (SHR %)		
	2018	2019	2020
POLSAT	**11.37%**	**10.99%**	**9.51%**
TV4	3.85%	3.50%	3.38%
TV6	1.47%	1.63%	1.68%
Polsat2	1.37%	1.28%	1.33%
Polsat News	0.69%	0.73%	1.77%
Polsat Sport	0.32%	0.35%	0.18%
Polsat Film	0.65%	0.73%	0.79%
Polsat Play	0.52%	0.63%	0.64%
Polsat Cafe	0.32%	0.39%	0.40%
Polsat Sport Extra	0.07%	0.08%	0.06%
Polsat Sport News HD	0.03%	0.04%	0.03%
Polsat News 2	0.04%	0.04%	0.05%
Polsat Seriale	0.14%	0.14%	0.22%
Disco Polo Music	0.20%	0.18%	0.15%
Polsat Music[3]	0.05%	0.04%	0.06%
Polsat 1[2]	n/a	n/a	n/a
Polsat Sport Fight	0.03%	0.04%	0.04%
Super Polsat	1.05%	1.09%	1.26%
Polsat Doku	0.06%	0.11%	0.11%
Eska TV	0.80%	0.66%	0.63%
Eska Rock TV	0.02%	0.04%	0.03%
Eska TV Extra	0.08%	0.07%	0.09%
Polo TV	0.94%	0.99%	0.62%
VOX Music TV	0.09%	0.09%	0.12%
Superstacja[4]	0.06%	0.06%	0.03%
Eleven Sports 1[3]	0.13%	0.25%	0.20%
Eleven Sports 2[3]	0.05%	0.05%	0.04%
Eleven Sports 3[2] [3]	n/a	n/a	n/a
Eleven Sports 4[2] [3]	n/a	n/a	n/a
Polsat Sport Premium 1[2] [5]	n/a	n/a	n/a
Polsat Sport Premium 2[2] [5]	n/a	n/a	n/a
Polsat Games[6]	0.04%	0.04%	0.05%
Polsat Rodzina TV[7]	0.03%	0.03%	0.05%
TV Okazje[2]	n/a	n/a	n/a

Fokus TV(8)	0.89%	0.87%	1.09%
Nowa TV(8)	0.29%	0.27%	0.26%

Source: NAM, target group: all aged 16-49, all day

(1) Data accounts from Time Shift Viewing, live+2
(2) Channel not included in the telemetric panel.
(3) Channel joined Polsat Group on May 24, 2018.
(4) Channel joined Polsat Group on June 5, 2018.
(5) Channel broadcasting during football league matches.
(6) Channel broadcasting since October 15, 2018.
(7) Channel broadcasting since October 16, 2018.
(8) Channel included in Polsat Group's portfolio since September 18, 2020.

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)(1)

Channel	Audience share (SHR%)		
	2018	2019	2020
Polsat JimJam	0.10%	0.19%	0.18%
CI Polsat	0.13%	0.20%	0.13%
Polsat Viasat Explore	0.11%	0.11%	0.12%
Polsat Viasat History	0.11%	0.18%	0.14%
Polsat Viasat Nature	0.03%	0.03%	0.04%
Polsat Comedy Central Extra(2)	0.16%	0.23%	0.29%

Source: NAM, target group: all aged 16-49, all day

(1) Data accounts from Time Shift Viewing, live+2
(2) Channel in Polsat Group's portfolio since March 2020, previously aired as Comedy Central Family.

Scheduling

We tailor our programs and programming schedules to the interests of the group, that considering its demographic characteristics, we believe is most attractive to advertisers. We analyze data relating to our audience share in detail, and, by identifying audience interests and general market trends, we attempt to ensure that our programming remains responsive to the expectations of the target audience and advertisers.

Our scheduling is based on two key on account of advertising revenue schedules: the spring (March-May) and autumn (September-November) schedules. That is when we broadcast premieres. In the summer and winter, we schedule mainly re-runs of the content premiering in the high season.

Our programming schedule is designed to maintain viewer loyalty so that the attractive programming keeps the viewer watching the specific channel. It is especially important in the time slot between early afternoon and 'prime time'. To achieve this goal, each day (from Monday to Friday) we plan stable slots so that the viewer can remember the programming scheme of the channel. This strategy is implemented between 3pm and 8pm. From 8pm, the channel proposes a strong offer including movies (i.e. Monday, Tuesday and Saturday), talent shows (Tuesday, Wednesday, Friday and Sunday) and popular series (Thursday).

Sources of Polish programming

We aim to diversify sources of Polish content, enabling us to efficiently manage production costs. Thanks to that we are able to choose those offers from a wide range of offerings which are both attractive and cost-effective in order to ensure successful scheduling. In case of formats owned by us, we organize tenders in order to select the most cost-effective producers that ensure high quality. Polish programs are primarily commissioned to independent external producers. However, we also create programs in-house. Approximately 60% of our programming hours consist of Polish content.

Commissioned programs are sub-contracted, when justifiable, to third-party production companies to provide us with additional production capacity, thereby reducing overhead costs related to production employees, facilities and equipment. Our external producers include approximately 50 Polish and foreign producers. To provide content for Polsat Play, Polsat Cafe, Super Polsat, Polsat Rodzina and Polsat Games, we use the services of smaller local production companies. Polsat News relies mainly on Polsat Group's own production resources. Sport channels rely mainly on broadcasts of sports events to which we have acquired broadcasting rights and are supported by in-house production.

In most cases we use a standard template for all production contracts we enter into. When the production of TV programs is commissioned to external producers, the contracts generally provide that the producer transfers to us all the copyrights and related intellectual property rights of the covered programs with the exclusive right to exercise the derivative copyright. The producer's fees include production fees as well as fees for the transfer of copyrights, related intellectual property rights to the program (or, alternatively, for granting the license) and for granted authorizations and consents. All production agreements have definite terms, typically covering the time of production with the possibility for extensions.

Programs supported by in-house production include sports, news ad journalistic programs as well as special events.

Sources of foreign programming

We purchase programming licenses from foreign providers primarily for films, series and sports.

Our key partners for movie and series licenses are major movie studios such as Sony Pictures TV International, 20th Century Fox TV, The Walt Disney Company, Warner Bros International TV Distribution, CBS Studios, Paramount Pictures Corporation, GroupM Norway AS, NBC Universal, LLC. We also cooperate with Monolith Films, who offers foreign productions to us. Usually, these contracts have terms of two to three years and are denominated in U.S. dollars or euro. We generally acquire broadcasting rights under one of two types of contractual arrangements. The first are the so called *volume contracts*, which involve the acquisition of a specified volume of films or series, while the second constitutes *spot contracts*, which involve the acquisition of the right to broadcast individual series or films.

Purchase of sports broadcasting rights

Important sports licenses purchased by Polsat Group include broadcasting rights to the FIVB Volleyball competitions (Men's and Women's Nations League, World Cup, World Championships) as well as competitions of Infront/CEV (European Championships in Volleyball, Champions League in Volleyball) and Polish Volleyball Federation (Hubert Wagner's Memorial, matches of the national team played in Poland). The duration of these contracts usually relates to playing seasons for each event. Typically, they are denominated in euro. Once we have obtained the required programming licenses for certain sports events, we provide our viewers with locally-customized programming either in the form of complete productions or studio commentary.

In 2020, despite the unusual market situation due to the COVID-19 pandemic, Telewizja Polsat signed a new agreement with Infront/CEV for a number of volleyball events, including the volleyball Champions League, two editions of European Championships or qualifiers to 2024 Olympic Games. We also broadcast galas of the world's largest MMA UFC federation.

Under the existing agreement with the International Volleyball Federation FIVB in the upcoming several years we will broadcast the most important events in world and national team volleyball. The package of acquired rights includes the Volleyball Nations League (260 matches in total during the season and qualifying tournaments to the Volleyball Nations League), Challenger Cup, qualifying tournaments to the 2020 and 2024 Olympic Games, men's and women's 2022 World Championship, and 2019 and 2023 World Cup.

Furthermore, we have been holding broadcasting rights purchased from PLPS (Polish Professional Volleyball League) to Plus League and Orlen League matches already for a decade. In 2020, we extended this contract for another four seasons until 2027/2028 (inclusive).

Polsat Group also offers its viewers and subscribers the matches of the most prestigious football club games - the UEFA Champions League and the Europa Champions League for all channels of distribution, including television, the Internet, and mobile devices. The games are broadcast in dedicated to them channels Polsat Sport Premium.

Sale of advertising and sponsoring on the TV market

There are two main forms of advertising on the TV market: advertisements broadcast in advertising breaks and sponsoring broadcast alongside trailers of the sponsored program, before and after the sponsored program and during advertising breaks in-between the sponsored program.

Advertising time is sold by the broadcasters in two forms: GRP sales and monthly rate-card sales. GRP sales are based on audience ratings and a specified price per rating point delivered. The valuation of the service is based on fixed price of one rating point. Rate-card sales are based on a broadcaster's official rate-card for individual advertising breaks. Customers purchase specific advertising breaks at a price determined by the given rate-card.

GRP prices for specific months and rate-card discounts applied as well as annual minimum purchase commitments are set out in annual contracts negotiated with media agencies and customers. Pricing and discounts depend on the level of the annual minimum purchase commitment.

Sponsor projects are sold throughout the year (usually sold on the basis of a project created together with a client). Prices and discount conditions are negotiated individually for each customer and each sponsor campaign.

Pricing of commercials is based on maximizing revenue from the commercial time that is available to us according to the law and on estimated level of attractiveness of specific programming content next to which the advertising breaks are located. Forecasts of advertising break audience are prepared for each month based on the overall TV audience, the channel's share in the overall audience and seasonality (prices of commercials are highest from October to November, before Christmas season, and lowest from January to February and from July to August).

In order to provide flexibility to advertising customers, we offer advertising priced on either on a rate card basis or on a cost per GRP.

Rate-card prices of commercials are set and published each month by our advertising sales team at Polsat Media Biuro Reklamy. Advertisers select commercial breaks based on their assessment of which programs target the audience demographic they wish to reach (the channel is not accountable for the audience actually generated by the program).

GRP prices are established for specific channels each month during a calendar year by Polsat Media Biuro Reklamy advertising sales team and GRP delivery is guaranteed. Advertising sold on a cost per GRP basis is scheduled on the basis of available resources after the booking of sales based on rate-cards. In the opinion of people managing the trading policy of the advertising office, this sales model is the most profitable way to sell our advertising breaks. In 2019, rate-card sales accounted for 75% of all advertising sales on our main channel, POLSAT.

Pricing of sponsoring is made We set the prices of sponsoring with the objective of maximizing our revenue taking into account the programming offer and legal regulations regarding sponsoring limits. Our pricing is based on the relevance of the subject matter of the program to the sponsor's needs and the target group, the quality of our programs, recognition of brands and the attractiveness of the broadcast slot. In order to provide flexibility to advertising customers, we negotiate sponsoring contracts on a case-by-case basis, taking into account all the factors mentioned above.

Sponsoring revenue is primarily dependent on programming quality and marketing attractiveness for the product and its target audience. As a result, sponsoring is not as dependent on the strength of the economy as advertising.

Sale of advertising in the Internet

There are several basic forms of online advertising which are offered by Polsat Media Biuro Reklamy:

- display advertising – graphical elements of various size and shape are displayed in a defined place on a website. These formats can be floating (moving along when scrolling a website and thus always staying in the same place of a screen) or unwinding (changing their size when hovered with a mouse). Display advertising includes various types of invasive advertising shown, for example, as a new layer totally covering a webpage which is viewed,
- video advertising – in the form of spots similar to advertising spots broadcast on TV, which are played before, during and/or after a video content,
- email marketing - a form designed to advertise a specific product by disseminating emails with an advertising message to users of Interia email service,
- untypical forms, such as:
  - sponsored articles – ordered materials which, beside their merit value, include an advertising message,
  - influencer marketing – a form of advertising used in social media by product placement made in posts and video reports by famous and influencing individuals.

There are **two basic models of selling advertising space**:

- direct – when Polsat Media Biuro Reklamy is selling advertising space to an advertiser directly,
- programmatic – when advertising space is put for an auction in which a given advertisement can be purchased by any advertiser (open market) or by selected advertisers only (private marketplace).

Polsat Media Biuro Reklamy is selling display and video advertisements in two payment settlement models. In the page view model, a customer in purchasing a defined number of advertisement issues or buys constant presence of the advertisement in a certain place of a website for defined period of time. In the efficiency model, an advertiser pays only for specified actions of a user, e.g., clicking an advertisement, filling in a form, making a payment etc., regardless of a number of advertisements displayed in total to achieve this target.

In case of non-standard format, the prices are set individually.

2.7.3. Sales

Sale of TV/online advertising and sponsorship

The key source of revenue for our media segment is advertising and sponsorship revenue (approximately 62% in 2020). Almost all of our advertising revenue is collected through our advertising sales office Polsat Media Biuro Reklamy, which acts as our advertising agent (sales house). Polsat Media Biuro Reklamy is responsible for the sale of all forms of advertising: spot advertisements, online advertising, sponsoring services and contracts connected therewith. Polsat Media Biuro Reklamy is responsible for the sale of advertising time on channels that belong to Polsat Group and Interia.

In 2020, Polsat Media Biuro Reklamy carried out the sale of advertising time on our TV channels and 50 channels of other broadcasters outside our Group. Polsat Media Biuro Reklamy often works with international media houses that operate as intermediaries, negotiating purchase conditions and conducting campaigns for their customers. The sale of advertising time is carried out both through annual contracts entered into with media houses, as well as individual direct customers. In 2020, our ten largest media houses collectively accounted for approximately 70% of net advertising and sponsorship revenue of Polsat Media Biuro Reklamy. Similarly to other nationwide broadcasters in Poland, Polsat Media Biuro Reklamy has a relatively stable group of advertisers that it works with.

Polsat Media also offers a comprehensive array of non-TV products, including: Polsat Media Online (video and display advertising), Polsat Media AdScreen (digital OOH (out of home) media), Polsat Media AdTube (a platform which group popular Internet authors – youtubers and influencers), Polsat Media Digital Audio (audio advertising in the Internet) and inter-regional radio station Muzo.fm. In 2020 Polsat Media was recognized with the „Fighter of the Year" award in the report of „Media i Marketing Polska".

In connection with the finalization of the acquisition of Interia.pl Group companies by Polsat Group, from October 1, 2020 full scope of advertising service and all orders for purchasing advertising space in services which belong to Interia.pl are executed by Polsat Media.

Starting from January 2021, Polsat Media is the sole sales representative of Telewizja Puls with regard to sale of advertising spots. Telewizja Puls is the third largest commercial TV in Poland, broadcasting two nationwide TV channels: TV Puls and PULS 2, with a total share in viewership in the A16-49 group at the level of 6.3%. Following the addition of Telewizja Puls channels to Polsat Media portfolio we are the largest TV broker on the market, with the largest share in viewership (around 40% in the A16-49 group) and the largest share in the TV advertising market (45%).

Sale of broadcasting rights to Polsat Group's channels

The second largest source of our revenue in our media segment are agreements with cable TV networks and satellite TV operators to broadcast our channels, which comprised 30% of total revenue in this business segment in 2020. Our agreements with cable TV networks and satellite TV operators are generally non-exclusive licenses for the broadcasting of our channels. Under typical licenses, operators agree to pay us a monthly license fee, the amount of which generally depends on the number of customers who receive our programs and set rates for a package or channel.

Distribution of content online

Sale of content via Internet, through our online television IPLA, is another source of revenue of TV Polsat Group. IPLA is one of the leading platforms on the online video market in Poland both in terms of availability on different devices (computers/laptops, tablets, smartphones, Smart-TVs, set-top-boxes, game consoles) and in terms of content offered. Online access to IPLA's programming is based on three settlement models (transaction-, subscription- and advertisement-based model), with paid access solutions getting recently a visibly increasing interest.

Sales team

Polsat Media Biuro Reklamy is responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, Polsat Media Biuro Reklamy sales force cooperates closely with advertisers to design special campaigns, such as sponsorship campaigns and related cross-promotional opportunities. Together with the programming department, Polsat Media Biuro Reklamy's advertising sales department obtains TV audience ratings data from the NAM telemetric panel on a daily basis. They analyze this data and compare it with audience ratings of our competitors to determine the most effective strategy for scheduling advertising slots to reach advertising clients' preferred audience in the most efficient manner. The department is also responsible for ensuring that advertising slots are allocated in accordance with client specifications regarding context and timing.

Since 2009, Polsat Media Biuro Reklamy uses the PROVYS Sales system, a sales and optimization software compatible with our fully-integrated ERP system, PROVYS TV Office, used by the Group to manage i.a. programming broadcasting. PROVYS Sales enables to simultaneously sell airtime on 78 channels serviced by Polsat Media Biuro Reklamy in 2020 with fully automated broadcasts of commercial airtime as well as campaign results verification based on daily uploaded NAM data. At present, Polsat Media Biuro Reklamy sales advertising time in 80 channels.

In 2017, the Provys Sales system was integrated with the platform Polsat Media AdFlow, which allows advertisers and media agencies for transfer and management of advertising materials. Thanks to this Polsat Media Biuro Reklamy customers have direct contact and technical support of a team seconded to service the flow of broadcasted materials. This integration enables the automatization of a majority of processes related to billing and sending electronic invoices to users of the platform.

In connection with the finalization of the acquisition of Interia.pl Group companies by Polsat Group, from October 1, 2020 full scope of advertising service and all orders for purchasing advertising space in services which belong to Interia.pl are executed by Polsat Media.

In addition, Polsat Media Biuro Reklamy advertising sales department conducts a wide range of market analyses based on external independent industry reports, including research conducted by Starcom and Zenith. Polsat Media Biuro Reklamy also uses data from TGI consumer research held by KANTAR, Mediapanel which provides information on the behavior of Internet users in Poland and other dedicated tools provided by Gemius group (AdReal, Prism, AdOcean).

Polsat Media Biuro Reklamy is a member of EGTA (international trade association of TV and radio sales houses), which gives us the opportunity to interact and cooperate with sales houses from most European countries.

2.7.4. Technology and infrastructure

Broadcasting of TV channels

We broadcast TV channels through digital terrestrial television, cable TV and digital satellite platforms. Certain channels are available as online streams, although this type of distribution only begins to take real part in reaching viewers through a connected TV or a computer.

Terrestrial transmission

POLSAT, our main channel, and the channels Super Polsat, TV4 and TV6 are broadcast via a nationwide network of digital terrestrial transmitters within the MUX-2 operated by Emitel (unrelated entity) and on local multiplexes operated by MWE Teleport Sp. z o.o. and MUX-TVS. Polsat Group's other channels Eska TV, Polo TV and Focus TV are available on MUX-1, also operated by Emitel, while the channel Eska TV Extra is broadcast on local multiplexes MUX-L1 (Emitel/Telewizja Łużyce), MUX-L2 (TVT), MUX-L3 (NTL), MUX-L4 (MWE Teleport Sp. z o.o.). In addition, our newly acquired channel Nowa TV is broadcast on the nationwide MUX-8 operated by EmitelWe have agreements with the above mentioned operators for transmission, up-linking, multiplexing and monitoring of our channels in the digital network. The remaining channels of Telewizja POLSAT are broadcast via digital satellite platforms, cable TV networks and IPTV distributors.

Satellite transmission

As a Group we have several agreements for the use of transponders belonging to Eutelsat S.A. These are contribution agreements: two 8-year agreements, entered into in 2017, providing the right to use two slots on the Eutelsat 12 West a satellite and a 5-year agreement, entered into in 2017 for access to Eutelsat 33C. Through Cyfrowy Polsat, TV Polsat has access to seven other Eutelsat transponders.

Technology and infrastructure

As the leading commercial broadcaster and producer of TV content, TV Polsat uses state-of-the-art technologies and relies on latest equipment. The main picture format is the High Definition 1080i50 standard. The key components of our technical resources include:

- four TV studios, all of which are equipped with cutting-edge, new or recently modernized HD equipment,
- two production halls of 1,200m^2 and 1,600m^2 dedicated to the production of medium to large entertainment shows or TV game shows,
- three production halls: 2 x 500m^2 and 700m^2 for the production of journalistic, entertainment, sports and e-sports programs, including two production control rooms in HD technology with advanced multimedia elements of scene design and use of VR and AR technologies as well as virtual studio,
- five fully digital outside broadcast HD vans,
- a two-camera Slow Motion HD van for replays during sports events,
- 13 digital satellite news trucks ensuring on-site signal feed in HD standard,
- mobile kits for producing simple sports commentary and journalism, which enable both working on-site with transmissions of final signal over IP or remote production from Telewizja Polsat's office,
- a multi-channel automatic TV broadcasting system for broadcasting our channels,
- a multiplex system ensuring the effective transmission of the signal to viewers,
- a digital switching system for TV signals in the hub,
- IT systems and networks designed to handle technological tasks in the fields of production of news and sports programs, auto-promotional materials and postproduction,
- data centers (the main and a backup ones) with virtualization platforms for servers and client stations,
- digital program archive with a modern MAM (Media Asset Management) system for content management,
- HD editing systems connected via IT and SDI networks,
- virtual journalistic and assembly stations for the information channels' needs, enabling remote access,
- more than 80 HD cameras for reporters,
- technological systems for signal exchange between head office and between the station and production halls and regional offices across the country,
- a twin-engine EC-135 helicopter with a gyro-stabilized camera, used for realization of programs and offering the possibility transmitting HD signal up to 100 km.

2.7.5. Broadcasting licenses

In our media segment we currently dispose of 36 broadcasting licenses, including 6 universal broadcasting licenses and 30 broadcasting licenses for thematic TV channels. 4 broadcasting licenses are for terrestrial broadcasting only (POLSAT, TV4, NOWA TV and Fokus TV channels), 4 broadcasting licenses are for terrestrial broadcasting DTT and satellite broadcasting

(Super Polsat, TV6, Polo TV and Eska TV channels) and 28 broadcasting licenses are for satellite broadcasting only. Our current broadcasting licenses were granted by the National Broadcasting Council (KRRiT).

The table below sets out the broadcasting licenses currently held by the Group:

Channel	License holder	Type of license	Licensing body	Date of expiration
POLSAT	TV Polsat	Terrestrial broadcasting license (digital)	KRRiT	March 2, 2024
Super Polsat	TV Polsat	Satellite broadcasting license / Terrestrial broadcasting license (digital)	KRRiT	August 29, 2030
Polsat 2	TV Polsat	Satellite broadcasting license	KRRiT	January 18, 2024
Polsat Sport	TV Polsat	Satellite broadcasting license	KRRiT	January 18, 2024
Polsat Cafe	TV Polsat	Satellite broadcasting license	KRRiT	July 28, 2024
Polsat Sport Extra	TV Polsat	Satellite broadcasting license	KRRiT	October 26, 2025
Polsat Play	TV Polsat	Satellite broadcasting license	KRRiT	November 15, 2025
Polsat News	TV Polsat	Satellite broadcasting license	KRRiT	May 18, 2028
Polsat Film	TV Polsat	Satellite broadcasting license	KRRiT	June 4, 2029
Polsat News 2	TV Polsat.	Satellite broadcasting license	KRRiT	October 5, 2024
TV4	TV Polsat	Digital terrestrial broadcasting license	KRRiT	February 2, 2029
TV6	TV Polsat	Satellite broadcasting license / Terrestrial broadcasting license (digital)	KRRiT	July 22, 2030
Polsat Seriale	TV Polsat	Satellite broadcasting license	KRRiT	October 15, 2023
Polsat Sport Fight	TV Polsat	Satellite broadcasting license	KRRiT	October 15, 2023
Disco Polo Music	TV Polsat	Satellite broadcasting license	KRRiT	April 24, 2024
Polsat Music	TV Polsat	Satellite broadcasting license	KRRiT	April 24, 2024
Polsat Film 2(1)	TV Polsat	Satellite broadcasting license	KRRiT	April 24, 2024
Polsat 1	TV Polsat	Satellite broadcasting license	KRRiT	May 11, 2024
Polsat Sport Premium 1	TV Polsat	Satellite broadcasting license	KRRiT	March 6, 2026
Polsat Doku	TV Polsat	Satellite broadcasting license	KRRiT	March 6, 2026
Polsat Sport Premium 2	TV Polsat	Satellite broadcasting license	KRRiT	March 6, 2026
Polsat Reality(1)	TV Polsat	Satellite broadcasting license	KRRiT	March 7, 2026
Polsat X(1)	TV Polsat	Satellite broadcasting license	KRRiT	March 7, 2026
Polsat Sport News	TV Polsat	Satellite broadcasting license	KRRiT	December 20, 2026
Polo TV	Lemon Records	Satellite broadcasting license/Digital terrestrial broadcasting license	KRRiT	February 23, 2031
VOX Music TV	Lemon Records	Satellite broadcasting license	KRRiT	April 29, 2024
Eska TV	Music TV Sp. z o.o.	Satellite broadcasting license/Digital terrestrial broadcasting license	KRRiT	May 26, 2029
Eska TV EXTRA	Music TV Sp. z o.o.	Satellite broadcasting license	KRRiT	August 1, 2026
Eska Rock TV	Music TV Sp. z o.o.	Satellite broadcasting license	KRRiT	March 16, 2026
Polsat Games	TV Polsat	Satellite broadcasting license	KRRiT	September 16, 2028
Polsat Rodzina	TV Polsat	Satellite broadcasting license	KRRiT	September 16, 2028
Polsat Smart Dom(1)	TV Polsat	Satellite broadcasting license	KRRiT	September 16, 2028
Superstacja	Superstacja Sp. z o.o	Satellite broadcasting license	KRRiT	August 1, 2026

Channel	License holder	Type of license	Licensing body	Date of expiration
NOWA TV	TV Spektrum sp. z o.o.	Terrestrial broadcasting license (analogue/digital)	KRRiT	January 6, 2026
Nova TV(1)	TV Spektrum sp. z o.o.	Satellite broadcasting license	KRRiT	August 1, 2026
Fokus TV	TV Spektrum sp. z o.o.	Terrestrial broadcasting license (digital)	KRRiT	November 21, 2023

(1) The channel has not begun broadcasting yet.

2.7.6. Restrictions on programming and advertising

In addition to regulating broadcasting time and the content of programming aired by Polish TV broadcasters, the Broadcasting Act also imposes certain restrictions on advertising. All of these restrictions are usually described in detail in the broadcasting licenses granted by the KRRiT. Each of our broadcasting licenses is subject to restrictions related to:

- minimum daily TV program broadcasting time;
- minimum percentage share of individual categories of programs in the monthly and daily broadcasting time;
- minimum requirements for the broadcast of programming originally produced in the Polish language and programming of European origin and the requirement to ensure that at least 10% of the broadcaster's programming is obtained from independent producers;
- the maximum percentage share of the daily and weekly broadcasting time of shows and other transmissions produced exclusively by the broadcaster or ordered from independent producers; and
- the obligations to ensure that minor viewers do not have access to transmissions containing acts of violence and to encrypt programs broadcast at specified times or to ensure that previews of transmissions containing erotic content will not be broadcast during certain hours.

Additionally, the Amendment to the Broadcasting Act imposes on us strict advertising requirements including the following:

- advertising and teleshopping spots must be readily recognizable and distinguishable from editorial content;
- broadcasting time of commercials and teleshopping shall not exceed 12 minutes in any given clock hour, however, this limitation does not apply to announcements made by the broadcaster in connection with his own programs and ancillary products directly derived from those programs (these announcements are not to exceed two minutes in any given clock hour) as well as to announcements required by the provisions of law (sponsored announcements in particular);
- broadcasts of commercials and teleshopping spots shall be inserted between programs, however it is permitted to interrupt the following types of programs to broadcast commercials and teleshopping spots:
  - films produced for TV (excluding series, serials and documentaries) as well as cinematographic films – only once for very full 45 minutes program;
  - other programs (except for broadcasts of sports events which contain natural breaks resulting from their rules as well as broadcasts of other events containing breaks during which commercials and teleshopping spots can be aired) if the time between consecutive breaks in a TV program is at least 20 minutes;
  - news, current affairs programs and documentaries with a duration shorter than 30 minutes, religious programs and programs for children may not be interrupted to broadcast commercials or telesales spots;
- spots exclusively dedicated to teleshopping must contain explicit visual and audio disclaimers and must be broadcast continuously for at least 15 minutes; and
- product-specific advertising restrictions including restrictions related to:
  - alcohol, which is prohibited with the exception of beer, the advertising of which is allowed between 8 p.m. and 6 a.m.;

- tobacco, tobacco accessories and products imitating tobacco products as well as gambling, the advertising of which is prohibited at all times;
- pharmaceutical products, the advertising of which is prohibited save for non-prescription pharmaceuticals (the so-called OTC pharmaceuticals), the advertising of which must meet certain strict legal requirements;
- health care services, as defined in the regulations on medical activity, available exclusively on the basis of a referral, the advertising of which is prohibited;
- psychotropic substances and/or intoxicating substances, the advertising of which is prohibited;
- baby formulas, the advertising of which is prohibited.

Moreover, the Amendment imposes on broadcasters the duty to ensure that their media services are accessible to people with visual or hearing disabilities, in particular, by introducing appropriate amenities (such as audio description, subtitles for the hearing-impaired and sign language translation), so that at least 10% of the quarterly broadcasting time (excluding advertising and teleshopping spots) contained such amenities.

In October 2014, television broadcasters operating on the Polish market: ITI Neovision S.A., Telewizja Polsat Sp. z o.o., Telewizja Polska S.A., Telewizja Puls Sp. z o.o., TVN S.A., VIMN Poland Sp. z o.o. and The Walt Disney Company Limited, reached an agreement aimed at the protection of children from harmful content in relation to counteracting to the promotion of unhealthy eating habits. In cooperation with the National Broadcasting Council, broadcasters developed as set of qualifying rules for promotional videos and guidelines for sponsorship to be broadcast with children's programs.

In November 2019, in the office of the National Broadcasting Council (KRRiT) a self-regulation was signed. It was prepared jointly by television broadcasters conducting advertising activities for their own channels and represented channels (Telewizja Polsat, Telewizja Polska, Telewizja TVN) and organizations associating manufactures of dietary supplements (PASMI Związek Pracodawców 'Polski Związek Producentów Leków Bez Recepty', Polska Izba Przemysłu Farmaceutycznego i Wyrobów Medycznych POLFARMED, Krajowa Rada Suplementów i Odżywek, Polski Związek Producentów Przemysłu Farmaceutycznego PZPPF). The essence of the self-regulation is to universally adopt such provisions that will ensure, on the one hand, access to reliable information about beneficial effects of supplements, supporting various functions of the organism, and on the other –that will protect viewers to a larger extent than before against excessive intrusive nature of the advertising message. The self-regulation applies to all advertisements of dietary supplements broadcasted from January 1, 2020.

2.8. Other aspects of our business

Frequency reservations for the purpose of provision of telecommunication services

Polkomtel holds a license to provide mobile telephony services in Poland with frequencies allocated in the 900 MHz band (issued in 1996), a license to provide mobile telephony services, with frequencies allocated in the 1800 MHz band (issued in 1999), a license to provide mobile telephony services in the 2100 MHz band (issued in 2000) and a license to provide mobile telephony services, with frequencies allocated in the 2600 MHz band (issued in 2016). Currently, there is no regulatory requirement to hold a license to provide telecommunications services and the right to use frequencies results from issued frequency allocation decisions and can be extended for further periods by the President of the Office of Electronic Communications (UKE) on the basis of an application for the extension of the frequency allocation (which, in accordance with the Telecommunications Law, must be submitted within 4 to 1 year before the expiry of a given allocation). Currently, based on frequency allocations issued by the President of UKE Polkomtel is entitled to use frequencies in the 900 MHz band until February 24, 2026, in the 1800 MHz band until September 14, 2029, in the 2100 MHz band until January 1, 2023 and in the 2600 MHz band until January 25, 2031. All frequency allocations are technology neutral and can also be used to provide services in each of the technologies currently in use (2G, 3G, 4G lub 5G). Furthermore, as a result of the merger with Nordisk Polska, Polkomtel is entitled to use the frequency in 420 MHz band, based on the reservation decision issued by the President of UKE on December 23, 2020, until December 31, 2035.

Based on reservation decisions issued by the President of UKE, Aero2, Polkomtel's subsidiary, is entitled to use frequencies in the 900 MHz band until December 31, 2023, in the 1800 MHz band until December 31, 2022 and in the 2600 MHz band until December 31, 2024.

In addition, we hold a number of radio licenses for equipment constituting the components of our radio network.

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 Polsat Group customers and enable us to expand our offer by adding new services and products.

Roll-out and commercial launch, in May, of the first in Poland 5G network operating in the 2.6 GHz TDD frequency band was last year's most important event (for more information regarding this topic, please see item 1.6.– *Characteristics of Polsat Group – Competitive advantages* and item 3.3 – *Significant events – Business related events)* of the Report.

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.

In September 2020, as part of Akcelerator S5 acceleration program, we started recruitment of the start-ups who have concepts for putting 5G technology to use in their products and business models. The best solutions will have a chance of commercial implementation. Since 5G technology is quite new and access to it is limited, Polsat Group has decided to join forces with the Acelarator S5 from Lodz in assisting young, innovative companies in gaining better understanding of 5G technology and demonstrating the benefits it can offer in day-to-day life. Being the 5G technology leader, we also wish to promote the technology for the benefit of the business and the society. Some 200 startups from all over Poland, representing very diverse industries, applied to the selection process. The acceleration process was divided into two stages: I – the incubation stage, and II – the acceleration stage. During stage I, which continued for up to three months, the startups were offered financing in the amount of PLN 50 thousand for incubation of their concepts. The purpose of this stage was to prepare the selected startups for work with the 5G technology through transfer of 5G know-how and individual technical consultations, verification of the business and technical potential offered by selected startups and their preparation for participation in the subsequent pilot stage. The startups who will successfully complete the incubation stage and demonstrate, in the validation process, the benefits offered by use of 5G technology in their solutions will move on to the second stage of the program in which they can obtain up to PLN 550 thousand in financial support for the finalization and commercialization of their solutions. The goal of stage II is to develop a product/service, integrate it with the solutions offered by a selected partner, and perform final validation of the project which will use the 5G technology available in the Group's infrastructure. The startups will be offered support by experts as well as individual business and technological consultations, the possibility of carrying out the *Proof of Concept* within Polsat Group, access to the required infrastructure as well as to an advanced technological lab. Should stage II be completed successfully, the selected startups will gain an opportunity of entering into cooperation with the Group.

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.

In the B2B and B2C services segment 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, online customer accounts 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. In the B2B and B2C services segment 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.

In our media segment we rely on numerous IT systems which support management of production of programs, data storage, creation of graphical elements, management of our program library, as well as license management. All the systems related to these areas are provided by external providers.

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.

IT systems are critical to our operations in the field of telecommunication. In network management, we control all network infrastructure elements with respect to their availability, performance and security to control traffic and plan capacity of the network in line with expected business needs.

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 in cooperation with Asseco 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 conduct its business activities, especially in the field of provision of telecommunication services, Polkomtel Group uses, among others, the following real estate property:

- office space, including the company's principal registered office and regional offices, technical space and sales points in regions, which are located in leased premises;
- key technological objects such as mobile switching centers and data centers, which are chiefly located in premises owned by Polkomtel or Polsat Group;
- points of sales network which is organized based on leased premises and partnerships with third parties;
- base stations, located on leased areas.

A majority of Polkomtel's real estate property is encumbered with typical easement rights, mainly for electricity and telecommunication cable conservation.

At present, Polkomtel is developing a complex of buildings located at Puławska St. in Warsaw; the headquarters of Netia, one of the Group companies, was moved in 2020 to one of the buildings which were put into service.

In order to conduct its business activities, especially in the field of provision of telecommunication services, Netia uses, among others, the following real estate property:

- office space, technical space and sales offices, which are located in owned premises and premises leased from, among others, Polsat Group;
- technological objects such as telephone switches and data centers are mainly located in own premises (including the newly acquired, in 2020, Netia's data center in Kraków);
- points of sales network is organized based on leased premises and partnerships with third parties.

In our media segment, the core operations are carried out in leased premises in the office-industrial building located at 77 Ostrobramska Street in Warsaw and in production studios located at 4A Łubinowa Street in Warsaw, owned by Cyfrowy Polsat.

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 Polsat Group (for details see item 4.4.6. – *Operating and financial Review of Polsat Group – Information on guaranties granted by the Company or subsidiaries* of this Report).

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 Group was 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. , 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 over 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 imposure 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 total of 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 5.10 of this Report *Other significant information – Factors that may impact our operating activities and financial results.*

The social initiatives undertaken by the Group in connection with the coronavirus epidemic were presented in detail in the Company's periodical reports for the first quarter and the first half of 2020.

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

Cancellation of the auction for spectrum reservation from the 3.6 GHz band

On March 6, 2020, the Office of Electronic Communications (UKE) announced an auction for the reservation of spectrum from the 3.6-3.8 GHz band, thus starting Poland's first spectrum allocation process for the purposes of 5G network deployment. The auctioned spectrum consisted of four 80MHz blocks from the 3.6 GHz band. The asking price per one block was set at PLN 450 million.

Initially, the deadline for submitting preliminary bids in the auction was to expire on April 23, 2020, and it was the regulator's intention to issue spectrum reservations for 15 years to the auction winners by the end of August 2020 at the latest. Due to the state of epidemic announced on March 20, 2020, the above time limit was suspended, with effect from June 30, 2020 until the cancellation of the epidemic emergency status, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the 'Anti-Crisis Shield 3.0' act adopted by the Polish Parliament on May 14, 2020 included provisions that gave ground to the cancellation of the 5G auction announced by the President of UKE. As at the date of approval of this Report no binding decisions with regard to the form or time schedule of the distribution of spectrum from the 3.6 GHz band were taken.

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, September 30, 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.

Development of Poland's first 5G network

In May 2020, we launched the first commercial 5G network in Poland under the Plus brand using spectrum from the 2.6 GHz TDD frequency band. By the end of 2020 we put into operation a total of over 1,000 5G base stations with over 7 million people within the network's coverage. In 2021, we plan to offer 5G services using more than 1,700 base stations in all present and former provincial capitals as well as in many other towns and locations so that it could be accessed by more than 11 million people in total in over 150 cities and towns (detailed descroption of our investment in 5G network is presented in item 1.3. of this Report – *Characteristics of Polsat Group – B2B and B2C services segment*).

The portfolio of smartphones and routers which support 5G technology is also expanded successively. The offer of end-user equipment includes both, the flagship models as well as the mid- and low-range devices. At the end of 2020, the first 5G smartphone costing less than PLN 1,000 was added to Plus offer on an exclusivity basis – realme 7 5G.

Acquisition of Interia Group

interia

In July 2020, Telewizja Polsat finalized with Bauer Media Invest GmbH and Bauer Polen Invest GmbH an agreement concerning the acquisition of 100% of shares in Grupa Interia.pl Sp. z o.o. as well as all rights and obligations of a limited partner of Grupa Interia.pl Media Sp. z o.o. Sp.k., which resulted in acquiring by the Group exclusive control over all the companies of Interia Group.

The transaction is a long-term, strategic investment for Polsat Group. It will allow the Group to continue its development on the dynamically growing Internet and online advertising market and to improve its cost-effectiveness as a result of insourcing expenditures on ongoing advertising campaigns of the Polsat Group brands.

Detailed information about the acquisition of Interia Group is included in the Company's current reports No. 16/2020 dated April 30, 2020 and No. 23/2020 dated July 2, 2020.

Entering the photovoltaic market

In 2020, we began operations on the photovoltaic market through our subsidiary ESOLEO, which has extensive experience on the photovoltaic market in Poland and offers photovoltaic installations to both individual and business customers. In the business sector it executes photovoltaic installations for the store chain of DINO Polska, among others.

In July 2020, we introduced photovoltaic installations to our offering addressed to individual customers under the brand 'ESOLEO' in our sales network across Poland. The offer provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed under the "turn-key" model, including preparation of all required documents and a notification of the installation filed with the power grid on behalf of the customer. Within the scope of cooperation with 'ESOLEO' the customer may receive a loan for the investment under special offers prepared by banks, including Plus Bank.

In September 2020, ESOLEO signed, as a consortium leader, an agreement to build the biggest photovoltaic farm in Poland for ZE PAK S.A. 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 ESOLEO, fits in perfectly with a wider context pursued by Stowarzyszenie Program Czysta Polska (*Program Clean Poland Association*), founded 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.

On March 12, 2021 Polkomtel and ZE PAK group concluded a power purchase agreement (the PPA) for the total volume of energy produced by a photovoltaic farm Brudzew, with the construction of the farm being executed by a consortium including ESOLEO.

The PPA has been concluded for 15 years with the possibility of a 5-year renewal by Polkomtel and provides for a specified price that is to be inflation-linked starting from 2023. Under the PPA, ZE PAK will be obligated to supply the entire volume of energy produced. Along with the energy and within the agreed contractual price ZE PAK will submit to Polkomtel certificates of origin for the entire purchased volume of energy. Concurrently, Polkomtel undertook to maintain the currently held concession for the sale of energy for the term of the PPA.

Assuming the current inflation forecasts, the total value of the 15-year liability of Polkomtel under the PPA will amount to ca. PLN 300 million. The price level agreed upon between the parties reflects current and forecasted levels of market prices, which has been confirmed by a relevant Fairness Opinion issued by one of the leading consulting firms.

Entering into the PPA results from Polkomtel's interest to secure long-term supplies of electric energy originating from renewable sources for own needs and for the purpose of resale to customers, in particular in the B2B segment, for whom the environmental aspect is becoming increasingly important. This step also supports the Company's and its capital group's ambitions at operate in a sustainable business model by increasing energy efficiency in day-to-day operations and consequently reducing its carbon footprint.

Construction of a data center

We constantly strengthen our position on the advanced ICT solutions market, which is based on modern data centers. In July 2020, the Management Board of Netia decided to invest PLN 79 million in a new facility located near Warsaw. The data center which is being constructed 10 km from the capital city will accommodate, among others, over 1,000 square meters of server space and over 1,400 square meters of modern office space. The investment decision was preceded by the commercial success of collocation services sales by Netia's data center located in Cracow and observed demand for this type of services in the central part of the country. The data center will be powered, similarly as other key data center objects of Netia and cloud solutions from NetiaNext line, with green energy generated by land wind farms. According to the analytical firm Audytel, in 2020 Cyfrowy Polsat Group, with approximately 8,000 square meters of collocation space, is the country's leader on the data center market.

Expansion of the footprint of Plus's fixed-line Internet access

In January 2020, the footprint of the 'Plus Internet Stacjonarny' fixed-line Internet access service, hitherto provided based on Netia's infrastructure, has been expanded by using Orange Polska infrastructure in the so-called regulated local communes, i.e., communes where access to Orange's infrastructure is granted to other operators based on UKE's decision. As a consequence, the service is available to an additional 3.2 million households, 0.5 million of which are connected to fiber optic.

In May 2020, Netia signed an agreement with a wholesale operator Nexera which enables Cyfrowy Polsat Group to use Nexera's fiber optic access network. Nexera is constructing its broadband fixed-line network based on the Digital Poland Operational Program (*Program Operacyjny Polska Cyfrowa, POPC)* in four regions in Poland, in the areas where inhabitants have had so far no access to fast and stable Internet connections. By 2021, Nexera intends to connect to its network over 670 thousand households and over 3.000 schools and educational institutions.

In September 2020, Netia signed an agreement with Fiberhost (Inea Group), which allows Cyfrowy Polsat Group companies to provide services on all open fiber-optic networks, i.e., the networks made available to other telecom operators, which were built by Inea Group within the framework of the POPC program and as own investments. Thanks to that Cyfrowy Polsat Group is able to reach an additional 1.2 million households in Poland.

Taking into account the households within Netia's footprint as well as those which were made available under a wholesale model by Orange, Nexera and Inea, the total reach of 'Plus Internet Stacjonarny' is now around 40% of all households in Poland.

TV Polsat acquires remianing shares in TV Spektrum

On September 18, 2020 Telewizja Polsat acquired from ZPR Media Group additional 50.52% of shares in TV Spektrum Sp. z o.o., the broadcaster of Fokus TV and Nowa TV channels. Following the transaction, Telewizja Polsat became the sole owner of TV Spektrum, which shall facilitate management of Fokus TV and Nowa TV channels. The acquisition will also lead to strengthening, development and more effective building of the programming offer of these stations based on Polish productions.

Acquisition of 100% of shares of Play Communications by Iliad group

On September 20, 2020, French telecom operator Iliad S.A. announced an intent to take control, through its subsidiary, over Polish mobile operator Play and announced on the same day a tender offer for the sale of 100% of shares of Play Communications at the price of PLN 39 per share. In parallel, Iliad signed a binding agreement with Play's two major shareholders, Kenbourne Invest and Tollerton Investments, for the repurchase of 40.18% of Play's shares. On October 27, 2020, Iliad obtained consent from the European Commission to effect the planned takeover.

As a result of the tender offer which closed on November 25, 2020, Iliad acquired 56.48% of shares of Play Communications. Due to exceeding a 95% threshold of total shares held in Play Communications, on December 21, 2020 Iliad announced a squeeze-out for the remaining 3.3% of Play Communications shares. As a result, the trading of Play Communications shares on the Warsaw Stock Exchange was suspended.

Iliad announced that it intends to support Play's development on the mobile market and its entry into the Polish market of convergent services.

Furthermore, on October 23, 2020 Iliad announced that it extended its strategic partnership agreement with Cellnex, the Spanish infrastructure company, to include the co-ownership of Play's passive telecommunication infrastructure. The agreement provides that Cellnex will ultimately acquire 60% of shares in a newly established vehicle company to which around 7,000 own locations of Play along with its network's passive infrastructure are to be transferred, for a consideration of EUR 804 million. The finalization of the agreement with Cellex, which is subject to regulatory approval, is planned for the first half of 2021.

In parallel, Iliad announced that, as a shareholder of Play, it aims to expand within 10 years its network with approximately 5,000 new sites, out of which 1,500 are to be built in co-operation with Cellnex.

3.4. Events after the balance sheet date

Implementation of 5G subscription tariff plans

Following the initial promotional period during which all customers of subscribed tariff plans of Plus and Cyfrowy Polsat networks were able to use 5G services under their existing tariff plans, on January 12, 2021 Plus introduced to its offer new 5G pricelists. The new tariff plans, addressed to both individual and business customers, offer larger data packages than those provided under 4G tariff plans at simultaneously increased prices (the "more-for-more" strategy). Customers are able to choose from among the Internet-and-voice as well as Internet-only subscriptions. The new 5G tariffs assure access to the network with maximum technical speed of 600 Mbps during the entire term of the contract.

The 5G offer for individual customers includes three voice-and-data price plans with 25 GB, 100 GB and 150 GB data bundles which are offered for PLN 60, PLN 90 and PLN 120, respectively. Moreover, individual clients may enjoy two data bundles for 5G mobile Internet access, having the sizes of 500 GB and 1000 GB, which will cost respectively PLN 100 and PLN 200.

Plus 5G offer for companies includes three voice-and-Internet plans with data bundles of 35 GB, 120 GB and 180 GB and monthly access fees (excl. VAT) of PLN 60, PLN 90 and PLN 120, respectively. In addition, two dedicated 5G mobile Internet access offers have been created for business customers, featuring 600 GB and 1,200 GB data bundles which are offered for PLN 100 and PLN 200 (excl. VAT), respectively.

Conditional sale agreement of 99.99% shares of Polkomtel Infrastruktura

Following the review of various strategic options initiated in September 2020, on February 26, 2021 Polsat Group entered into a conditional share sale agreement with Cellnex Poland Sp. z o.o., a subsidiary of Cellnex Telecom S.A., concerning the sale of 99.99% of shares of Polkomtel Infrastruktura, our subsidiary responsible for part of the technical network infrastructure. In particular, it owns the passive and active access layers of the mobile telecommunication infrastructure of Polsat Group, consisting of approx. 7 thousand sites, approx. 37 thousand various systems on-air (incl. over 1 thousand of 5G-equipped systems) and a transmission network.

The value of the transaction was set at approximately PLN 7.1 billion. The transaction is expected to be concluded by the end of October 2021, subject to the fulfilment of the agreed conditions precedent, including, among others, obtaining an antimonopoly clearance and consent of lenders under the SFA.

Polkomtel's core network and all frequencies crucial for providing first-to-market real 5G as well as 2G/3G/LTE services will remain in Polsat Group's possession, as the Group, as the Plus network operator, intends to continuously deliver state-of-the-art communication and content services to its retail, business and wholesale customers.

Furthermore, the parties agreed that upon completion of the conditions precedent a Master Services Agreement will be executed obliging Polkomtel Infrastruktura to provide specified services to Polsat Group for 25 years (subject to renewal for subsequent 15-year terms). The cooperation will be based on a monthly remuneration dependent on the number of sites and active infrastructure systems used and additionally ordered in the future by Polsat Group. Under the contractual obligations, Polsat Group is committed to order a certain number of incremental sites and additional emission systems under specified timeframes. The Master Service Agreement will involve a detailed Service Level Agreement, while the way the contracts will be constructed guarantees the alignment of interests of all parties.

The strategic interest of the partnership with Cellnex is based on a concept of active and passive infrastructure sharing, where the mobile network operator is predominantly interested in end-user experience, while the infrastructure owner is responsible for delivering ordered network capacity in the most cost-efficient manner. First, this approach will strengthen the investment capacity of Polsat Group, which has already entered a new investment cycle with the rollout of the first 5G network in Poland and will seek additional sites to expand the coverage of the new technology. Second, it is open to cooperation with additional tenants with an intention to achieve higher cost efficiency of network rollout in the future. Third, the partnership will provide a higher customer experience, faster deployment of new technologies and better optimization of existing tower portfolios in Poland.

Detailed information on the transaction was presented in the Company's current report No. 2/2021 dated February 26, 2021.

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. 66.00% of total votes at Netia's General Meeting.

Entry into exclusive negotiations regarding a potential acquisition of 10% of the share capital 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 Polsat Group

4.1. Major investments in 2020

The major investments of Cyfrowy Polsat Group in 2020 included:

- commercial launch and development of the 5G network (executed by our subsidiary Polkomtel);
- acquisition of Interia.pl Group (through Telewizja Polsat);
- entering the photovoltaics market (executed by our subsidiary Esoleo);
- acquisition of additional shares of TV Spektrum (through Telewizja Polsat);
- construction of a new data ceter (executed by our subsidiary Netia);
- extension of the office complex at Puławska St. in Warsaw (executed by our subsidiary Polkomtel).

Detailed information regarding the above projects is presented in item 2.8. – *Other aspects of our business – Real estate property*, item 3.3. – *Significant events – Business related events,* and item 4.4.4. – *Operating and financial review of Polsat Group – Cash flow analysis*.

4.2. Operating review of the Group

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%)
MEDIA SEGMENT: TELEVISION AND ONLINE						
Audience share	25.0%	24.2%	0.8 p.p.	23.9%	24.3%	(0.4 p.p.)
Advertising market share	29.2%	28.6%	0.6 p.p.	28.5%	27.9%	0.6 p.p.

4.2.1. B2C and B2B services segment

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.

4.2.2. Media segment: television and online

We consider audience share by channel, TV advertising market share and technical reach when analyzing and evaluating our television broadcasting and production activities. The following tables set forth these key performance indicators for the relevant periods.

We consider average monthly number of users and average monthly number of page views when analyzing and evaluating our online activities. Due to the fact that Interia Group was incorporated only from the third quarter of 2020, and this fact changes considerably the Group's results, the key indicators are presented only for quarterly and not annual periods. The following tables set forth these key performance indicators for the relevant periods

Audience shares

	3 months ended December 31		Change / p.p.	12 months ended December 31		Change / p.p.
	2020	2019		2020	2019	
Audience share[(1) (2)], including:	**24.96%**	**24.18%**	***0.78***	**23.94%**	**24.29%**	***(0.35)***
POLSAT (main channel)	**9.55%**	**10.43%**	***(0.88)***	**9.51%**	**10.99%**	***(1.48)***
Other channels	**15.41%**	**13.76%**	***1.65***	**14.42%**	**13.30%**	***1.10***
TV4	3.26%	3.65%	*(0.39)*	3.38%	3.50%	*(0.12)*
Polsat News	1.91%	0.84%	*1.07*	1.77%	0.73%	*1.04*
TV6	1.60%	3.65%	*(2.05)*	1.68%	3.50%	*(1.82)*
Polsat 2	1.24%	1.20%	*0.04*	1.33%	1.09%	*0.24*
Fokus TV[(3)]	1.22%	0.94%	*0.28*	1.09%	0.87%	*0.22*
Super Polsat	1.18%	0.99%	*0.19*	1.26%	1.00%	*0.26*
Polsat Play	0.79%	0.79%	-	0.64%	0.63%	*0.01*
Polsat Film	0.76%	0.83%	*(0.07)*	0.79%	0.73%	*0.06*
Eska TV	0.64%	0.59%	*0.05*	0.63%	0.66%	*(0.03)*
Polo TV	0.59%	0.84%	*(0.25)*	0.62%	0.99%	*(0.37)*
Polsat Cafe	0.38%	0.43%	*(0.05)*	0.40%	0.39%	*0.01*
Polsat Seriale	0.29%	0.43%	*(0.14)*	0.22%	0.39%	*(0.17)*
Nowa TV[(3)]	0.23%	0.27%	*(0.04)*	0.28%	0.27%	*0.01*
Eleven Sports 1	0.21%	0.04%	*0.17*	0.20%	0.06%	*0.14*
Polsat Sport	0.18%	0.43%	*(0.25)*	0.18%	0.39%	*(0.21)*
Disco Polo Music	0.16%	0.17%	*(0.01)*	0.15%	0.18%	*(0.03)*
Vox Music TV	0.12%	0.09%	*0.03*	0.12%	0.09%	*0.03*
Polsat Doku	0.11%	0.12%	*(0.01)*	0.11%	0.11%	-
Eska TV Extra	0.08%	0.09%	*(0.01)*	0.09%	0.07%	*0.02*
Polsat Music HD	0.07%	0.09%	*(0.02)*	0.06%	0.07%	*(0.01)*
Polsat Sport Extra	0.06%	0.09%	*(0.03)*	0.06%	0.09%	*(0.03)*
Polsat Rodzina	0.06%	0.04%	*0.02*	0.05%	0.04%	*0.01*
Polsat News 2	0.05%	0.04%	*0.01*	0.05%	0.04%	*0.01*
Polsat Games	0.05%	0.04%	*0.01*	0.05%	0.04%	*0.01*
Eleven Sports 2	0.05%	n/d	*n/d*	0.04%	n/d	*n/d*
Polsat Sport Fight	0.04%	0.04%	-	0.04%	0.03%	*0.01*
Eska Rock TV	0.04%	0.03%	*0.01*	0.03%	0.04%	*(0.01)*
Polsat Sport News HD	0.03%	0.04%	*(0.01)*	0.03%	0.04%	*(0.01)*
Superstacja	0.03%	0.04%	*(0.01)*	0.03%	0.06%	*(0.03)*
Polsat 1[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
Polsat Sport Premium 1[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
Polsat Sport Premium 2[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
Eleven Sports 3[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
Eleven Sports 4[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
TV Okazje[(4)]	n/d	n/d	*n/d*	n/d	n/d	*n/d*
Advertising market share [(5)]	**29.2%**	**28.6%**	***0.6 p.p.***	**28.5%**	**27.9%**	***0.6 p.p.***

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
Audience share	3 months ended December 31		change [p.p.]	12 months ended December 31		change [p.p.]
	2020	2019		2020	2019	
Polsat Comedy Central Extra(6)	0.29%	0.22%	*0.07*	0.29%	0.23%	*0.06*
Polsat JimJam	0.20%	0.21%	*(0.01)*	0.18%	0.19%	*(0.01)*
Polsat Viasat History	0.14%	0.17%	*(0.03)*	0.14%	0.18%	*(0.04)*
Polsat Viasat Explore	0.14%	0.94%	*(0.80)*	0.13%	0.87%	*(0.74)*
CI Polsat	0.12%	0.02%	*0.10*	0.12%	0.03%	*0.09*
Polsat Viasat Nature	0.05%	0.02%	*0.03*	0.04%	0.03%	*0.01*

(1) Nielsen Audience Measurement, All day ages 16-49 audience share, including Live+2 (viewership results include 2 additional days of time-shifted viewing).
(2) When calculating the total audience share of Polsat Group and audience share of thematic channels, we take into account the moment of including the channel in our portfolio.
(3) Channel consolidated into Polsat Group from September 2020.
(4) Channel not included in the telemetric panel.
(5) Our evaluation based on Publicis Group's initial estimates.
(6) Channel included in Polsat Group's portfolio in March 2020, previously the channel was aired under the name Comedy Central Family. Full broadcasting periods are presented.

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for the entire Polsat Group amounted to 25.5% in the fourth quarter of 2020, increasing by 0.8 p.p. versus the prior year, and to 23.9% in twelve months of 2020, decreasing by 0.4 p.p. year-on-year. Continuous market fragmentation can be observed on the Polish market, as a result of which audience shares of the main TV channels (Polsat, TVN, TVP1 and TVP2) decrease in favor of the steadily growing audience shares of thematic channels. At this point, the impact that the coronavirus epidemic had on the viewership of our news channel is worth underscoring. Polsat News recorded audience shares of 1.9% and 1.8% in the fourth quarter and full year 2020, respectively, which was up by 1.1. p.p. and 1.0 p.p., respectively, versus the corresponding periods of 2019. In March 2020, during which interest in the pandemic was at its highest, the audience share of our news channel reached as much as 2.5%. Starting autumn, the intensifying epidemic continues to influence significantly the increasing interest in news content.

Channels other than our main channel recorded jointly a year-on-year increase by 1.7 p.p. to the level of 15.4% in the fourth quarter of 2020 and by 1.1 p.p. to 14.4% in 2020. During the analyzed 12-month period of 2020, viewers in the commercial group were attracted by many slots on our main channel's schedule. Premier episodes of the TV series *Pierwsza miłość (First Love)* were constantly popular, gaining an audience share of 14.3%. In turn, Monday's film slot *Mega Hit* had an audience share of 12.5%.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*The News*), maintained high viewership figures with an audience share of 16.1%. The morning block of news and information programs, *Nowy Dzień z Polsat News (New Day with Polsat News)*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 14.7% in 2020. An important change introduced in June 2020 was the extension of the news block by a publicistic series *Gość Wydarzeń (The News' Guest)* at 7.30 p.m., which replaced the series *Świat według Kiepskich.* This program reached a 10.3% audience share.

The results of 2020 were influenced by programs from the season programming schedules. The autumn schedule returned to a typical layout of programs and popular formats. However, we emphasize that in the first half of 2020 part of broadcasts was suspended due to the coronavirus epidemic and the necessity to take into consideration the safety and health of people engaged in production and live broadcasts. This was the case with the Saturday show *Twoja Twarz Brzmi Znajomo (Your Face Sounds Familiar),* which gathered on average 10.2% audience share in both seasons. The show *Taniec z Gwiazdami. Dancing with the Stars* was aired twice in spring and then the broadcasts were suspended. The program resumed airing in autumn, reaching 9.3% audience share in 2020.

As far as series broadcast in season scheduling is concerned, invariably the series *Girlfriends* was popular with an audience share of 12.0%. In the autumn scheduling, the entertainment show *Ninja Warrior* with 12.9% audience share and the reality show *Love Island Wyspa Miłości* watched by 10.4% of audience are both worth mentioning.

In 2020 results of the entertainment programs merit attention. The cabaret cycle *Kabaret na żywo (Cabaret Live)* aired on Sundays had a 11.6% audience share. It is laoso worth noting two record broadcasts: the cabaret gala *Świętokrzyska Gala Kabaretowa* of August 30, 2020 which reached 15.8% of audience and Stolica polskiego kabaretu ZIelona Góra (Zielona Góra the capitol of Polish cabaret) of February 2, 2020 with 15.6% audience share.

In the fourth quarter 2020, the record high audience was traditionally gathered by *Kevin sam w domu (Kevin Alone)* – SHR at the level of 43%. The Christmas carols show *Wielkie Kolędowanie z Polsatem Mariańskie Porzecze 2020 (Great Carolling with Polsat, Mariańskie Porzecze 2020)* aired on the same day reached 22.3% audience share. In turn, New Year's Eve program *Sylwestrowa Moc Przebojów (New Year's Eve Hits)* attracted 25.9% of viewers.

During the lockdown in spring caused by the coronavirus epidemic, we were observing a gradual shift in our customers' interest from news channels and programs, which recorded a significant growth in viewership at the beginning of the state of epidemic, towards entertainment channels, especially film and series channels.

The extraordinary situation related to the epidemic forced us to make decisions during 2020 which impacted and still continue to influence the programming offer of Telewizja Polsat channels. Besides the suspension in spring of certain formats (*Your Face Sounds Familiar, Dancing with the Stars, The Four),* the production of new episodes of the series *Pierwsza Miłość (First Love)* and *Przyjaciółki (Girlfriends)* were also temporarily suspended. Moreover, the festival *Polsat Superhit Festiwal*, planned initially to be held in May 2020, as well as a number of various events, including open air events, planned from May to August 2020 were not organized for the same reason. The uncertain epidemic situation causes that even at present the events which had been organized in the usual format with audience must be produced in a formula which respects the restrictions (e.g., a New Year's Eve show).

Owing to the restrictions binding in spring and the related lack of possibility to continue productions which were planned to be broadcast in the upcoming schedulings the competing television stations were also forced to change programming and use reruns.

Advertising and sponsoring market share

According to estimates of Publicis Group, expenditures on TV advertising and sponsoring in 2020 amounted to approximately PLN 3.9 billion, decreasing year-on-year by 10.1%. Based on these data, we estimate that in 2020 our TV advertising market share amounted to 28.5% and increased by 0.6 percentage points compared to 2019. When analyzing the fourth quarter of 2020, expenditures on TV advertising and sponsoring amounted to PLN 1.4 billion, increasing year-on-year by 4.5%. Our advertising market share amounted to 29.2% in the fourth quarter of 2020 and increased by 2.0 percentage points as compared to 28.6% for the corresponding year.

If we compare the current portfolio of Polsat Group's channels, we generated 9.6% less GRPs in 2020 compared to 2019, which was mainly due to the breakdown on the advertising market in spring 2020, resulting from the introduction of the first lockdown.

Although, according to IAB AdEx survey for three quarters of 2020, expenditures on online advertising in Poland decreased slightly by 0.4% and reached PLN 3.52 billion, this was principally the result of the market breakdown in the beginning of the pandemic, from March to June, while the third quarter itself showed growing revenue and it is expected that the full year 2020 will end in the black.

Distribution and technical reach

Technical reach[(1)]	12 months ended December 31		change [p.p.]
	2020	2019	
Polsat	99.9%	99.9%	-
TV4	99.9%	99.9%	-
Polo TV	98.8%	98.8%	-
Eska TV	98.7%	98.6%	0.10
Fokus TV[(2)]	98.6%	98.3%	0.30
Super Polsat	98.3%	97.9%	0.40
TV6	95.7%	95.4%	0.30
Nowa TV[(2)]	86.7%	83.9%	2.80
Polsat News	67.1%	59.2%	7.90
Eska TV Extra	62.3%	62.1%	0.20
Polsat 2	61.5%	62.7%	(1.20)
Vox Music TV	57.2%	57.3%	(0.10)
Polsat News 2	56.3%	57.2%	(0.90)
Superstacja	56.2%	57.5%	(1.30)
Polsat Cafe	54.6%	56.0%	(1.40)
Polsat Film	54.0%	54.8%	(0.80)
Disco Polo Music	50.5%	50.1%	0.40
Polsat Play	51.2%	52.7%	(1.50)
Polsat Seriale[(3)]	50.2%	49.8%	0.40
Polsat Music HD	49.2%	49.3%	(0.10)
Eska Rock TV	48.4%	48.0%	0.40
Polsat Sport	45.0%	46.6%	(1.60)
Polsat Sport Extra	37.1%	37.3%	(0.20)
Polsat Doku	36.4%	36.2%	0.20
Polsat Sport News HD	30.0%	30.4%	(0.40)
Polsat Games	30.4%	30.4%	-
Polsat Rodzina	29.7%	28.0%	1.70
Polsat Sport Fight	20.1%	20.3%	(0.20)
Eleven Sports 2	15.5%	14.7%	0.80
Eleven Sports 1	15.4%	14.6%	0.80
Polsat 1[(4)]	n/a	n/a	n/a
Eleven Sports 3[(5)]	n/a	n/a	n/a
Eleven Sports 4[(5)]	n/a	n/a	n/a
Polsat Sport Premium 1[(5)]	n/a	n/a	n/a
Polsat Sport Premium 2[(5)]	n/a	n/a	n/a
TV Okazje[(5)]	n/a	n/a	n/a

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)			
Technical reach[(1)]	12 months ended December 31		change [p.p.]
	2020	2019	
Polsat Viasat History	51.4%	51.4%	-
Polsat Comedy Central Extra[(6)]	49.7%	55.2%	(5.50)
Polsat JimJam	45.2%	45.9%	(0.70)
Polsat Viasat Nature	44.3%	44.7%	(0.40)
Polsat Viasat Explore	44.2%	44.5%	(0.30)
CI Polsat	44.3%	43.7%	0.60

(1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel. Arithmetical average of monthly technical reach.
(2) Channel consolidated into Polsat Group from September 2020.
(3) Channel renamed to Polsat Seriale in April 2020 (previously aired as Polsat Romans).
(4) Channel broadcast outside of Poland, not included in the telemetric survey.
(5) Channel not included in the telemetric survey.
(6) Channels in Polsat Group's portfolio since March 2020, previously aired as Comedy Central Family.

Average monthly number of users

The table below presents only websites, whose number of users exceeded half a million in Q4. The Interia.pl portal is presented as a whole, without a breakdown into services.

The average monthly number of users (the 'real users' indicator from the Mediapanel survey) of websites from the Polsat-Interia Group reached 19.73 million in the fourth quarter of 2020, doubling its result compared to the fourth quarter of 2019, which was mainly attributable to the acquisition of Interia.pl Group in July 2020.

The Interia.pl horizontal portal recorded the highest number of users, totaling 13.37 million, which is a similar result as in the previous year. In turn, the highest growth dynamics in the number of users was achieved by polsatnews.pl; 6.27 million of users represents a result which is more than two times higher than in the fourth quarter of 2019, with the change attributable to both significantly higher interest in news since the pandemic outbreak and positive perception of the level of objectivity of the TV channel Polsat News. In the analyzed period we also recorded a visible increase in the number of users of the gossip portal "pomponik.pl" and among other popular websites from Polsat-Interia Group.

Average monthly number of users [(1)] [million]	For 3 months ended December 31		Change
	2020 [(2)]	2019 [(3)]	
Group [(4)]	**19,73**	**9,90**	**9,83**
Selected websites:			
interia.pl [(5)]	13,37	13,48	(0,11)
polsatnews.pl	6,27	2,46	3,81
pomponik.pl [(5)]	5,84	4,55	1,29
smaker.pl [(5)]	4,43	3,73	0,70
bryk.pl [(5)]	2,46	1,85	0,61
ipla.tv + mobile application	2,29	1,91	0,38
styl.pl [(5)]	2,05	1,68	0,36
twojapogoda.pl	1,68	1,10	0,58
polsatsport.pl	1,65	1,39	0,26
deccoria.pl [(5)]	0,97	0,81	0,16
opracowania.pl [(5)]	0,93	0,76	0,17
maxmodels.pl [(5)]	0,50	0,25	0,25

(1) Real Users indicator.
(2) Data for Q4 2020 from Mediapanel survey.
(3) Data for Q4 2019 from Gemius/PBI survey.
(4) Data for Q4 2020 for Polsat-Interia Group, data for Q4 2019 for Cyfrowy Polsat Group, without Interia Group websites.
(5) Data for Q4 2019 for Interia Group websites acquired in July 2020 is not added to the Group's total result.

Average monthly number of page views

The table below presents only websites, whose number of users exceeded half a million in Q4. The Interia.pl portal is presented as a whole, without a breakdown into services.

The average monthly number of page views of websites from Polsat-Interia Group reached 1.7 billion in the fourth quarter of 2020. This represents a result which is eleven time higher than in the fourth quarter of 2019. Following the acquisition of Interia.pl Group in July 2020 we have become one of the leading Internet publishers in Poland.

In the analyzed period the higher number of page views was generated by the Interia.pl horizontal portal. Its content was visited 917.5 million times in the fourth quarter of 2020, which is by 191.6 million times more often than a year ago. In addition, the gossip portal “pomponik.pl” recorded a high and dynamically growing number of page views. The results of polsatnews.pl website are also worth mentioning - the number of page views tripled compared to the fourth quarter of 2019.

Average number of page views (1) [million]	For 3 months ended December 31		Change
	2020 (2)	2019 (3)	
Group (4)	**1 713,3**	**147,2**	**1 566,08**
Selected websites:			
interia.pl (5)	917,5	725,9	191,63
pomponik.pl (5)	94,8	56,1	38,72
ipla.tv + mobile application	39,7	44,1	(4,49)
maxmodels.pl (5)	46,8	42,6	4,15
polsatnews.pl	35,4	10,9	24,53
smaker.pl (5)	27,7	29,0	(1,25)
twojapogoda.pl	12,1	14,5	(2,37)
bryk.pl (5)	11,6	7,7	3,87
styl.pl (5)	10,4	7,7	2,72
polsatsport.pl	7,6	8,9	(1,32)
deccoria.pl (5)	2,5	2,7	(0,18)
opracowania.pl (5)	2,0	1,6	0,44

(1) Views indicator – includes both views of classical websites and views of pages in mobile applications.
(2) Data for Q4 2020 from Mediapanel survey.
(3) Data for Q4 2019 from Gemius/PBI survey.
(4) Data for Q4 2020 for Polsat-Interia Group, data for Q4 2019 for Cyfrowy Polsat Group, without Interia Group websites.
(5) Data for Q4 2019 for Interia Group websites acquired in July 2020 is not added to the Group’s total result.

4.3. Key positions in the consolidated 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 telecommunication services provided to our contract customers, which are not included in the subscription fee,
(iv) payments for telecommunication services paid by our prepaid and mix customers,
(v) fees for the lease of set-top boxes,

(vi) activation fees,
(vii) penalties, and
(viii) 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. Revenues from prepaid mobile telephone services are recognized in the profit and loss statement once the prepaid credit is utilized or forfeited. 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 cable and satellite operator fees,
(iii) revenue from the lease of infrastructure,
(iv) interconnect revenue,
(v) revenue from roaming,
(vi) revenue from the sale of broadcasting and signal transmission services,
(vii) revenue from the sale of licenses, sublicenses and property rights, and
(viii) revenue from the wholesale of Premium rate services.

Sale of equipment consists mostly of revenue from sales of smartphones, set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers, mobile handsets, 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, revenue from the sale of electric energy, revenue from the sale of photovoltaic installations 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 of:

(i) programming license costs,
(ii) amortization of purchased film licenses,
(iii) costs of internal and external production and amortization of sport rights, and
(iv) other content costs.

Programming license costs include monthly license fees due to television broadcasters and distributors, license fees for materials broadcast on VOD and royalties due to collective copyright management organizations and the Polish Film Institute.

Amortization of purchased film licenses includes amortization of rights to TV programming content produced by third parties and licensed to us. Amortization is based on the estimated number of showings and the type of programming content.

Costs of internal and external production and amortization of sport rights include production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses, as well as film production. These costs also include amortization of sport broadcasting rights. Amortization of TV production is based on the estimated number of showings and type of programming content. Amortization of sport broadcasting rights is recognized in 100% on the first broadcast or on a straight-line basis over the seasons or competitions.

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,

(iii) costs of warranty service, and

(iv) costs of maintenance of points of sales.

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 network systems components and telecommunication network equipment (access and core network equipment, network management systems and software, fiber optic cables, etc.),

(ii) amortization of costs of telecommunications concessions,

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

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

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

(vi) non-current assets impairment allowance, and

(vii) 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) telecommunications and IT infrastructure lease costs,

(ii) electric energy costs connected with the functioning of our telecommunications network,

(iii) telecommunication network maintenance costs and fees,

(iv) IT systems maintenance costs,

(v) costs of using satellite transponders,

(vi) payments for the use of conditional access system based on the number of access cards,

(vii) TV broadcasting costs (digital terrestrial transmission and DVB-T),

(ix) interconnection and roaming charges, and

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, salaries and social security contributions relating to employees directly involved in the production of TV programs, which are presented as part of the costs of internal TV production 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 mobile handsets, smartphones, 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.

Cost of debt collection services and bad debt allowance and receivables written off comprises:

(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) the cost of licenses and other current assets sold,

(iii) legal, advisory and consulting costs,

(iv) property maintenance costs,

(v) taxes and other charges,

(vi) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production,

(vii) costs of photovoltaic installations sold and

(viii) 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, interest expenses (including interest on leasing liabilities but other than interest expenses on borrowings), dividends income, fair value gains/losses on financial instruments at fair value through profit or loss, net foreign currency gains/losses, and results on forward exchange contracts and call options, impairment losses recognized on financial assets, unwinding of the discount on provisions.

Finance costs comprise interest on borrowings (including bank loans and bonds), realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, 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 Group's financial situation

The following review of results for the three- and twelve-month month periods ended December 31, 2020 was prepared based on the consolidated 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.

It should be noted that the financial data for the three- and twelve-month periods ended December 31, 2020 and December 31, 2019 are not fully comparable due to the acquisitions and changes to the Group's structure in the period from January 1, 2020 to December 31, 2020, which are described in detail in item 1.2 of this Report - *Composition and structure of Polsat Group*.

Due to the fact that the results of the abovementioned companies do not have a material impact on the results of the Group, excluding Asseco Poland, which is not consolidated using the full consolidation method, we do not eliminate them when analyzing the Group's financial situation.

Our financial results for the fourth quarter and twelve months of 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, including donations.

4.4.1. Income statement analysis

Results for the fourth quarter of 2020

[mPLN]	for the 3 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Revenue	3,248.2	3,069.1	179.1	5.8%
Operating costs	(2,731.3)	(2,593.8)	(137.5)	5.3%
Other operating income, net	7.1	19.0	(11.9)	(62.6)%
Profit from operating activities	**524.0**	**494.3**	**29.7**	**6.0%**
Gain/(loss) on investment activities, net	(11.5)	34.2	(45.7)	(133.6%)
Finance costs, net	(64.9)	(95.3)	30.4	(31.9%)
Share of the profit/(loss) of associates accounted for using the equity method	(45.6)	(1.6)	(44.0)	>100%
Gross profit for the period	**402.0**	**431.6**	**(29.6)**	**(6.9%)**
Income tax	(75.3)	(119.7)	44.4	(37.1%)
Net profit for the period	**326.7**	**311.9**	**14.8**	**4.7%**
EBITDA	***1,126.3***	***1,061.8***	***64.5***	***6.1%***
EBITDA margin	***34.7%***	***34.6%***	**-**	**-**
Costs related to COVID (incl. donations)	(1.1)	-	(1.1)	n/a
EBITDA adjusted	***1,127.4***	***1,061.8***	***65.6***	***6.2%***
EBITDA adjusted margin	***34.7%***	***34.6%***	**-**	**-**

Revenue

Our **total revenue** increased by PLN 179.1 million (+5.8%) YoY in the fourth quarter of 2020.

[mPLN]	for the 3 month period December 31		change	
	2020	2019	[mPLN]	[%]
Retail revenue	1,660.1	1,618.4	41.7	2.6%
Wholesale revenue	1,043.9	925.4	118.5	12.8%
Sale of equipment	424.4	445.4	(21.0)	(4.7%)
Other revenue	119.8	79.9	39.9	49.9%
Revenue	**3,248.2**	**3,069.1**	**179.1**	**5.8%**

Retail revenue increased by PLN 41.7 million (+2.6%) YoY, mainly as a result of the successful execution of our strategy aimed at building customer value, which has been reflected in growth of ARPU from both contract and prepaid customers.

Wholesale revenue increased by PLN 118.5 million (+12.8%) YoY. An increase in advertising revenue, associated mainly with the consolidation of Interia Group results from July 2020 and higher revenue from TV advertising and sponsoring, was further supported by substantially higher interconnect revenue, resulting from the growth of voice traffic volumes during the COVID-19 epidemic, as well as by higher revenue from the sales of channels to cable and satellite operators.

Revenue from the **sale of equipment** decreased by PLN 21.0 million (-4.7%) YoY due to lower volumes of equipment sold, which was caused by the implementation of administrative restrictions on trade in November and December 2020 due to the COVID-19 epidemic.

Other revenue increased by PLN 39.9 million (+49.9%) YoY, mostly due to the consolidation of revenues of Esoleo, our subsidiary that sells photovoltaic installations to individual customers and to the B2B sector.

Operating costs

Our **operating costs** increased by PLN 137.5 million (+5.3%) YoY in the fourth quarter of 2020.

[mPLN]	for the 3 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	615.0	580.3	34.7	6.0%
Depreciation, amortization, impairment and liquidation	602.3	567.5	34.8	6.1%
Cost of equipment sold	359.5	368.6	(9.1)	(2.5%)
Content costs	484.0	454.8	29.2	6.4%
Distribution, marketing, customer relation management and retention costs	259.4	278.1	(18.7)	(6.7%)
Salaries and employee-related costs	265.8	253.1	12.7	5.0%
Cost of debt collection services and bad debt allowance and receivables written off	25.2	27.6	(2.4)	(8.7%)
Other costs	120.1	63.8	56.3	88.2%
Operating costs	**2,731.3**	**2,593.8**	**137.5**	**5.3%**

Technical costs and cost of settlements with telecommunication operators increased by PLN 34.7 million (+6.0%) YoY mainly on the back of higher interconnect costs related to higher volumes of outgoing traffic, which was associated with the COVID-19 epidemic.

Depreciation, amortization, impairment and liquidation costs increased by PLN 34.8 million (+6.1%) YoY, mainly due to intensified capital expenditures in 2019 and 2020 as well as impairment provisions on fixed assets under construction in the fourth quarter of 2020.

The **cost of equipment sold** decreased by PLN 9.1 million (-2.5%) YoY following the introduction of administrative restrictions on trade in November and December 2020 due to the COVID-19 epidemic.

Content costs increased by PLN 29.2 million (+6.4%) YoY. In the fourth quarter of 2020 we aired more sports events than in the corresponding quarter of 2019 (MMA and combat sports galas), which translated into higher costs of programming licenses and, in parallel, was reflected favorably in the scale of our revenue. Moreover, we have intensified expenses on internal production and amortization of sports and film rights in order to boost attractiveness of our autumn program scheduling.

Distribution, marketing, customer relation management and retention costs decreased by PLN 18.7 million (-6.7%) YoY, as a result of, among others, less intensive marketing campaigns. Moreover, in the fourth quarter of 2020 we reclassified costs related to the sale of photovoltaic installations to the "Other costs" line.

Salaries and employee-related costs increased by PLN 12.7 million (+5.0%) YoY, mainly due to the consolidation of companies acquired during the last 12 months, in particular Interia Group which is consolidated from July 2020, which resulted in an increase in headcount at the Group level by 529 FTEs (+7.4%) YoY.

Average employment	for the 3 month period ended December 31		Change	
	2020	2019	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Group(1)	7,643	7,114	529	7.4%

(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 2.4 million (-8.7%) YoY, mostly on the back of lower impairment provisions on receivables.

Other costs increased by PLN 56.3 million (+88.2%) YoY, mainly as a result of the reclassification and recognition of costs associated with the operations on the photovoltaic market as well as higher legal, advisory and consulting costs related to special projects executed by us and higher cost of film licenses sold.

Other operating income, net amounted to PLN 7.1 million in the fourth quarter of 2020 and was lower by PLN 11.9 million YoY.

Loss on investment activities, net amounted to PLN 11.5 million in the fourth quarter of 2020, compared to a gain on investment activities, net of PLN 34.2 million in the fourth quarter of 2019. This was mainly the effect of an unfavorable change on unrealized foreign exchange differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of selected sports content, which were caused by the depreciation of the PLN versus the EUR and USD in the fourth quarter of 2020 compared to its appreciation in the comparative period. Moreover, in the comparative period we recorded higher interest income.

Finance costs, net decreased by PLN 30.4 million (-31.9%) YoY. This decrease was caused mainly by lower costs of interest following the reduction of interest rates by the National Bank of Poland during 2020 by 140 bps in total.

Share of the loss of associates accounted for using the equity method amounted to PLN 45.6 million in the fourth quarter of 2020 compared to the loss of PLN 1.6 million in the fourth quarter of 2019. The recognition of the loss in the fourth quarter of 2020 results from the completion of the purchase price allocation process concerning the 22.95% shareholding in Asseco Poland and the recognition of 12-month cumulated appreciation of the assessed intangible assets, which was partly offset by the recognition of a share of Asseco Poland's positive quarterly result.

Income tax was lower by PLN 44.4 million (-37.1%) YoY.

As a result of the above described changes, **net profit** for the fourth quarter of 2020 increased by PLN 14.8 million (+4.7%) YoY and amounted to PLN 326.7 million.

EBITDA increased by PLN 64.5 million (+6.1%) YoY to the level of PLN 1,126.3 million in the fourth quarter of 2020. EBITDA margin was 34.7% (+0.1 p.p.) YoY. The increase in EBITDA was driven mainly by the positive revenue growth dynamics, supported, among others, by higher retail revenue, higher revenue from TV advertising and sponsoring as well as by the consolidation of positive EBITDA result of Interia.pl Group.

Excluding costs related to COVID-19 and donations included therein, which amounted in total to PLN 1.1 million in the fourth quarter of 2020, the **adjusted EBITDA** result was higher by PLN 65.6 million (+6.2%) YoY and adjusted EBITDA margin was 34.7% (+0.1 p.p.) YoY.

Results for the full year 2020

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Revenue	11,962.9	11,676.1	286.8	2.5%
Operating costs	(10,073.8)	(9,754.8)	(319.0)	3.3%
Other operating income/(cost), net	(2.9)	45.7	(48.6)	n/a
Profit from operating activities	**1,886.2**	**1,967.0**	**(80.8)**	**(4.1%)**
Gain /(loss) on investment activities, net	(113.1)	(27.0)	(86.1)	318.9%
Finance costs, net	(333.0)	(465.9)	132.9	(28.5%)
Share of the profit/(loss) of associates accounted for using the equity method	2.0	(6.5)	8.5	n/a
Gross profit for the period	**1,442.1**	**1,467.6**	**(25.5)**	**(1.7%)**
Income tax	(295.9)	(353.0)	57.1	(16.2%)
Net profit for the period	**1,146.2**	**1,114.6**	**31.6**	**2.8%**
EBITDA	***4,191.9***	***4,196.7***	***(4.8)***	***(0.1%)***
EBITDA margin	***35.0%***	***35.9%***	***-***	***-***
Costs related to COVID (incl. donations)	(45.9)	-	(45.9)	n/a
EBITDA adjusted	***4,237.8***	***4,196.7***	***41.1***	***1.0%***
EBITDA adjusted margin	***35.4%***	***35.9%***	***-***	***-***

Revenue

Our **total revenue** increased by PLN 286.8 million (+2.5%) YoY and amounted to PLN 11,962.9 million.

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Retail revenue	6,480.4	6,458.8	21.6	0.3%
Wholesale revenue	3,526.7	3,350.2	176.5	5.3%
Sale of equipment	1,596.7	1,585.0	11.7	0.7%
Other revenue	359.1	282.1	77.0	27.3%
Revenue	**11,962.9**	**11,676.1**	**286.8**	**2.5%**

Retail revenue increased slightly by PLN 21.6 million (+0.3%) YoY. The positive growth dynamics in retail revenue, which was achieved despite continued negative pressure on retail revenue from international roaming from individual and business customers due to the COVID-19 epidemic and structural pressure on fixed-line revenue provided by Netia, was possible thanks to the effective monetization of our strategy aimed at building customer value.

Wholesale revenue increased by PLN 176.5 million (+5.3%) YoY. A significant increase in interconnect revenue, resulting from strong growth of voice traffic volumes during the COVID-19 epidemic, and higher revenue from the sales of channels to cable and satellite operators compensated for lower advertising revenue caused by the COVID-19 epidemic lockdown in the second quarter of 2020.

Revenue from the **sale of equipment** increased by PLN 11.7 million (+0.7%) YoY. The pace of revenue growth from the sale of equipment slowed down as a result of temporary administrative restrictions on trade, which were imposed in connection with the COVID-19 epidemic in March and April and later in November and December 2020.

Other revenue increased by PLN 77.0 million (+27.3%) YoY. This increase was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers and the consolidation of revenue of Esoleo, our subsidiary that sells photovoltaic installations to individual customers and to the B2B sector.

Operating costs

Our **operating costs** increased by PLN 319.0 million (+3.3%) YoY in 2020.

[mPLN]	for the 12 month period ended December 31		change	
	2020	2019	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	2,460.9	2,311.3	149.6	6.5%
Depreciation, amortization, impairment and liquidation	2,305.7	2,229.7	76.0	3.4%
Cost of equipment sold	1,338.2	1,320.4	17.8	1.3%
Content costs	1,638.4	1,658.5	(20.1)	(1.2%)
Distribution, marketing, customer relation management and retention costs	963.2	1,021.3	(58.1)	(5.7%)
Salaries and employee-related costs	905.9	870.6	35.3	4.1%
Cost of debt collection services and bad debt allowance and receivables written off	128.9	98.9	30.0	30.3%
Other costs	332.6	244.1	88.5	36.3%
Operating costs	**10,073.8**	**9,754.8**	**319.0**	**3.3%**

Technical costs and cost of settlements with telecommunication operators increased by PLN 149.6 million (+6.5%) YoY, mainly as a result of higher interconnect settlement costs on higher volumes of outgoing traffic, which was associated with the COVID-19 epidemic.

Depreciation, amortization, impairment and liquidation costs increased by PLN 76.0 million (+3.4%) YoY, primarily due to intensified capital expenditures in 2019 and 2020.

Cost of equipment sold increased by PLN 17.8 million (+1.3%) YoY, which corresponds with higher revenue from the sale of equipment.

Content costs decreased by PLN 20.1 million (-1.2%) YoY. This decrease was mostly the result of lower costs of internal production and amortization of sports rights, which resulted in particular from savings introduced in the second quarter of 2020 by some of our TV channels due to the significant weakening of the TV advertising market - a direct consequence of the COVID-19 epidemic.

Distribution, marketing, customer relation management and retention costs decreased by PLN 58.1 million (-5.7%) YoY, as a result of cost saving initiatives aimed at adjusting the Group's operations to conditions arising from the imposure of the COVID-19 state of epidemic.

Salaries and employee-related costs increased by PLN 35.3 million (+4.1%) YoY, due to, among others, the recognition of additional costs resulting from the introduction of the state of epidemic and the consolidation of costs of companies acquired during the last 12 months, in particular Interia Group.

Average employment	for the 12 month period ended December 31		Change	
	2020	2019	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Group[(1)]	7,402	7,231	171	2.4%

(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 increased by PLN 30.0 million (+30.3%) YoY, on the back of higher write-offs due to the change of the vindication method used with regard to overdue receivables resulting from unsatisfactory prices on the debt collection market.

Other costs increased by PLN 88.5 million (+36.3%) YoY, mainly as a result of the recognition of costs associated with operations on the photovoltaic installations market, the acquisition of Interia Group, in particular the civil law transaction tax (*PCC*), legal, advisory and consulting costs related to 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 2.9 million in 2020 as compared to PLN 45.7 million of other operating income, net in 2019. The change was mainly due to the recognition in 2020 of donations aimed at combating the effects of the COVID-19 epidemic.

Loss on investment activities, net amounted to PLN 113.1 million in 2020, compared to loss on investment activities, net of PLN 27.0 million in 2019. This was mainly the effect of an unfavorable change on unrealized exchange rate differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of certain sports content and on interests received. This change was caused by the depreciation of the PLN versus the EUR and USD in 2020 compared to its appreciation in 2019, and, at the level of interests received, by the reduction of interest rates by the National Bank of Poland.

Finance costs, net decreased by PLN 132.9 million (-28.5%) YoY. This decrease was caused mainly by the recognition of one-off revenue related to the modification of our bank loan agreements in April 2020 and lower costs of interest following the reduction of interest rates by the National Bank of Poland during 2020 by 140 bps in total while in 2019 a one-off cost was recognized in the total amount of PLN 70.1 million related to the decision on choosing and paying a flat-rate taxation on interest or discount on bonds.

Share of the profit of associates accounted for using the equity method amounted to PLN 2.0 million in 2020 compared to a loss of PLN 6.5 million in 2019, which was due to the recognition of a share of Asseco Poland's net result following the acquisition of 22.95% of shares in this company, as well as the finalization of the purchase price allocation process related to the acquisition of that shareholding and the recognition of 12-month cumulated appreciation of the assessed intangible assets in the fourth quarter of 2020 (a non-cash item).

Income tax decreased by PLN 57.1 million (-16.2%) YoY.

As a result of the above described changes **net profit** increased by PLN 31.6 million (+2.8%) YoY and amounted to PLN 1,146.2 million.

In 2020, **EBITDA** was stable YoY and amounted to PLN 4,191.9 million. EBITDA margin was 35.0%. We maintained a stable EBITDA result in the whole year despite turbulences caused by the COVID-19 epidemic, such as a breakdown on the advertising market in the second quarter of 2020 and the recognition of additional costs in connection with the COVID-19 epidemic, including donations granted by Polsat Group to combat the epidemic in Poland.

Excluding the additional costs related to COVID-19 (including donations), which amounted in total to PLN 45.9 million, the **adjusted EBITDA** result was higher by PLN 41.1 million (+1.0%) YoY and adjusted EBITDA margin was 35.4% (+0.5 p.p. YoY).

4.4.2. Operating segments

The Group operates in the following two segments:

- the B2C and B2B services segment and
- the media segment: television and online.

The Group conducts its operating activities primarily in Poland.

Services provided in the B2C and B2B customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services where revenues are generated mainly from pay TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from subscription fees, settlements with mobile network operators and traffic,
- mobile telecommunication prepaid services which generate revenues mainly from traffic and settlements with mobile network operators,
- fixed telecommunication services, which generate revenues mainly from subscription fees, traffic and settlements with network operators,
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees,
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services,
- lease of fiber optic lines and infrastructure,
- online TV services (IPLA) available on computers, smartphones, tablets, smart TV sets, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet,
- premium rate services based on SMS/IVR/MMS/WAP technologies,
- production of set-top boxes,
- sale of end-user equipment,
- sale of electric energy and other media to retail customers,
- sale of photovoltaic installations.

The media segment consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcast on television, radio and Internet channels in Poland. Revenues generated by the media segment relate mainly to advertising and sponsorship revenues, as well as wholesale revenues from the sale of channels and content to cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and liquidation. EBITDA is not an EU IFRS measure and thus its calculations may differ among different entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the financial year ended December 31, 2020:

12-month period ended December 31, 2020 [mPLN]	B2C and B2B services segment	Media segment: television and online	Consolidation adjustments	Total
Revenues from sales to third parties	10,167.1	1,795.8	-	11,962.9
Inter-segment revenues	63.7	211.1	(274.8)	-
Revenues	**10,230.8**	**2,006.9**	**(274.8)**	**11,962.9**
adjusted EBITDA (unaudited)	**3,631.6**	**606.2**	**-**	**4,237.8**
Costs related to COVID-19 (including donations)	41.8	4.1	-	45.9
EBITDA (unaudited)	**3,589.8**	**602.1**	**-**	**4,191.9**
Depreciation, amortization, impairment and liquidation	2,238.3	67.4	-	2,305.7
Profit from operating activities	**1,351.5**	**534.7**	**-**	**1,886.2**
Acquisition of property, plant and equipment and other intangible assets	1,112.4	105.5	-	1,217.9
Acquisition of reception equipment	147.5	-	-	147.5
Balance as at December 31, 2020				
Assets, including:	27,448.6	5,717.2 [1)]	(50.8)	33,115.0
Investments in joint venture and associates	1,257.8	5.9	-	1,263.7

[1)] Includes non-current assets located outside of Poland in the amount of PLN 10.8 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the financial years ending December 31, 2020 and December 31, 2019 allocated to the B2C and B2B services segment are not fully comparable due changes in the Group's structure which were presented in detail in item 1.2. – *Characteristics of Polsat Group – Changes in the organizational structure of Polsat Group and their effects* of this Report.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the financial year ended December 31, 2019:

12-month period ended December 31, 2019 [mPLN]	B2C and B2B services segment	Media segment: television and online	Consolidation adjustments	Total
Revenues from sales to third parties	9,879.5	1,796.6	-	11,676.1
Inter-segment revenues	55.9	201.3	(257.2)	-
Revenues	**9,935.4**	**1,997.9**	**(257.2)**	**11,676.1**
EBITDA (unaudited)	**3,599.8**	**596.9**	**-**	**4,196.7**
Depreciation, amortization, impairment and liquidation	2,171.4	58.3	-	2,229.7
Profit from operating activities	**1,428.4**	**538.6**	-	**1,967.0**
Acquisition of property, plant and equipment and other intangible assets	1,187.9	43.7	-	1,231.6
Acquisition of reception equipment	123.3	-	-	123.3
Balance as at December 31, 2019				
Assets, including:	27,127.6	5,538.3 [1)]	(76.3)	32,589.6
Investments in joint venture and associates	1,265.4	22.9	-	1,288.3

[1)] Includes non-current assets located outside of Poland in the amount of PLN 12.3 million.

4.4.3. Balance sheet analysis

As at December 31, 2020 our balance sheet amounted to PLN 33,139.0 million and was higher by PLN 549.4 million as compared to its level as at December 31, 2019.

Assets

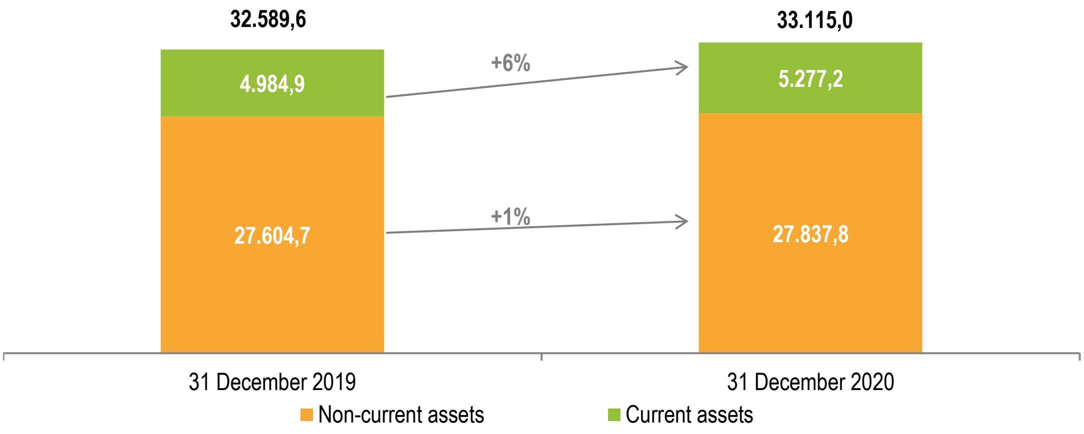
[mPLN]	December 31, 2020	December 31, 2019	Change	
			[mPLN]	[%]
Reception equipment	293.4	262.7	30.7	11.7%
Other property, plant and equipment	5,391.0	4,976.9	414.1	8.3%
Goodwill	11,808.4	11,336.4	472.0	4.2%
Customer relationships	1,412.7	1,821.4	(408.7)	(22.4%)
Brands	2,031.7	2,063.2	(31.5)	(1.5%)
Other intangible assets	2,616.4	2,857.8	(241.4)	(8.4%)
Right-of-use assets	1,519.4	1,420.3	99.1	7.0%
Non-current programming assets	282.5	402.6	(120.1)	(29.8%)
Investment property	50.0	29.4	20.6	70.1%
Non-current deferred distribution fees	93.5	100.5	(7.0)	(7.0%)
Non-current trade receivables	832.0	776.5	55.5	7.1%
Other non-current assets	1,283.6	1,315.8	(32.2)	(2.4%)
shares in associates accounted for using the equity method	*1,257.8*	*1,282.4*	*(24.6)*	*(1.9%)*
derivative instruments	*0.4*	*1.2*	*(0.8)*	(66.6%)
Deferred tax assets	223.2	241.2	(18.0)	(7.5%)
Total non-current assets	**27,837.8**	**27,604.7**	**233.1**	**0.8%**
Current programming assets	413.2	512.3	(99.1)	(19.3%)
Contract assets	537.7	638.7	(101.0)	(15.8%)
Inventories	299.4	306.8	(7.4)	(2.4%)
Trade and other receivables	2,390.4	2,511.6	(121.2)	(4.8%)
Income tax receivables	9.0	4.8	4.2	87.5%
Current deferred distribution fees	222.4	225.7	(3.3)	(1.5%)
Other current assets	39.3	31.9	7.4	23.2%
includes derivative instruments	*2.0*	*0.2*	*1.8*	*>100%*
Cash and cash equivalents	1,355.4	743.5	611.9	82.3%
Restricted cash	10.4	9.6	0.8	8.3%
Total current assets	**5,277.2**	**4,984.9**	**292.3**	**5.9%**
Total assets	**33,115.0**	**32,589.6**	**525.4**	**1.6%**

Our **non-current assets** increased in 2020 by PLN 233.1 million (+0.8%) and accounted for 84.1%. of total assets. The increase in the value of non-current assets was driven in particular by higher value of goodwill, which was associated with the acquisition of Interia Group in July 2020, as well as by an increase in the value of other non-current assets, which resulted from the Group's additional investments in, among others, the development of the 5G network. The above mentioned increases fully compensated for a decrease in the value of customer relationships and other intangible assets (mostly telecommunication licenses) due to the gradually recognized amortization.

Our **current assets** increased in 2020 by PLN 292.3 million (+5.9%) and accounted for 15.9% of total assets of the Group. The value of non-current assets was higher mainly due to an increase in the value of cash and cash equivalents (incl. restricted cash) by PLN 612.7 million or 81.4%, 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 from the above mentioned factor was partially mitigated by lower value of trade and other receivables which decreased by PLN 121.2 million (-4.8%) compared to the end of December 2019. The decrease was due to, among others, the recognition of lower public receivables and lower receivables from advertisements sold. Moreover, the value of contract assets, which represents the Company's right to future remuneration for the products and services already provided to customers, was lower by PLN 101.0 million (-15.8%) compared to the level as at the end of December 2019.

Change in assets [mPLN]



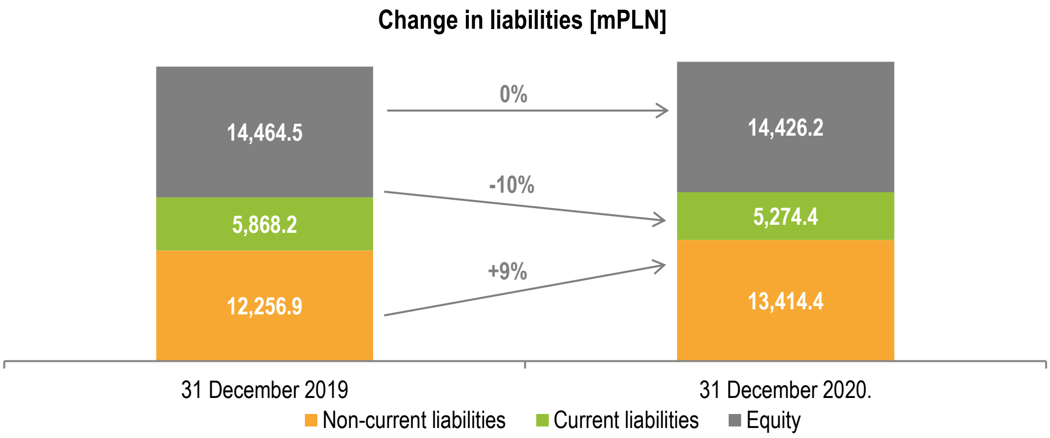
The value of **non-current and current programming assets** decreased in 2020 by PLN 219.2 million (-24.0%) compared to the end of December 2019 as a result of gradual debiting of costs of previously purchased film licenses and sports rights.

The value of **cash and cash equivalents** and restricted cash increased by PLN 612.7 million (+81.4%) 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 822.9 million and a stable stream of generated positive free cash flows.

Equity and liabilities

[mPLN]	December 31, 2020	December 31, 2019	Change [mPLN]	Change [%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Share of other comprehensive income of associates	21.2	-	21.2	n/d
Other reserves	99.7	1.5	98.2	>100%
Retained earnings	7,112.3	6,610.2	502.1	7.6%
Equity attributable to equity holders of the Parent Company	**14,432.8**	**13,811.3**	**621.5**	**4.5%**
Non-controlling interests	(6.6)	653.2	(659.8)	>100%
Total equity	**14,426.2**	**14,464.5**	**(38.3)**	**(0.3%)**
Loans and borrowings	8,887.8	8,617.0	270.8	3.1%
Issued bonds	1,959.2	969.2	990.0	>100%
Lease liabilities	1,140.5	1,023.8	116.7	11.4%
UMTS license liabilities	136.7	236.9	(100.2)	(42.3%)
Deferred tax liabilities	902.1	1,025.3	(123.2)	(12.0%)
Other non-current liabilities and provisions	388.1	384.7	3.4	0.9%
includes derivative instruments liabilities	*16.8*	*3.2*	*13.6*	>100%
Total non-current liabilities	**13,414.4**	**12,256.9**	**1,157.5**	**9.4%**
Loans and borrowings	753.0	1,892.5	(1,139.5)	(60.2%)
Issued bonds	38.7	34.8	3.9	11.2%
Lease liabilities	432.5	413.5	19.0	4.6%
UMTS license liabilities	126.7	116.9	9.8	8.4%
Contract liabilities	675.6	713.1	(37.5)	(5.3%)
Trade and other payables	2,155.3	2,420.8	(265.5)	(-11.0%)
includes derivative instruments	*39.2*	*8.3*	*30.9*	>100%
Liabilities to shareholders of the Parent Company related to dividend for 2019	415.7	-	415.7	n/a
Liabilities due to tender offer for shares in Netia S.A.	548.0	-	548.0	n/a
Income tax liability	128.9	276.6	(147.7)	(53.4%)
Total current liabilities	**5,274.4**	**5,868.2**	**(593.8)**	**(10.1%)**
Total liabilities	**18,688.8**	**18,125.1**	**563.7**	**3.1%**
Total equity and liabilities	**33.115,0**	**32,589.6**	**525.4**	**1.6%**

Equity remained stable and amounted to PLN 14,426.2 million as at December 31, 2020. This was the net effect of profit generated in 2020 in the amount of PLN 1,146.2 million reduced by allocation of the dividend for 2019 in the total amount of PLN 639.5 million and a partial conversion of non-controlling interests into the liability recognized in relation the tender offer for Netia announced on December 23, 2020.



Total liabilities increased by PLN 563.7 million (+3,1%) and amounted to 18,688.8 million as at December 31, 2020, out of which current liabilities amounted to PLN 5,274.4 million and non-current liabilities were PLN 13,414.4 million (constituting 28.2% and 71.8% of total liabilities, respectively). When compared to the end of December 2019, the value of our current liabilities decreased by PLN 593.8 million (-10.1%) while non-current liabilities increased by PLN 1.157.5 million (+9.4%), which resulted from the refinancing of the Group's indebtedness in 2020 and the issuance of Series C Bonds.

The largest changes were recorded in the items related to financial liabilities of the Group. 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 868.7 million (-8.3%) 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 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. In turn, **lease liabilities** (short- and long-term) increased by PLN 135.7 million (+9.4%), mainly due to the conclusion of new and prolongation of the existing lease agreements.

The value of **trade and other payables** decreased by PLN 265.5 million (-11.0%) as at December 31, 2020 compared to the end of December 2019. This decrease was driven primarily by lower value of trade payables, which resulted from settlement of a significant part of payments related to investment outlays carried during the fourth quarter for 2020.

Due to the fact that the dividend for 2019 was split into two tranches with the second one scheduled for payout in January 2021, as at December 31, 2020 **liabilities to shareholders of the Parent Company related to dividend for 2019 were recognized** in the amount of PLN 415.7 million.

Moreover, a liability in the amount of PLN 548.0 million was recognized in relation to the tender offer for ca. 34% of shares of Netia, announced by the Company on December 23, 2020. The tender offer was settled on March 8, 2021 and the Company acquired 84.868 shares of Netia for the total amount of approximately PLN 0.4 million. As a result, on March 8, 2021 the financial liability was withdrawn from the balance sheet.

As at December 31, 2020, we also recorded a decrease in **income tax liabilities** by PLN 147.7 million (-53.4%) 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 for the payment which resulted from the changes introduced by Polish authorities in connection with the COVID-19 state of epidemic.

Contractual obligations

Commitments to purchase programming assets

As at December 31, 2020 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	December 31, 2020	December 31, 2019
within one year	182.9	294.1
between 1 to 5 years	315.6	266.2
more than 5 years	45.1	0.9
Total	**543.6**	**561.2**

The table below presents commitments to purchase programming assets from related parties not included in the consolidated financial statements:

[mPLN]	December 31, 2020	December 31, 2019
within one year	22.1	1.9
between 1 to 5 years	0.2	-
Total	**22.3**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements the production and purchases of the property, plant and equipment was PLN 313.2 million as at December 31, 2020 (PLN 247.8 million as at December 31, 2019). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 64.9 million as at December 31, 2020 (PLN 212.7 million as at December 31, 2019).

Future contractual obligations

As at December 31, 2020 and December 31, 2019 the Group 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	126.0	105.6
between 1 to 5 years	503.9	465.0
more than 5 years	-	116.3
Total	**629.9**	**686.9**

4.4.4. Cash flow analysis

The table below presents selected data from the consolidated 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	1,146.2	1,114.6	31.6	2.8%
Net cash from operating activities	3,251.7	3,473.4	(221.7)	(6.4%)
Net cash used in investing activities	(1,786.3)	(2,715.1)	928.8	34.2%
Capital expenditures	*(1,217.9)*	*(1,231.6)*	*13.7*	*1.1%*
Net cash from financing activities	(856.0)	(1,184.7)	328.7	27.7%
Net increase/(decrease) in cash and cash equivalents	609.4	(426.4)	1,035.8	n/d
Cash and cash equivalents at the beginning of the period	753.1	1,178.7	(425.6)	(36.1%)
Cash and cash equivalents at the end of the period	1,365.8	753.1	612.7	81.4%

Net cash from operating activities

Net cash from operating activities amounted to PLN 3,251.7 million in 2020 and decreased by PLN 221.7 million (-6.4%) YoY. The decrease in net cash from operating activities was impacted mainly by higher by PLN 224.4 million income tax paid, which resulted from the settlement of the CIT for 2019 in the second quarter of 2020, initially settled by simplified advance payments.

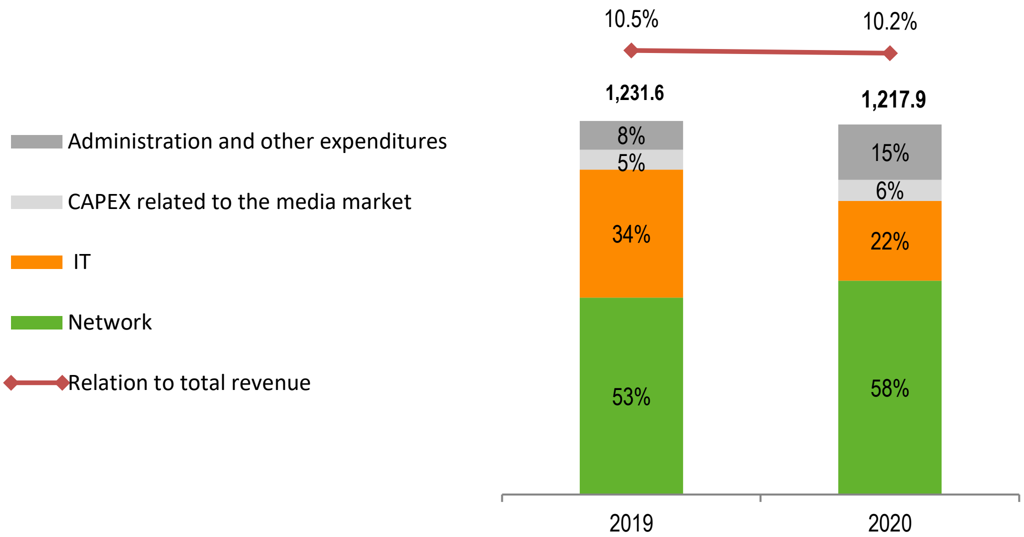
Net cash used in investing activities

Net cash used in investing activities amounted to PLN 1,786.3 million in 2020 and increased by PLN 928.8 million (+34.2%) YoY.

Capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 1,217.9 million in 2020 and remained on a similar level compared to 2019. In 2020, capital expenditures included, in particular, the deployment of the 5G network based on the 2600 MHz TDD band, expansion of fiber optic cables, radio links and transmission nodes, and expenditures related to the continued project of complex modernization and exchange of the IT environment of the Group as well as costs related to the construction of the next data center by Netia and the construction of an office building complex at Puławska St. in Warsaw. At the same time we also invested in the development of Internet projects, set-top boxes and the development of functionalities of applications and streaming platforms (IPLA, Cyfrowy Polsat GO), and we also successively exchanged our car fleet and the interior design of our points of sales, and incurred other administrative expenses.

Moreover, on top of regular capital expenditures, in 2020 net cash used in investing activities also included expenditures related to acquisitions, in particular the acquisition of shares in Interia Group, Esoleo, IST, BCAST, TV Spektrum or the repurchase of Asseco Poland's shares from Reddev. Furthermore, in 2020 we received dividends from our associates in the total amount of PLN 57.2 million, mainly as a result of the acquisition of 22.95% of shares of Asseco Poland.

CAPEX decomposition in 2019-2020



Net cash used in finance activities

Net cash used in financing activities amounted to PLN 856.0 million in 2020, less by PLN 328.7 million (-27.7%) YoY. The decrease of this item in 2020 was mainly owing to the payout of the first out of two tranches of the dividend for 2019, which translated into the total amount of PLN 232.5 million of the dividends paid in 2020 as compared to PLN 594.8 million of the dividend for 2018 being paid last year.

In parallel, in 2020 we effected the scheduled installment payment of our indebtedness, paying in total PLN 254.4. million until December 31, 2020. Furthermore, in 2020 we reduced our indebtedness under the Revolving Credit Facility by PLN 565.0 million, net, incurred lower current debt-servicing costs due to the reduction of interest rates by the National Bank of Poland by 140 bps in total and effected the repayment of liabilities and interest on leasing.

4.4.5. 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 funds available under our revolving facilities (described below) should be sufficient to satisfy 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.

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 as at Dec. 31, 2020
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 [3]	-	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 is based on adjusted EBITDA, 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%.

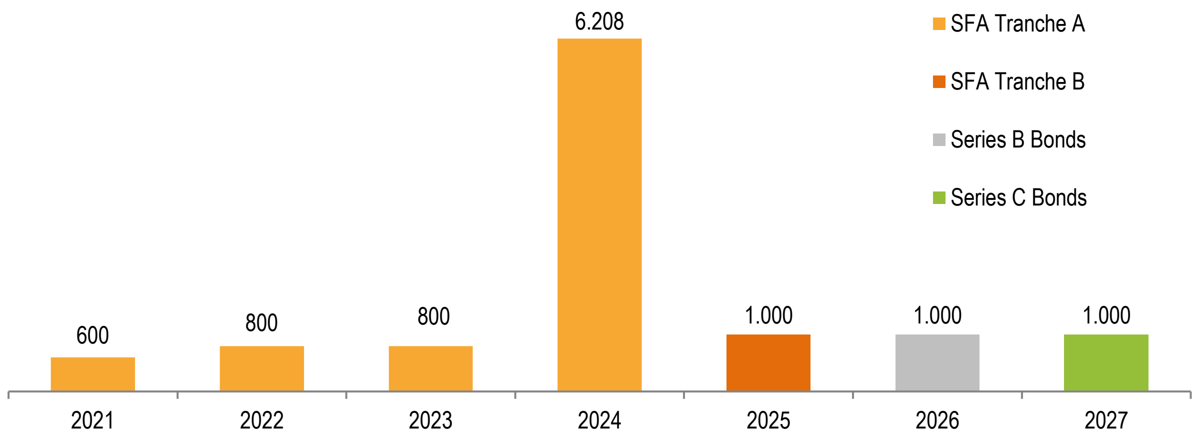
On February 14, 2020, the Company issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 1,000.0 million, maturing on February 12, 2027 ("Series C Bonds"). Series C Bonds constitute so called green bonds which entails that proceeds 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.

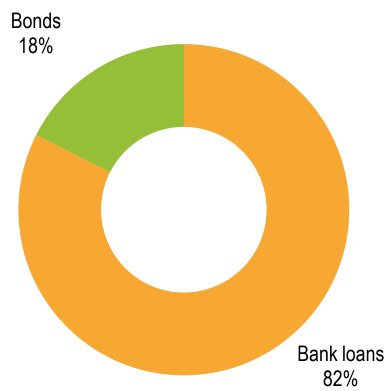
Simultaneously, the Group executed the Accession Deed, which resulted in the extension of the repayment date of Tranche B of the Term Loan (i.e., an additional term facility loan granted on November 27, 2019 within the framework of the SFA in the amount of PLN 1,000.0 million). Tranche B shall be repaid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

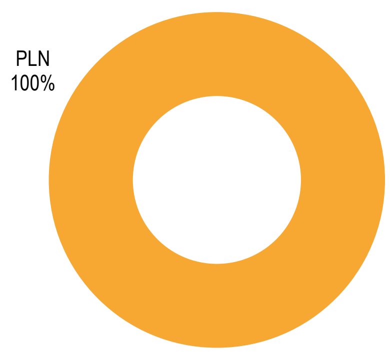
Debt maturing profile as at December 31, 2020 [mPLN]



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 2021-2023, 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 4.4.6. of this Report – *Operating and financial review of Polsat Group – Review of our 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 mobile infrastructure of the Group would translate into a decline of the adjusted debt to EBITDA ratio 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 to more than offsets 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.

4.4.6. 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 44 of the consolidated financial statements for the financial year ended December 31, 2020.

5.2. Information on loans granted

Information on loans granted is presented in Note 40 of the consolidated 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 Group 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 Group's financial situation.

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

On February 24, 2011 the President of UOKiK imposed penalty on Polkomtel in the amount of PLN 130.7 million for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On June 18, 2014, the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 million. On October 20, 2015, SOKiK's verdict has been revoked and the case has been transferred for re-examination. On April 28, 2017, the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3 million. Polkomtel and President of UOKiK appealed against the verdict. On April 3, 2020, both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On April 20, 2020, Polkomtel made a payment in the amount of PLN 1.3 million. Polkomtel and the President of UOKiK filed cassation appeals against the Court of Appeal's verdict.

On December 23, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8 million. The company appealed to SOKiK against the decision. On October 24, 2017, the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On August 30, 2018, Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5 million. On November 20, 2018, Polkomtel made a payment in the amount of PLN 1.5 million. On March 13, 2019, SOKiK dismissed the appeal in the remaining scope. Polkomtel appealed against the decision. On February, 5 2021 the Court of Appeals verdict reduced the amount of penalty in the remaining scope to PLN 0.7 million. On February, 18 2021 Polkomtel paid a penalty of PLN 0.7 million. Polkomtel examines the possibility of bringing a cassation appeal.

On December 30, 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision. On March 5, 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in the remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court.

On December 30, 2016, the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel 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 and Polkomtel were charged with a penalty in the amount of PLN 5.3 million and PLN 18.4 million, respectively. The Group appealed to SOKiK against the decision. On June 18, 2019, SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On August 7, 2019, the court dismissed the appeal of Cyfrowy Polsat. 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 operations of the Company and Polkomtel 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 and Polkomtel was charged with a penalty in the amount of PLN 4.4 million and PLN 12.3 million, respectively. The Group appealed to SOKiK against the decision. On October 14, 2019, SOKiK dismissed the appeal. The Group appealed against the decision. On December 31, 2020, the Group appeal was dismissed. On January 14, 2021, Cyfrowy Polsat and Polkomtel paid the penalty. The Group examines the possibility of bringing a cassation appeal.

On April 29, 2019, the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by charging for activating the services to consumers, despite not obtaining an explicit approval of the additional payment associated with these services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39.5 million. Polkomtel appealed to SOKiK against the decision.

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.

On December 31, 2019, the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by charging additional fees for data transmission using the RSTP protocol, despite the subscribers having internet packages or unlimited LTE Internet services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 50.6 million. Polkomtel appealed to SOKiK against the decision.

On January 22, 2020, the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by clauses included in the terms and conditions of telecommunications services regarding prepaid services and expiration of the unused value of the subscribers' accounts. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 20.4 million. Polkomtel appealed to SOKiK against the decision.

Other proceedings

In September 2015, Polkomtel received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316 million (including interest of PLN 85.0 million), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On December 27, 2018, Court dismissed the entire claim. P4 Sp. z o.o. appealed against the decision. On November 13, 2020, the P4 sp. z o.o. claim for payment of PLN 313 million, including interest of PLN 85 million was delivered by the court. This lawsuit constitutes an "extension" of P4 Sp. z o.o claim dated September 2015 and concerns a further period of the acts alleged against the defendants, i.e. from April 2012 to December 2014. Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In Management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

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.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

The legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication concession for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (currently Aero 2 Sp. z o.o.) and CenterNet S.A. (currently Aero 2 Sp. z o.o.). Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that “the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA’s rulings and the Court’s guidelines regarding further procedure as well as upon analysis of the legal situation”. UKE also stated that the ‘reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies’. On December 23, 2016 President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated August 4, 2017 President of UKE notified the parties that the tender dated 2007 has been annulled. On October 13, 2017 Aero 2 Sp. z o.o. (a successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated August 4, 2017 concerning the annulment of the tender procedure. On January 31, 2018 the President of UKE upheld its decision dated August 4, 2017. On March 7, 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw, on October 4, 2018 complaint was dismissed. On December 27, 2018, Aero2 filed a cassation appeal against judgment. The case is awaiting the appointment by the NSA.

The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with President of UKE’s press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management’s opinion this issue should have no negative impact on the results and financial condition of the Group. Accordingly, no valuation adjustment has been made in these consolidated financial statements.

In the proceedings instigated by T-Mobile Polska, the President of UKE resumed the proceedings which were terminated on April 23, 2009 by the issuance of a final decision by the President of UKE which sustained the decision of the President of UKE dated November 30, 2007 concerning the frequency reservation in the 1710-1730 MHz and 1805-1825 MHz range. Under these proceedings, in the decision dated November 28, 2017 the President of UKE refused, after resuming the proceedings, to annul the reservation decision of the President of UKE dated April 23, 2009. This decision was upheld by the decision of the President of UKE dated June 4, 2018. In connection with complaints filed against this decision, in the ruling of March 11, 2019 the Voivodship Administrative Court in Warsaw annulled the decision of the President of UKE dated June 4, 2018. Aero 2 filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

On October 4, 2018, T-Mobile Polska filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated September 5, 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On November 20, 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On July 4, 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated November 20, 2018, as a result of a cassation appeal filed by T-Mobile Polska. On August 18, 2020, the announcement of the President of UKE dated September 5, 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. Aero 2 filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

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 and Sferia S.A. (Sferia), a company owned by Cyfrowy Polsat Group in 51% since February 29, 2016, received from the Ministry of Digital Affairs a copy of the European Commission's decision dated September 21, 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.

5.6. Changes to the principle rules of management of our Company and the Capital Group

There were no changes to the principle rules of management of our Company and the Capital Group 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. Trade unions

Two trade unions are active at Polkomtel: *Niezależny Samorządny Związek Zawodowy Solidarność* (the Solidarity Independent Self-Governing Trade Union) and *Ogólnopolskie Porozumienie Związków Zawodowych* (All-Poland Alliance of Trade Unions), with the latter active also in Polkomtel Infrastruktura as an intercompany organization. As at December 31, 2020, 100 employees (expressed as full-time equivalents), or ca. 2.6% of the total workforce of Polkomtel Group were trade union members. Trade union organizations are also active in Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018.

5.9. 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.

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

5.10.1. Estimated impact of COVID-19 on operations and financial results of the Group

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, 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, we estimate that Polsat Group's business operations are relatively resistant to the adverse impact of the pandemic. Most of operating activities of the Group companies rely on a business model involving a large base of contract customers, thanks to which the Group obtains stable and predictable revenue streams from subscription fees that translates into a strong positive cash generation.

The COVID-19 epidemic had a significant impact on our media segment. So far, the most significant negative impact from this factor was visible in the second quarter of 2020, when the TV advertising market recorded a 35% decline year on year. A rebound took place in the second half of 2020 thanks to advertisers returning to media but, nevertheless, its scale did not compensate in full for the previous decline. It should be noted that the resurgence of the epidemic (the so-called second wave) in the autumn has led to successive increasing of restrictions, at least temporarily. In light of the above it can reasonably be expected that the advertising market might be adversely affected in the coming quarters, however, as of the date of approval of this Report, it is not possible to assess to what extent.

Estimated impact of the COVID-19 epidemic on operations in the B2C and B2B services segment

Data transmission and voice calls. Under the circumstances of the coronavirus threat and the resulting recommendations to stay at home and work or learn remotely, the significance of data transmission and voice services grew dramatically. Starting from mid-March 2020 the Group recorded a considerable increase in traffic in the telecommunications networks of its subsidiaries. In the whole year 2020, the customers of Plus and Cyfrowy Polsat transferred 1,518 PB of data in our mobile network, which represent an increase by 36% YoY and the highest result in the Group's history. Thanks to the efficient telecommunications infrastructure of Polkomtel and Netia as well as the implementation of modern technologies, we were able to provide our customers with full functionality and quality of operations in conditions of increased network traffic.

In our opinion, the coronavirus pandemic has clearly shown the importance of telecommunications services both in business and private lives and accelerated society digitalization trends. In particular, we believe that remote working and learning, entertainment at home (e.g., online video and gaming) and e-commerce will be successively gaining importance in the future, which should lead to increased consumption of telecommunications services, especially Internet access. Sustained high usage of our telecommunications services should impact favorably, in the mid- and long-term, the stream of retail revenue.

International roaming. Starting from the second quarter of 2020 we recorded a significant decrease in retail revenue from individual and business customers from international roaming, which was related to closed borders and imposed restrictions in movement. The re-opening of the borders from mid-June 2020 did not result in foreign tourism returning to the same extent as before the coronavirus epidemic. Given the current resurgence of the pandemic worldwide (the emergence of the so-called third wave), it seems unlikely that international tourist traffic will recover in the nearest quarters, hence it can reasonably be expected that the impact of the epidemic on roaming revenue will remain negative.

Wholesale services. Owing to higher voice traffic levels the Group recorded a significant increase in the scale of interconnect settlements, which was positively reflected in the level of ARPU. On the other hand, materially higher voice traffic also translated into an increase in costs associated with the purchase of traffic from other operators. We expect that the positive influence of higher interconnection traffic will be gradually declining in the coming quarters, along with a steady decrease of voice traffic, to a level similar to that prior to the outbreak of the epidemic.

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 as well as the number of customers porting their mobile numbers from other operators (so-called MNP – *mobile number portability*). 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.

End-user equipment. At the time of partial closure of the physical sales network in spring 2020 we observed a temporary slowdown in equipment sales, smartphones in particular, which was largely offset by high sales levels following the re-opening of the physical points of sales. In the third quarter of 2020 we recorded strong sales of end-user equipment, in accordance with our initial assumptions. However, at the turn of the third and the fourth quarter of 2020, we observed 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).case if the current trend continues, it may translate into lower sale of equipment in the quarters to come. Furthermore, it cannot be excluded that potential weakening of the labor market and related potentially lower consumer demand may reduce in turn the demand for modern end-user equipment.

Estimated impact of the COVID-19 epidemic on operations in the media segment: television and online

The advertising market, including the TV advertising segment, has suffered severely from the coronavirus pandemic. In the second quarter of 2020, during which pressure had been the strongest so far, the TV advertising market shrunk by 35% year on year. Starting from June an improving market sentiment could be clearly observed, which translated into a slower pace of decline on the advertising market. In the third quarter of 2020 TV advertising revenue decreased by 2.2% quarter on quarter while in the fourth quarter TV ad revenue recorded a 2.4% growth quarter on quarter. However, it can reasonably be expected that the successively increasing restrictions related to the potential next waves of the epidemic may have a negative impact on the value of the advertising market and consequently on our stream of revenues derived from advertising. In case if the scale and duration of the next waves of the epidemic are closer to the negative scenarios, a negative impact on the TV advertising market from this factor can be expected also in 2021.

Since the beginning of the epidemic we have recorded an increase in viewership of certain of our television channels, especially our news station, as well as news programs and children programs. In parallel, the overall consumption of television content grew due to the search for pastime at home. According to data of Nielsen Audience Measurement in the third quarter of 2020 the situation returned broadly to normal and the average daily time for watching television in Poland was 4 hours during weekends while during week days it was 3.5 hours (during the lockdown in the second quarter of 2020 it was as much as 5 hours during the weekends and from 4 to 5 hours during week days). Similiarly, in the fourth quarter of 2020 an average Pole watched television for almost 4 hours and 35 minutes a day, i.e., by nearly 9 minutes longer compared to the corresponding period of last year.

In the second quarter of 2020 a number of sports events, to which the Group holds broadcasting rights, were postponed. After easing off the restrictions, most of them took place, however with limitations which resulted from regulations concerning the safety of sports events. We cannot exclude that the second wave of the pandemic will lead to the re-suspension of certain sports events.

Taking into account the health and safety of artists and employees involved in TV production, in March 2020 Telewizja Polsat decided to withhold production of selected shows, which translated into lower than planned content costs during the preparation of the spring scheduling. After easing off the restrictions, Telewizja Polsat launched content production for the autumn scheduling while implementing all necessary precautions with regard to personal safety of the staff involved. We cannot exclude that restrictions imposed in connection with potential next waves of the epidemic will interfere with TV Polsat's production plans in the coming quarters.

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.

5.10.2. 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.

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation. Assuming a gradual phasing out of the negative economical effects caused by the COVID-19 pandemic, and thus a return of the Polish economy to positive GDP growth dynamics in the years 2021-2022 (forecasted by European Commission at 3.4% in both years), we belive that continued growth of the Polish advertising market can be expected.

In our opinion, television will remain an effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still growth potential for TV advertising in Poland in the long term. Furthermore, the economic growth assumed in the years 2021-2022 shall impact positively the scale of advertisement spending in Poland. It is worth noting that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime mainly thanks to new technical opportunities which include an increasing number of HD channels and growing popularity of VOD, as well as thanks to a growing number of smart-TVs.

Prospects of the online advertising market are also positive. Although according to the IAB AdEx report, in the three quarters of 2020 online advertising expenditures decreased slightly at a rate of 0.4% YoY and reached the value of PLN 3.52 billion. This was principally the result of the market breakdown in the beginning of the pandemic, from March to June, while the third quarter itself showed growing revenue and it is expected that the full year 2020 will end in the black. The two main segments of the online advertising in which we are present, i.e., display and video, were responsible for over 43% of total expenditures on the online advertising market. We believe that following the acqusition of Interia Group and thus gaining a leading position on the online advertising market we can benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

Main general entertainment channels (FTA) are experiencing a gradual decline in audience shares as a result of the high penetration level of the Polish market by pay TV which provides viewers with an increasingly greater selection of thematic channels, as well as an offer of channels available via digital terrestrial television (DTT). According to data published by Nielsen

Audience Measurement, in 2020 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 31.3%, while in 2019 it was equal to 35.6%.

In turn, the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience shares and advertising market shares, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers. From that point of view, the initiation of cooperation and acquisitions in the field of thematic TV channels, made by the Group from 2017 to 2020, are perfectly in line with the Group's long-term strategy to maintain a strong market presence, measured by viewership results, on an increasingly fragmented market. The channels Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV, acquired in December 2017, significantly strengthen the music programming in Telewizja Polsat. Moreover, in June 2018 we included Superstacja, a news channel, and in May 2019 TV Okazje, a telesales channel, into our thematic channels portfolio. In turn, in September 2020 we increased our capital engagement in Nowa TV and Fokus TV channels, becoming their sole owner and, at the same time, strengthening our position among the channels available via digital terrestrial television.

We pay a lot of attention to creating a strong sports offering for our viewers. An important step in strengthening our position in this field consisted in starting strategic cooperation with Eleven Sports in Poland in May 2018. By taking control over its Polish company, Eleven Sports Network, we included premium sports content of the highest quality in our retail and wholesale offering. This represented yet another strategic investment aimed at consistent creating of the best programming offering for our viewers.

In July 2018, we introduced to our offering the TV package "Polsat Sport Premium", thanks to which football fans are able to enjoy live coverage of all the UEFA Champions League matches as well as watch the UEFA Europa League games for three consecutive seasons (until the 2021/2021 season). The package consists of two Super HD channels, i.e. Polsat Sport Premium 1 and Polsat Sport Premium 2, as well as 4 premium PPV services. Bearing in mind these football games in particular, Polsat launched the most advanced and the biggest sports studio in Poland, allowing football fans to receive complete setting for the matches, in the highest visual quality and with an excellent journalist and reporter team of Polsat Sport.

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 Group 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 facilitates better adjustment of the offering to customers' needs and more effective cost management. Based on Netia's infrastructure, we introduced to sales a fixed-broadband access service branded as '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

Orange Polska

In August 2020, Orange Polska informed that it is considering options concerning the establishment of a potential partnership for further development of its fiber optic network. An FTTH access network reaching approximately 1.7 million households would be constructed mainly in areas without existing fast Internet infrastructure by a new entity ('FiberCo'), which would be controlled jointly by Orange Polska and an external investor. Orange Polska would contribute to FiberCo the telecommunications links to approximately 0.6 million households being at present within the coverage of its FTTH network, including around 0.15 million customers in wholesale access. FiberCo's network would be open to Orange Polska and other operators while Orange Polska would operate as FiberCo's main partner in the area of network construction and maintenance as well as service provisioning.

T-Mobile Polska

In July 2018, T-Mobile Polska and Orange Polska signed an agreement based on which T-Mobile provides its customers with broadband services through part of Orange's fiber optic network. The offer of convergent services for residential customers which comprises voice service, OTT television servces of Netflix and IPLA, and fiber optic Internet access was launched at the end of June 2019.

From 2020 the operator also provides convergent services relying on access to fiber-optic networks of Inea and Nexera.

Play

In July 2019, Play informed about signing an agreement with Vectra, a cable TV operator, which enabled Play to offer fixed-line broadband Internet access. The service was launched in April 2020. Moreover, Play acquired 3S S.A., an operator who owns a fiber optic network spanning approximately 3.8 thousand kilometers in the region of Upper Silesia and six data center clasters. The transaction supports migration of Play's transmission network, connecting its base stations, to a technology based on fiber-optic communications which, according to the operator, is related to the impementation of the 5G standard. In August 2020, Play finalized the acquisition of Virgin Mobile Polska, a virtual operator (MVNO), who was thus far operating on Play's infrastructure.

In November 2020, Iliad, French telecom operator, took control over Play. According to Iliad's declarations, the new owner plans to focus on developing convergent services, whereby a detailed business model of the execution of the above mentioned strategy has not been disclosed yet.

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 this 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.

Earlier, the Polish cable network market saw similar acquisitions but on a smaller scale, executed by, among others, Orange, Vectra and Netia. In particular, at the turn of 2019 and 2020 Netia acquired two local cable network players. We expect that the consolidation trends on the cable network market will continue in the years to come.

Changes in pricing of mobile services

A significant event on the mobile telephony market in the years 2019 -2020 was the introduction of modifications to the retail pricelists for services, which consisted in increasing monthly fees in exchange for higher data transmission packages (the more-for-more pricing strategy), cancelling selected low-end tariff plans or increasing rates for connections made above the packages. These changes were associated, among others, with increased demand for data transfer, more stable competitive situation on the mobile market and a shift in strategies of certain operators towards bigger than in the past focus on building customer value and fostering revenue and profitability, which were related, among others, with the planned investments in 5G network construction.

The gradual launch of 5G networks will also enable operators to apply different prices to offers based on the latest technology, that ensures a definitely higher comfort of using mobile services. 5G technology allows to obtain speeds which ultimately can exceed 1 Gb/s while minimizing latency. At the same time, it will ensure a significantly larger capacity of newly built networks, translating into a higher number of end-user equipment which can simultaneously use data transfer in a comfortable manner. However, intensive usage of 5G technology will require larger data packages, which will be offered in higher-end tariff plan proposals.

We expect that the above mentioned changes, in connection with increasing demand for transfer in mobile devices and growing popularity of remote working and learning, shall translate favorably into the growth of the Polish mobile market in the medium- and long-term.

Demand for data transmission on smartphones

In Poland, the popularity of smartphones has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales mix. Concurrently, there is an increasing interest in more and more technologically advanced devices, which ensure much higher comfort of using. In particular, in 2020 the first models of smartphones operating in 5G technology entered the Polish market. The prices of such devices, which were originally relatively high, decreased quickly and at present there are the firsts offers of 5G devices priced at less than PLN 1,000.

The growing popularity of smartphones is reflected in increasing demand for data transfer in the small screen equipment segment. According to the estimates presented in the Ericsson Mobility Report of November 2020, the scale of data transmission in the Central and Eastern Europe region, to which Poland was classified, will increase from 7.5 GB per month in 2020 to 29 GB per month in 2026, driven also by increasing popularity of 5G technology.

We expect that the growing popularity and availability of smartphones which, combined with improving quality parameters of data transmission over our mobile network and the constantly expanded offer of applications and content for customers, shall continue to be the driving factor behind growing demand for data transmission services.

Implementation of 5G networks by mobile operators

In accordance with the European Digital Single Market strategy and guidelines of the European Commission, in 2020 there should have been a fifth generation (5G) telecommunication network operating in at least one city of each EU member state. 5G is a new standard of mobile communications which is to enable the mobile technology to reach transmission speeds exceeding 1 Gbps while at the same time significantly reducing latency to as little as 1 millisecond. The technology is expected to speed up, among others, the development of the Internet of Things, telemedicine services, autonomous cars and intelligent cities. According to EU expectations, Member States should have wide network coverage in 5G technology by 2025.

The frequencies from the 700 MHz, 3.4-3.8 GHz and 26 GHz bandwidths have been designated for the purposes of development of 5G networks in Europe. At present, the processes of bandwidth allocation, depending on availability, are ongoing in respective European states. On March 6, 2020, the Polish regulator, UKE, announced an auction for the spectrum reservation from the 3.4-3.8 GHz band thus starting the country's first allocation process in connection with deployment of the 5G network. The auctioned items were four blocks from the 3.6 GHz band with a width of 80 MHz each. The asking price per one block was set at PLN 450 million.

Due to the state of epidemic announced on March 20, 2020, the auction process was suspended, with effect from March 31, 2020 until the cancellation of the state of epidemic, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the 'Anti-Crisis Shield 3.0' act adopted by the Parliament on May 14, 2020 included provisions that gave ground to the cancellation of the 5G auction under discussion. The auction was formally cancelled in June 2020 and the re-enrolment for the distribution of frequencies is to be preceded by the development of guidances by the governmental body Cybersecurity Board (*Kolegium ds. Cyberbezpieczeństwa*). As at the date of approval of this Report there have not been any binding decisions with regard to the form, date or conditions, including coverage parameters and price, of distribution of frequencies from the 3.4-3.8 GHz band. From press statements of the new President of UKE, who assumed this post in September 2020, it can be concluded that the conditions under the new auction may differ from those of the cancelled auction in the scope of coverage requirements and more stress on higher geographic diversification and quicker pace of construction. As of the date of approval of this Report no details has been revealed publically.

As for the 700 MHz bandwidth, on October 28, 2019, representatives of Polish mobile operators, Exatel and the Polish Development Fund signed, in the presence of the Minister of Digital Affairs, a memorandum on initiating cooperation for analyzing the business models of implementation of 5G technology based on the 700 MHz bandwidth, for the purpose of constructing a unified infrastructure covering the whole territory of Poland. In accordance with the assumptions adopted for modelling, the unified infrastructure operating in the 700 MHz bandwidth would be owned by #POLSKIE5G, a special purpose vehicle in which the State Treasury, or a company partly owned by the State Treasury, would be the dominant entity. The parties to the memorandum assumed that the State Treasury would provide the 700 MHz bandwidth and access to passive infrastructure on owned real estate, while private entities would provide the passive and active infrastructure (as contribution-in-kind or long-term leases) and, potentially, financial resources. The years 2022-2023 are currently indicated by the authorities as the time for commencing the works on freeing up the 700 MHz frequency band. In July 2020 the works on the initial analysis of #POLSKIE5G business model were completed and the study report was forwarded to the prime minister.

Regarding the 26 GHz spectrum, in July 2020 UKE started consultations with market representatives on the utilization of the spectrum from the 26 GHz band as well as of the spectrum from other millimeter frequency bands. According to operators who took part in the consultations, frequency allocations in the 26 GHz band should be made in 2022 or 2023 at the earliest, i.e.,. when greater availability of end-user equipment operating in this band is expected.

At beginning of 2020 a regulation was issued by the Minister of Health providing for a multifold increase of the national norms for permitted electromagnetic field radiation (PEM) which had been among the most stringent in Europe earlier. Thus one of roadblocks preventing wide scale 5G implementation has been removed.

In parallel, all four major mobile operators made respective decisions to start the roll out of commercial 5G networks in selected Polish cities using owned spectrum resources (in 2600 MHz TDD band in the case of Plus and 2100 MHz band in the case of Play, T-Mobile Polska and Orange Polska).

Plus's intention was to use the MIMO 4x4 and QAM256 technologies, enabling data transfer rates of 600 Mbps range. The network roll-out covered major cities of Poland, including Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw. The commercial start of Plus 5G network took place on May 11, 2020 and in the beginning of 2021 Plus 5G network included over 1,000 base stations covering with its reach more than 7 million people (more detailed information is presented in item 3.3. – *Significant events – Business related events*).

Play and T-Mobile Polska informed about the introduction of 5G services to their offers in June 2020 and Orange Polska launched its 5G network in July 2020. It is worth mentioning that the 2100 MHz bandwidth, which serves as a base for providing 5G services by operators who compete with us, is used by them in parallel to provide other services (originally UMTS and later on LTE). These operators apply DSS (Dynamic Spectrum Sharing) technology which causes flexible in time allocation of frequency resources for providing services in various technological generations. This can lead effectively to obtaining visibly lower quality parameteres of 5G services provided than in the case of 5G technology based on a dedicated frequency bandwidth and thus can lead in turn to lower level of customer satisfaction.

Information on seasonality

Wholesale revenue includes inter alia advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer. In the year ended December 31, 2020, Telewizja Polsat Group generated approximately 23.4% of its advertising revenue in the first quarter, 19.0% in the second quarter, 22.4% in the third quarter and 35.3% in the fourth quarter. It should be emphasized that in 2020 the second quarter is not representative of the seasonality trends due to the COVID-19 pandemic that impacted the advertising market to a significant extent in the second quarter of 2020.

As regards retail revenue, mobile revenue is subject to slight fluctuations during the year. This revenue stream tends to decrease in the first quarter of each year due to a lower number of calendar and business days.

Other revenues are not directly subject to substantial seasonal fluctuations.

5.10.3. Factors related to the operations of the Group

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 end of 2020 we had nearly 2.1 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.

Furthermore, 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. We propose optional value added services (VAS) to our Internet access and mobile telephony services, which include, among others, entertainment, news, localization or insurance services.

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.

Strengthening of our market position in online advertising

Thanks to the acquisition of Interia Group we significantly strengthened our position on the dynamically growing Internet and online advertising market. The acquisition is of strategic nature, aimed at achieving by Polsat Group an important position in the Internet.

According to the Mediapanel survey, in the fourth quarter of 2020 the average number of users per month for the combined Polsat-Interia media group exceeded 1.97 million, and the monthly average number of page and app views was around 1.7 billion.

The Internet portal 'Interia.pl,' which belongs to the Group, is one of the largest horizontal portals in Poland and combines electronic mail, thematic services and mobile apps which generate income from many revenue streams.

Following the acquisition of Interia Group we obtained an additional channel for distribution and monetization of the content produced by Telewizja Polsat's channels. We expect to achieve cost optimization thanks to the insourcing of online marketing campaigns for the brands from Polsat Group's portfolio. Moreover, we look to increase efficiency of sales of advertising space by Interia Group thanks to its integration with the advertising office of our Group.

Entering the photovoltaic market

Along with the growing awareness, both globally and in Poland, of a need to preserve natural environment, grows the importance of renewable energy sources which allow to obtain energy without CO2 emissions. Solutions of this type are promoted, among others, by the European Union which set indicative energy targets for its Member States with respect to the share of green energy in its total consumption. Energy production from renewable energy sources is often subsidized by states and declining installation costs made it a real alternative for traditional energetics which uses highly polluting fossil fuels.

Taking the above trend into consideration and meeting the demand for obtaining energy in an inexpensive way, in July 2020 we offered our individual and business customers photovoltaic installations for producing solar energy under a new brand 'ESOLEO'. The installations are sold by Esoleo – a company belonging to Polsat Group, which has extensive experience on the photovoltaic market in Poland. The 'ESOLEO' offer is available across Poland in our points of sale. It was promoted by an extensive marketing campaign aimed at raising awareness of benefits from owning a photovoltaic installation. The offer provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed under the "turn-key" model, including preparation of all required documents and a notification of the installation filed with the power grid on behalf of the customer. In the scope of the cooperation with 'ESOLEO' the customer may receive a loan for the investment under special offers prepared by banks. In the business sector ESOLEO is pursuing, among others, photovoltaic installations for the store chain of DINO Polska.

In September 2020, ESOLEO signed, as a consortium leader, an agreement with ZE PAK S.A. to build the biggest photovoltaic farm in Poland. The subject of this agreement is the designing, installing and putting into operation of 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.

We believe that growing popularity and knowledge about photovoltaic installations among our customers, combined with the renowned solution we offer, could contribute to the generation of a new significant revenue stream for our Group in the coming years and at the same time contribute to a more sustainable energy production model. The transformation of ZE PAK's business model, in which Polsat Group is actively taking part through ESOLEO, fits in perfectly with a wider context pursued by Stowarzyszenie Program Czysta Polska (*Program Clean Poland Association*), which is engaged in natural environment protection and to which all largest companies of Polsat Group, among others, are signatories.

On March 12, 2021 Polkomtel and ZE PAK group concluded a power purchase agreement (the PPA) for the total volume of energy produced by a photovoltaic farm Brudzew, with the construction of the farm being executed by a consortium including ESOLEO.

The PPA has been concluded for 15 years with the possibility of a 5-year renewal by Polkomtel and provides for a specified price that is to be inflation-linked starting from 2023. Under the PPA, ZE PAK will be obligated to supply the entire volume of energy produced. Along with the energy and within the agreed contractual price ZE PAK will submit to Polkomtel certificates of origin for the entire purchased volume of energy. Concurrently, Polkomtel undertook to maintain the currently held concession for the sale of energy for the term of the PPA.

Assuming the current inflation forecasts, the total value of the 15-year liability of Polkomtel under the PPA will amount to ca. PLN 300 million. The price level agreed upon between the parties reflects current and forecasted levels of market prices, which has been confirmed by a relevant Fairness Opinion issued by one of the leading consulting firms.

Entering into the PPA results from Polkomtel's interest to secure long-term supplies of electric energy originating from renewable sources for own needs and for the purpose of resale to customers, in particular in the B2B segment, for whom the environmental aspect is becoming increasingly important. This step also supports the Company's and its capital group's ambitions at operate in a sustainable business model by increasing energy efficiency in day-to-day operations and consequently reducing its carbon footprint.

Investments in network roll-out

In 2020, individual customers of Cyfrowy Polsat and Polkomtel transferred ca. 1.5 EB of data as compared to ca. 1.1 EB transferred in 2019, which represents a 36% growth YoY. Striving to maintain a high quality of provided services, we continue to invest in our telecommunications network roll-out. In particular, upon having approached the level of coverage of nearly 100% of the population with our LTE and HSPA/HSPA+ network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of the 5G technology.

In May 2020, we launched the first in Poland 5G network using the spectrum from the 2.6 GHz TDD frequency band from our frequency portfolio. The launch was the first step en route to Plus's nationwide 5G network coverage in Poland. The network which was put into operation at this stage had a coverage of approximately 900 thousand inhabitants and was composed of 100 transceivers operating in 7 Polish cities - Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw. Several months of user experience observations and the results that were achieved during speed tests have led to the decision, made in November 2020, to expand the coverage of our 5G network by over 150 cities and towns and over 1,700 transceivers so that already in 2021 it could be accessed by more than 11 million people in total. At the end of 2020, thanks to the next phase of network deployment, over 7 million people were within the reach of our 5G network and the total number of base stations operating in 5G exceeded 1,000.

The TDD technology implemented at the current stage of development of our 5G network enables data transmission using one common fragment of spectrum for alternating downlink/uplink transmission. This approach offers balance between data transfer speed (up to 600 Mbps) and coverage (i.e. wide availability), while keeping both parameters at very high quality levels. In the future, as the 5G network develops, the current use of the 2.6 GHz band will guarantee better land mass coverage than when using the 3.4-3.8 GHz bands only and it will enable maintaining a competitive edge during subsequent stages of 5G network roll-out by offering the possibility of 5G frequency band aggregation.

A fully functional 5G network operates based on non-standalone architecture (NSA), integrated with the LTE infrastructure. Polsat Group used existing masts and towers, where 5G transceivers from the existing suppliers of the LTE infrastructure, such as Nokia Solutions and Network and Ericsson, have been installed, to build the next generation network.

We are also working on the development of 5G technology using other radio frequencies and technologies. This will enable us to strengthen the position of Plus as the 5G technology leader in Poland in the future and offer the services to even more customers in more locations.

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.

Attractive content of our TV channels and monetization of sports rights

We offer the biggest and most versatile portfolio of TV channels on the Polish market, which places us in the leading position in terms of viewership among private television groups in Poland and translates into our share in the advertising market. TV Polsat Group channels' portfolio consists of 36 channels. Moreover, there is a group of 6 cooperating channels which are related with Polsat Group either by capital or joint broadcasting projects. The portfolio of our thematic channels includes general entertainment, music, sports, news, lifestyle, movie and children's channels. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as own concepts. Moreover, we have contracts with major film studios which provide access to a wide selection of the most attractive films and series.

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA European Championships and the FIFA World Championships, the football Nations League, big volleyball tournaments – the men's and women's World Volleyball Championships, new, attractive games of the volleyball Nations League, the World Cup, the men's and women's Europe Volleyball Championships, the club volleyball competitions of Polish Plus Liga and Turon Liga and, starting from 2020/2021 season, also the volleyball CEV Champions League, boxing and mixed martial arts galas (UFC, KSW, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, we own rights to the most popular football club competitions – the UEFA Champions League and the UEFA Europa League (rights until the end of the 2020/2021 season). Thanks to taking control over the Polish company Eleven Sports Network in May 2018 we gained access to attractive sports rights which are sold as program packages to pay TV operators active on the Polish market as well as directly to customers through OTT applications (among others, ELEVEN SPORTS and IPLA). This premium sports content includes Spanish LaLiga Santander, German Bundesliga (rights until the end of the 2020/2021 season), Italian Serie A TIM, English The Emirates FA Cup, Carabao Cup and Championship, French Ligue 1 Uber Eats, Portuguese Primeira Liga, F1™ and DTM races as well as Polish PGE Ekstraklasa speedway. Unique content represents an important element that builds the value of our pay TV offering.

In parallel, we also seek to monetize TV channels from our portfolio by offering them in a wholesale offer to other entities which provide pay TV services on the Polish market. This translates positively into the level of wholesale revenues we generate in the media: television and online segment.

Conditional sale of Polsat Group's mobile infrastructure

In September 2020, Polsat Group initiated a review of strategic options regarding the potential sale of the telecommunication infrastructure owned by Polkomtel Infrastruktura, a subsidiary of Cyfrowy Polsat responsible for part of the technical network infrastructure. The purpose of this review was to select the most advantageous way to support the execution of the Group's long-term strategy.

Polkomtel Infrastruktura owns of the passive and active access layers of the mobile telecommunication infrastructure of Polsat Group, consisting of c. 7 thousand sites, c. 37 thousand various systems on-air (incl. over 1 thousand of 5G-equipped systems) and a transmission network.

Within the framework of this process, on February 26, 2021 Polsat Group entered into a conditional share sale agreement with Cellnex Poland Sp. z o.o., a subsidiary of Cellnex Telecom S.A., concerning the sale of 99.99% of shares of Polkomtel Infrastruktura for a consideration of c. PLN 7.1 billion. The transaction is expected to be concluded by the end of October 2021, subject to the fulfilment of the agreed conditions precedent, including, among others, obtaining an antimonopoly clearance and consent of lenders under the SFA (for details see item 3.4 – *Significant events – Events after the balance sheet date*).

The strategic interest of the partnership is based on a concept of active and passive infrastructure sharing, where the mobile network operator is predominantly interested in end-user experience, while the infrastructure owner is responsible for delivering ordered network capacity in the most cost-efficient manner. First, this approach will strengthen the investment capacity of Polsat Group, which has already entered a new investment cycle with the rollout of the first 5G network in Poland and will seek additional sites to expand the coverage of the new technology. Second, it is open to cooperation with additional tenants with an intention to achieve higher cost efficiency of network rollout in the future. Third, the partnership will provide a higher customer experience, faster deployment of new technologies and better optimization of existing tower portfolios in Poland.

5.10.4. Factors related to the regulatory environment

Cap interconnect rates for termination of calls in mobile (MTR) and fixed-line (FTR) networks

The provisions of the European Code of Electronic Communication (Directive (EU) of the European Parliament and of the Council 2018/1972 of December 11, 2018) assume further regulation of MTRs and FTRs. According to the above mentioned directive, in 2020 the European Commission issued a delegated act based on which the highest level of MTRs and FTRs that could be applied by operators in the European Union are specified. The cap rates were set 0,2 euro cents/min for MTRs and 0,07 euro cents/min for FTRs. The delegated act adopted by the European Commission provides for a transition period with a time schedule for reducing the rates in order to reach their assumed level in January 2024 for MTEs and January 2022 for FTRs, respectively. The delegated act has not been published in the Official Journal of the European Union yet.

Implementation of the European Code of Electronic Communication to national legislation

In accordance with the Directive (EU) of the European Parliament and of the Council 2018/1972 (the European Code of Electronic Communication), all EU member states are obligated to implement the provisions of the above mentioned directive to their national legislation by December 21, 2020. At present, the Ministry of Digitation is conducting consultations of a draft act the ‘Electronic Communications Law’ which is to implement the European Code of Electronic Communication into the Polish law order and replace the currently binding ‘Telecommunications Law’ act. In parallel, as part of work on the COVID-19 related Anti-Crisis Shield 3.0, amendments to the Telecommunications Law act were introduced and came into effect from December 21, 2020, with part of them constituting the implementation of some of the obligations resulting from the European Code of Electronic Communication.

New obligations arising from the so-called Anti-Crisis Shields

Within the scope of the COVID-19 combating act of March 2, 2020, with amendments (referred to as ‘Anti-Crisis Shields’), obligations related directly or indirectly to fighting the epidemic were imposed on telecommunications operators. One of the obligations is to ensure that when a subscriber views web sites belonging to entities from the public finance sector, or other web sites as defined in a list kept by the minister in charge of digitization, then such viewing shall not affect the usage of a data transmission limit within the package chosen by that subscriber, unless the subscriber is abroad and surfs using international roaming. Another obligation is to deliver, at the request of the minister in charge of digitization, information concerning the location of individuals in quarantine, anonymized data on location of all network users as well as billing and location track records from the last two weeks in case of all individuals with a confirmed COVID-19 infection.

Proposal to extend the operation of the currently binding Rome Like at Home (RLAH) regulation by another 10 years

In February 2021 the European Commission published a draft regulation, which assumes the prolongation of the currently binding Roam Like At Home principle (regarding roaming costs while travelling on the territory of the European Union countries) for another 10 years, i.e. till 2032.

The EU proposal assumes, among others, further reductions of the maximum wholesale rates for interconnection settlements in July 2022 and January 2025. The new price caps would be, respectively:

- 0.022 euro and 0.019 euro per minute of an outbound voice calls;

- 0.004 euro and 0.003 euro per SMS text message;
- 2 euro and 1.5 euro per gigabyte of Internet usage.

In addition, the draft EU regulation imposes obligations on operators with regard to providing connections to emergency numbers and premium rates services as well as quality of services in regulated roaming.

The EU's new proposal still requires acceptance by the EU Council and the European Parliament. The amended regulation is planned to enter into force from July 1, 2022.

More flexible time limits for TV commercials

The government has developed and submitted for comments the amended Radio and TV Act which will, among others, modify the current time limits for commercials, is intended to strengthen the TV advertising market, according to the authors of the draft. At present commercials may last maximum 12 minutes per hour, while the amended law introduces a division of the day into three parts:

- from 6 a.m. to 6 p.m. commercials may last up to 20% of air-time, i.e. maximum 144 minutes,
- from 6.p.m. to midnight commercials may last up to 20% of air-time, i.e. maximum 72 minutes,
- from midnight to 6 a.m. there are no limits as to the duration of commercials.

The draft amendment maintains the existing regulations with regard to the allowed frequency of interrupting programs with commercials, the regulations which prohibit public broadcasters, i.e., Telewizja Polska and Polskie Radio, to interrupt TV shows, series and movies with commercials as well as the regulations which prohibit any broadcaster to interrupt programs such as news programs, religious programs, journalistic and documentary programs shorter than 30 minutes or children shows with commercials.

Draft amendment to National Cybersecurity Act

There are ongoing works in Poland to introduce a definition of a high risk telecommunications equipment supplier to the country's legal system within the scope of the amended National Cybersecurity Act of July 5, 2018. The draft amendment was submitted for comments and assumes that telecommunication operators will not be permitted to buy equipment from any vendors classified as presenting high and moderate risk. Hardware and software purchased from such vendors earlier will have to be removed within 5 years.

We use services with regard to supplies of telecommunication equipment and maintenance of telecommunication infrastructure rendered principally by Ericsson, Nokia Solutions and Networks and, to a minimum degree, Huawei. Continued cooperation with some of our external suppliers is important to us in order to maintain our operations without disruption. Should any of the largest telecommunications suppliers be considered a high risk supplier and consequently excluded from the supply chain, market competitiveness may be reduced and prices of the telecommunications equipment may rise. Furthermore, imposing an obligation on telecommunication operators to replace telecommunication equipment delivered by a supplier considered as a high risk one may lead to high costs of replacing such network equipment and, as a result, adversely affect the costs and pace of construction and modernization of a given operator's telecommunication network.

Draft act on a tax on advertising revenue

On February 2, 2021, the Ministry of Finance published a draft act concerning a tax to be imposed on advertising revenue. The draft provides that non-Internet media, such as TV and radio broadcasters, cinema and outdoor advertising operators will pay the tax only if advertising revenue in a calendar year exceeds PLN 1 million. In the case of press publishers the threshold is PLN 15 million.

The proposed tax rates for non-Internet media other than the press are 7.5% on revenue of up to PLN 50 million (upon exceeding the PLN 1 million threshold) and 10% on revenue exceeding PLN 50 million. The tax rates will be higher In the case of "qualified" goods (i.e. medicines, food supplements, medical products and beverages with high sugar content) which have been indicated as a separate category. According to the initial proposal of the Ministry of Finance the respective rates would be 10% on revenue up to PLN 50 million (no entry threshold) and 15% on revenue exceeding PLN 50 million.

The tax on online advertising revenue would apply to companies that had over EUR 750 million of advertising revenue globally in the preceding calendar year and more than EUR 5 million of advertising revenue obtained in Poland (both of these conditions must be met jointly for the tax to apply). The tax rate will be 5% and will be imposed only on revenue derived from the ads displayed to Internet users in Poland.

In accordance with the initial draft of the new act, the advertising tax would come into force from July 2021. The Ministry of Finance estimates the national budget's revenue from that title to be ca. PLN 800 million in 2022. Assuming the tax threshold remains unchanged, the additional burden on Polsat Group's income statement could be significantly in access of PLN 100 million per 12 months.

As at the date of this Report, details concerning potential new proposals with regard to the advertising revenue tax or a possible date of entry into force of a relevant act are not known.

5.10.5. 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 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 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 a 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.

5.11. 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;
- stable competitive situation on mobile telephony market, reflected in a decreasing volume of numbers ported by customers between networks;
- 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;
- growing penetration of smartphones among customers of mobile networks, followed by the development of the mobile data transmission market;
- increasing customer expectations with regard to the level of advancement of end-user equipment, reflected in the growing demand for more advanced and more expensive smartphones;
- changes within the pricelists for mobile services, coupled with the simultaneous increase of data transmission packages (the „more for more" strategy), resulting from higher demand for data transmission in smartphones and investments in 5G standard;
- increasing demand for fast and stable data transmission, driven by higher than in the past popularity of remote working and learning;
- development of the first 5G networks, which is related with intensified investments and additional revenue from offering higher-end tariff plans which guarantee higher quality parameters and larger data packages;
- 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, associated, among others, with the production of high quality exclusive content for individual VOD services;
- entry of a number 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;
- increased TV content production costs, which translates into higher prices on the wholesale TV content market;
- 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;
- further fragmentation of the TV market (increasing share of thematic channels in viewership and advertising revenue);
- continued consolidation of the pay TV market, especially in the cable TV segment;
- consolidation of the telecommunication market, reflected in acquisitions of local fixed-line operators by larger telecommunication groups and
- ownership changes on the TV production and broadcasting market.

6. Risk factors

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

The results of our operations in the telecommunications sector depend on the ability to effectively encourage the existing customers to use a wider range of our services, to win customers from competitive mobile and fixed-line operators, as well as the ability to reduce churn

It is expected that further growth of our operations on the mature Polish mobile telephony market will chiefly depend on the ability to effectively encourage the existing customers to use a wider range of services offered by us, to win customers from competitive mobile and fixed-line operators, as well as the ability to reduce the churn rate. The Group cannot give any assurance that the measures it is undertaking will encourage its existing customers to use a wider range of services or attract customers from competitive mobile and fixed-line operators, or that the measures we are undertaking to increase customer loyalty will reduce the rate of churn or allow us to maintain the churn rate on a satisfactory level. If we are unable to effectively manage the churn rate, we may be forced to significantly reduce our costs to maintain satisfactory profit margins, or to take alternative steps, which could in turn result in higher costs of customer acquisition and retention.

In addition, the mobile telecommunications industry is characterized by frequent developments in product offerings, as well as by advances in network and end-user device technology. If we are unable to maintain and upgrade our network and provide customers with an attractive portfolio of products and services, we may not be able to retain customers or the customers' retention cost may increase. Likewise, if we fail to effectively advertise our products and services, acquisition of new customers may be impossible or very difficult.

Additionally, competing mobile operators may improve their attractiveness for the customers, e.g. by offering their products or services at lower prices, which could make it more difficult for us to retain the current customer base, and the cost of retaining and acquiring new customers could increase.

All such events could have a material adverse effect on the results of our operations, financial condition and prospects.

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.

Our ability to generate advertising revenue in the TV production and broadcasting segment depends almost entirely on viewers' demand for our programs. Audience shares achieved by programs we broadcast directly affect both the attractiveness of our television channels to existing and potential advertisers and rates we are able to charge for advertising time. In the TV broadcasting and production segment we also generate revenue from production and sale of television programs to third parties operating in Poland and, to a lesser extent, abroad. Prices which we are able to receive from potential buyers of our own productions are directly linked to the audience for those programs, as third-party buyers, interested in generating advertising revenue, look for programming contents with the highest viewership number.

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 and advertisers, 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, while in the TV production and broadcasting segment it may result in decreasing audiences for our programs and subsequent difficulties in acquiring advertisers.

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. While costs of in-house productions of television content are usually higher than the costs of purchasing third-party programs, we believe that a larger number of Polish programs broadcast on our channels will increase viewers' demand and consequently increase demand from advertisers. However, there can be no assurance that financial outlays we have made or will make in the future on Polish programming production will be fully recovered or that we will be able to generate revenue high enough to offset those costs. In paricular, 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 and advertisers 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 the TV production and broadcasting segment, we independently produce certain TV programs, while other TV programs and content are broadcast under license agreements. Our license agreements are usually concluded for definite periods, usually two to three years for films and TV series, and three to seven years for sports programs. Under certain circumstances, a licensor may terminate a license agreement before it expires without our consent. This is particularly likely if we fail to fulfil our obligations, including the obligation to pay license fees. In order to acquire and retain customers and advertisers, 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 and advertisers. 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, broadband Internet access as well as mobile and fixed-line telephony services. 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.

To broadcast our terrestrial channels, we use the services provided by Emitel S.A. We also rely on another third-party contractor, Nagravision S.A., which provides to us a conditional access system to secure our networks against unauthorized access by pirates and hackers. Our broadcasting services also rely on a number of third-party contractors, and we outsource a number of non-core activities (including certain IT functions) not related to our broadcasting business. These, and other services, are often central to our operating activities.

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.

The possibility of provision of telecommunications services depends to a large degree on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, including those our direct competitors. In particular, part of services rendered by us are provided based on regulated access to Orange Polska's or other fixed-line operators' infrastructure. We also rely on third-party operators for the provision of international roaming services to our customers. While we have interconnection, infrastructure access and roaming agreements in place with these operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide. Due to the fact that we do not have direct control over availability or quality of networks of such operators or interconnect and roaming services, there can be no assurance that availability and quality of services provided by such other operators will be in accordance with contract. Any difficulties or delays in interconnecting with other networks and services, the failure of any operator to provide reliable interconnections, regulated access or roaming services on a consistent basis or early termination of any of material interconnection, regulated access or roaming agreements could result in an inability or limited ability to provide services to our customers or in a deterioration of quality of the services, which in turn can lead to loss of customers or decreased usage of our services, and consequently have a material adverse effect on our performance, financial condition and growth prospects.

We rely on continued maintenance and supply services rendered by manufacturers of telecommunications equipment, including Nokia Solutions and Networks, Ericsson and, to a significantly smaller degree, Huawei. Continued cooperation with some of them is important for us to maintain our operations without disruption. In particular, we are in the process of implementing a new, integrated IT environment supporting sales and customer care as well as a convergent billing system for our products and services. The purpose of the implementation is to redefine and standardize the sales processes and the offers across Polsat Group as well as to provide a single, consistent and effective tool which will enable the management of sales and customer relations in all possible spheres. The project is implemented in cooperation with Asseco Poland who is responsible for the supply of IT systems and, as the integrator of the system, for effecting the implementation. We cannot rule out that the replacement of the above menioned IT systems may temporarily adversely affect the Group's sales levels.

There are ongoing works in Poland to introduce a definition of a high risk telecommunications equipment supplier to the country's legal system. The definition is to be included in the amended law on the national cybersecurity system. Should any of the largest telecommunications suppliers be considered a high risk supplier and consequently excluded from the supply chain, market competitiveness may be reduced and prices of the telecommunications equipment may rise. We cannot exclude that such a fact may adversely affect the costs and pace of construction and modernization of our telecommunications network.

We also rely on agreements with external suppliers of handsets and modems (including Samsung, Xiaomi, Motorola, LG, Oppo, Huawei and Realme), external suppliers of components necessary for the manufacturing of end-user devices in our plant in Mielec, and providers of IT services (including Asseco Poland, Intec Billing, CGI, Hewlett Packard Enterprise, Oracle). 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 Group's companies, 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 Group's companies, 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 broadcasting and delivering pay TV, mobile and fixed-line telephony 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, announced the extention of Play's offer by convergent services without stating at the moment the method for execution of this strategy and, therefore, not excluding additonal investments in fiber optic links. Thereby, 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.

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

In the past, reports have been published alleging that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from mobile handsets and other mobile telecommunications devices. There can be no assurance that further medical research and studies will not prove that there are health risks associated with the effects of electromagnetic signals.

The actual or perceived risk of mobile telecommunications devices, press reports about risks posed by such devices or consumer litigation relating to such risks could result in decreased mobile usage, reduction in the number of customers, increased difficulty in obtaining sites for base stations and exposure to potential litigation or other liabilities. In addition, these health concerns may cause authorities to impose stricter regulations on the construction of the components mobile telecommunications networks, such as base transceiver stations or other telecommunications network infrastructure, which may lead to an increase in our operating costs in the segment of services to individual and business customers, and may hinder the completion of network deployment, or may increase costs of such development. Such events may have a material adverse effect on the results of our operations, financial condition and prospects.

We are exposed to the risk of fraudulent activities by customers

Given the nature of the telecommunications market stemming from the manner of making interconnect settlements related to the exchange of domestic and international telecommunications traffic, incurring wholesale costs related to traffic generated by our customers when using telecommunications networks of foreign operators (roaming) and fees for sold premium services, some of our customers use telecommunications services in a way that differs from the standard method of their use by the end user, e.g. by terminating mass traffic in the network of another operator while bypassing wholesale interconnect settlements. We prevent such behavior by analyzing any abnormal traffic patterns on individual SIM cards. If such traffic patterns are identified, the card can be immediately deactivated, in accordance with the service provision regulations. However, there can be no assurance that we will be sufficiently effective in preventing this type of fraud. If we do not identify a fraud or identifies a fraud with a delay, we may be exposed to additional costs or lose some revenue due to us, which can 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, Plus, Telewizja Polsat, IPLA, Netia and Interia.pl

The good name of the major brands in our portfolio, including ‘Cyfrowy Polsat,’ ‘Plus,’ ‘Telewizja Polsat,’ ‘IPLA,’ ‘Netia’ and ‘Interia.pl’ ‘brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. 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, Aero 2 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.

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

The mobile telecommunications business depends on providing customers with both reliable service, network capacity and security. 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.

Base transceiver stations, where radio equipment is installed, form a crucial element of our network infrastructure. The stations are erected at various, often remote locations, in scarcely populated areas. Such location of certain stations poses a greater risk of theft or acts of vandalism, including by persons objecting to base transceiver stations being erected at particular locations.

Part of the Group's network infrastructure is located on the premises of third parties. Disputes between these third parties and Group companies, failure of third parties to properly perform their contractual obligations, as well as a number of other factors and events may cause part of our network infrastructure to be inaccessible, which could adversely affect our ability to efficiently operate, maintain and upgrade its network infrastructure.

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.

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 the TV production and broadcasting segment, the IT systems are used primarily for management of advertising scheduling, program broadcasting, and maintaining relations with advertisers. Failure of any of our IT systems may prevent us from carrying out our operations successfully, while restoring them to full working condition may require significant financial outlays.

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

The necessity to obtain building permits may delay or prevent roll-out of the telecommunication networks

The roll-out of our network infrastructure, including in particular the construction and installation of base transceiver stations, might require obtaining building permits. No assurance can be given that all the necessary building permits will be obtained or that they will be obtained when originally anticipated, which would pose the risk that work on development of the network infrastructure may have to be discontinued, or may be considerably delayed. Furthermore, any building permit that is obtained may in certain circumstances be revoked, even after a given component of network infrastructure is put into operation, which may in certain circumstances lead to suspension of the operation of the network component and require a legalization procedure to be carried out or, if such procedure is not possible, the infrastructure component to be disassembled.

The necessity to limit expansion of our network infrastructure due to its failure to obtain the required building permits, delays in infrastructure development or – when a building permit is revoked – the obligation to discontinue operation or to disassemble an infrastructure component, may have an 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 in one or many of our companies. 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.

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions), with the latter active also in Polkomtel Infrastruktura as the intercompany organization. As at December 31, 2020, ca. 3% of the total workforce of Polkomtel Group were trade union members. Trade union organizations are also active in Netia Group over which Cyfrowy Polsat Group took control in 2018. As at the date of approval of this Report we have no knowledge of any disputes with trade unions or any other collective disputes at Polkomtel. However, involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimize the employment level or labor costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or the Netia Group, or increase in employment costs may disrupt Polkomtel's or the Netia Group's operations, preventing it from timely or cost-effective provision of services to its customers, which can 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 our broadcast channels, 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 our segments of TV production and broadcasting and 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.

Our broadcasting licenses may be revoked or may not be renewed

Our business operations in the broadcasting and television production segment require that we obtain licenses issued by the National Broadcasting Council (KRRiT). These licenses may be revoked or may not be renewed. In our segment of services to individual and business customers, broadcasting of TV programs by pay TV service providers requires no license, only registration by the Chairperson of KRRiT.

To keep our TV broadcasting licenses, we must comply with the applicable laws and the terms and conditions of the licenses. Failure to comply with the applicable laws or breach of the terms and conditions of a broadcasting license, especially with respect to the period within which we must commence broadcasting of a channel, could lead to the license being revoked or a fine being imposed on us. Our broadcasting licenses may also be revoked if we are found to be conducting activities in violation of the applicable laws or the terms and conditions of our broadcasting licenses, or we fail to remedy such violation within the applicable grace period. In addition to license revocation, there is also a risk that licenses granted by KRRiT will not be renewed.

If any of our broadcasting licenses are not extended, are revoked or extended on unfavorable conditions, the Group may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure, all of which may have a material adverse effect on the results of our operations, financial condition and prospects.

Our current frequency allocations may be revoked or may not be renewed on acceptable terms or at all

We base our business activities in the B2C and B2B services segment, in particular with respect to telecommunication services, on acquired frequency reservations. All frequency allocations (including those for the media segment) have been issued to us for a definite term. There can be no assurance that our frequency allocations will be extended prior to their expiry. In particular, pursuant to the Telecommunications Law, the President of UKE may refuse to extended or revoked frequency allocations if he decides that Group companies repeatedly breach the terms of use of the allocated frequencies, use them ineffectively, or if particular circumstances occur which jeopardize the state defense abilities, state security or public order, or if revocation of the frequency allocations follows from the necessity to ensure equal and effective competition or substantially better use of frequencies, especially if the extension of the allocation would lead to excessive frequency concentration at Polsat Group

To maintain the frequency allocations, companies belonging to Polsat Group must comply with the terms of the allocation, as well as relevant laws and regulations introduced by the President of UKE and the Minister of Digital Affairs. Any breach of those terms, laws or regulations, including in particular failure to pay frequency allocation fees, may cause the allocation to be revoked and penalties to be imposed on the given company. In particular, given that the regulations and laws governing the Polish telecommunications industry are very complex and often change, there can be no assurance that companies belonging to Polsat Group will not breach any laws or regulations related to frequency allocation or any terms of such allocation.

If any of our frequency allocations is not extended, is revoked or extended on unfavorable conditions, Polsat Group may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure in order to be able to provide services to customers based on frequencies from other bandwidths, all of which may have a material adverse effect on the results of our operations, financial condition and prospects.

In particular, Group companies currently hold frequency allocations in the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bandwidths. These allocations are fundamental for the roll-out of our mobile telecommunications network. Our competitors have taken a number of steps, some of which may still lead to various consequences. among others in respect of rights of disposal of frequencies granted to companies belonging to Aero 2 Group, including the 1800 MHz band frequency allocations.

In this respect, no assurance can be given that as a result of the pending proceedings or proceedings the instigation of which cannot be excluded, as events lying outside the control of reservation decisions beneficiaries, our 1800 MHz band reservation decision could be contested, which could have a material effect on the Group's ability to provide telecommunication services. Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile, Orange and Inquam Broadband GmbH.

Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the 'reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies'. On December 23, 2016 President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated August 4, 2017 President of UKE notified the parties that the tender dated 2007 has been annulled. On October 13, 2017 Aero 2 Sp. z o.o. (a successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated August 4, 2017 concerning the annulment of the tender procedure. On January 31, 2018 the President of UKE upheld its decision dated August 4, 2017. On March 7, 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw, on October 4, 2018 complaint was dismissed. On December 27, 2018, Aero2 filed a cassation appeal against judgment. The case is awaiting the appointment by the NSA.

The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with President of UKE's press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management's opinion this issue should have no negative impact on the results and financial condition of the Group. Accordingly, no valuation adjustment has been made in these consolidated financial statements.

In the proceedings instigated by T-Mobile Polska, the President of UKE resumed the proceedings which were terminated on April 23, 2009 by the issuance of a final decision by the President of UKE which sustained the decision of the President of UKE dated November 30, 2007 concerning the frequency reservation in the 1710-1730 MHz and 1805-1825 MHz range. Under these proceedings, in the decision dated November 28, 2017 the President of UKE refused, after resuming the proceedings, to annul the reservation decision of the President of UKE dated April 23, 2009. This decision was upheld by the decision of the President of UKE dated June 4, 2018. In connection with complaints filed against this decision, in the ruling of March 11, 2019 the Voivodship Administrative Court in Warsaw annulled the decision of the President of UKE dated June 4, 2018. Aero 2 filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

On October 4, 2018, T-Mobile Polska filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated September 5, 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On November 20, 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On July 4, 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated November 20, 2018, as a result of a cassation appeal filed by T-Mobile Polska. On August 18, 2020, the announcement of the President of UKE dated September 5, 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. Aero 2 filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

No assurance can be given that if we lost certain frequency allocations on the basis of which we provide telecommunication services, we would be able to gain access to sufficient alternative frequency band resources on satisfactory terms or at all, and failure to obtain access to such resources could have a negative impact on the implementation of business strategies and consequently a material adverse effect on the results of our operations, financial condition and prospects.

The spectrum of radio frequencies available to the mobile phone industry is limited and therefore we may not be able to obtain new frequency allocations

The ability to maintain existing and implement new or improved mobile technologies and the Group's ability to successfully compete on the telecommunications services market partly depends on our ability to obtain further radio frequency resources. The size of the spectrum of radio frequencies available for allocation in Poland is limited, and the process of obtaining allocations is long and very competitive.

In May 2016 the European Union Council adopted a general approach regarding the draft decision on the development of broadband services in the European Union. In accordance with the proposal, access to the 700 MHz band (the so-called second digital dividend, i.e. the spectrum from 694-790 MHz frequency range) was to be provided to telecommunication operators for the purpose of wireless communications by June 30, 2020 at the latest. In justified cases it was possible to postpone this deadline by two years and the UKE decided to use this opportunity. At the same time, TV broadcasters who will be forced to release the 694-790 MHz band as a result of the decision, and to use the 470-694 MHz band only, have been given the guarantee of maintaining the latter frequency band, i.e. 470-694 MHz, at least till the year 2030. In June 2020 the UKE informed that the process of releasing the 700 MHz band, which is to be designed for the 5G technology development, by the TV broadcasters was completed in the western part of Poland. On October 28, 2019 representatives of Polish mobile operators, Exatel and the Polish Development Fund, at a session attended by the Minister of Digital Affairs, signed a memorandum on the terms of mutual cooperation in conducting a business study of 5G implementation models based on 700MHz band, with a view to developing a uniform, nationwide infrastructure in the territory of Poland. According to the assumptions of those models, the 700MHz uniform infrastructure would be owned by an SPV styled #POLSKIE5G with the State Treasury or a State Streasury-owned company as the dominant shareholder. An assumption adopted by all parties to the memorandum is that the State Treasury would provide the 700MHz band availability and, potentially, access to passive infrastructure on its own properties, whereas the private partners would provide passive and active infrastructure as well as funding, if necessary. As at the date of approval of this Report, the works on making the band available are expected to commence in 2022-2023. In July 2020 the works on the initial analysis of #Polskie5G business model were completed and the study report was forwarded to the prime minister. As at the date of approval of this Report, no final conditions or a time schedule with regard to the distribution of the 700 MHz band in Poland were known.

On March 6, 2020, UKE announced an auction concerning the reservation of frequencies in the band of 3.4 - 3.8 GHz dedicated to the 5G development in Poland. The regulator decided that the band subject to dsitrubtion should be divided into four blocks, each 80 MHz wide, with the nationwide reservations being valid until June 30, 2035. The asking price for each block was PLN 450 million. The aforesaid frequencies allocation process was cancelled in May 2020. As of the date of approval of this Report no final decisions were made with respect to the form or timeline of allocation of the spectrum from the 3.4 - 3.8 GHz band for the purpose of the 5G network development in Poland.

The Group’s inability, or limited ability, to obtain access to frequency bands important for further development of our operations (on favorable terms or at all), including maintaining the existing or implementing new or improved mobile technologies, or obtaining such access by competitors, including new participants of the national mobile telecommunication market, if any, can have a material adverse effect 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 Group 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 our business 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 the Group's business operations

Our Group uses 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 being felt on the Polish advertising market and affecting consumer spending in Poland

We derive almost all our revenues from telecommunication services customers, pay-TV customers and TV advertisers 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.

Lower advertising spending in Poland may have a material adverse effect on our revenue and the growth prospects of our media segment. Slower GDP growth in Poland usually negatively impacts advertising spending. Moreover, as many customers of our TV production and broadcasting segment are global companies, the global economic downturn, even if it has no direct effect on Poland or its effect on the Polish economy is not as significant as in other countries, as well as economic slowdown in Poland, may force customers to cut their advertising budgets in Poland, which will have a negative impact on the demand for advertising services in Poland. A decrease in our advertising revenue may force us to adjust the level of our costs to lower revenues. As adjustments of the cost base to market conditions are not generally sufficient to fully offset the effect of lower revenue, the consequences of such risk factors may include a reduced EBITDA result, lower quality of our programs, or limited number of programs broadcast by us, both our own productions and content purchased from third parties. Any constraints on the quality or quantity of our programming may result in the loss of audience share both to our competitors and to alternative forms of entertainment and recreation, which in turn may affect the attractiveness of our offering to potential advertisers and sponsors.

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 Group'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 Group.

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 direction or 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.

The deterioration of the national and global economic situation in consequence of an epidemic or pandemic may adversely impact the advertising market and thus our advertising revenue and the development prospects of our media segment. Moreover, restrictions may be imposed limiting or preventing the execution of part or the whole of our internal production, which may further translate into lower attractiveness of our program scheduling for advertisers. In addition, 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 the event of the government issuing a recommendation to stay at home and work and learn online, traffic in our telecommunications networks may increase significantly. We cannot guarantee in the future that our telecommunications infrastructure and implemented technologies will be able to ensure to our customers complete functionality and quality of network performance in terms of increased traffic. Furthermore, a potential increase in voice traffic in terms of the announcement of the state of epidemic may result in higher costs associated with purchasing traffic from other operators while maintaining restrictions with regard to border closures and movement of individuals may lead to lower traffic volumes for international roaming services. Both factors mentioned above may result in a decrease of the margin on our telecommunications activities.

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.

The Polish mobile telecommunications industry is highly competitive

We face strong competition in all of its core business areas, especially from telecommunication operators, in particular: Orange Polska, T-Mobile Polska and Play. There can be no assurance that our current customers will not find the offerings of those operators more attractive.

A shift in the business model of mobile telecommunications network operators in Poland, whereby competing providers of telecommunications services would form joint ventures or strategic alliances, or launch of new types of services, products and technologies may additionally intensify competition on the telecommunications services market. The situation on the telecommunications market in Poland may also change significantly as a result of potential acquisitions or intensify if new mobile telecommunications operators enter the market or if broadband Internet access services are offered by entities other than mobile telecommunications operators.

We face growing competition from entities offering non-traditional voice and data transmission services which rely on the VoIP technology, such as Skype, WhatsApp and Viber or videoconferencing solutions such as Zoom or Teams which a gaining popularity during the pandemic, through which customers who use only mobile data transmission can be provided with mobile voice and video services, and users with fixed broadband access can be provided with voice and video services over fixed-line networks, usually at prices lower than traditional voice and data transmission services. To this end, such entities use, among other things, the possibility to provide services via existing infrastructure, belonging to telecommunication operators, so as to avoid having to implement capital-intensive business model themselves. Continued growing popularity of these services may lead to a decrease in ARPU per customer and the customer base of telecommunications operators, including the Group's one. It can be expected that in the future the Group will also have to compete with providers of services supported by communication technologies which as at the date of this Report are at an early stage of development or which will be developed in the future. The Group's existing competitors as well as new players on the Polish market may introduce different new services or telecommunications services based on better technologies than those currently used by the Group before such services are introduced by the Group, or may offer such services at more competitive prices. Mobile virtual network operators (MVNO) also compete with traditional mobile telecommunications network operators.

The Group's ability to effectively develop its operations on the Polish telecommunications services market may be also adversely affected by the imposition of new regulatory requirements or new fees or payments on entities operating in Poland, further legal changes, or the regulator's policy designed to increase the competitiveness of the telecommunications services market.

Moreover, the high rate of mobile voice penetration and the highly consolidated nature of the Polish mobile telephony market may result in increased pricing pressure and our ability to compete effectively will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices. It cannot be ruled out that we will be forced to reduce prices for certain products and services in response to the pricing policies of our major competitors, which may have an adverse effect on our future revenue and profitability.

Group's reduced competitiveness and increased pricing pressures could have a material adverse effect on the financial situation, results of our operations and growth prospects of the Group in the future.

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 Group in the future.

Operating results of our TV production and broadcasting segment depend on the importance of television as an advertising media

In 2020, nrealy 60% of the revenue generated by our media segment came from sale of advertising time and sponsored time slots on our TV channels. The Polish advertising market sees television competing with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. There can be no guarantee that TV commercials will maintain their position on the Polish advertising market, or that changes in the regulatory regime will not favor other advertising media or other broadcasters. The growing competitive pressure among advertising media, driven by the increasing prominence of Internet advertising in Poland, significantly higher spending on thematic channels, and the development of new forms of advertising may have an adverse effect on TV advertising revenue generated by our media segment, and thus on our operations, financial condition, performance, and cash flows.

Our potential advertising revenue depends on several factors, including the demand for and prices of advertising time. No assurance can be given that we will be able to respond successfully to the changing preferences of our viewers, which means that our audience share may decrease, which may adversely affect demand for our advertising time and our advertising revenue.

The diminishing appeal of TV as a whole, and our own channels in particular, attributable both to higher interest in other forms of entertainment and to the declining importance of television as an advertising medium, may have an adverse effect on the results of our operations, financial condition and prospects.

Given the intense competition across all market segments in which we operate, there can be no assurance that in the future our customers and advertisers 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 and advertising 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 and advertisers 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.

Following completion of the terrestrial television digital switchover process in Poland in July 2013, there are currently 28 TV channels broadcasted terrestrially. According to Nielsen Audience Measurement, in 2020 the audience shares of all DTT channels in the 16-49 age group reached 63.2% (compared to 66.4% in 2019). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 31.3% in 2020 compared to 35.6% in 2019. The aggregate audience share of the other DTT channels was 31.9% in 2019 vs. 30.9% in 2019, which reflects the growing market fragmentation, to a large extent at the expense of the leading TV channels, including POLSAT.

Our main competitors on the TV advertising markets are other broadcasters, such as TVN (Discovery Group) − a leading commercial broadcaster, and TVP – the broadcaster financed partly from public funds, which provides public service. Because TVP is the public broadcaster, it cannot interrupt programs and films with commercial breaks. Any changes in this respect may contribute to the strengthening of TVP's competitive position, reducing our advertising revenue. Furthermore, we will be forced to compete with current and future market participants for terrestrial and satellite broadcasting licenses in Poland. Such participants may include major broadcasters with greater resources and more recognizable brands. This is especially true in the case of foreign companies which may find the Polish TV market attractive for various reasons, including its current regulatory environment (which allows TV stations to broadcast more advertising during programs and films than in other countries), as well as the increasing extent of other permitted advertising activities. And lastly, continued growth of cable and Internet TV, DTH and DTT providers in Poland may lead to further market and audience fragmentation, which may make advertisers reluctant to buy air-time on our channels. Losing customers and advertisers to our competitors may have a material adverse effect on the results of our operations, financial condition and prospects.

6.4. Factors relating to market risks

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

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

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

The Management Board is responsible for oversight and management of each of the risk factors that the Group 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 40 to the Company's consolidated financial statements for the financial year ended December 31, 2020 presents information about the Group's exposure to each of the above risk factors and the Group'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 in the Group 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). After the acquisition of Telewizja Polsat currency risk exposure is also associated to purchases of foreign programming licenses (EUR and USD). After the acquisition of Polkomtel currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR), roaming and interconnect agreements and some agreements concerning rental of space required for network locations and rental of office space (various currencies).

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 Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted. In order to reduce interest rate risk exposure resulting from Polkomtel Group interest payments on floating rate senior facilities, the Group also uses interest rate swaps.

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 Group's exposure to each of the above mentioned risk factors, the Group's objectives, policies and processes for measuring and managing risk are presented in Note 40 to the Company's consolidated financial statements for the financial year ended December 31, 2019.

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 Group's business transactions differently than the Group, and, consequently, that tax authorities will not question the correctness of the Group companies' 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 such Group companies. Any unfavorable decisions, interpretations (including changes to any interpretations obtained by the Group companies) or rulings by tax authorities may have a material adverse effect on the results of our operations, financial condition and prospects.

Tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations

In the course of their business, the Group companies enter into transactions with their related parties within the meaning of the Corporate Income Tax Act. Related-party transactions, which guarantee that the Group's business is run efficiently, include inter-company rendering of services and sale of goods. When entering into and performing related-party transactions, the Group companies take steps to ensure that terms and conditions of such transactions are consistent with the applicable transfer pricing regulations. At the same time, no assurance can be given that the Group companies will not be subjected to audits and other inspections by tax authorities with respect to the foregoing. The nature and diversity of transactions with related-parties, the complexity and ambiguity of the regulations governing methods of verifying the prices applied, dynamic changes in market conditions affecting the calculation of prices applied in such transactions, as well as the difficulty in identifying comparable transactions, the risk that the methodology used to determine arm's-length terms for the purpose of such transactions is questioned by tax authorities cannot be excluded, and therefore tax authorities may question the accuracy of settlements between the Group companies and their related parties under applicable transfer pricing regulations, which may have material adverse effect on the results of our operations, financial condition and prospects.

Assessment of tax effects of the Group's restructuring activities by tax authorities may differ from assessment of such activities by the Group

The current composition of the Group is a result of consolidation 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 not only of the companies directly involved in such consolidation and other transactions involving assets of considerable value, but also of their respective members or shareholders.

Despite monitoring the risk in individual business areas, with respect to completed and planned structure changes, no assurance can be given that the Polish tax authorities will not have a different assessment of tax effects of individual events, both completed and planned, in particular with respect to the possibility, manner, and timing of the recognition of income and tax-deductible expenses by entities participating in such events and transactions, or that financial terms of such activities will not be questioned, which 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 Polsat Group entities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of these entities. 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.

Property tax laws give rise to numerous interpretation uncertainties

We use a significant number of telecommunications infrastructure facilities located on real property. Property tax laws give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to tax. The definition of a structure and its practical use under the Act on Local Taxes and Fees might lead to disputes with tax authorities. Therefore, no assurance can be given that there will be no disputes between us and tax authorities as to the amount of the property tax payable, as well as unfavorable rulings in this respect.

The Group's companies are subject to legal regulations (including tax legislation) in force in different jurisdictions

Given the international structure of the Group, its companies are governed by legal regulations (including tax legislation) in force in different jurisdictions. Therefore, in view of such dissimilar legal frameworks, there is a risk that the Group will interpret local legal regulations (including tax legislation) in a way which is divergent from their construction by the tax authorities of the countries where the Group conducted, conducts and will conduct business. The diversity of legal regulations by which individual companies are bound may give rise to internal problems within the Group, including problems with respect to the law governing legal relations between the Group's entities. Another aspect of the relationship between Polsat Group companies which may raise doubts is the application and interpretation of double-tax treaties concluded between countries in which the companies conducted, conduct or will conduct business.

At the same time, in many cases the legal regulations (including tax legislation) in countries where the Group conducted, conducts and will conduct its business are frequently ambiguous and there is no single or uniform interpretation or practice followed by local tax authorities. Additionally, the tax legislation (including the provisions of applicable double-tax treaties) in the countries where the Group companies conducted, conducts and will conduct business, may be subject to change. The practice adopted by the local tax authorities in respect of particular tax regulations may change as well, even retroactively.

Therefore, no assurance can be given that there will be no disputes with tax authorities in countries where the Group conducted, conducts and will conduct its business, and consequently that the tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities, and will not determine the existence of tax arrears of such Group companies, which may have an 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 of the Group companies to which Group companies are parties conducted by Polish tax authorities or local tax authorities abroad may result in additional tax liabilities in the countries where the Group conducted, conducts and will conduct its business (in particular in Poland)

The Group companies are 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 Group conducted, conducts or will conduct its business. Such pending or future tax inspections, tax and customs inspections, tax proceedings or other reviews of Group companies, to which Group companies are parties conducted by Polish tax authorities or local tax authorities in the jurisdictions where the Group conducted, conducts or will conduct its business (in particular in Poland) may result in the tax authorities challenging the correctness of the Group companies' settlements of outstanding tax liabilities (including, in the jurisdictions where this is applicable, the proper performance of the Group'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 Group companies or tax proceedings to which Group companies are parties conducted by Polish tax authorities or local tax authorities in the jurisdictions where the Group conducted, conducts or will conduct its business, may result in additional tax liabilities in the jurisdictions where the Group 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 Group, 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 September 15, 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 Polsat Group) 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 external providers procured outside the Group, 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 be adversely affected by changes in Polish and European Union regulation of the levels of MTR and FTR

As part of telecommunications market regulation in Poland, the President of UKE may determine rates in settlements between operators for termination of voice calls in mobile networks (MTR) and fixed-line networks (FTR). In the past, the regulator used this power several times, and reduced MTRs significantly. There can be no assurance that there will not be any further MTR reductions in the future. The implementation of further regulations of MTRs or FTRs by, among others, the European Commission under the provisions of the European Code of Electronic Communication, may adversely affect our financial business performance, financial condition or prospects.

We may violate the acts of law and regulations governing our satellite TV distribution business as well as telecommunications, TV broadcasting, advertising and sponsoring activities, 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 well as TV broadcasting and production. As part of our telecommunications services, we mainly provide mobile voice services, broadband Internet access as well as certain wholesale services to other operators. Telecommunications enterprises operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business, both in relations with individual and business customers (for instance, by specifying the scope of customers' rights or the content of standard terms and conditions for the provision of telecommunications services, setting rules for settlements in international roaming services, caps for pricing of international services or restricting the maximum time for which contracts can be concluded with customers) and wholesale customers (for instance, by imposing MTR and FTR caps or defining caps for rates used in roaming traffic settlements). Our TV production and broadcasting segment is in turn overseen by the President of UKE for compliance with the terms of licenses and frequency allocations assigned by the President of UKE for the purposes of TV broadcasting services. 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, companies from the Group 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.

The KRRiT regulations also pertain to both our business segments, although they have a more direct effect on our TV production and broadcasting segment. As a TV broadcaster operating in Poland, we have to observe a number of legal and administrative requirements related to such matters as broadcasting time, programming content, and advertisements. Furthermore, KRRiT undertakes regular checks to ensure that our operations conform to the terms of our broadcasting licenses, provisions of the Polish Act on Television and Radio Broadcasting, and its own internal guidelines. There can be no assurance that we will be able to satisfy numerous regulatory requirements imposed on our TV production and broadcasting segment under the relevant licenses. In the event of our non-compliance with any applicable regulations, we may face a fine from KRRiT of up to 50% of the annual fee for the right to use the frequency designated for broadcasting the program.

The regulatory regime for the broadcasting industry is subject to frequent changes, and so there can be no assurance that such future changes will not have an adverse effect on our channel mix, ability to attract advertisers or the way in which our business is run.

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.

Operations of companies belonging to Polsat Group are subject to a number of legal regulations and requirements of awarded frequency allocations which could be amended in the future

As a mobile telecommunications network operator, Polkomtel is subject to a number of laws and regulations, in particular those regulating maximum rates charged for specific telecommunications services, those related to ensuring effective competition, non-discrimination, transparency in telecommunication services prices, reporting, data protection and national security. Any potential breach of the applicable laws or terms of frequency allocations may in certain cases result in imposition of penalties on Polkomtel or other companies from Polsat Group, loss of reputation, inability to obtain new frequency allocations or even loss of current frequency allocations. Furthermore, future changes in our Group's regulatory environment may be disadvantageous to our business, for instance by increasing its costs.

An important and active role in ensuring the observance of telecommunications laws and regulations by entities operating in the telecommunications market in Poland is played by the regulators of the Polish telecommunications market, including in particular the President of the Office of Electronic Communications (UKE). The President of UKE has a number of regulatory and supervisory powers, including those with respect to provision of electronic communications services and managing radio frequency and orbital slot resources. If the President of UKE determines that a relevant market is not sufficiently competitive, the President may designate one or more telecommunications providers as a provider with significant market power (SMP) in such market and impose on such provider(s) certain regulatory obligations, such as an obligation to accept requests from other telecommunications providers for the provision of telecommunications access and the obligation to prepare and submit a draft framework offer for telecommunications access to serve as a basis for cooperation between a provider with SMP and its competitors. Polkomtel has been designated as holding SMP in certain relevant markets at the wholesale level. As a result, Polkomtel is required to meet strict regulatory obligations on the wholesale markets of call termination to a public mobile telecommunications network and of call termination to a public fixed line network. As part of its continued provision of telecommunications services in Poland, Polkomtel is also regularly reviewed by the President of UKE to ensure that it has complied with the terms of the licenses and frequency allocations granted by the President of UKE. If the President of UKE was to declare that Polkomtel breached a provision of the Telecommunications Law, the company could be forced to pay a fine of up to 3% of the revenue it generated in the year prior to the imposition of the fine and it could be prohibited from providing further telecommunications services in Poland.

The President of UKE may also designate one or more network operators to guarantee the provision of universal services (including voice and broadband access, and customer network access) which may then apply to the President of UKE to be compensated by the other telecommunications operators, including Polkomtel, on the justified net costs basis.

Polkomtel's operations are also supervised by the President of the Office of Competition and Consumer Protection, The Personal Data Protection Office, and other agencies.

No assurance can be given that Polkomtel will be able to meet all the requirements that have been or might be imposed on it under the Polish or EU laws or regulations, or all the terms and conditions of the frequency allocations granted to Polkomtel, or that it will be able to comply with all the laws or terms of frequency allocations applicable to its business, and that it will not be exposed to costs, penalties, sanctions or claims as a result of potential violation of such requirements or laws that, in turn, could have a 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 its business the Group companies gather, keep and use customer data which are protected by personal data protection regulations. Therefore, since 25 May 2018, the companies, as personal data processors, are 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. Shares of Cyfrowy Polsat

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*.

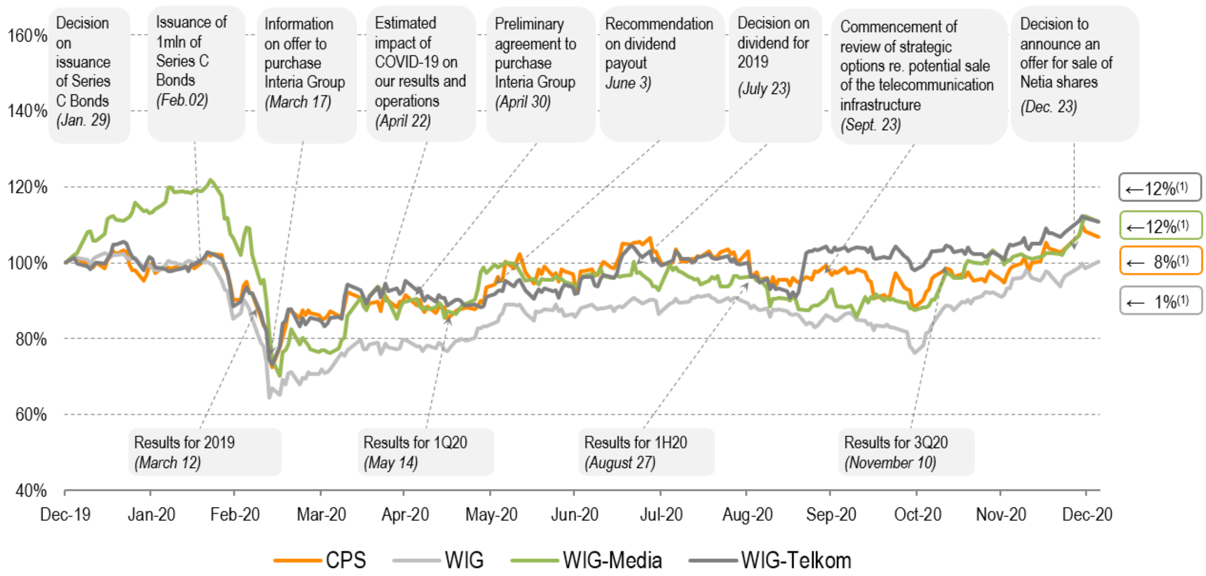
Basic data on the Cyfrowy Polsat shares in trading

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

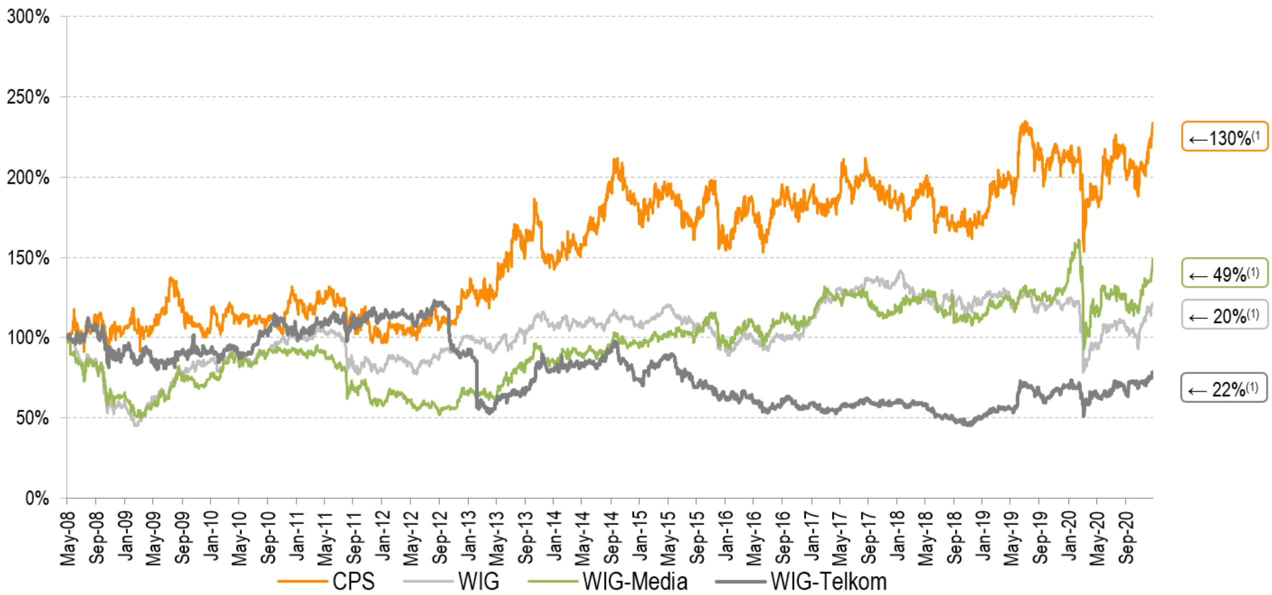
(indexed; 100 = closing price on December 30, 2019)



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

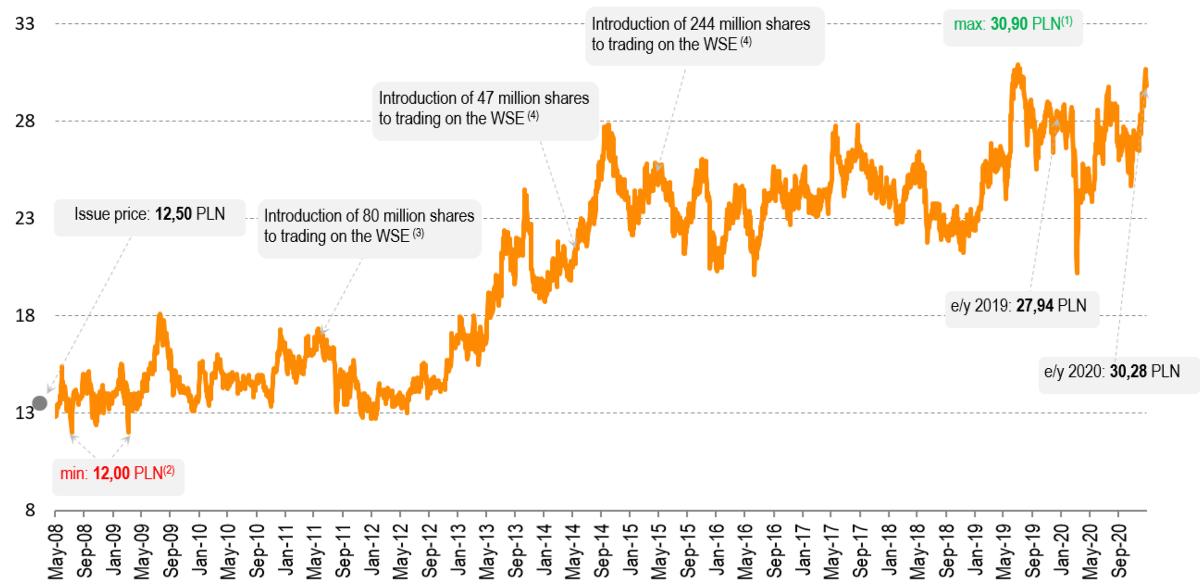
Performance of Cyfrowy Polsat shares since the debut on the WSE in May 2008 until the end of 2020 compared to selected WSE indexes

(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.

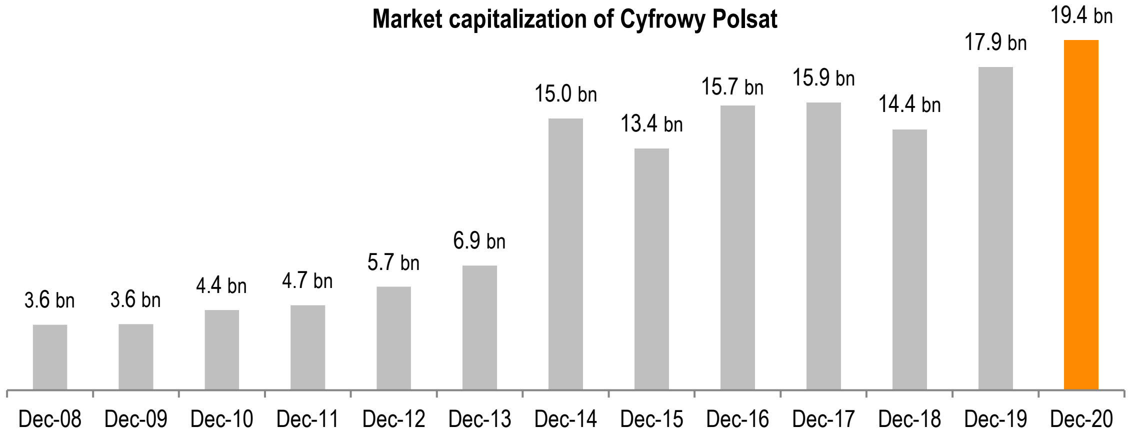
(4) On May 7, 2014 the Company issued 47,260,690 Series I shares and 243,932,490 Series J shares with the nominal value of PLN 0.04 each. On May 14, 2014 these shares were registered in the Central Securities Depository of Poland with ISIN codes PLCFRPT00013 and PLCFRPT00021, respectively. Series I shares 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

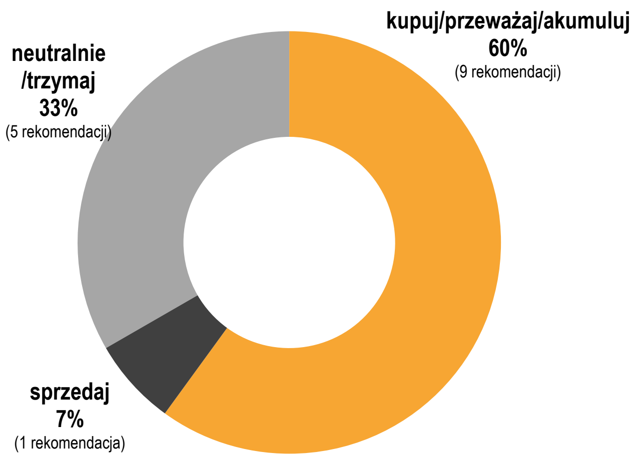
Date	Institution	Recommendation	Target price [PLN]
December 2020	DM BOŚ S.A.	↑ Buy	30.50
14 December 2020	Haitong Bank S.A.	↑ Buy	32.30
11 December 2020	Barclays	↑ Overweight	34.00
8 December 2020	Biuro maklerskie mBanku S.A.	– Hold	27.90
8 December 2020	IPOPEMA Securities S.A.	↑ Buy	33.00
7 December 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
22 October 2020	Haitong Bank S.A.	↑ Buy	28.70

Date	Institution	Recommendation		Target price [PLN]
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**

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.

7.4. 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.

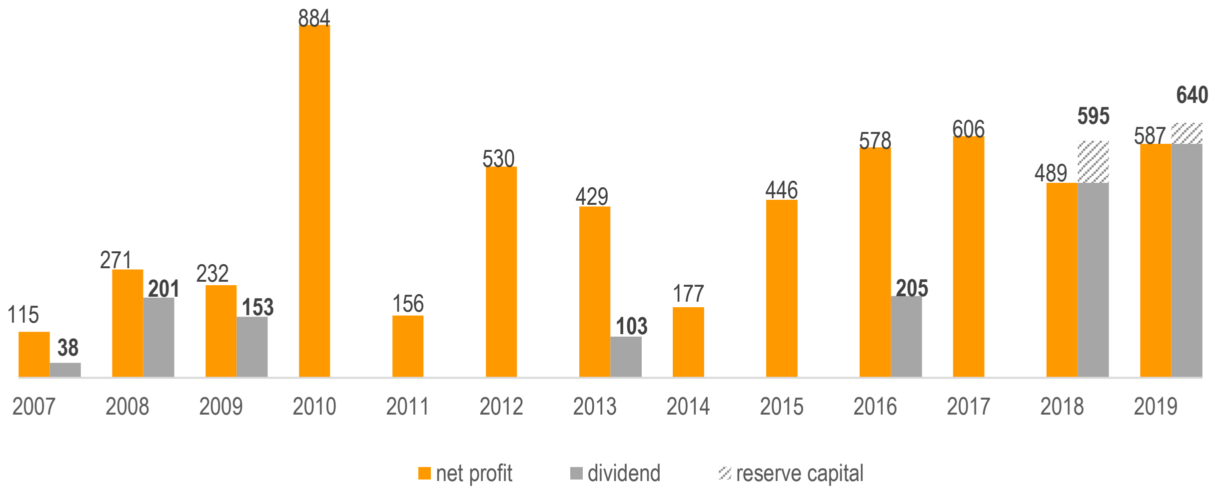
The new dividend policy will take effect from April 1, 2019."

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]



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.1., 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, II.Z.1 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 inthe financial year 2020, thus as of the date of publishing this Report the said principle is applied.

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 organized 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 our behalf:

- 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 8.7.2.

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 46 of the consolidated 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 Committee. 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 extensive knowledge and competence in the field of media and telecommunication, finance and banking as well as preparing 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 Member 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 2.0x 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 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	0.7	0.3
Audit of financial statements for the year and other services	2.5	2.7
Total	**3.2**	**3.1**

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 47 of the consolidated financial statements for the financial year ended December 31, 2020.

8.8. Diversity policy applicable to administrative, managing and supervising bodies of the Company

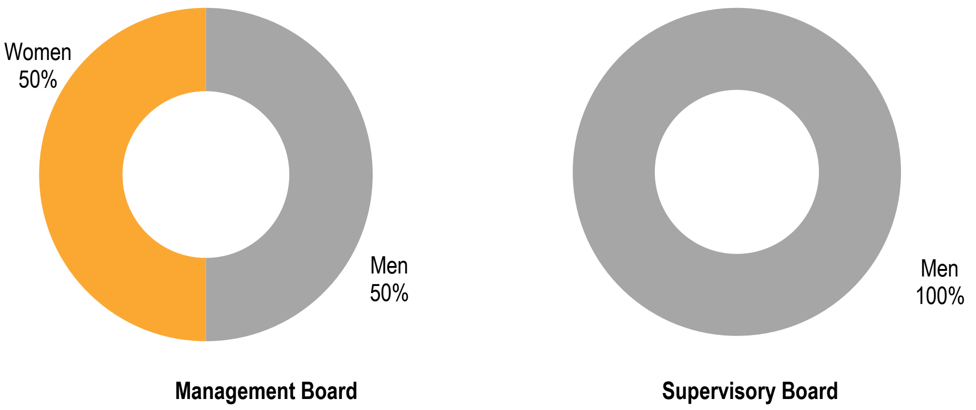
Polsat Group adopted the Diversity and Human Rights Policy of Cyfrowy Polsat Group (the "Diversity Policy") which has the purpose of supporting the pursuit of the Group's business goals. The policy enables the Group to respond in a better way to the employees' expectations, make full use of their potential 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.

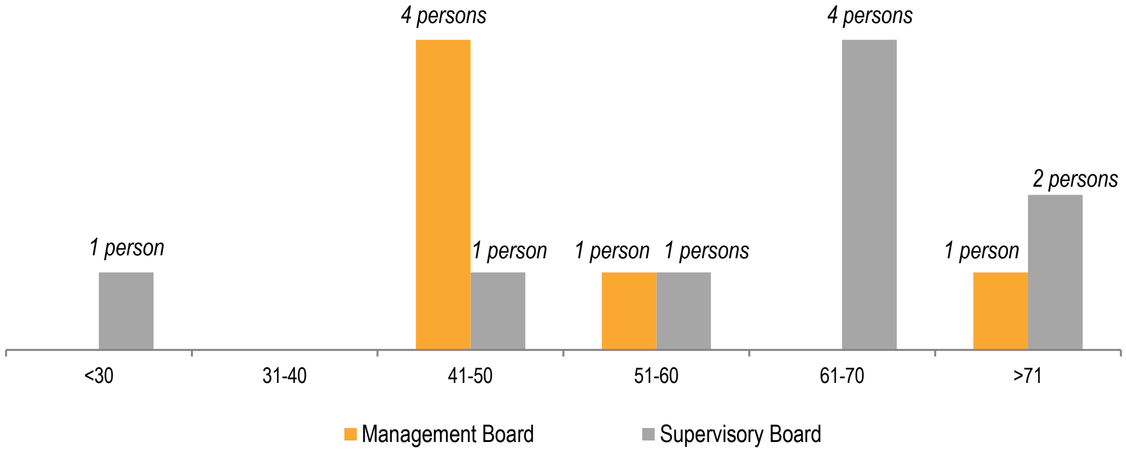
Structure of the Management Board and the Supervisory Board with respect to gender in 2020



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 September 30, 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: $$\mathrm{CAGR} = \left(\frac{\mathrm{W_{rk}}}{\mathrm{W_{rp}}}\right)^{\left(\frac{1}{\mathrm{rk-rp}}\right)} - 1$$ 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.

Term	Definition
MVNO	Mobile Virtual Network Operator.
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 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 consolidated financial statements and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the Management Board's report on activities contains a true image of the Group'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 consolidated 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 consolidated 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

Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Shareholders Meeting and Supervisory Board of Cyfrowy Polsat

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Cyfrowy Polsat S.A. Group (the 'Group'), for which the holding company is Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A, containing: the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated 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 Group and the Company's Statute.

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 Group 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 Group 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 consolidated 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 consolidated 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
Revenue recognition and accounting Revenues from sales of the Group for the year ended 31 December 2020 amounted to PLN 11,962.9 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. The Group also enters into significant agreements with other	In the course of performed audit procedures, we have documented our assessment of Group'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;

telecommunication companies as far as access to telecommunication network and wholesale is concerned. This requires specific attention due to complexity of contractual provisions and is interpreted for the purpose of revenue recognition as well as due to its value. Furthermore, the application of International Financial Reporting 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 consolidated financial statements* Disclosure related to applied accounting policies and key judgements related to revenue recognition are included in note 6 'Accounting and consolidation policies' to the consolidated financial statements. Disclosures on revenue are included in note 9 'Revenue' to the consolidated 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 consolidated financial statements.
Fixed assets (including goodwill) impairment analysis As at 31 December 2020 the Group presents fixed assets in the amount of PLN 27,837.8 million, including goodwill of PLN 11,808.4 million, which constitute	Our audit procedures in relation to the described key audit matter, included among others:

84.1% and 35,7% of total assets respectively. Under requirements of International Accounting Standard 36 'Impairment of assets' ('IAS 36'), the Group tested the amount of goodwill. 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 consolidated financial statements perspective, due to the following: (i) significance of the non-current assets; (ii) intangible nature of significant part of the these assets; (iii) significance of the impact of Company's Management professional judgement necessary to establish the carrying amounts of non- current assets based on discounted cash flows, which are generally uncertain.	- understanding and assessment of the accounting policies and procedures applied (including internal control environment) in the area of assessment of impairment indicators, 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 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;

Reference to related disclosures in the consolidated financial statements Disclosure related to applied accounting policies and key judgements related to the impairment of assets are included in note 6 'Accounting and consolidation policies' to the consolidated financial statements. Disclosures related to key estimates and assumptions, including sensitivity analysis as well as results of impairments tests of assets, goodwill and intangible assets with indefinite useful life, which were prepared by the Company's Management, are included in note 19 'Impairment test (including goodwill and intangible assets with indefinite useful life)' and in the note 51 'Judgments, financial estimates and assumptions' to the consolidated 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 consolidated financial statements describing the impairment test and sensitivity analysis.
Claims, disputes and contingent liabilities Due to its complex structure and the fact that the Group is operating in constantly changing legal and regulatory environment, the Group is a party to court and administrative proceedings, including tax and regulatory authorities. The decision whether to account for the 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 Management 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	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 consolidated financial statements; - monitoring of information from the external sources in order to identify the Group'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

key audit matter. *Reference to related disclosures in the consolidated financial statements* Disclosure of accounting policies related to provisions and contingent liabilities is included in note 6 'Accounting and consolidation policies' to the consolidated financial statements. Disclosures related to the claims, disputes and contingent liabilities are included in note 45 'Contingent liabilities', note 48 'Important agreements and events' and note 51 'Judgments, financial estimates and assumptions' to the consolidated financial statements.	for conducting court, tax and administrative proceedings on behalf of the Group, 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; - review of minutes from meetings of the decision making bodies of the Company and its subsidiaries 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 Group's consolidated financial statements.
Taxation (current and deferred tax) The current composition of the Group 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 entities. 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 members or shareholders. 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.	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 Group, internal and external analyses supporting executed structure-related activities and adopted treatment for the tax purposes by the Group; - 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 Group;

The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between tax 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 Group'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 Group 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,	- analysis and assessment, with assistance of tax experts, obtained responses from Group's tax advisors of regarding status of tax controls, 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; - 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. We have also assessed the adequacy of disclosures relating to taxes (both current and deferred) included in the consolidated financial statements.

against which deductible temporary differences and tax losses carried forward can be utilized. Due to the significance of tax settlements and significant element of Company's Management judgement related to interpretation of tax regulations as well as, in many cases, lack of unequivocal certification, we considered this topic as key audit matter. *Reference to related disclosures in the consolidated financial statements* Disclosures on taxes are included in note 13 'Income tax', note 48 'Important agreements and events' and note 51 'Judgments, financial estimates and assumptions' of the financial statements as well as in "Key risk and threat factors" included in the Group'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 the consolidated financial statements that give a true and fair view of the consolidated financial position and the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Company's Management is responsible for assessing the Group's (the holding company and significant components') 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 Group (the holding company or significant components) 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 consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern,

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

- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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 55, section 2b of the Accounting Act as a separate element of the Directors' Report (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 consolidated financial statements does not include the Other Information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated 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 consolidated 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 71 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 consolidated financial statements.

Moreover, based on our knowledge of the Group 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 Group 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 consolidated 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. 55 par. 2c of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation procedures in respect to the separate report on non-financial information and do not express any assurance in its respect.

Report on other legal and regulatory requirements

Opinion on the compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

As part of our audit of the consolidated financial statements we were engaged to perform an assurance engagement to obtain reasonable assurance in order to express an opinion on whether the consolidated financial statements of the Group for the year ended 31 December 2020 prepared in the single electronic reporting format included in the file named 'Skonsolidowane SF FY2020 (PL).zip' ('consolidated financial statements in ESEF format') was tagged in accordance with the regulations specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the 'ESEF Regulations') and meet the technical requirements of a single electronic reporting format which are specified in these regulations.

Identification of criteria and description of the subject matter

The consolidated financial statements in ESEF format were prepared by the Company's Management in order to meet the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations.

The subject matter of our assurance engagement is the compliance of the consolidated financial statements in ESEF format against the requirements of the ESEF Regulations, while the requirements specified in these regulations represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the consolidated financial statements in ESEF format in accordance with the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in these regulations.

The responsibility of Company's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material incompliance with the ESEF Regulations.

The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process, including the preparation of financial statements in compliance with the form in accordance with the governing legal regulations.

Auditor's responsibility

Our objective was to express an opinion, based on the performed assurance engagement providing reasonable assurance, that the consolidated financial statements in ESEF format was tagged in accordance with the ESEF requirements and whether it is in compliance with the technical requirements of a single electronic reporting format which are specified in these regulations.

We have performed our assurance engagement in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3000 (R) in the form of the International Standard on Assurance Engagements 3000 (revised) – 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' ('ISAE 3000 (R)').

This standard, impose an obligation on the auditor to plan and execute procedures in order to obtain reasonable assurance, that the consolidated financial statements in ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (R) will always detect material misstatement when it exists.

The selection of procedures depend on the auditor's professional judgment, including the assessment of risks of material misstatements due to error or fraud. When performing risk assessment and in order to design procedures to be performed the auditor takes into consideration the internal controls related with the preparation of the consolidated financial statements in ESEF format, which can provide the auditor with sufficient and appropriate evidence. The assessment of the internal controls was not performed for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Summary of performed procedures

Procedures that were designed and performed by us included among others:

- obtaining an understanding of the process of preparation of the consolidated financial statements in ESEF format including the Company's process of selection and application of XBRL tags and maintaining compliance with the ESEF Regulations;
- reconciling of the tagged information included in the consolidated financial statements in ESEF format to the audited consolidated financial statements;
- assessment of the compliance with the technical standards on the specification of a single electronic reporting format, including the use of the XTHML format, with the use of specialistic IT tools;
- assessment of the completeness of the tagging of information in the consolidated financial statements in ESEF format with XBRL tags;
- assessment whether the applied XBRL tags from the taxonomy specified by the ESEF regulations were applied appropriately and that extensions to the elements in the taxonomy specified in the ESEF regulations were used when there were no suitable elements in the taxonomy specified in the ESEF Regulations;
- evaluating of the anchoring of the taxonomy extensions to the elements in the taxonomy specified by the ESEF Regulations.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the performed assurance engagement.

Ethical requirements, including independence

While performing the assurance engagement, the key certified auditor and the audit firm have complied with the independence and other ethical requirements as specified by the Code of ethics. The Code of ethics is based on the fundamental principles related to integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have also complied with other independence requirements and ethical responsibilities in accordance with required applicable rules of such assurance engagement in Poland.

Quality control requirements

The accounting firm applies national quality control standards in the form of International Standard on Quality Control 1 – 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance and Related Services Engagements' as adopted by a resolution of the National Council of Certified Auditors ('ISQC').

In accordance with ISQC, the audit firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

The matters described above constitute the basis for our opinion which is why our opinion should be read in conjunction with these matters.

In our opinion, the consolidated financial statements in ESEF format was prepared in all material respect in accordance with the requirements of the ESEF Regulations.

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 have been provided to the Group, 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 Group in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of Supervisory Board from 23 January 2018 and reappointed based on the resolution from 26 February 2020.The consolidated financial statements of the Group 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 consolidated financial statements issued in xhtml format.

CYFROWY POLSAT S.A. GROUP

Consolidated Financial Statements
for the year ended 31 December 2020

Prepared in accordance
with International Financial Reporting Standards
as adopted by European Union

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APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 24 March 2021, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Consolidated Income Statement for the period from 1 January 2020 to 31 December 2020 showing a net profit for the period of:	PLN 1,146.2
Consolidated 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 1,158.8
Consolidated Balance Sheet as at 31 December 2020 showing total assets and total equity and liabilities of:	PLN 33,115.0
Consolidated 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 609.4
Consolidated Statement of Changes in Equity for the period from 1 January 2020 to 31 December 2020 showing a decrease in equity of:	PLN 38.3

Notes to the Consolidated Financial Statements

The consolidated financial statements have been prepared in million of Polish zloty ('PLN') except where 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		

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)

Consolidated Income Statement

	Note	for the year ended 31 December 2020	for the year ended 31 December 2019
Continuing operations			
Revenue	9	11,962.9	11,676.1
Operating costs	10	(10,073.8)	(9,754.8)
Other operating income/(cost), net		(2.9)	45.7
Profit from operating activities		**1,886.2**	**1,967.0**
Gain/(loss) on investment activities, net	11	(113.1)	(27.0)
Finance costs, net	12	(333.0)	(465.9)
Share of the profit/(loss) of associates accounted for using the equity method		2.0	(6.5)
Gross profit for the period		**1,442.1**	**1,467.6**
Income tax	13	(295.9)	(353.0)
Net profit for the period		**1,146.2**	**1,114.6**
Net profit attributable to equity holders of the Parent		1,141.6	1,100.6
Net profit attributable to non-controlling interest		4.6	14.0
Basic and diluted earnings per share (in PLN)	15	**1.79**	**1.74**

Consolidated Statement of Comprehensive Income

	Note	for the year ended 31 December 2020	for the year ended 31 December 2019
Net profit for the period		**1,146.2**	**1,114.6**
Items that may not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain		(0.5)	(2.5)
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	30	(8.1)	0.4
Share of other comprehensive income of associates		21.2	-
Other comprehensive income/(loss), net of tax		**12.6**	**(2.1)**
Total comprehensive income for the period		**1,158.8**	**1,112.5**
Total comprehensive income attributable to equity holders of the Parent		1,154.3	1,099.1
Total comprehensive income attributable to non-controlling interest		4.5	13.4

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Consolidated Balance Sheet - Assets

	Note	31 December 2020	31 December 2019
Reception equipment	16	293.4	262.7
Other property, plant and equipment	16	5,391.0	4,976.9
Goodwill	17	11,808.4	11,336.4
Customer relationships	20	1,412.7	1,821.4
Brands	18	2,031.7	2,063.2
Other intangible assets	20	2,616.4	2,857.8
Right-of-use assets	21	1,519.4	1,420.3
Non-current programming assets	22	282.5	402.6
Investment property		50.0	29.4
Non-current deferred distribution fees	23	93.5	100.5
Non-current trade receivables	24	832.0	776.5
Other non-current assets, includes:	24	1,283.6	1,315.8
shares in associates accounted for using the equity method		*1,257.8*	*1,282.4*
derivative instruments		*0.4*	*1.2*
Deferred tax assets	13	223.2	241.2
Total non-current assets		**27,837.8**	**27,604.7**
Current programming assets	22	413.2	512.3
Contract assets		537.7	638.7
Inventories	25	299.4	306.8
Trade and other receivables	26	2,390.4	2,511.6
Income tax receivable		9.0	4.8
Current deferred distribution fees	23	222.4	225.7
Other current assets	27	39.3	31.9
includes derivative instruments		*2.0*	*0.2*
Cash and cash equivalents	28	1.355.4	743.5
Restricted cash	28	10.4	9.6
Total current assets		**5,277.2**	**4,984.9**
Total assets		**33,115.0**	**32,589.6**

Consolidated Balance Sheet - Equity and Liabilities

	Note	31 December 2020	31 December 2019
Share capital	29	25.6	25.6
Share premium	29	7,174.0	7,174.0
Share of other comprehensive income of associates		21.2	-
Other reserves		99.7	1.5
Retained earnings		7,112.3	6,610.2
Equity attributable to equity holders of the Parent		**14,432.8**	**13,811.3**
Non-controlling interests		(6.6)	653.2
Total equity		**14,426.2**	**14,464.5**
Loans and borrowings	31	8,887.8	8,617.0
Issued bonds	32	1,959.2	969.2
Lease liabilities	33	1,140.5	1,023.8
UMTS license liabilities	35	136.7	236.9
Deferred tax liabilities	13	902.1	1,025.3
Other non-current liabilities and provisions	36	388.1	384.7
includes derivative instruments		*16.8*	*3.2*
Total non-current liabilities		**13,414.4**	**12,256.9**
Loans and borrowings	31	753.0	1,892.5
Issued bonds	32	38.7	34.8
Lease liabilities	33	432.5	413.5
UMTS license liabilities	35	126.7	116.9
Contract liabilities		675,6	713.1
Trade and other payables	37	2,155.3	2,420.8
includes derivative instruments		*39.2*	*8.3*
Liabilities to shareholders of the Parent Company related to dividend for 2019		415.7	-
Liabilities due to tender offer for shares in Netia S.A.*	48	548.0	-
Income tax liability		128.9	276.6
Total current liabilities		**5,274.4**	**5,868.2**
Total liabilities		**18,688.8**	**18,125.1**
Total equity and liabilities		**33,115.0**	**32,589.6**

*The announcement of the tender offer for Netia's shares dated 23 December 2020 resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer (PLN 4.80 (not in millions)) and the number of shares in the tender offer (114,173,459 shares (not in millions)). Subscriptions for 84,868 shares (not in millions) were accepted in the tender offer until 26 February 2021. As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognised from the balance sheet. See note 48.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Consolidated Cash Flow Statement

		for the year ended	
	Note	**31 December 2020**	**31 December 2019**
Net profit		**1,146.2**	**1,114.6**
Adjustments for:		**2,651.7**	**2,663.3**
Depreciation, amortization, impairment and liquidation	10	2,305.7	2,229.7
Payments for film licenses and sports rights		(511.9)	(617.3)
Amortization of film licenses and sports rights		519.6	543.6
Interest expense		364.8	437.8
Change in inventories		13.2	89.1
Change in receivables and other assets		119.3	(311.8)
Change in liabilities and provisions		(401.3)	(25.7)
Change in contract assets		101.0	9.7
Change in contract liabilities		(37.5)	7.9
Foreign exchange (gains)/losses, net		45.8	(4.8)
Income tax	13	295.9	353.0
Net additions of reception equipment		(147.1)	(122.8)
Share of the (profit)/loss of associates accounted for using the equity method		(2.0)	6.5
Cumulative catch-up resulting from modification of the loan agreement		(44.8)	-
Other adjustments		31.0	68.4
Cash from operating activities		**3,797.9**	**3,777.9**
Income tax paid		(552.9)	(328.5)
Interest received from operating activities		6.7	24.0
Net cash from operating activities		**3,251.7**	**3,473.4**
Acquisition of property, plant and equipment		(1,006.4)	(852.6)
Acquisition of intangible assets		(211.5)	(379.0)
Acquisition of subsidiaries, net of cash acquired	38	(479.2)	(108.5)
Acquisition of shares in associates and other entities		(11.4)	(1,232.5)
Share capital increase		-	(16.3)
Concessions payments		(126.8)	(122.4)
Proceeds from sale of property, plant and equipment		8.4	6.8
Investment funds outflows		(30.0)	(130.0)
Investment funds inflows		30.0	130.7
Loans granted		(13.0)	(21.4)
Repayment of loans granted		-	0.7
Acquisition of bonds		(8.3)	-
Bonds redemption with interest		1.4	8.7
Dividends received from associates		57.2	-
Other inflows		3.3	0.7
Net cash used in investing activities		**(1,786.3)**	**(2,715.1)**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Bonds issue (Series B and C Bonds)	32	1,000.0	893.0
Bonds redemption (Series A Bonds)	32	-	(893.0)
Loans inflows	31	35.0	2,010.0
Repayment of loans and borrowings	31	(857.9)	(1,742.5)
Payment of interest on loans, borrowings, bonds and commissions*		(315.3)	(465.4)
Payment of lease liabilities	33	(399.2)	(343.7)
Payment of interest on lease liabilities	33	(46.0)	(47.6)
Dividend payment		(232.5)	(594.8)
Other outflows		(40.1)	(0.7)
Net cash used in financing activities		**(856.0)**	**(1,184.7)**
Net increase/(decrease) in cash and cash equivalents		**609.4**	**(426.4)**
Cash and cash equivalents at the beginning of the period		**753.1*** **	**1,178.7** **
Effect of exchange rate fluctuations on cash and cash equivalents		3.3	0.8
Cash and cash equivalents at the end of the period		**1,365.8******	**753.1*****

* includes impact of derivative instruments, amount paid for costs related to the new financing and costs related to the modification of the loan agreement
** includes restricted cash amounting to PLN 11.7
*** includes restricted cash amounting to PLN 9.6
**** includes restricted cash amounting to PLN 10.4

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Share capital	Share premium	Share of other comprehensive income of associates	Other reserves	Retained earnings*	**Equity attributable to equity holders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2020		**25.6**	**7,174.0**	**-**	**1.5**	**6,610.2**	**13,811.3**	**653.2**	**14,464.5**
Dividend approved and share of profits		-	-	-	-	(639.5)	**(639.5)**	(10.2)	**(649.7)**
Put option valuation		-	-	-	106.7	-	**106.7**	(654.7)	**(548.0)**
Acquisition of subsidiary	38	-	-	-	-	-	**-**	0.6	**0.6**
Total comprehensive income		-	-	21.2	(8.5)	1,141.6	**1,154.3**	4.5	**1,158.8**
Hedge valuation reserve	*30*	-	-	-	*(8.1)*	-	***(8.1)***	-	***(8.1)***
Share of other comprehensive income of associates		-	-	*21.2*	-	-	***21.2***	-	***21.2***
Actuarial profit/(loss)				-	*(0.4)*		***(0.4)***	*(0.1)*	***(0.5)***
Net profit for the period		-	-	-	-	*1,141.6*	***1,141.6***	*4.6*	***1,146.2***
Balance as at 31 December 2020		**25.6**	**7,174.0**	**21.2**	**99.7**	**7,112.3**	**14,432.8**	**(6.6)**	**14,426.2**

* 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 the capital excluded from distribution amounts to PLN 8.5.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital	Share premium	Other reserves	Retained earnings*	**Equity attributable to equity holders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2019	**25.6**	**7,174.0**	**(162.5)**	**6,189.9**	**13,227.0**	**648.2**	**13,875.2**
Dividend approved	-	-	-	(594.8)	**(594.8)**	-	**(594.8)**
Acquisition of subsidiary	-	-	165.5	(85.5)	**80.0**	(8.4)	**71.6**
Total comprehensive income	-	-	(1.5)	1,100.6	**1,099.1**	13.4	**1,112.5**
Hedge valuation reserve	-	-	*0.4*	-	***0.4***	-	***0.4***
Actuarial profit/(loss)	-	-	*(1.9)*	-	***(1.9)***	*(0.6)*	***(2.5)***
Net profit for the period	-	-	-	*1,100.6*	***1,100.6***	*14.0*	***1,114.6***
Balance as at 31 December 2019	**25.6**	**7,174.0**	**1.5**	**6,610.2**	**13,811.3**	**653.2**	**14,464.5**

* 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 2019 the capital excluded from distribution amounts to PLN 8.5.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

General information

Name of reporting entity or other means of identification:	Cyfrowy Polsat S.A.
Domicile of entity:	Łubinowa 4a, 03-878 Warsaw
Legal form of entity:	joint stock company
Country of incorporation:	Poland
Address of entity's registered office:	Łubinowa 4a, 03-878 Warsaw
Principal place of business:	Poland
Name of parent entity:	Cyfrowy Polsat S.A.
Name of ultimate parent of group:	Cyfrowy Polsat S.A.

1. The Parent Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat', 'the Parent Company', 'the Parent') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Parent Company's registered office is located at 4a, Łubinowa Street in Warsaw.

The Parent 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 consolidated financial statements comprise the Parent and its subsidiaries ('the Group') and joint ventures. The Group operates in two segments: (1) B2C and B2B services which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) media which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

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.

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),

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

- 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.

4. Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated 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 Group applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2020 and the consolidated financial statements for the year 2019, presented in the consolidated 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 become 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 that apply for the first time in 2020 do not have a material impact on the consolidated financial statements of the Group.

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 Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Group is currently analyzing the impact of the published standards that have not entered into force and believes that, apart from additional disclosures, they should not have a significant impact on the consolidated financial statements.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

5. Group structure

These consolidated financial statements for the year ended 31 December 2020 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%) 31 December 2020	Share in voting rights (%) 31 December 2019
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
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.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polkomtel Infrastruktura Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	media	100%	100%
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
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%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**31 December 2020**	**31 December 2019**
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	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.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	call center and premium rate services	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	financial activities	*	*
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2020	31 December 2019
Subsidiaries accounted for using full method (cont.)				
Music TV Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o. (a)	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	65.98%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
TVO Sp. z o.o.(b)	ul. Kielecka 5, 81-303 Gdynia	retail sales	75.96%	51.22%
Pure Omni Wework Sp. z o.o. Sp.k. (b)	ul. Kielecka 5, 81-303 Gdynia	retail sales	75.96%	51.22%
Wework Sp. z o.o. (b)	ul. Kielecka 5, 81-303 Gdynia	administrative services	75.96%	51.22%
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	100%	100%
ISTS Sp. z o.o.	Bociana 4a/68a, 31-231 Cracow	wired communication	65.98%	65.98%
Plus Finanse Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	monetary intermediation	100%	100%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Entity's registered office	Activity	Share in voting rights (%) 31 December 2020	31 December 2019
Subsidiaries accounted for using full method (cont.)				
Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.) (c)	Al. Wyścigowa 6, 02-681 Warsaw	technical services	51.25%	-
Alledo Express Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	-
Alledo Parts Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	-
Alledo Parts Sp. z o.o. Sp.k. (c)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	-
Alledo Setup Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Setup Sp. z o.o. Sp.k. (c)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
IST Sp. z o.o. (formerly IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o. o.) (d)	Księcia Janusza I 3, 18-400 Łomża	wired communication	65.98%	-
Grupa Interia.pl Sp. z o.o. (e)	Os. Teatralne 9a, 31-946 Cracow	holding activities	100%	-
Grupa Interia.pl Media Sp. z o.o. Sp. k. (e)	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	-
Grupa Interia.pl Sp. z o. o. Sp.k. (e)	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	-
Mobiem Polska Sp. z o.o (e)	Fabryczna 5a, 00-446 Warsaw	holding activities	100%	-
Mobiem Polska Sp. z o.o. Sp.k. (e)	Fabryczna 5a, 00-446 Warsaw	advertising activities	100%	-
TV Spektrum Sp. z o.o. (f)	Ostrobramska 77, 04-175 Warsaw	media	100%	-
Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) (g)	ul. Solskiego 55, 52-401 Wrocław	consulting	60%	-
Polot Media Sp. z o.o. Sp. k. (formerly Tako Media Sp. z o.o. Sp.k.) (h)	ul. Solskiego 55, 52-401 Wrocław	movie and TV production	60%	-
BCAST Sp. z o.o. (i)	ul. Rakowiecka 41/21, 02-521 Warszawa	telecommunication activities	70.02%	-

* Cyfrowy Polsat S.A. indirectly holds 100% of certificates.

(a) On 19 May 2020 Netia has merged with its subsidiary, Internetia.

(b) On 10 February 2020 court registered an increase in the TVO Sp. z o. o. share capital. Consequently, the Group holds 75.96% shares of TVO Sp. z o. o.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(c) On 13 January 2020 Cyfrowy Polsat acquired 51.25% shares of Alledo Sp. z o.o. thus acquiring control over Alledo Sp. z o.o and its subsidiaries (see note 38). On 5 August 2020 the name was changed from Alledo Sp. z o.o to Esoleo Sp. z o.o.

(d) On 14 February 2020 Netia acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. On 27 February 2020 company's name change to IST Sp. z o.o. was registered.

(e) On 8 July 2020 Telewizja Polsat acquired 100% shares of Grupa Interia.pl Sp. z o.o. and acquired all the rights and obligations of a limited partner in Grupa Interia.pl Media Sp. z o.o. Sp.k.

(f) On 18 September 2020 Telewizja Polsat acquired 50.52% shares of TV Spektrum Sp. z o.o. Consequently, Telewizja Polsat holds 100% shares of TV Spektrum Sp. z o.o.

(g) On 23 December 2020 Telewizja Polsat acquired 60% shares of Tako Media Sp. z o.o. On 2 February 2021 company's name change to Polot Media Sp. z o.o. was registered.

(h) On 23 December 2020 Telewizja Polsat acquired directly 58.2% shares of Tako Media Sp. z o.o. Sp.k. On 18 February 2021 company's name change to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. was registered.

(i) On 25 March 2020 Cyfrowy Polsat acquired 69.13% shares in BCAST Sp. z o.o. On 23 December 2020 Cyfrowy Polsat acquired 0.89% shares of BCAST Sp. z o.o., thus gaining control over the company on 23 December 2020 (consequently, Cyfrowy Polsat holds 70.02% shares of BCAST).

Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**31 December 2020**	**31 December 2019**
Polsat JimJam Ltd.	111 Salusbury Road London NW6 6RG UK	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%
TV Spektrum Sp. z o.o. (a)	Ostrobramska 77, 04-175 Warsaw	media	-	49.48%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A. (b)	Olchowa 14, 35-322 Rzeszów	software activities	22.95%	22.73%

(a) On 18 September 2020 Telewizja Polsat gained control over TV Spektrum Sp. z o.o.

(b) On 31 July 2020 Cyfrowy Polsat acquired from Reddev Investments Limited 184,127 shares in Asseco Poland S.A. Consequently, Cyfrowy Polsat holds 22.95% shares in Asseco Poland S.A.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Additionally, the following entities were included in these consolidated financial statements for the year ended 31 December 2020:

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2020	31 December 2019
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 loc. 11.31, 00-697 Warsaw	web portals activities	21.43%**	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25E loc. 216, 10-686 Olsztyn	infrastructure projects advisory	1.5%***	1.5%***
Pluszak Sp. z o.o. (a)	Domaniewska 47, 02-672 Warsaw	retail sales	9%	-

* Investment accounted for at cost less any accumulated impairment losses.

** Not included in investments accounted for under the equity method due to immateriality

*** Altalog Sp. z o.o. holds 2.3% share in voting rights in InPlus Sp. z o.o.

(a) On 24 April 2020 Polkomtel acquired 9% shares in Pluszak Sp. z o.o.

Principles applied in the preparation of financial statements

6. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by all entities within the Group.

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are stated at fair value.

b) Going concern

These consolidated financial statements have been prepared assuming that the Group's entities will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2020.

c) Functional and presentation currency

These consolidated financial statements are presented in the Polish zloty, rounded to million, the Group's functional currency.

d) Use of estimates and judgments

The preparation of consolidated 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 judgments in applying accounting policies is included in note 51.

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) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Company and using the accounting policies that are consistent with those of the Company for like transactions and events.

Equity transactions between a parent entity and the non-controlling interests are treated as transactions between shareholders, provided that the transactions do not result in a change of control. No gains or losses are recognised in consolidated profit or loss for transactions between the parent entity and the non-controlling interest, unless control is lost. Transactions where control is not lost are recorded within equity.

Put options granted in business combinations to holders of non-controlling interest in the subsidiary (ie. obligating the Group to acquire non-controlling interests in particular circumstances in the future for a particular price) give rise to a financial liability recognised in the consolidated balance sheet.

While such put option remains unexercised, at the end of each reporting period the Group determines the amount of non-controlling interest (including share of profit/losses attributable to the non-controlling interest), de-recognises the controlling interest as if was acquired at that balance sheet date and recognises a financial liability measured at present value of the redemption amount. The difference is accounted for as a transaction between a parent entity and the non-controlling interests as described above.

On expiry of an unexercised put option the Group derecognises the financial liability in full and recognises non-controlling interest as if the put option was never granted.

(ii) Associates and Joint arrangements

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. This is generally the case where the Group hold between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interests in the entity (which includes any long term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g) Foreign currency transactions

Foreign currency transactions

Transactions in foreign currencies are translated to the Polish zloty at exchange rates in effect one day prior to the recording of these transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign currency exchange differences arising on translation of transactions denominated in foreign currencies and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the average NBP exchange rate in effect at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

h) 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 asset measured at fair value through other comprehensive income

Financial asset measured at fair value through other comprehensive income include investments in equity instruments for which at initial recognition Group make an irrevocable election to present in other comprehensive income subsequent changes in their fair value. Gains and losses on these financial assets are never recycled to profit or loss.

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 Group 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, UMTS license liabilities, 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 profit or loss.

Accounting policies related to gains and losses on investment activities and finance costs are presented in 6u.

(ii) Derivative financial instruments

Hedge accounting

The Group 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.

For the purpose of hedge accounting, the Group'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 Group formally designates and documents the hedge relationship to which the Group 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 Group 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 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 costs 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 Group chose to apply hegde accounting requirements as in IAS 39 instead of those included in IFRS 9.

i) Equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

Preference share capital

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 issue and public offering 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 the issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

Retained earnings

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.

j) Property, plant and equipment and investment property

(i) Property, plant and equipment owned by the Group

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 Group to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost. Once recognized all investment property held by the Group 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 Group and the amount of the cost can be measured reliably. Replaced item is derecognized. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

(iv) Depreciation

Depreciation expense 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 following are estimated useful lives of respective group of property, plant and equipment:

Reception equipment	2 or 3 or 5	years
Buildings and structures	2 - 61	years
Technical equipment and machinery	2 - 30	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.

(v) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet lease criteria, are classified separately in the balance sheet as right-of-use assets.

Set-top boxes, modems and routers that are provided to customers under operating lease agreements are recognized within non-current assets (Reception equipment in the balance sheet) and depreciated as described in (iv). The set-top boxes are depreciated 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 any indication that an asset may be impaired and there is uncertainty as to those assets' revenue generating potential or their future use in the Group's operations. The accounting policies relating to impairment are presented in note 6n.

Detailed accounting policies related to lease contracts are described in point 6v.

k) 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) Customer relationships

Customer relationships acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives.

(iii) Brands

Brands acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives, except where an indefinite period of use is justified. Brands with an indefinite useful life are tested annually for impairment or more frequently if impairment indicators exist. The estimated useful lives for respective brands are as follows:

- Polsat, TV4, TV6, Ipla and Polo TV (Lemon Records) brands: indefinite useful life
- Plus brand: 51 years (i.e. 2065)
- Netia brand: 10 years (i.e. 2028)
- Eleven Sports: 15 years (i.e. 2035).

(iv) Other intangible assets

The Group capitalises 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 Group is able to measure reliably the expenditure attributable to such development and when it can reliably establish the commencement as well as the completion date of the software development activities.

Other intangible assets acquired by the Group are measured 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 expense 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 recoverable amounts of intangible assets which are not yet available for use are measured as at each balance sheet date.

The estimated useful lives for respective intangible assets groups are as follows:

- Computer software: 2-15 years,
- Customer relationships: 3-13 years,
- Concessions: period resulting from an administrative decision,
- Other: 2-7 years.

l) Programming assets

Programming assets comprise acquired formats, licences and copyrights for broadcasting feature films, series, news and shows, capitalized costs of commissioned external productions ordered by the Group, capitalized sports rights and advance payments made (including advance payments for sports rights).

(i) Initial recognition

Programming rights, other than sports rights, are recognized at cost as programming assets when the legally enforceable licence period begins and all of the following conditions have been met:

- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the licensee in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

Capitalized costs of productions include costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalized costs of productions are measured individually for each program at their respective production or acquisition costs, not to exceed their recoverable amounts.

Sports broadcasting rights are recognized at purchased price at the time of TV transmission. Broadcasting rights to seasonal sport events, acquired under long-term contracts (frequently multi-seasonal), are recognized at the relative value determined by internal experts and allocated to each of the sport events' season as part of the purchased programming package. The Group's method of recognition of sports broadcasting rights is dependent on the type of sports channel on which the use of these rights is planned:

- sports broadcasting rights for premium sports channels are recognized in relation to all seasons contracted by the Group at the start of the first of them;
- sports broadcasting rights for other channels are recognized separately for each season at the start of each of them.

Advance payments for acquired programming assets, prior to licence begin date, are recognized as prepayments for programming assets.

Signed and binding contracts for purchase of programming, which do not meet recognition criteria for programming assets are not recognized in the balance sheet and are instead disclosed as contractual commitments in the amount of the outstanding contract liability at the reporting date.

Programming assets are classified as non-current or current based on the estimate timing of the broadcast. A programming asset is recognized as current when the expected broadcast falls within 1 year from the reporting date. Sport rights and prepayments for sport rights are classified as current or non-current based on dates of related sport events.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(ii) Amortization

Programming assets are amortized using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements.

- Feature films and series – amortization starts at the first broadcast. Consumption of the economic benefits is measured using a declining balance method according to a standardized rate matrix and depends on the number of showings permitted or planned, primarily as described below:

	Feature films				
Number of depreciable runs	**Rate per run**				
	I	II	III	IV	V
1	100%				
2	60%	40%			
3	40%	30%	30%		
4	35%	25%	25%	15%	
5 and more	30%	20%	20%	15%	15%

	TV series	
Number of depreciable runs	**Rate per run**	
	I	II
1	100%	
2	80%	20%

- Feature films and series broadcasted on thematic channels are mainly amortized in four or five runs using the rates of 25% and 20% respectively.
- Sports broadcasting rights - 100% of the right's value is recognized as an expense in the income statement at the time of the first broadcast, however acquired rights to game seasons or rights to many seasons or a series of competitions are amortized on a straight-line basis over the period between the beginning of the first season and the end of the last season in respect to sports broadcasting rights primarily intended for premium sports channels or over the duration of the season or series of competitions in respect to sports broadcasting rights intended for other channels.
- Commissioned external productions intended for only one run are fully amortized on their first broadcast.
- News programming is fully amortized at its first broadcast.
- General entertainment shows are fully amortized at their first broadcast.

Amortization of programming assets is presented in Content costs line in the operating costs of the income statement.

(iii) Impairment

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment losses are recognized on each license in case of withdrawal from broadcasting an item in the expected future (resulting from changes in strategic program scheduling, changing audience tastes, media law restrictions on the usability of films) or expected future losses anticipated on disposal of the rights.

Impairment write downs on programming assets are recognized as part of the content costs. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as content cost reductions.

m) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost method.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in making them available for use or sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads determined based on normal operating capacity.

Net realisable value is the current market 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 Group are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

n) Impairment of assets

(i) Financial assets measured at amortised cost

The Group 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 Group considers financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The Group 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 reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Group. The recoverable amount of intangible assets which are not yet available for use as well as of goodwill and brands with indefinite useful life is estimated at each reporting date.

An impairment loss is recognized when the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit represents the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of thereof. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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 inflows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss 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 plan

All Group entities that act as employers have an obligation, under applicable legislation, to collect and remit contributions to the state pension fund. According to IAS 19 *Employee Benefits* such benefits represent state plans that are classified as defined contribution plans. Therefore, the Group's obligations for a given period are estimated as the amount of contributions to be remitted for that period.

(ii) Defined benefit plan – retirement benefits

The Group entities have an obligation, under applicable legislation, to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labor code. The minimum retirement benefit is as per the labor code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and expected future employment levels.

Changes in the amount of the retirement benefits liability 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.

A liability is recognized for the amount expected to be paid under short-term bonus, if the Group has a present 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 if, as a result of past event, the Group has a present obligation, 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, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Certain disclosures may not be included in these consolidated financial statements as they relate to sensitive information.

(i) Warranties

A provision for warranties is recognized when the underlying products or goods are sold. The amount of the provision is based on historical warranty data and a weighting of all possible outflows against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is established, the Group recognizes any impairment loss on the assets dedicated to that contract.

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 Group 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.

The Group does not recognize a contingent liability, except for contingent liability assumed in a business combination.

Unless the possibility of any outflow in settlement is remote, the Group 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 is measured at the transaction price representing the gross inflow of economic benefit from Group's operating activities, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then such discounts are recognized as a reduction of revenue when it is recognized.

The Group's main sources of revenue are recognized as follows:

(a) Retail revenue consists primarily of monthly subscription fees paid by our pay digital television contract customers for programming packages, subscription fees paid by our contract customers for telecommunication services, fees for telecommunication services provided to our contract customers, which are not included in the subscription fee, payments for telecommunication services paid by our prepaid and mix customers, fees for the lease of set-top boxes, activation fees, penalties, and fees for additional services.

Services revenues are recognized in profit and loss in the period when related services are rendered.

Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited.

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.

(b) Wholesale revenue comprises advertising and sponsorship revenue, revenue from cable and satellite operator fees, revenue from the lease of infrastructure, interconnect revenue, revenue from roaming, revenue from the sale of broadcasting and signal transmission services and revenue from the sale of licenses, sublicenses and property rights and revenue from premium rate services.

Advertising and sponsorship revenue is derived primarily from broadcasting of advertising content and is recognized in the period when the advertising is broadcast. Revenue is recognized in profit or loss in the amount due from customers net of value added tax, taxes on revenue from advertising of alcohol beverages and any rebates granted. Advertising and sponsorship revenue also comprises revenue on commissions on sales of commercial airtime when the Group acts as an agent on behalf of third parties. The commissions are recognized at amounts due from the buyers of advertising airtime or sponsorship services, less of any amounts due to television broadcasters. Revenue from commissions on sales of commercial airtime and from sponsorship is recognized in the consolidated income statement when these services are rendered.

Revenue from charges made to cable and satellite operators includes fees from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognized when the related programs are broadcast.

Services revenues are recognized in profit and loss in the period when related services are rendered, net of any discount given.

(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.

Other revenue includes primarily revenue from the lease of premises and facilities, revenue from interest on installment plan purchases, revenue from the sale of electric energy and other sales revenue.

The Group's process for revenue recognition from multi-element contracts (eg. mobile contract and handset) 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 payable to distributors for registering new subscribers and for retention of existing subscribers are recognized over the minimum base period of the subscription agreement and presented in Income Statement in Distribution, marketing, customer relation management and retention costs.

Commissions for distributors which will be settled within 12 months of the reporting date are classified as other current assets, while the commissions, which will be settled more than 12-months after the reporting date, are classified as non-current assets.

t) Barter revenue and cost

Barter revenue for dissimilar services or goods is recognized when the services are rendered or goods delivered. Programming licences, products and services received are expensed or capitalized when received or used. The Group recognizes barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognized by the Group. Conversely, when advertising is broadcast before products or services are received, a receivable is recognized by the Group.

u) Gains and losses on investment activities and finance costs

Gains and losses on investment activities include interest income on funds invested, interest expenses (including lease liabilities interests but other than interest expenses on borrowings), dividends income, gains/losses on financial instruments (other than interest rate derivatives) at fair value through profit or loss, net foreign currency gains/losses, and results on completed forward exchange contracts and call options, impairment losses recognized on financial assets, unwinding of the discount on provisions.

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 Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings (including bank loans and bonds), foreign exchange gains/losses on 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) Lease payments

Group 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 Group and the lessee.

Similarly to agreements in which the Group acts as a lessee, the Group 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 lease, Group recognize revenue in profit and loss statement on a straight line basis.

Group as lessee

(i) Assets

Assets used under agreements which meet the leasing definition are recognized as right-of-use assets and lease liabilities representing the Group's obligation to make payments for the underlying asset on the day when the leased assets are available for use by the Group.

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 to the lessor at or before the commencement date, less any lease incentives received from the lessor,
- any initial direct costs incurred by the lessee,
- an estimate of the costs to be incurred by the lessee in dismantling, removing and restoring the underlying assets 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 Group 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 Group depreciates the right-of-use assets as follows:

- technical infrastructure - premises for telecommunications equipment installations: 2-24 years,
- telecommunications infrastructure, including links ("dark fibers"): 2-13 years,
- office space, other premises and perpetual usufruct: 1,5-100 years,
- point of sales premises: 2-7 years,
- vehicles: 3-5 years.

Right-of-use assets are subject to impairment based on the accounting policies as presented in note 6n.

(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 a 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 Group 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 incremental borrowing rate is used.

After the commencement date, the Group shall measure 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) Income tax

Income tax expense/benefit comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet approach, 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 recovery or settlement of the carrying amounts of assets and liabilities, respectively, using tax rates that are enacted or substantively enacted at the reporting 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 utilized. An amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realized. When not recognized deferred tax asset becomes recoverable, it is recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. The Group 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 Group takes into account *inter alia* forecasted future tax revenues.

Deferred tax assets and liabilities are offset by the Group companies.

x) Earnings per share

The Group 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 continuing operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares, adjusted by the effects of all dilutive potential ordinary and preference shares.

y) Segment reporting

An operating segment is a component of the Group: (a) that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with other components of the same unit); (b) whose operating results are reviewed on regular basis by the main responsible authority for making operational decisions in the unit and using those results when making decisions on the resources allocated to the segment and when assessing the results of the segment's activities; and (c) when separate financial information are available.

The Group presents operating segments according to its internal management accounting principles applied in the preparation of periodical management reports which are regularly analysed by the Management Board of Cyfrowy Polsat S.A. These reports are analyzed on regular basis by management which was identified as the chief operating decision maker.

z) Cash flows statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the consolidated balance sheet.

Purchases of set-top boxes to be provided to customers under operating lease contracts are classified in the cash flows statement within operating activities. The purchases and disposals of these set-top boxes are classified in the cash flows statement within operating activities and presented as “Net disposals/(additions) of reception equipment provided under operating lease”.

Acquisition of items of property, plant and equipment or intangible assets are presented in their net amount (net of related value added tax).

Payments for film licences and sport rights are presented on a net basis (net of related value added tax) within operating activities. Expenditures on the acquisition of programming assets also include the amount of withholding tax paid to the relevant tax authorities.

7. Determination of fair values

A number of accounting policies 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. When applicable further information about the assumptions made in determining fair values is disclosed in the 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.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(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 the market rate of 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 Group's credit risk. A market interest rate for a lease contract is estimated based on interest rates for similar lease contracts.

8. Approval of the Consolidated Financial Statements

These consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 24 March 2021.

Explanatory notes

9. Revenue

	for the year ended	
	31 December 2020	**31 December 2019**
Retail revenue	6,480.4	6,458.8
Wholesale revenue	3,526.7	3,350.2
Sale of equipment	1,596.7	1,585.0
Other revenue	359.1	282.1
Total	**11,962.9**	**11,676.1**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

Other revenue mainly consists of revenue from interest on installment plan purchases, revenue from the lease of premises and facilities, revenue from the sale of electric energy and revenue from the sale of photovoltaic installations.

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10. Operating costs

		for the year ended	
	Note	**31 December 2020**	**31 December 2019**
Technical costs and cost of settlements with telecommunication operators		2,460.9	2,311.3
Depreciation, amortization, impairment and liquidation		2,305.7	2,229.7
Cost of equipment sold		1,338.2	1,320.4
Content costs		1,638.4	1,658.5
Distribution, marketing, customer relation management and retention costs		963.2	1,021.3
Salaries and employee-related costs	a)	905.9	870.6
Cost of debt collection services and bad debt allowance and receivables written off		128.9	98.9
Other costs		332.6	244.1
Total		**10,073.8**	**9,754.8**

a) Salaries and employee-related costs

	for the year ended	
	31 December 2020	**31 December 2019**
Salaries	754.3	726.8
Social security contributions	118.6	114.1
Other employee-related costs	33.0	29.7
Total	**905.9**	**870.6**

Average headcount of non-production employees*

	for the year ended	
	31 December 2020	**31 December 2019**
Employment contracts (full-time equivalents)	7,402	7,231

* excluding workers who did not perform work in the reporting period due to long-term absences

11. Gain/(loss) on investment activities, net

	for the year ended	
	31 December 2020	**31 December 2019**
Interest on lease liabilities	(49.8)	(51.1)
Interest, net	(1.9)	9.2
Other foreign exchange gains/(losses), net	(59.6)	9.8
Other income/costs	(1.8)	5.1
Total	**(113.1)**	**(27.0)**

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12. Finance costs, net

	for the year ended	
	31 December 2020	31 December 2019
Interest expense on loans and borrowings	258.0	342.7
Interest expense on issued bonds	44.0	41.0
Cumulative catch-up	(44.8)	-
Valuation and realization of hedging instruments	1.8	0.6
Valuation and realization of derivatives not used in hedge accounting – relating to interest	68.7	7.6
Guarantee fess, bank and other charges	5.3	74.0
Total	**333.0**	**465.9**

13. Income tax

(i) Income tax expense

	for the year ended	
	31 December 2020	31 December 2019
Current tax expense	400.5	472.6
Change in deferred tax	(103.3)	(116.6)
Other	(1.3)	(3.0)
Income tax expense in the income statement	**295.9**	**353.0**

	for the year ended	
Change in deferred income tax	**31 December 2020**	**31 December 2019**
Tax losses carried forward	5.9	(1.2)
Receivables and other assets	(20.2)	6.7
Liabilities	-	(37.6)
Other property, plant and equipment and intangible assets	(99.1)	(79.8)
Other	10.1	(4.7)
Change in deferred tax recognized in income statement – total	**(103.3)**	**(116.6)**

(ii) Income tax recognized in the statement of 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**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(iii) Effective tax rate reconciliation

	for the year ended	
	31 December 2020	**31 December 2019**
Gross profit	1,442.1	1,467.6
Income tax at applicable statutory tax rate of 19%	**274.0**	**278.9**
Other	21.9	74.1
Tax expense for the year	**295.9**	**353.0**
Effective tax rate	**20.5%**	**24.1%**

(iv) Deferred tax assets

	31 December 2020	**31 December 2019**
Tax losses carried forward	13.6	19.5
Liabilities	396.9	415.3
Tangible and intangible assets	118.8	109.5
Receivables and other assets	92.8	94.6
Other	7.8	15.8
Total deferred tax assets	**629.9**	**654.7**
Set off of deferred tax assets and liabilities	(406.7)	(413.5)
Deferred tax assets in the balance sheet	**223.2**	**241.2**

(v) Tax loss

	31 December 2020	**31 December 2019**
2020 tax loss carried forward	22.0	-
2019 tax loss carried forward	47.7	38.2
2018 tax loss carried forward	66.5	50.5
2017 tax loss carried forward	27.9	38.7
2016 tax loss carried forward	68.3	83.1
2015 tax loss carried forward	2.4	19.7
2014 tax loss carried forward	-	8.0
Tax losses carried forward – total	**234.8**	**238.2**

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(vi) Tax losses recognized

	31 December 2020	31 December 2019
2020 tax loss carried forward	0.3	-
2019 tax loss carried forward	28.7	29.8
2018 tax loss carried forward	28.1	33.3
2017 tax loss carried forward	13.9	28.5
2016 tax loss carried forward	0.6	3.0
2015 tax loss carried forward	-	1.1
2014 tax loss carried forward	-	7.1
Tax losses carried forward – total	**71.6**	**102.8**

As at 31 December 2020 the Group recognized deferred tax asset on tax losses to the extent that it was probable that they would be utilized in the future.

According to Art. 7 of the Polish Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilized in the subsequent five fiscal years. However, no more than 50% of a tax loss for any given year can be utilized in a single subsequent fiscal year.

(vii) Deferred tax liabilities

	31 December 2020	31 December 2019
Receivables and other assets	214.7	236.7
Liabilities	35.2	52.9
Tangible and intangible assets	1,032.7	1,123.3
Other	26.2	25.9
Total deferred tax liabilities	**1,308.8**	**1,438.8**
Set off of deferred tax assets and liabilities	(406.7)	(413.5)
Deferred tax liabilities in the balance sheet	**902.1**	**1,025.3**

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.

14. EBITDA (unaudited)

EBITDA (earnings before interest, taxes, depreciation, amortization, impairment and liquidation) presents the Group's key measure of earnings performance. The level of EBITDA measures the Group's ability to generate cash from recurring operations, however it is neither a measure of liquidity nor cash level. The Group 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	1,146.2	1,114.6
Income tax	295.9	353.0
(Gain)/loss on investment activities, net	113.1	27.0
Finance costs	333.0	465.9
Share of the (profit)/loss of associates accounted for using the equity method	(2.0)	6.5
Depreciation, amortization, impairment and liquidation*	2,305.7	2,229.7
EBITDA (unaudited)	**4,191.9**	**4,196.7**
Costs related to COVID (including donations)	45.9	-
EBITDA adjusted (unaudited)	**4,237.8**	**4,196.7**

* depreciation, amortisation, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, intangible assets and right-of-use and net book value of disposed property, plant, equipment and intangible assets (excluding amortization of programming assets)

15. Basic and diluted earnings per share

At the reporting date, the Company did not have any financial instruments that could have a dilutive effect, therefore the diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2020	**31 December 2019**
Net profit	1,146.2	1,114.6
Weighted average number of ordinary and preference shares in the period	639,546,016	639,546,016
Earnings per share in PLN (not in millions)	**1.79**	**1.74**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

16. Property, plant and equipment

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost as at 1 January 2020	**1,226.9**	**51.1**	**353.6**	**7,028.2**	**61.3**	**170.9**	**466.5**	**8,131.6**
Acquisition of subsidiary (see note 38)	**-**	2.9	28.2	19.6	0.6	2.2	3.0	**56.5**
Additions	**147.5**	-	33.1	334.9	54.1	28.5	728.6	**1,179.2**
Transfer between groups	**-**	-	0.1	1.1	-	-	1.5	**2.7**
Transfer from assets under construction	**-**	4.2	25.5	497.8	1.8	18.0	(547.3)	**-**
Disposals	**(75.9)**	-	(6.3)	(134.4)	(7.6)	(3.1)	(68.4)	**(219.8)**
Cost as at 31 December 2020	**1,298.5**	**58.2**	**434.2**	**7,747.2**	**110.2**	**216.5**	**583.9**	**9,150.2**
Accumulated impairment losses as at 1 January 2020	**4.2**	**-**	**-**	**-**	**-**	**0.2**	**6.0**	**6.2**
Recognition	**-**	-	-	3.5	-	-	15.8	**19.3**
Reversal	**-**	-	-	-	-	-	(1.0)	**(1.0)**
Utilisation	**(0.5)**	-	-	(1.3)	-	-	(0.3)	**(1.6)**
Accumulated impairment losses as at 31 December 2020	**3.7**	**-**	**-**	**2.2**	**-**	**0.2**	**20.5**	**22.9**
Accumulated depreciation as at 1 January 2020	**960.0**	**-**	**85.5**	**2,939.3**	**26.3**	**97.4**	**-**	**3,148.5**
Additions	**116.4**	-	20.9	661.1	10.0	25.6	-	**717.6**
Transfer between groups	**-**	-	-	0.2	-	-	-	**0.2**
Disposals	**(75.0)**	-	(5.6)	(117.1)	(4.6)	(2.7)	-	**(130.0)**
Accumulated depreciation as at 31 December 2020	**1,001.4**	**-**	**100.8**	**3,483.5**	**31.7**	**120.3**	**-**	**3,736.3**
Carrying amount as at 1 January 2020	**262.7**	**51.1**	**268.1**	**4,088.9**	**35.0**	**73.3**	**460.5**	**4,976.9**
Carrying amount as at 31 December 2020	**293.4**	**58.2**	**333.4**	**4,261.5**	**78.5**	**96.0**	**563.4**	**5,391.0**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'.

Property, plant and equipment are subject of collateral described in detail in the Management Report in note 4.4.6

(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 as at 1 January 2019 *(IAS 17 basis)*	**1,174.7**	**62.3**	**337.8**	**6,203.4**	**87.8**	**145.7**	**585.4**	**7,422.4**
Right-of-use reclassification	**-**	(11.0)	-	-	(35.0)	-	-	**(46.0)**
Cost as at 1 January 2019 *(IFRS 16 basis)*	**1,174.7**	**51.3**	**337.8**	**6,203.4**	**52.8**	**145.7**	**585.4**	**7,376.4**
Acquisition of subsidiary	**-**	-	0.7	1.0	-	-	-	**1.7**
Additions	**123.3**	-	17.0	181.2	14.2	15.0	672.3	**899.7**
Transfer between groups	**-**	-	0.1	(0.3)	-	0.4	0.4	**0.6**
Transfer from assets under construction	**-**	-	4.0	769.7	-	15.6	(789.3)	**-**
Disposals	**(71.1)**	(0.2)	(6.0)	(126.8)	(5.7)	(5.8)	(2.3)	**(146.8)**
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1,226.9**	**51.1**	**353.6**	**7,028.2**	**61.3**	**170.9**	**466.5**	**8,131.6**
Accumulated impairment losses as at 1 January 2019	**4.2**	**-**	**-**	**5.6**	**-**	**0.1**	**9.7**	**15.4**
Recognition	**1.0**	-	-	1.6	-	-	1.7	**3.3**
Reversal	**-**	-	-	(6.5)	-	-	(4.3)	**(10.8)**
Utilisation	**(1.0)**	-	-	(0.7)	-	-	(1.0)	**(1.7)**
Transfer between groups	-	-	-	-	-	0.1	(0.1)	**-**
Accumulated impairment losses as at 31 December 2019	**4.2**	**-**	**-**	**-**	**-**	**0.2**	**6.0**	**6.2**
Accumulated depreciation as at 1 January 2019 *(IAS 17 basis)*	**906.0**	**-**	**69.5**	**2,431.0**	**34.6**	**79.7**	**-**	**2,614.8**
Right-of-use reclassification	**-**	-	-	-	(11.0)	-	-	**(11.0)**
Accumulated depreciation as at 1 January 2019 *(IFRS 16 basis)*	**906.0**	-	**69.5**	**2,431.0**	**23.6**	**79.7**	**-**	**2,603.8**
Additions	**123.2**	-	21.0	618.9	9.7	22.1	-	**671.7**
Disposals	**(69.2)**	-	(5.1)	(110.2)	(7.0)	(4.7)	-	**(127.0)**
Transfer between groups	**-**	-	0.1	(0.4)	-	0.3	-	**-**
Accumulated depreciation as at 31 December 2019 *(IFRS 16 basis)*	**960.0**	**-**	**85.5**	**2,939.3**	**26.3**	**97.4**	**-**	**3,148.5**
Carrying amount as at 1 January 2019 *(IAS 17 basis)*	**264.5**	**62.3**	**268.3**	**3,766.8**	**53.2**	**65.9**	**575.7**	**4,792.2**
Carrying amount as at 1 January 2019 *(IFRS 16 basis)*	**264.5**	**51.3**	**268.3**	**3,766.8**	**29.2**	**65.9**	**575.7**	**4,757.2**
Carrying amount as at 31 December 2019 *(IFRS 16 basis)*	**262.7**	**51.1**	**268.1**	**4,088.9**	**35.0**	**73.3**	**460.5**	**4,976.9**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'.

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17. Goodwill

	2020	2019
Balance as at 1 January	**11,336.4**	**11,309.4**
Acquisition of 100% shares of ISTS Sp. z o. o. (see note 38)	-	20.0
Acquisition of 51.22% shares of TVO Sp. z o. o. (see note 38)	-	7.0
Acquisition of 100% shares of Interia Group (see note 38)	385.9	-
Acquisition of 100% shares of TV Spektrum Sp. z o. o. (see note 38)	66.4	-
Acquisition of 51.25% shares of Esoleo Sp. z o. o. (formerly Alledo Sp. z o. o.) (see note 38)	9.0	-
Acquisition of 70.02% shares of BCAST Sp. z o. o. (see note 38)	6.6	-
Acquisition of 100% shares of IST Sp. z o.o. (see note 38)	3.7	-
Acquisition of data center in the form of an organised part of the enterprise (see note 38)	0.4	-
Acquisition of 60% shares of Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) (see note 38)	0.0	-
Acquisition of 60% shares directly and indirectly of Polot Media Sp. z o.o. Sp.k. (formerly Tako Media Sp. z o.o. Sp. k.) (see note 38)	0.0	-
Balance as at 31 December	**11,808.4**	**11,336.4**

Impairment tests performed on goodwill balances as at 31 December 2020 did not indicate impairment (see note 19 for impairment test assumptions).

18. Brands

	2020	2019
Balance as at 1 January	**2,063.2**	**2,096.1**
Acquisition of Eleven Sports brand	1.5	-
Amortization of Plus brand	(24.1)	(24.1)
Amortization of Netia brand	(8.8)	(8.8)
Amortization of Eleven Sports brand	(0.1)	-
Balance as at 31 December	**2,031.7**	**2,063.2**

Plus

Following the acquisition of Metelem Holding Company Ltd. in 2014, the Group recognized a value of the Plus brand. The brand is amortized over the useful life of 51 years (until the year 2065). The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit.

Polsat

The value of the Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (currently Telewizja Polsat Sp. z o.o.) in 2011.

The Polsat brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to “Media: television and online” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Polsat brand balance as at 31 December 2020 did not indicate impairment (see note 19 for impairment test assumptions).

IPLA

In the consolidated financial statements, as a result of acquisition of entities comprising IPLA platform, the Group has recognized in 2012 among others goodwill and IPLA brand. The IPLA brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Ipla brand balance as at 31 December 2020 did not indicate impairment (see note 19 for impairment test assumptions).

TV4 and TV6

In the consolidated financial statements, as a result of acquisition of Polskie Media S.A., the Group has recognized in 2013 among others goodwill and TV4 and TV6 brands.

The TV4 and TV6 brands are not amortized as they are considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Media: television and online” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on TV4 and TV6 brands balance as at 31 December 2020 did not indicate impairment (see note 19 for impairment test assumptions).

Polo TV (Lemon Records)

The value of the Polo TV (Lemon Records) brand is recognized following the acquisition of Lemon Records Sp. z o.o. on 4 December 2017.

The Polo TV (Lemon Records) brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Media: television and online” cash-generating unit.

Impairment test performed on Polo TV (Lemon Records) brand balance as at 31 December 2020 did not indicate impairment (see note 19 for impairment test assumptions).

Netia

The value of the Netia brand is recognized following obtaining control by the Group over Netia S.A. on 22 May 2018. The value of Netia brand recognized in the consolidated financial statements amounted to PLN 88.5.

The brand is amortized over the useful life of 10 years (until the year 2028). The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

19. Impairment test (including goodwill and intangible assets with indefinite useful life)

The Group recognized goodwill and brands with indefinite useful life in the consolidated financial statements. Their carrying amounts were allocated to the cash generating units which also represent the Group's operating segments.

Goodwill and brands with indefinite useful life are tested for impairment annually or more frequently if possible impairment is indicated. Goodwill and brands are allocated to the below cash-generating units for the purpose of testing for impairment. The allocation was 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 and the brands were identified.

The Group tests the total carrying amount of the cash-generating units 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 the brands and other assets of the cash-generating unit on a pro rata basis.

	2020
"B2C and B2B services" cash-generating unit	
Cash-generating unit as at 1 January 2020	8,705.6
Goodwill recognized on the acquisition of Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.)	9.0
Goodwill recognized on the acquisition of BCAST Sp. z o.o.	6.6
Goodwill recognized on the acquisition of IST Sp. z o.o.	3.7
Goodwill recognized on the acquisition of data center in the form of an organized part of the enterprise	0.4
Cash-generating unit as at 31 December 2020	8,725.3
"Media: television and online" cash-generating unit	
Cash-generating unit as at 1 January 2020	3,526.3
Goodwill recognized on the acquisition of TV Spektrum Sp. z o.o.	66.4
Goodwill recognized on the acquisition of Interia Group	385.9
Cash-generating unit as at 31 December 2020	3,978.6

The recoverable amounts of all the cash generating units have been determined based on the value-in-use calculations. These calculations were 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 Group operates.

<u>The key financial assumptions used in the value-in-use calculations</u>

The most sensitive key financial assumptions used in the value-in-use calculations of "Media: television and online" cash-generating unit and "B2C and B2B Services" cash-generating unit were as follows:
- discount rate
- terminal growth rate used for estimating the cash flows beyond the period of financial plans.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Discount rate – the discount rate reflects the estimate made by the management of the risks specific to each 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 Group's and its operating segments' business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment excepted by the Group'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.

The key financial assumptions used for value-in-use calculations in 2020 and 2019 are as follows:

	Media: television ond online		B2C and B2B services	
	2020	2019	2020	2019
Terminal growth	1.8%	1.8%	2.0%	2.0%
Discount rate before tax	7.9%	8.5%	5.0%	6.7%

The impairment tests for goodwill and brands allocated to "Media: television and online" and "B2C and B2B services" cash-generating units did not indicate impairment as at 31 December 2020.

Sensitivity analysis of key financial assumptions

The Group believes that the key assumptions made in testing for impairment of the "Media: television and online" and "B2C and B2B services" cash-generating units 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 above mentioned cash-generating units' recoverable amounts are based would not cause the impairment charge to be recognized.

20. Customer relationships and other intangible assets

	31 December 2020	31 December 2019
Customer relationships	1,412.7	1,821.4
Customer relationships total	**1,412.7**	**1,821.4**
Software and licenses	463.3	542.1
Concessions	1,385.0	1,695.3
Other	29.3	30.4
Other intangible assets under development	738.8	590.0
Other intangible assets total	**2,616.4**	**2,857.8**

The customer relationships and telecommunication concessions (900 MHz, 1800 MHz and 2100 MHz) were recognized in the balance sheets following the acquisition of Metelem Holding Company Limited based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to "B2C and B2B services" cash-generating unit.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The telecommunication concessions (800 MHz, 900 MHz, 1800 MHz and 2600 MHz) were recognized in the balance sheets following the acquisition of Midas S.A. based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to "B2C and B2B services" cash-generating unit.

Customer relationships as at 31 December 2020 include the following:

	Amortization period
Customer relationships with retail clients	8 or 10 years
Customer relationships – roaming	13 years

Concessions as at 31 December 2020 include the following:

	Expiry date
License for frequencies in the 900 MHz band	24.02.2026
License for frequencies in the 1800 MHz band	14.09.2029
License for frequencies in the 2600 MHz FDD band	25.01.2031
License for frequencies in the 2100 MHz band	01.01.2023
License for frequencies in the 420 MHz band	31.12.2035
License for frequencies in the 900 MHz band	31.12.2023
License for frequencies in the 1800 MHz band	31.12.2022
License for frequencies in the 1800 MHz band	31.12.2022
License for frequencies in the 2600 MHz TDD band	31.12.2024

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Customer relationships	Software and licenses	Concessions	Other	Other intangible assets under development	**Other intangible assets**
Cost						
Cost as at 1 January 2020	**4,717.5**	**1,459.0**	**3,700.8**	**65.2**	**590.7**	**5,815.7**
Additions	**-**	36.8	23.9	0.5	254.2	**315.4**
Acquisition of subsidiary (see note 38)	**4.9**	0.1	11.3	6.5	0.2	**18.1**
Transfer from intangible assets under development	**-**	79.7	2.6	3.1	(85.4)	**-**
Disposals	**-**	(15.2)	(29.4)	(0.5)	(16.5)	**(61.6)**
Transfer between groups	**-**	(1.1)	-	-	(1.6)	**(2.7)**
Cost as at 31 December 2020	**4,722.4**	**1,559.3**	**3,709.2**	**74.8**	**741.6**	**6,084.9**
Accumulated impairment losses as at 1 January 2020	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Recognition	-	1.7	-	-	2.3	**4.0**
Disposals	-	(0.1)	-	-	(0.2)	**(0.3)**
Accumulated impairment losses as at 31 December 2020	**-**	**1.6**	**-**	**-**	**2.8**	**4.4**
Accumulated amortization as at 1 January 2020	**2,896.1**	**916.9**	**2,005.5**	**34.8**	**-**	**2,957.2**
Additions	**413.6**	192.6	348.1	11.1	-	**551.8**
Transfer between groups	**-**	(0.2)	-	-	-	**(0.2)**
Disposals	**-**	(14.9)	(29.4)	(0.4)	-	**(44.7)**
Accumulated amortization as at 31 December 2020	**3,309.7**	**1,094.4**	**2,324.2**	**45.5**	**-**	**3,464.1**
Carrying amounts						
As at 1 January 2020	**1,821.4**	**542.1**	**1,695.3**	**30.4**	**590.0**	**2,857.8**
As at 31 December 2020	**1,412.7**	**463.3**	**1,385.0**	**29.3**	**738.8**	**2,616.4**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Customer relationships	Software and licenses	Concessions	Other	Other intangible assets under development	**Other intangible assets**
Cost						
Cost as at 1 January 2019	**4,700.1**	**1,358.7**	**3,681.5**	**55.1**	**429.2**	**5,524.5**
Additions	**-**	64.0	25.3	3.6	296.5	**389.4**
Acquisition of subsidiary	**17.4**	-	-	-	-	**-**
Transfer from intangible assets under development	**-**	121.4	1.3	6.1	(128.8)	**-**
Disposals	**-**	(89.2)	(7.3)	(1.1)	-	**(97.6)**
Transfer between groups	**-**	4.1	-	1.5	(6.2)	**(0.6)**
Cost as at 31 December 2019	**4,717.5**	**1,459.0**	**3,700.8**	**65.2**	**590.7**	**5,815.7**
Accumulated impairment losses as at 1 January 2019	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Recognition	-	-	-	-	-	**-**
Disposals	-	-	-	-	(0.2)	**(0.2)**
Accumulated impairment losses as at 31 December 2019	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Accumulated amortization as at 1 January 2019	**2,487.9**	**825.0**	**1,665.9**	**27.2**	**-**	**2,518.1**
Additions	**408.2**	175.6	346.9	8.3	-	**530.8**
Disposals	**-**	(83.7)	(7.3)	(0.7)	-	**(91.7)**
Accumulated amortization as at 31 December 2019	**2,896.1**	**916.9**	**2,005.5**	**34.8**	**-**	**2,957.2**
Carrying amounts						
As at 1 January 2019	**2,212.2**	**533.7**	**2,015.6**	**27.9**	**428.3**	**3,005.5**
As at 31 December 2019	**1,821.4**	**542.1**	**1,695.3**	**30.4**	**590.0**	**2,857.8**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

21. Right-of-use assets

	Technical infrastructure	Dark fibers	Vehicles	Points of sale premises	Office space and other premises	**Right-of-use assets**
Cost as at 1 January 2020	**1,147.2**	**113.5**	**31.8**	**188.2**	**387.9**	**1,868.6**
Acquisition of subsidiary (see note 38)	4.0	-	-	-	-	**4.0**
Additions	328.1	54.4	7.9	55.8	161.9	**608.1**
Disposals	(56.1)	(11.3)	(6.4)	(4.3)	(19.8)	**(97.9)**
Cost as at 31 December 2020	**1,423.2**	**156.6**	**33.3**	**239.7**	**530.0**	**2,382.8**
Accumulated impairment losses as at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation						
Accumulated depreciation as at 1 January 2020	**271.2**	**34.7**	**9.5**	**54.5**	**78.4**	**448.3**
Additions	278.6	36.6	4.8	53.6	75.3	**448.9**
Disposals	(13.4)	(0.6)	(3.9)	(2.7)	(13.2)	**(33.8)**
Accumulated depreciation as at 31 December 2020	**536.4**	**70.7**	**10.4**	**105.4**	**140.5**	**863.4**
Carrying amount						
Carrying amount as at 1 January 2020	**876.0**	**78.8**	**22.3**	**133.7**	**309.5**	**1,420.3**
Carrying amount as at 31 December 2020	**886.8**	**85.9**	**22.9**	**134.3**	**389.5**	**1,519.4**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Technical infrastructure	Dark fibers	Vehicles	Points of sale premises	Office space and other premises	**Right-of-use assets**
Cost						
Cost as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from Other property, plant and equipment)	-	-	35.0	-	11.0	**46.0**
Implementation of IFRS 16	949.7	90.1	0.6	134.9	305.3	**1,480.6**
Cost as at 1 January 2019 *(IFRS 16 basis)*	**949.7**	**90.1**	**35.6**	**134.9**	**316.3**	**1,526.6**
Additions	227.5	49.1	7.5	54.3	73.5	**411.9**
Disposals	(30.0)	(25.7)	(11.3)	(1.0)	(1.9)	**(69.9)**
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1,147.2**	**113.5**	**31.8**	**188.2**	**387.9**	**1,868.6**
Accumulated impairment losses as at 1 January 2019 *(IAS 17 / IFRS 16 basis)*	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated impairment losses as at 31 December 2019 *(IFRS 16 basis)*	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation						
Accumulated depreciation as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from Other property, plant and equipment)	-	-	11.0	-	-	**11.0**
Accumulated depreciation as at 1 January 2019 *(IFRS 16 basis)*	**-**	**-**	**11.0**	**-**	**-**	**11.0**
Additions	274.8	35.3	5.1	54.8	78.5	**448.5**
Disposals	(3.6)	(0.6)	(6.6)	(0.3)	(0.1)	**(11.2)**
Accumulated depreciation as at 31 December 2019 *(IFRS 16 basis)*	**271.2**	**34.7**	**9.5**	**54.5**	**78.4**	**448.3**
Carrying amount						
Carrying amount as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount as at 1 January 2019 *(IFRS 16 basis)*	**949.7**	**90.1**	**24.6**	**134.9**	**316.3**	**1,515.6**
Carrying amount as at 31 December 2019 *(IFRS 16 basis)*	**876.0**	**78.8**	**22.3**	**133.7**	**309.5**	**1,420.3**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

22. Programming assets

	31 December 2020	31 December 2019
Acquired film licenses	387.3	340.3
Capitalised cost of external production and sports rights	250.9	476.5
Co-productions	3.4	2.2
Prepayments	54.1	95.9
Total	**695.7**	**914.9**
Of which: Current	*413.2*	*512.3*
Non-current	*282.5*	*402.6*

Change in programming assets

	2020	2019
Net carrying amount as at 1 January	**914.9**	**1,047.0**
Acquisition of Polot Media and TV Spektrum (see note 38)	24.5	-
Increase*	253.1	412.8
Change in impairment losses:	(0.4)	(2.0)
Film licenses	*(0.4)*	*(2.0)*
Change in internal production*	31.0	3.4
Amortization of film licenses and sports rights	(519.6)	(543.6)
Disposals:	(5.1)	(2.6)
Sale of film licenses	*(5.1)*	*(2.6)*
Other decrease	(2.7)	(0.1)
Net carrying amount as at 31 December	**695.7**	**914.9**

* includes change in prepayments

Commitments related to acquisition of programming assets by the Group are presented in note 50.

23. Deferred distribution fees

	31 December 2020	31 December 2019
Deferred distribution fees	**315.9**	**326.2**
Of which: Current	*222.4*	*225.7*
Non-current	*93.5*	*100.5*

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Group 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 315.5 (as at 31 December 2019: PLN 325.9).

24. Non-current trade receivables and other non-current assets

	31 December 2020	31 December 2019
Non-current trade receivables	832.0	776.5
Non-current trade receivables total	**832.0**	**776.5**
Shares in associates accounted for using the equity method	1,257.8	1,282.4
Bonds	8.4	10.0
Deferred costs	4.7	7.0
Investment in joint ventures	5.9	5.9
Deposits paid	4.3	3.8
Loans granted	0.7	2.9
Other shares	1.4	2.6
Derivative instruments IRS (note 40)	0.4	1.2
Total	**1,283.6**	**1,315.8**

As at 31 December 2020 and 31 December 2019 Non-current trade receivables include receivables from installment plan purchases. Non-current trade receivables are denominated in PLN.

a) Shares in associates accounted for using the equity method – Asseco Poland S.A.

On 31 July 2020 Cyfrowy Polsat purchased from Reddev 184,127 (not in million) Asseco shares for the price of PLN 11.4. Following the transaction, the Company holds a total of 22.95% of Asseco shares (note 39).

b) Shares in associates accounted for using the equity method – Vindix S.A.

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%.

25. Inventories

Types of inventories	31 December 2020	31 December 2019
Mobile phones	83.0	139.8
Laptops, tablets and modems	22.5	27.0
Set-top boxes and disc drives	34.4	48.3
Other inventories	159.5	91.7
Total net book value	**299.4**	**306.8**

Other inventories comprise primarily of raw materials used in the production of set-top boxes and components of photovoltaic installations.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Write-downs of inventories	**2020**	**2019**
Opening balance	**9.8**	**13.7**
Increase	9.8	1.0
Utilisation	(3.0)	(2.6)
Decrease	(0.2)	(2.3)
Closing balance	**16.4**	**9.8**

26. Trade and other receivables

	31 December 2020	**31 December 2019**
Trade receivables from related parties	17.3	10.4
Trade receivables from third parties	2,226.7	2,267.2
Tax and social security receivables	82.8	127.0
Other receivables	63.6	107.0
Total	**2,390.4**	**2,511.6**

Trade receivables from third parties include primarily receivables from individual customers, media houses and distributors.

Trade receivables by currency

Currency	**31 December 2020**	**31 December 2019**
PLN	2,170.1	2,217.2
EUR	54.9	45.4
USD	10.5	6.6
Other	8.5	8.4
Total	**2,244.0**	**2,277.6**

Movements in the allowance for impairment of accounts receivable

	2020	**2019**
Opening balance	**194.5**	**179.8**
Increase	126.0	102.9
Reversal	(11.9)	(6.7)
Utilisation	(120.8)	(81.5)
Closing balance	**187.8**	**194.5**
Of which:		
Short-term	*143.9*	*154.8*
Long-term	*43.9*	*39.7*

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

27. Other current assets

	31 December 2020	31 December 2019
Derivative instruments IRS (note 40)	2.0	0.2
Unbilled revenue	5.1	3.1
Other deferred costs	32.2	28.6
Total	**39.3**	**31.9**

28. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	0.9	1.0
Current accounts	635.1	207.3
Cash in transit	70.0	-
Deposits*	649.4	535.2
Total	**1,355.4**	**743.5**

* with maturity of up to 3 months from the date of establishing the deposit

The Group 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, and in Plus Bank and EFG Bank as required by the loan agreement and policies adopted therein. As at 31 December 2020 cash and cash equivalents were placed primarily with institutions rated A1 by Moody's Investors Service Ltd, rated A by S&P Global Ratings and rated A by Fitch.

Currency	31 December 2020	31 December 2019
PLN	1,273.8	666.4
EUR	47.1	56.3
USD	8.1	7.9
CHF	26.4	12.7
Other	-	0.2
Total	**1,355.4**	**743.5**

As the Group cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

Restricted cash in the amount of PLN 10.4 includes mainly guarantee deposits.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

29. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 December 2020 and at 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

The shareholders' structure as at 31 December 2020 and at 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] , incl. 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] Entity is under the presumption of the existence of an agreement referred to in article 87 section 1 item 5 Act 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 July 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.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

(iv) Other reserves

Other reserves include hedge valuation effect and actuarial gains/(losses).

(v) Non-controlling interests

Non-controlling interests relate primarily to interests attributable to non-controlling shareholders of Netia S.A. and on 31 December 2020 amounted to PLN 0 (see note 48). The non-controlling interests attributable to non-controlling shareholders of Netia S.A. amounted to PLN 647.3 as at 31 December 2019.

The table below presents financial data of Netia's Group as at 31 December 2020 and as at 31 December 2019.

	31 December 2020	31 December 2019
Non-current assets	2,682.2	2,510.8
Current assets	259.9	275.2
Liabilities	982.2	873.1
Equity	1,959.9	1,912.9

30. 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.

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.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

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)**

31. Loans and borrowings

Loans and borrowings	31 December 2020	31 December 2019
Short-term liabilities	753.0	1,892.5
Long-term liabilities	8,887.8	8,617.0
Total	**9,640.8**	**10,509.5**

Change in loans and borrowings liabilities:

	2020	2019
Loans and borrowings as at 1 January	**10,509.5**	**10,216.6**
Loans and borrowings on acquisition of TV Spektrum Sp. z o.o. (see note 38)	33.1	-
Loans and borrowings on acquisition of Alledo Sp. z o.o. (see note 38)	3.0	-
Loans and borrowings on acquisition of BCAST Sp. z o.o. (see note 38)	3.6	-
Loans and borrowings on acquisition of TVO Sp. z o.o. (see note 38)	-	10.7
Loans and borrowings on acquisition of ISTS Sp. z o.o. (see note 38)	-	0.5
Effect of gaining control over TV Spektrum Sp. z o.o. and consolidation	(33.1)	-
Effect of gaining control over BCAST Sp. z o.o. and consolidation	(3.6)	-
Effect of gaining control over TVO Sp. z o.o. and consolidation	-	(8.4)
Revolving facility loan	35.0	1,010.0
Term loan received	-	1,000.0
Repayment of capital	(857.9)	(1,742.5)
Repayment of interest and commissions	(261.6)	(322.7)
Cumulative catch-up	(44.8)	-
Interest accrued	257.6	345.3
Loans and borrowings as at 31 December	**9,640.8**	**10,509.5**

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 for the granting of a term facility loan (the "Term Facility Loan") up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") 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 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 Group recognized an amendment to the conditions of the loan agreements as a modification of a financial liability which does not result in derecognition. The Group recognized an adjustment to the carrying amount of the financial liability in the amount of PLN 44.8 as at the date of the modification.

Liabilities related to the above agreements are secured by collaterals established by the Company, Polkomtel and other members of the Group as a security. A detailed description of the established securities is presented in the Management Report in note 4.4.6.

32. 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:

	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 and commissions 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.

33. Lease liabilities

	31 December 2020	31 December 2019
Short-term liabilities	432.5	413.5
Long-term liabilities	1,140.5	1,023.8
Total	**1,573.0**	**1,437.3**

Change in lease liabilities:

	2020	2019
Lease liabilities as at 1 January	**1,437.3**	**24.0**
Implementation of IFRS 16 (at 1 January 2019)	-	1,478.0
Acquisition of subsidiary (see note 38)	4.2	-
Changes	506.7	277.4
Interest accrued	49.9	51.2
Repayment of capital and interest	(445.2)	(391.3)
Foreign exchange differences	20.1	(2.0)
Lease liabilities as at 31 December	**1,573.0**	**1,437.3**

34. Group as a lessor

Group as a lessor

Operating lease

The Group entered into contracts with third parties, which are classified as operating leases based on their economic substance. The contracts relate to the rental of reception equipment and lease of office and other premises. Assets connected with such contracts are presented as either reception equipment or other property, plant and equipment.

Lease contracts for set-top boxes were concluded for a base contractual period ranging from 12 to 36 months. After each base period, the contracts are converted into contracts with indefinite term, unless terminated by the 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 with respect to operating lease are as follows:

	31 December 2020	31 December 2019
less than 1 year	197.8	178.5
between 1 and 5 years	106.3	110.8
more than 5 years	1.1	0.3
Total	**305.2**	**289.6**

The Group generated revenues from operating leasing agreements in the amount of PLN 248.7 in 2020 and in the amount of PLN 237.4 in 2019.

35. UMTS license liabilities

Future payments	31 December 2020	31 December 2019
30 September 2020	-	119.2
30 September 2021	129.2	119.2
30 September 2022	143.0	132.0
Total payments	**272.2**	**370.4**
Amounts representing discount	(8.8)	(16.6)
Discounted minimum payments	**263.4**	**353.8**
Of which:		
Short-term	*126.7*	*116.9*
Long-term	*136.7*	*236.9*

UMTS license liability is denominated in EUR. The value of the liability is subject to annual reduction due to subsequent installments paid to the regulator. UMTS license liability is due in 2022.

36. Other non-current liabilities and provisions

	31 December 2020	31 December 2019
Provisions	289.6	219.9
Other	98.5	164.8
Total	**388.1**	**384.7**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

37. Trade and other payables

	31 December 2020	31 December 2019
Trade payables to related parties	32.8	27.1
Trade payables to third parties	361.1	513.6
Taxation and social security payables	134.2	175.8
Payables relating to purchase of programming rights to related parties	1.4	1.4
Payables relating to purchase of programming rights to third parties	209.6	343.4
Payables relating to purchases of tangible and intangible assets	186.7	176.3
Accruals	970.4	994.2
Short-term provisions	120.6	113.5
Derivative instruments (IRS) liabilities (note 40)	39.2	8.3
Other	99.3	67.2
Total	**2,155.3**	**2,420.8**

Accruals

	31 December 2020	31 December 2019
Salaries	153.0	145.5
License fees and royalties for copyright management organizations	80.6	98.8
Distribution costs	68.6	118.4
Costs of settlements with telecommunication operators	118.9	181.4
Network maintenance costs	68.9	78.7
Investment purchases	207.5	103.8
Other	272.9	267.6
Total	**970.4**	**994.2**

Short-term and long-term provisions

	2020	2019
Opening balance as at 1 January	**333.4**	**295.3**
Acquisition of subsidiary	4.2	-
Increases	81.7	55.4
Reversal	(4.7)	(14.1)
Utilisation	(4.4)	(3.2)
Closing balance as at 31 December	**410.2**	**333.4**
Of which:		
Short-term	*120.6*	*113.5*
Long-term	*289.6*	*219.9*

Provisions comprise *inter alia* of provision for license fees, litigation and disputes, warranty provision, provision for dismantling.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Trade payables and payables relating to purchases of programming rights and non-current assets by currency

Currency	31 December 2020	31 December 2019
PLN	509.5	634.6
EUR	224.7	342.2
USD	55.9	58.4
Other	1.5	26.6
Total	**791.6**	**1,061.8**

Accruals by currency

Currency	31 December 2020	31 December 2019
PLN	855.9	888.7
EUR	85.1	75.7
USD	9.0	10.1
Other	20.4	19.7
Total	**970.4**	**994.2**

Other notes

38. Acquisition of subsidiaries

Acquisition of shares in TVO Sp. z o.o. – final purchase price allocation

On 29 May 2018 Cyfrowy Polsat Trade Marks Sp. z o.o. (Company's subsidiary) acquired 92 newly issued shares in TVO Sp. z o.o. representing 45.1% shares in profits and voting rights (after registration of share capital increase). On 30 November 2018 the Company merged with Cyfrowy Polsat Trade Marks Sp. z o.o., thus acquiring the shares in TVO Sp. z o.o. 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 court registered share capital increase in TVO Sp. z o.o. – after registration Cyfrowy Polsat held 51.22% shares of TVO Sp. z o.o. On 10 February 2020 court registered an increase in the TVO Sp. z o. o. share capital. Consequently, the Group holds 75.96% shares of TVO Sp. z o. o.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over TVO on 30 May 2019.

a) Consideration transferred

	Final value of consideration transferred
Consideration	3.6
Final value as at 30 May 2019	**3.6**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

b) Reconciliation of transactional cash flow

Cash transferred	(0.6)
Cash and cash equivalents received	0.2
Cash decrease in the period of 12 months ended 31 December 2019	**(0.4)**

c) Final fair value valuation of net assets at acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair values of assets and liabilities acquired as at 30 May 2019:

	Fair value as at the acquisition date (30 May 2019)
Net assets:	
Other non-current assets	0.1
Inventories	1.9
Trade and other receivables	3.5
Cash and cash equivalents	0.2
Loans and borrowings	(10.7)
Trade and other payables	(1.7)
Value of net assets (100%)	**(6.7)**
Value of net assets attributable to non-controlling interest	**(3.3)**
Value of net assets attributable to Cyfrowy Polsat Capital Group	**(3.4)**
Consideration transferred	**3.6**
Goodwill	**7.0**

Goodwill is allocated to the “B2C and B2B services” operating segment.

Restatement of the comparative data was not required following the final determination of the fair value of the acquired assets and liabilities.

The revenue and net loss included in the consolidated income statement for the reporting period since 30 May 2019 to 31 December 2019 contributed by TVO amounted to PLN 9.9 and PLN 1.4, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to 11,682.3 and PLN 1,113.4, respectively.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Acquisition of shares in ISTS Sp. z o.o. – final purchase price allocation

On 27 November 2019 Netia S.A. (Company's subsidiary) acquired 100% shares of ISTS Sp. z o.o.

The consideration for 100% shares of ISTS Sp. z o.o. amounted to PLN 35.0.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 100% shares of ISTS	33.0
Liability to pay in accordance with purchase agreement	2.0
Final value as at 27 November 2019	**35.0**

b) Reconciliation of transactional cash flow

Cash transferred	(33.0)
Cash and cash equivalents received	0.5
Cash decrease in the period of 12 months ended 31 December 2019	**(32.5)**

c) Final fair value valuation of net assets as at acquisition date

The table below presents final fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair value of assets and liabilities as at 27 November 2019:

	Final fair value as at the acquisition date (27 November 2019)
Net assets:	
Customer relationships	17.4
Other property, plant and equipment	1.7
Trade and other receivables	0.1
Cash and cash equivalents	0.5
Loans and borrowings	(0.5)
Trade and other payables	(1.0)
Deferred tax liabilities	(3.2)
Value of net assets	**15.0**
Consideration transferred	**35.0**
Goodwill	**20.0**

Goodwill is allocated to the "B2C and B2B services" operating segment.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Restatement of the comparative data was not required following the final determination of the fair value of the acquired assets and liabilities.

The revenue and net profit included in the consolidated income statement for the reporting period since 27 November 2019 contributed by ISTS amounted to PLN 0.7 and PLN 0.0, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to PLN 11,683.6 and PLN 1,115.4, respectively.

<u>Acquisition of shares in Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.) – final purchase price allocation</u>

On 13 January 2020 the Company acquired 51.25% shares of Alledo Sp. z o.o. On 5 August 2020 the change of the company's name to Esoleo Sp. z o.o. was registered.

The consideration for 51.25% shares of Esoleo Sp. z o.o. amounted to PLN 6.9.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 51.25% shares of Esoleo	6.9
Final value as at 13 January 2020	**6.9**

b) Reconciliation of transactional cash flow

Cash transferred	(6.9)
Cash and cash equivalents received	0.4
Cash decrease in the period of 12 months ended 31 December 2020	**(6.5)**

c) Final fair value valuation of net assets as at the acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Final fair values of assets and liabilities acquired as at 13 January 2020:

	Final fair value as at the acquisition date (13 January 2020)
Net assets:	
Other property, plant and equipment	0.9
Other intangible assets	0.4
Inventories	5.3
Trade and other receivables	0.5
Cash and cash equivalents	0.4
Loans and borrowings	(3.0)
Trade and other payables	(8.6)
Value of net assets (100%)	**(4.1)**
Value of net assets attributable to non-controlling interest	**(2.0)**
Value of net assets attributable to Cyfrowy Polsat Capital Group	**(2.1)**
Consideration transferred	**6.9**
Goodwill	**9.0**

Goodwill is allocated to the “B2C and B2B services” operating segment.

Restatement of the comparative data was not required following the final determination of the fair value of the acquired assets and liabilities.

The revenue and net loss included in the consolidated income statement for the reporting period since 13 January 2020 contributed by Esoleo amounted to PLN 58.2 and PLN 3.8, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to 11,962.9 and PLN 1,146.2, respectively.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Acquisition of shares in IST Sp. z o.o. (formerly IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) – final purchase price allocation

On 14 February 2020 Netia S.A. (Company's subsidiary) acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. („IST"). On 27 February 2020 the change of the company's name to IST Sp. z o.o. was registered.

The consideration for 100% shares of IST amounted to PLN 8.9.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 100% shares of IST	8.6
Liability to pay in accordance with purchase agreement	0.3
Final value as at 14 February 2020	**8.9**

b) Reconciliation of transactional cash flow

Cash transferred	(8.6)
Cash and cash equivalents received	0.4
Cash decrease in the period of 12 months ended 31 December 2020	**(8.2)**

c) Final fair value valuation of net assets as at the acquisition date

The table below presents final fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair value of assets and liabilities as at 14 February 2020:

	Final fair value as at the acquisition date (14 February 2020)
Net assets:	
Customer relationships	3.0
Other property, plant and equipment	3.2
Cash and cash equivalents	0.4
Trade and other payables	(0.2)
Deferred tax liabilities	(1.2)
Value of net assets	**5.2**
Consideration transferred	**8.9**
Goodwill	**3.7**

Goodwill is allocated to the "B2C and B2B services" operating segment.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Restatement of the comparative data was not required following the final determination of the fair value of the acquired assets and liabilities.

The revenue and net profit included in the consolidated income statement for the reporting period since 14 February 2020 contributed by IST amounted to PLN 1.8 and PLN 0.0, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 11,963.1 and PLN 1,146.3 respectively.

Acquisition of data center in the form of an organised part of the enterprise – final purchase price allocation

On 14 January 2020 Netia S.A. (Company's subsidiary) acquired data center in the form of an organised part of the enterprise for the consideration in the amount of PLN 34.1.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the organised part of the enterprise	34.1
Final value as at 14 January 2020	**34.1**

b) Reconciliation of transactional cash flow

Cash transferred	(34.1)
Cash decrease in the period of 12 months ended 31 December 2020	**(34.1)**

c) Final fair value valuation of net assets as at the acquisition date

The table below presents final fair value of identified assets and liabilities of the acquired organised part of the enterprise, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair value of assets and liabilities as at 14 January 2020:

	Final fair value as at the acquisition date (14 January 2020)
Net assets:	
Customer relationships	1.9
Other property, plant and equipment	31.7
Inventories	0.5
Deferred tax liabilities	(0.4)
Value of net assets	**33.7**
Consideration transferred	**34.1**
Goodwill	**0.4**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Goodwill is allocated to the “B2C and B2B services” operating segment.

Acquisition of shares in Interia Group – provisional purchase price allocation

On 30 April 2020 Telewizja Polsat (Company’s subsidiary) executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH the Preliminary Share and Rights Purchase Agreement concerning: (i) an acquisition from Bauer Media Invest GmbH of 100 shares in Grupa Interia.pl Sp. z o.o. (“GIGO”), representing 100% of the share capital of GIGO and carrying the right to exercise 100% of the total number of votes at the shareholders' meeting of GIGO; and (ii) an acquisition from Bauer Polen Invest GmbH of all rights and obligations of a limited partner of Grupa Interia.pl Media Sp. z o.o. Sp.k. (“GIKO”) (the “Preliminary Agreement”).

The closing of the Transaction depended on the satisfaction of a condition precedent that Telewizja Polsat obtains consent of the President of the Office for Competition and Consumer Protection (UOKiK) (the “UOKiK President”) for the concentration.

On 2 July 2020 Telewizja Polsat received a decision of the UOKiK President granting the unconditional consent for the concentration consisting of the acquisition by Telewizja Polsat the exclusive control over the Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp. z o.o. Sp.k. The above consent concludes the satisfaction of the condition precedent set forth in the Preliminary Agreement.

On 8 July 2020 Telewizja Polsat executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH Final Share and Rights Purchase Agreement for the amount of PLN 420.

The above acquisition resulted in Telewizja Polsat acquiring exclusive control over Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp z o.o. Sp.k. (jointly the “Interia Group”), and an indirect acquisition of shares representing 16.67% of the share capital of Polskie Badania Internetu Sp. z o.o.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over Interia Group on 8 July 2020.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Consideration	420.5
Provisional value as at 8 July 2020	**420.5**

b) Reconciliation of transactional cash flow

Cash transferred	(420.5)
Cash and cash equivalents received	12.6
Cash decrease in the period of 12 months ended 31 December 2020	**(407.9)**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional and temporary fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional and temporary fair value of assets and liabilities as at 8 July 2020:

	Provisional fair value as at the acquisition date (8 July 2020)
Net assets:	
Other property, plant and equipment	11.2
Other intangible assets	6.3
Other non-current assets	0.4
Trade and other receivables	15.8
Other current assets	0.7
Cash and cash equivalents	12.6
Trade and other payables	(12.4)
Provisional value of net assets	**34.6**
Provisional consideration transferred	**420.5**
Provisional goodwill	**385.9**

Goodwill is allocated to the “Media” operating segment.

The revenue and net profit included in the consolidated income statement for the reporting period since 8 July 2020 to 31 December 2020 contributed by Interia Group amounted to PLN 57.5 and PLN 16.6, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 12,011.5 and PLN 1,160.4 respectively.

Acquisition of shares in TV Spektrum Sp. z o.o. – provisional purchase price allocation

On 18 September 2020 Telewizja Polsat (Company’s subsidiary) acquired 50.52% shares in TV Spektrum Sp. z o.o. After this transaction Telewizja Polsat holds 100% shares of TV Spektrum Sp. z o.o.

The consideration for 50.52% shares in TV Spektrum Sp. z o.o. amounted to PLN 19.3.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Consideration	29.7
Provisional value as at 18 September 2020	**29.7**

b) Reconciliation of transactional cash flow

Cash transferred	(19.3)
Cash and cash equivalents received	1.4
Cash decrease in the period of 12 months ended 31 December 2020	**(17.9)**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional and temporary fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional and temporary fair value of assets and liabilities as at 18 September 2020:

	Provisional fair value as at the acquisition date (18 September 2020)
Net assets:	
Other intangible assets	11.4
Programming assets	15.4
Trade and other receivables	10.7
Other current assets	0.1
Cash and cash equivalents	1.4
Loans and borrowings	(33.1)
Trade and other payables	(42.6)
Provisional value of net assets (100%)	**(36.7)**
Provisional consideration transferred	**29.7**
Provisional goodwill	**66.4**

Goodwill is allocated to the "Media" operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 18 September 2020 contributed by TV Spektrum amounted to PLN 0.1 and PLN 10.3, respectively. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 11,959.3 and PLN 1,133.0, respectively.

Acquisition of shares in Polot Media Sp. z o.o. (formerly Tako Media Sp. z o. o.) and joining to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Tako Media Spółka z ograniczoną odpowiedzialnością Sp. k.) as a limited partner

On 23 December 2020 Telewizja Polsat (Company's subsidiary) acquired 60% shares in Tako Media Sp. z o. o. for the purchase price of PLN 3,000 (not in million).

On 23 December 2020 Telewizja Polsat (Company's subsidiary) joined Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. as a new limited partner. After this transaction, Telewizja Polsat holds directly and indirectly (through Tako Media Sp. z o. o.) 60% share in the profit of Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. Cash contribution amounted to PLN 75,000 (not in million).

On 23 December 2020 partners of Tako Media Sp. z o.o. Sp.k. adopted a resolution concerning a new policy of share in profit/loss. According to this resolution, Telewizja Polsat has 58.2% share in profit since 1 December 2020.

On 2 February 2021 company's name change from Tako Media Sp. z o.o. to Polot Media Sp. z o. o. was registered. On 18 February 2021 company's name change from Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. was registered.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over Polot Media Sp. z o.o. and Polot Media Sp. z o.o. Sp.k. on 1 December 2020.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Consideration	0.1
Provisional value as at 23 December 2020	**0.1**

b) Reconciliation of transactional cash flow

Cash transferred	(0.1)
Cash and cash equivalents received	2.5
Cash increase in period of the 12 months ended 31 December 2020	**2.4**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional and temporary fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Provisional and temporary fair value of assets and liabilities as at 1 December 2020:

	Provisional fair value as at the acquisition date (1 December 2020)
Net assets:	
Other property, plant and equipment	5.1
Other intangible assets	0.0
Other non-current assets	0.0
Programming assets	9.1
Trade and other receivables	4.9
Other current assets	0.2
Cash and cash equivalents	2.5
Trade and other payables	(9.2)
Contract liabilities	(10.3)
Provisional value of net assets (100%)	**2.3**
Provisional value of net assets attributable to non-controlling interest	**2.3**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**0.0**
Increase in share capital of purchased entities	**(0.1)**
Provisional consideration transferred	**0.1**
Provisional goodwill	**0.0**

Goodwill is allocated to the "Media" operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 1 December 2020 contributed by Polot Media Sp. z o. o. and Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. amounted to PLN 0.4 and PLN 2.3. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 12,000.5 and PLN 1,150.4, respectively.

Acquisition of shares in BCAST Sp. z o.o. – provisional purchase price allocation

On 25 March 2020 the Company acquired 69.13% shares in BCAST Sp. z o.o. for the purchase price of PLN 7.4. From the date of acquisition of the shares, the Company had a significant influence over BCAST.

On 23 December 2020 the Company acquired additional 0.89% shares in BCAST Sp. z o.o. for the purchase price of PLN 0.1 and obtained control over the entity.

As at 31 December 2020 the Company holds a total of 70.02% of BCAST Sp. z o.o. shares.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

a) Provisional consideration transferred

	Provisional value of consideration transferred
Consideration	7.3
Provisional value as at 23 December 2020	**7.3**

b) Reconciliation of transactional cash flow

Cash transferred for 69.13% shares	(7.4)
Cash transferred for 0.89% shares	(0.1)
Cash and cash equivalents received	0.5
Cash decrease in period 12 months ended 31 December 2020	**(7.0)**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional and temporary fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional and temporary fair value of assets and liabilities as at 23 December 2020:

	Provisional fair value as at the acquisition date (23 December 2020)
Net assets:	
Other property, plant and equipment	4.4
Right-of-use assets	4.0
Deferred tax assets	0.1
Trade and other receivables	0.7
Cash and cash equivalents	0.5
Loans and borrowings	(3.6)
Lease liabilities	(4.2)
Trade and other payables	(0.8)
Income tax liability	(0.1)
Provisional value of net assets (100%)	**1.0**
Provisional value of net assets attributable to non-controlling interest	**0.3**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**0.7**
Provisional consideration transferred	**7.3**
Provisional goodwill	**6.6**

Goodwill is allocated to the “B2C and B2B services” operating segment.

The revenue and net loss for the reporting period since 23 December 2020 contributed by BCAST amounted to PLN 0.0 and PLN 0.0, respectively. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 11,968.1 and PLN 1,146.2, respectively.

39. Investment in associates

Acquisition of Asseco Poland S.A. shares

On 18 December 2019 the Company decided to initiate action aimed at acquiring a significant stake of shares in Asseco Poland S.A. (Asseco), in the amount not exceeding 18,221,000 (not in milion) and with aggregate value not exceeding PLN 1,184,365,000 (not in milion), with a potential participation of other entities controlled by Mr. Zygmunt Solorz (the "Acquisition").

In order to complete the Acquisition, the Company announced an invitation to submit offers for the sale of shares in Asseco („Invitation"). The Invitation concerned no more than 18,221,000 (not in million) shares of Asseco, representing 21.95% of the share capital of Asseco and vesting the right to exercise 21.95% of the total number of votes at the general meeting of Asseco. The proposed price for the Asseco shares to be purchased on the basis of the Invitation was PLN 65.00 (not in million) per share.

On 27 December 2019 the Company decided to acquire under the Invitation a total of 18,178,386 (not in million) Asseco shares, representing 21.90% of the Asseco share capital and carrying the right to exercise 21.90% of the total number of votes at the general meeting of Asseco (the „Purchase Shares"), of which 17,994,259 (not in million) Asseco shares, representing 21.68% of the Asseco share capital and carrying the right to exercise 21.68% of the total number of votes at the general meeting of Asseco were acquired directly by the Company, whereas 184,127 (not in million) Asseco shares, representing 0.22% of the Asseco share capital and carrying the right to exercise 0.22% of the total number of votes at the general meeting of Asseco were acquired by Reddev Investments Limited („Reddev"), an entity controlled by Mr. Zygmunt Solorz.

On 27 December 2019 Cyfrowy Polsat concluded with Reddev an agreement in order to enable Reddev to acquire 184,127 (not in million) Asseco shares under the Invitation. The agreement governs the joint acquisition of the Asseco shares under the Invitation and Reddev's exercising of the voting rights attached to the Asseco shares acquired under the Invitation as instructed by the Company (the „Agreement"). Under the Agreement, Reddev is obliged to resell to the Company the above Asseco shares for the price paid by Reddev for the acquired shares under the Invitation. Reddev shall also receive an additional remuneration for the period between the date on which Reddev acquired Asseco shares and the date on which the shares acquired by Reddev under the Invitation will be resold to the Company („Interim Period") in an amount equivalent to the average weighted cost of financing of the Group provided by financial institutions, prorated to the specific portion of the price paid by Reddev for the shares under the Invitation for each day of the Interim Period.

The transfer of ownership of the Purchase Shares was settled through the depositary and settlement system operated by Krajowy Depozyt Papierów Wartościowych S.A. on 30 December 2019.

After settlement of the above acquisition, the Company held a total of 22.73% Asseco shares as at 30 December 2019.

On 31 July 2020 Cyfrowy Polsat purchased from Reddev 184,127 (not in million) Asseco shares for the price of PLN 11.4. Following the transaction, the Company holds a total of 22.95% of Asseco shares.

The table below presents summary of Asseco Group's financial data as at 31 December 2020:

	for the 12 months ended 31 December 2020
Revenue	12,190.3
Profit from operating activities	1,215.4
Net profit	867.9
Other comprehensive income, net	156.7
Total comprehensive income	1,024.6

	31 December 2020
Non-current assets	9,750.3
Current assets	6,954.2
Assets held for sale	-
Total assets	16,704.5
Non-current liabilities	3,127.5
Current liabilities	4,619.7
Total liabilities	7,747.2

Fair value of the investment held in Asseco as at 30 December 2019 amounted to PLN 1,226. Following the completion of the purchase price allocation process for the acquisition of Asseco as at 30 December 2019, the Group identified goodwill in the amount of PLN 644, included in the carrying amount of the investment. The impairment test performed as at 31 December 2020 did not indicate impairment. The effective share in the net assets held by Cyfrowy Polsat amounted to PLN 582.

40. Financial instruments

Overview

Cyfrowy Polsat S.A. Group has exposure to the following risks from its use of financial instruments:
- credit risk,
- liquidity risk,
- market risk:
  (i) currency risk,
  (ii) interest rate risk.

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

The Management Board has overall responsibility for the oversight and management of the risks that the Group 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.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these consolidated financial statements.

Bank loans, bonds, cash, forwards, interest rate swaps and short-term bank deposits are the main financial instruments used by the Group, with the intention of securing the financing for the Group's activities. The Group also holds other financial instruments including trade receivables and payables, payables relating to purchases of programming rights 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	**4,495.2**	**3,915.6**
Loans granted	7.8	30.5
Trade and other receivables from related parties	25.4	14.8
Trade and other receivables from third parties	3,096.2	3,117.2
Cash and cash equivalents	1,355.4	743.5
Restricted cash	10.4	9.6
Financial assets measured at fair value though other comprehensive income	**0.2**	**0.2**
Investments in equity instruments	0.2	0.2
Hedging derivative instruments	**-**	**0.4**
Interest rate swaps	-	0.4
Derivative instruments not designated as hedging instruments	**2.4**	**1.0**
Forward transactions	2.0	-
Interest rate swaps	0.4	1.0

Financial liabilities	Carrying amount	
	31 December 2020	31 December 2019
Financial liabilities measured at amortized cost	**16,379.1**	**15,588.5**
Lease liabilities	1,573.0	1,437.3
Loans and borrowings	9,640.8	10,509.5
Bonds	1,997.9	1,004.0
UMTS license liabilities	263.4	353.8
Trade and other payables to third parties and deposits	901.3	1,261.2
Trade and other payables to related parties	68.6	28.5
Liabilities to shareholders of the Parent Company related to dividend for 2019	415.7	-
Liabilities due to tender offer for shares in Netia S.A.*	548.0	-
Accruals	970.4	994.2
Hedging derivative instruments	**10.2**	**0.2**
Interest rate swaps	10.2	0.2
Derivative instruments not designated as hedging instruments	**45.8**	**11.3**
Forward transactions	-	0.2
Interest rate swaps	45.8	11.1

*The announcement of the tender offer for Netia's shares dated 23 December 2020 resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer (PLN 4.80 (not in millions)) and the number of shares in the tender offer (114,173,459 shares (not in millions)). Subscriptions for 84,868 shares (not in millions) were accepted in the tender offer until 26 February 2021. As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognised from the balance sheet. See note 48.

Credit risk

Credit risk is defined as the risk that counterparties of the Group 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.

The Group's exposure to credit risk is associated primarily with trade receivables and contract assets. The Parent's customer base includes a large number of individual subscribers who are dispersed geographically over the entire country, and who are required to prepay their subscription fees. Receivables from Parent's sales network are covered with commission liabilities or deposits. Receivables from subscribers are continuously monitored and recovery actions are taken, including blocking the signal transferred to subscribers or termination of services to a telephony client and Internet customer. Telewizja Polsat and its subsidiaries provide services with deferred payment which may cause the risk of delays. Assessment of the creditworthiness of the counterparties is regularly carried out and in principle the company does not require security in relation to the financial assets. Polkomtel's customer base is dispersed geographically over the entire country. In case of important postpaid clients services are rendered following positive credit approval while in case of individual retail clients the verification process is automatized and based on IT-supported customer relationship management system and characteristics of the billing systems. Receivables from Polkomtel's sales network are continuously monitored, sales limits and utilization limits are used.

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The Group 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 Group is not materially exposed to credit risk as a result of derivative transactions entered into.

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	7.8	30.5
Trade and other receivables from related parties	25.4	14.8
Trade and other receivables from third parties	3,096.2	3,117.2
Contract assets	537.7	638.7
Cash and cash equivalents	1,355.4	743.5
Restricted cash	10.4	9.6
Hedging derivative instruments:	**-**	**0.4**
Interest rate swaps	-	0.4
Derivative instruments not designated as hedging instruments:	**2.4**	**1.0**
Forward transactions	2.0	-
Interest rate swaps	0.4	1.0
Total	**5,035.3**	**4,555.7**

The concentration of credit risk for trade and other receivables, loans granted and contract assets is presented in the tables below:

	Carrying amount	
	31 December 2020	**31 December 2019**
Receivables from subscribers	2,735.6	2,760.0
Receivables from media companies	313.2	330.0
Receivables from satellite and cable operators	41.4	21.7
Roaming and interconnect receivables	337.6	385.1
Receivables from distributors	81.5	69.9
Receivables and loans granted to related parties	32.3	44.9
Other receivables and loans granted to third parties	125.5	189.6
Total	**3,667.1**	**3,801.2**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Carrying amount	
	31 December 2020	**31 December 2019**
Company A	49.0	55.9
Company B	45.1	50.9
Company C	30.4	49.0
Company D	26.4	42.2
Company E	26.0	33.0
Other	3,490.2	3,570.2
Total	**3,667.1**	**3,801.2**

Note: for each year 5 largest debtors are presented, not necessarily the same entities in both periods.

The ageing of trade and other receivables, loans granted and contract assets at the reporting date was:

	31 December 2020			31 December 2019		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Not past due	2,690.8	46.3	2,644.5	2,794.4	35.3	2,759.1
Past due 1-30 days	323.1	9.0	314.1	210.1	7.4	202.7
Past due 31-60 days	89.1	10.5	78.6	137.6	7.9	129.7
Past due more than 60 days	247.7	155.5	92.2	237.2	166.2	71.0
Total	**3,350.7**	**221.3**	**3,129.4**	**3,379.3**	**216.8**	**3,162.5**
Contract assets	551.9	14.2	537.7	652.9	14.2	638.7
Total	**3,902.6**	**235.5**	**3,667.1**	**4,032.2**	**231.0**	**3,801.2**

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Any surplus cash is invested mainly into bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of its cash requirements based on projected cash flows.

The following are the contractual maturities of the Group's financial liabilities, that will be settled net in the appropriate age ranges, based on the remaining period until the contractual maturity date as at the balance sheet date.

	31 December 2020						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	9,640.8	10,334.8	258.8	485.2	959.2	8,597.6	7.0
Bonds	1,997.9	2,233.8	19.7	19.4	39.0	117.2	2,038.5
UMTS license liabilities	263.4	272.2	-	129.2	143.0	-	-
Lease liabilities	1,573.0	1,708.9	241.2	235.7	422.5	533.4	276.1
Trade and other payables to third parties and deposits	901.3	901.3	901.3	-	-	-	-
Trade and other payables to related parties	68.6	68.6	68.6	-	-	-	-
Liabilities to shareholders of the Parent Company related to dividend for 2019	415.7	415.7	415.7	-	-	-	-
Liabilities due to tender offer for shares in Netia S.A.**	548.0	548.0	548.0	-	-	-	-
Accruals	970.4	970.4	970.4	-	-	-	-
Hedging derivative instruments:							
IRS*	10.2	10.3	2.9	2.7	3.9	0.8	-
Derivative instruments not designated as hedging instruments:							
IRS*	45.8	45.8	20.7	13.0	12.1	-	-
	16,435.1	**17,509.8**	**3,474.3**	**885.2**	**1,579.7**	**9,249.0**	**2,321.6**

* pursuant to the agreements settlements shall be on a net basis

** The announcement of the tender offer for Netia's shares dated 23 December 2020 resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer (PLN 4.80 (not in millions)) and the number of shares in the tender offer (114,173,459 shares (not in millions)). Subscriptions for 84,868 shares (not in millions) were accepted in the tender offer until 26 February 2021. As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognised from the balance sheet. See note 48.

Undiscounted future cash flows related to lease agreements for an indefinite period equal PLN 206.9 as at 31 December 2020.

(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	Over 5 years
Loans and borrowings	10,509.5	11,359.0	1,270.5	659.9	1,298.7	8,129.9	-
Bonds	1,004.0	1,230.4	17.8	17.8	35.4	106.3	1,053.1
UMTS license liabilities	353.8	370.4	-	119.2	119.2	132.0	-
Lease liabilities	1,437.3	1,575.0	229.8	227.6	405.3	509.1	203.2
Trade and other payables to third parties and deposits	1,261.2	1,261.2	1,261.2	-	-	-	-
Trade and other payables to related parties	28.5	28.5	28.5	-	-	-	-
Accruals	994.2	994.2	994.2	-	-	-	-
Hedging derivative instruments:							
IRS*	0.2	0.3	(0.2)	0.1	0.4	-	-
Derivative instruments not designated as hedging instruments:							
IRS*	11.1	11.4	3.8	4.2	3.0	0.4	-
Forward transactions	0.2						
- inflows		(110.7)	(110.7)	-	-	-	-
- outflows		111.2	111.2	-	-	-	-
	15,600.0	**16,830.9**	**3,806.1**	**1,028.8**	**1,862.0**	**8,877.7**	**1,256.3**

* pursuant to the agreements settlements shall be on a net basis

Market risk

The Group 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 Group 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 Group of hedging strategies involving derivatives. Apart from this, natural hedging is also used 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 of the Group, 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 Group 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 Group relies on information obtained from particular market leading banks, brokers and information services.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group 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). After the purchase of Telewizja Polsat Sp. z o.o. currency risk exposure is also associated to purchases of foreign programming licences (EUR and USD). After the purchase of Metelem Holding Company Ltd. currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR and USD), roaming and interconnect agreements and some agreements concerning rental of space required for network locations and rental of office space (various currencies).

In respect of licence 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.

The Group does not hold any assets held for trading denominated in foreign currencies.

The Group's exposure to foreign currency was as follows based on currency amounts:

	31 December 2020			
	EUR	**USD**	**CHF**	**XDR**
Trade receivables	11.9	2.8	-	1.5
Cash and cash equivalents	10.2	2.2	6.2	-
UMTS license liabilities	(57.1)	-	-	-
Lease liabilities	(55.9)	(10.3)	-	-
Trade payables	(50.8)	(17.9)	-	(0.1)
Accruals	(18.4)	(2.4)	-	(3.6)
Gross balance sheet exposure	**(160.1)**	**(25.6)**	**6.2**	**(2.2)**
Forward transactions	12.0	-	-	-
Net exposure	**(148.1)**	**(25.6)**	**6.2**	**(2.2)**

(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			
	EUR	**USD**	**CHF**	**XDR**
Trade receivables	10.7	1.7	-	1.6
Cash and cash equivalents	13.2	2.1	3.2	-
UMTS license liabilities	(83.1)	-	-	-
Lease liabilities	(59.1)	(9.7)	-	-
Trade payables	(102.0)	(24.6)	(0.1)	(4.8)
Accruals	(17.8)	(2.6)	-	(3.7)
Gross balance sheet exposure	**(238.1)**	**(33.1)**	**3.1**	**(6.9)**
Forward transactions	26.0	-	-	-
Net exposure	**(212.1)**	**(33.1)**	**3.1**	**(6.9)**

The following foreign exchange rates were applied in the presented periods:

	Average rate		Rates at the reporting 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 CHF	4.1532	3.8634	4.2641	3.9213
1 XDR	5.4301	5.3045	5.4632	5.2630

For the purposes of the exchange rate sensitivity analysis as at 31 December 2020 and 31 December 2019, exchange rate volatility in the +/- 5% range was assumed as probable. 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	11.9	54.9	5%	2.8	-	10.7	45.4	5%	2.4	-
USD	2.8	10.5	5%	0.5	-	1.7	6.6	5%	0.2	-
XDR	1.5	8.2	5%	0.4	-	1.6	8.4	5%	0.4	-
Cash and cash equivalents										
EUR	10.2	47.1	5%	2.3	-	13.2	56.3	5%	2.7	-
USD	2.2	8.1	5%	0.6	-	2.1	7.9	5%	0.5	-
CHF	6.2	26.4	5%	1.4	-	3.2	12.5	5%	0.7	-
UMTS license liabilities										
EUR	(57.1)	(263.4)	5%	(13.3)	-	(83.1)	(353.8)	5%	(17.8)	-
Lease liabilities										
EUR	(55.9)	(258.0)	5%	(12.9)	-	(59.1)	(251.7)	5%	(12.6)	-
USD	(10.3)	(38.7)	5%	(1.9)	-	(9.7)	(36.8)	5%	(1.9)	-
Trade payables										
EUR	(50.8)	(234.4)	5%	(11.8)	-	(102.0)	(434.4)	5%	(21.7)	-
USD	(17.9)	(67.3)	5%	(3.3)	-	(24.6)	(93.4)	5%	(4.7)	-
XDR	(0.1)	(0.5)	5%	(0.1)	-	(4.8)	(25.3)	5%	(1.2)	-
CHF	-	-	5%	-	-	(0.1)	(0.4)	5%	-	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Accruals										
EUR	(18.4)	(85.1)	5%	(4.1)	-	(17.8)	(75.7)	5%	(3.9)	-
USD	(2.4)	(9.0)	5%	(0.5)	-	(2.6)	(10.1)	5%	(0.3)	-
XDR	(3.6)	(19.7)	5%	(1.0)	-	(3.7)	(19.5)	5%	(0.9)	-
Change in operating profit				**(40.9)**	**-**				**(58.1)**	**-**
Forwards										
EUR	12.0	55.4	5%	2.7	-	26.0	110.7	5%	5.6	-
Income tax				7.3	-				10.0	-
Change in net profit				**(30.9)**	**-**				**(42.5)**	**-**

(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	11.9	54.9	-5%	(2.8)	-	10.7	45.4	-5%	(2.4)	-
USD	2.8	10.5	-5%	(0.5)	-	1.7	6.6	-5%	(0.2)	-
XDR	1.5	8.2	-5%	(0.4)	-	1.6	8.4	-5%	(0.4)	-
Cash and cash equivalents										
EUR	10.2	47.1	-5%	(2.3)	-	13.2	56.3	-5%	(2.7)	-
USD	2.2	8.1	-5%	(0.6)	-	2.1	7.9	-5%	(0.5)	-
CHF	6.2	26.4	-5%	(1.4)	-	3.2	12.5	-5%	(0.7)	-
UMTS license liabilities										
EUR	(57.1)	(263.4)	-5%	13.3	-	(83.1)	(353.8)	-5%	17.8	-
Lease liabilities										
EUR	(55.9)	(258.0)	-5%	12.9	-	(59.1)	(251.7)	-5%	12.6	-
USD	(10.3)	(38.7)	-5%	1.9	-	(9.7)	(36.8)	-5%	1.9	-
Trade payables										
EUR	(50.8)	(234.4)	-5%	11.8	-	(102.0)	(434.4)	-5%	21.7	-
USD	(17.9)	(67.3)	-5%	3.3	-	(24.6)	(93.4)	-5%	4.7	-
XDR	(0.1)	(0.5)	-5%	0.1		(4.8)	(25.3)	-5%	1.2	
CHF	-	-	-5%	-	-	(0.1)	(0.4)	-5%	-	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Accruals											
	EUR	(18.4)	(85.1)	-5%	4.1	-	(17.8)	(75.7)	-5%	3.9	-
	USD	(2.4)	(9.0)	-5%	0.5	-	(2.6)	(10.1)	-5%	0.3	-
	XDR	(3.6)	(19.7)	-5%	1.0		(3.7)	(19.5)	-5%	0.9	
Change in operating profit					**40.9**	**-**				**58.1**	**-**
Forwards											
	EUR	12.0	55.4	-5%	(2.7)	-	26.0	110.7	-5%	(5.6)	-
Income tax					(7.3)	-				(10.0)	-
Change in net profit					**30.9**	**-**				**42.5**	**-**

(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	(27.8)	-	(36.7)	-
USD	(3.7)	-	(5.0)	-
CHF	1.1	-	0.6	-
XDR	(0.5)	-	(1.4)	-
Estimated change in exchange rate by -5 %				
EUR	27.8	-	36.7	-
USD	3.7	-	5.0	-
CHF	(1.1)	-	(0.6)	-
XDR	0.5	-	1.4	-

Had Polish zloty strengthened 5% against the basket of currencies as at 31 December 2020 and 31 December 2019, the Group's net profit would have decreased by PLN 30.9 and decreased by PLN 42.5, respectively and other comprehensive income would have been unchanged in 2020 and would have been unchanged in 2019. Had the Polish zloty appreciated 5%, the Group's net profit would have correspondingly increased by PLN 30.9 in 2020 and increased by PLN 42.5 in 2019, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

Interest rate risk

Changes in market interest rates have no direct effect on the Group'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 Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted (see note 30). In order to reduce interest rate risk exposure resulting from Metelem Holding Company Ltd. group (currently Polkomtel Sp. z o.o. group) interest payments on floating rate senior facilities, the Group also uses interest rate swaps and for them hedge accounting was not adopted.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

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	60.1	138.1
Variable rate instruments		
Financial assets*	1,100.7	552.0
Financial liabilities*	(13,456.8)	(13,141.4)
Net interest exposure	**(12,356.1)**	**(12,589.4)**

* nominal debt

The Group 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*	(89.0)	89.0	9.3	(9.3)	(79.7)	79.7
Cash flow sensitivity (net)	**(89.0)**	**89.0**	**9.3**	**(9.3)**	**(79.7)**	**79.7**
31 December 2019						
Variable rate instruments*	(76.9)	76.9	2.2	(2.2)	(74.7)	74.7
Cash flow sensitivity (net)	**(76.9)**	**76.9**	**2.2**	**(2.2)**	**(74.7)**	**74.7**

* include sensitivity in fair value changes of hedging instruments (interest rate swaps) due to changes in interest rates

For some instruments the Group applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN on senior facility hedged by interest rate swap.

Fair value vs. carrying amount

The Group 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

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.

			31 December 2020		31 December 2019	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	7.8	7.8	30.5	30.5
Trade and other receivables	A	*	3,121.6	3,121.6	3,132.0	3,132.0
Cash and cash equivalents and short-term deposits	A	*	1,335.4	1,335.4	743.5	743.5
Restricted cash	A	*	10.4	10.4	9.6	9.6
Loans and borrowings	B	2	(9,796.2)	(9,640.8)	(10,600.1)	(10,509.5)
Issued bonds	B	1	(2,023.1)	(1,997.9)	(1,025.7)	(1,004.0)
UMTS licence liabilities	B	2	(274.2)	(263.4)	(372.3)	(353.8)
Lease liabilities	B	2	(1,573.0)	(1,573.0)	(1,437.3)	(1,437.3)
Accruals	B	*	(970.4)	(970.4)	(994.2)	(994.2)
Liabilities to shareholders of the Parent Company related to dividend for 2019	B	*	(415.7)	(415.7)	-	-
Liabilities due to tender offer for shares in Netia S.A.**	B	*	(548.0)	(548.0)	-	-
Trade and other payables and deposits	B	*	(969.9)	(969.9)	(1,289.7)	(1,289.7)
Total			**(12,075.3)**	**(11,883.9)**	**(11,803.7)**	**(11,672.9)**
Unrecognized gain/(loss)				(191.4)		(130.8)

A – assets measured at amortised costs

B – liabilities measured at amortised costs

* 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

** The announcement of the tender offer for Netia's shares dated 23 December 2020 resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer (PLN 4.80 (not in millions)) and the number of shares in the tender offer (114,173,459 shares (not in millions)). Subscriptions for 84,868 shares (not in millions) were accepted in the tender offer until 26 February 2021. As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognised from the balance sheet. See note 48.

When determining the fair value of lease liabilities, forecasted cash flows from the reporting date to assumed dates of lease agreements termination were analyzed. The discount rate for each payment was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, 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 into account the time value of money, would approximately be equal to their nominal value.

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

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 interest rate plus a margin regarding the credit risk.

As at 31 December 2020 and 31 December 2019 loans and borrowings comprised bank loans and other loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the credit risk. When determining the fair value of bank loans as at 31 December 2020, forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loans 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) were analyzed. When determining the fair value of bank loans granted to as at 31 December 2019, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loans 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) were analyzed.

The fair value of issued bonds as at 31 December 2020 and 31 December 2019 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

As at 31 December 2020, the Group held the following financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value	**31 December 2020**	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments		**-**	**2.4**	**-**
Forward transactions			*2.0*	
Interest rate swaps		*-*	*0.4*	*-*
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**2.6**	**-**

Liabilities measured at fair value	**31 December 2020**	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments		**-**	**(45.8)**	**-**
Interest rate swaps		*-*	*(45.8)*	*-*
Hedging derivative instruments		**-**	**(10.2)**	**-**
Interest rate swaps		*-*	*(10.2)*	*-*
Total		**-**	**(56.0)**	**-**

The fair value of forwards and interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. 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.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

As at 31 December 2019, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2019 Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments	**-**	**1.0**	**-**
Interest rate swaps	*-*	*1.0*	*-*
Hedging derivative instruments	**-**	**0.4**	**-**
Interest rate swaps	*-*	*0.4*	*-*
Investments in equity instruments	**-**	**0.2**	**-**
Total	**-**	**1.6**	**-**

Liabilities measured at fair value

	31 December 2019 Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments	**-**	**(11.3)**	**-**
Forward transactions	*-*	*(0.2)*	*-*
Interest rate swaps	*-*	*(11.1)*	*-*
Hedging derivative instruments	**-**	**(0.2)**	**-**
Interest rate swaps	*-*	*(0.2)*	*-*
Total	**-**	**(11.5)**	**-**

Items of income, costs, profit and losses recognized in profit or loss generated by loans and bonds (including hedging transactions)

For the period from 1 January 2020 to 31 December 2020	Loans and borrowings	Bonds	Hedging instruments	Derivative instruments not designated as hedging instruments	**Total**
Interest expense on loans and borrowings	(213.2)	-	(1.8)	(68.7)	**(283.7)**
Interest expense on bonds	-	(44.0)	-	-	**(44.0)**
Total finance costs	(213.2)	(44.0)	(1.8)	(68.7)	**(327.7)**
Total gross profit/(loss)	**(213.2)**	**(44.0)**	**(1.8)**	**(68.7)**	**(327.7)**
Hedge valuation reserve	**-**	**-**	**(10.0)**	-	**(10.0)**

For the period from 1 January 2019 to 31 December 2019	Loans and borrowings	Bonds	Hedging instruments	Derivative instruments not designated as hedging instruments	**Total**
Interest expense on loans and borrowings	(342.7)	-	(0.6)	(7.6)	**(350.9)**
Interest expense on bonds	-	(41.0)	-	-	**(41.0)**
Total finance costs	(342.7)	(41.0)	(0.6)	(7.6)	**(391.9)**
Total gross profit/(loss)	**(342.7)**	**(41.0)**	**(0.6)**	**(7.6)**	**(391.9)**
Hedge valuation reserve	**-**	**-**	**(0.5)**	-	**(0.5)**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Hedge accounting and derivatives

Cash Flow Hedge of interest rate risk of interest payments

As at 31 December 2020, the Group held a number of interest rate swaps not designated as hedges in order to reduce the risk of floating interest payments on senior facilities denominated in PLN.

The table below presents the basic parameters of IRS not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN 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	3,500.0	4,750.0
Fair value of hedging instruments	(45.4)	(10.1)
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 30 June 2023	Until 30 June 2022

As at 31 December 2020, the Group 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 Group'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 significant element of hedge ineffectiveness requiring recognition in the income statement.

The 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	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

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Change in fair value of cash flow hedges 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**

<u>Cash Flow Hedge of foreign exchange risk of operational payments</u>

As at 31 December 2020 the Group held a number of forwards not designated as hedges in order to reduce the risk of operational payments in EUR.

The table below presents the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occurred, periods they affected the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2020	31 December 2019
Type of instrument	Forward	Forward
Exposure	Operational payments in euro	Operational payments in euro
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	12.0	26.0
Fair value of hedging instruments	2.0	(0.2)
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 26 March 2021	Until 27 March 2020

41. Capital management

This note presents information about the Group's management of capital. Further quantitative disclosures are also included throughout these financial statements.

The goal of capital management is to maintain the Group'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 Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The Group 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	9,640.8	10,509.5
Bonds	1,997.9	1,004.0
Cash and cash equivalents and restricted cash	(1,365.8)	(753.1)
Net debt	**10,272.9**	**10,760.4**
Equity	14,426.2	14,464.5
Equity and net debt	**24,699.1**	**25,224.9**
Leverage ratio	**0.42**	**0.43**

42. Operating segments

The Group operates in the following two segments:

1. B2C and B2B services 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, the online TV services, set-top boxes production and assembly of photovoltaic installations, and
2. Media segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments. The operating segments also represent reportable segments of the Group.

B2C and B2B services segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees,
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators,
- fixed telecommunication services, which generate revenues mainly from subscription fees, interconnection and settlements with operators,
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees,
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services,
- lease of optical fibers and infrastructure,

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- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet,
- Premium Rate services based on SMS/IVR/MMS/WAP technology,
- production of set-top boxes,
- sale of telecommunication equipment ,
- sale of electric energy and other utilities to retail customers,
- sale of photovoltaic installations.

Media segment consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television, radio and Internet channels in Poland. The revenues generated by the media segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and liquidation. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the year ended 31 December 2020:

The year ended 31 December 2020	**B2C and B2B services**	**Media: TV and online**	Consolidation adjustments	**Total**
Revenues from sales to third parties	10,167.1	1,795.8	-	**11,962.9**
Inter-segment revenues	63.7	211.1	(274.8)	**-**
Revenues	**10,230.8**	**2,006.9**	**(274.8)**	**11,962.9**
EBITDA adjusted (unaudited)	**3,631.6**	**606.2**	**-**	**4,237.8**
Costs related to COVID (including donations)	41.8	4.1	-	**45.9**
EBITDA (unaudited)	**3,589.8**	**602.1**	**-**	**4,191.9**
Depreciation, amortization, impairment and liquidation	2,238.3	67.4	-	**2,305.7**
Profit from operating activities	**1,351.5**	**534.7**	**-**	**1,886.2**
Acquisition of property, plant and equipment and other intangible assets	1,112.4	105.5	-	**1,217.9**
Acquisition of reception equipment	147.5	-	-	**147.5**
Balance as at 31 December 2020				
Assets, including:	27,448.6	5,717.2*	(50.8)	**33,115.0**
Investments in joint venture and shares in associates	1,257.8	5.9	-	**1,263.7**

* includes non-current assets located outside of Poland in the amount of PLN 10.8

All material revenues are generated in Poland.

It should be noted that the data for 12 months ended 31 December 2020 allocated to the "B2C and B2B services" segment are not comparable to the 12 months ended 31 December 2019 as additional 12 shares in TVO were acquired on 30 May 2019, on 9 August 2019 share capital increase was registered (consequently, the Group held 51.22% shares) and on 10

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February 2020 share capital increase was registered (consequently, the Group holds 75.96% shares), 100% shares in ISTS Sp. z o. o. were acquired by Netia S.A. (Company's subsidiary) on 27 November 2019, 40.76% shares in Vindix S.A. were acquired on 13 June 2019 and on 1 July 2019 share capital increase was registered (thus increasing shares held to 46.27%), significant stake of Asseco Poland S.A. was acquired on 30 December 2019 and shares were purchased from Reddev Investments Limited on 31 July 2020 (consequently, the Company holds 22.95% shares), 51.25% shares in Alledo Sp. z o.o. were acquired on 13 January 2020, 100% shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. were acquired by Netia S.A. (Company's subsidiary) on 14 February 2020 and additional 0.89% shares in BCAST Sp. z o.o. were acquired on 23 December 2020 (thus increasing shares held to 70.02%).

It should be noted also that the data for 12 months ended 31 December 2020 allocated to the "Media" segment are not comparable to the 12 months ended 31 December 2019 as additional 49.9775% shares in Eleven Sports Network Sp. z o.o. were acquired on 6 June 2019, 100% shares in Grupa Interia.pl Sp. z o.o. and all rights and obligations of limited partner in Grupa Interia.pl Media Sp. z o.o. Sp.k. were acquired on 8 July 2020 as well as additional 50.52% shares in TV Spektrum Sp. z o.o. were acquired on 18 September 2020 (thus increasing shares held to 100%), 60% shares in Tako Media Sp. z o.o. were acquired on 23 December 2020 and 60% shares (directly and indirectly) in Tako Media Sp. z o.o. Sp. k. were acquired on 23 December 2020.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the year ended 31 December 2019:

The year ended 31 December 2019	**B2C and B2B services**	**Media: TV and online**	Consolidation adjustments	**Total**
Revenues from sales to third parties	9,879.5	1,796.6	-	**11,676.1**
Inter-segment revenues	55.9	201.3	(257.2)	**-**
Revenues	**9,935.4**	**1,997.9**	**(257.2)**	**11,676.1**
EBITDA (unaudited)	**3,599.8**	**596.9**	**-**	**4,196.7**
Depreciation, amortization, impairment and liquidation	2,171.4	58.3	-	**2,229.7**
Profit from operating activities	**1,428.4**	**538.6**	**-**	**1,967.0**
Acquisition of property, plant and equipment and other intangible assets	1,187.9	43.7	-	**1,231.6**
Acquisition of reception equipment	123.3	-	-	**123.3**
Balance as at 31 December 2019				
Assets, including:	27,127.6	5,538.3*	(76.3)	**32,589.6**
Investments in joint venture and shares in associates	1,265.4	22.9	-	**1,288.3**

* includes non-current assets located outside of Poland in the amount of PLN 12.3

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Reconciliation of EBITDA and Net profit for the period:

	for the year ended	
	31 December 2020	31 December 2019
EBITDA adjusted (unaudited)	**4,237.8**	**4,196.7**
Costs related to COVID (including donations)	(45.9)	-
EBITDA (unaudited)	**4,191.9**	**4,196.7**
Depreciation, amortization, impairment and liquidation (note 10)	(2,305.7)	(2,229.7)
Profit from operating activities	**1,886.2**	**1,967.0**
Other foreign exchange rate differences, net (note 11)	(59.6)	9.8
Share of the profit/(loss) of associates accounted for using the equity method	2.0	(6.5)
Interest costs, net (note 11 and 12)	(424.2)	(433.8)
Cumulative catch-up (note 12)	44.8	-
Other	(7.1)	(68.9)
Gross profit for the period	**1,442.1**	**1,467.6**
Income tax	(295.9)	(353.0)
Net profit for the period	**1,146.2**	**1,114.6**

43. Barter transactions

The Group 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, products, goods and materials sold, costs comprise selling expenses.

	for the year ended	
	31 December 2020	31 December 2019
Revenues from barter transactions	53.7	49.0
Cost of barter transactions	48.4	42.0

	31 December 2020	31 December 2019
Barter receivables	14.8	18.2
Barter payables	1.3	1.2

44. Transactions with related parties

Receivables

	31 December 2020	31 December 2019
Joint ventures and associates	17.9	4.7
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.	7.5	10.1
Total*	**25.4**	**14.8**

* amounts presented above do not include deposits paid (31 December 2020 – PLN 3.5, 31 December 2019 – PLN 3.5)

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Receivables due from related parties have not been pledged as security.

Other assets

	31 December 2020	31 December 2019
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	0.3
Total	**2.3**	**0.3**

Liabilities

	31 December 2020	31 December 2019
Joint ventures and associates	77.1	17.9
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.	482.8*	148.4
Total	**559.9**	**166.3**

* Includes liabilities related to dividend paid on 11 January 2021 in the amount of PLN 236.8.

Loans granted

	31 December 2020	31 December 2019
Joint ventures and associates	-	26.8
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.	6.9	3.3
Total	**6.9**	**30.1**

Loans received

	31 December 2020	31 December 2019
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.	5.4	5.1
Total	**5.4**	**5.1**

Revenue

	for the year ended	
	31 December 2020	31 December 2019
Subsidiaries*	4.0	0.8
Joint ventures and associates	24.9	14.6
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.	41.5	23.9
Total	**70.4**	**39.3**

* Concerns transaction with subsidiaries executed prior to their acquisition.

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Expenses and purchases of programming assets

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries*	14.8	-
Joint ventures and associates	13.6	33.3
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.	269.1	208.7
Total	**297.5**	**242.0**

* Concerns transaction with subsidiaries executed prior to their acquisition.

In 12 months ended 31 December 2020 and in 12 months ended 31 December 2019 the most significant transactions include cost of electrical energy, advertising services and property rental.

Gain/(loss) on investment activities, net

	for the year ended	
	31 December 2020	**31 December 2019**
Subsidiaries*	1.4	0.2
Joint ventures and associates	-	0.4
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.	(9.0)	(2.8)
Total	**(7.6)**	**(2.2)**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Finance costs

	for the year ended	
	31 December 2020	**31 December 2019**
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.	0.3	0.2
Total	**0.3**	**0.2**

45. Contingent liabilities

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 Group's financial situation.

Proceedings before the Office of Competition and Consumer („UOKiK")

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 (i.e. EUR 1.0). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. On 28 April 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3. Polkomtel and President of UOKiK appealed against the verdict. On 3 April 2020 both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On 20 April 2020 Polkomtel made a payment in the amount of PLN 1.3. Polkomtel and the President of UOKiK filed cassation appeals against the Court of Appeal's verdict.

On 23 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8. The company appealed to SOKiK against the decision. On 24 October 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On 30 August 2018 Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5. On 20 November 2018 Polkomtel made a payment in the amount of PLN 1.5. On 13 March 2019 SOKiK dismissed the appeal in remaining scope. Polkomtel appealed against the decision. On 5 February 2021 the Court of Appeals verdict reduced the amount of penalty in the remaining scope to PLN 0.7. On 18 February 2021 Polkomtel paid a penalty of PLN 0.7. Polkomtel examines the possibility of bringing a cassation appeal.

On 30 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0. The company appealed to SOKiK against the decision. On 5 March 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court.

On 30 December 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel (Company's subsidiary) 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 and Polkomtel were charged with a penalty in the amount of PLN 5.3 and PLN 18.4, respectively. The Group appealed to SOKiK against the decision. On 18 June 2019 SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On 7 August 2019 the court dismissed the appeal of Cyfrowy Polsat. 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 operations of the Company and Polkomtel (Company's subsidiary) 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 and Polkomtel was charged with a penalty in the amount of PLN 4.4 and PLN 12.3, respectively. The Group appealed to SOKiK against the decision. On 14 October 2019 SOKiK dismissed the appeal. The Group appealed against the decision. On 31 December 2020 the Group appeal was dismissed. On 14 January 2021 Cyfrowy Polsat and Polkomtel paid the penalty. The Group examines the possibility of bringing a cassation appeal.

On 29 April 2019 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by charging for activating the services to consumers, despite not obtaining an explicit approval of the additional payment associated with these services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39.5. Polkomtel appealed to SOKiK against the decision.

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.

On 31 December 2019 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by charging additional fees for data transmission using the RSTP protocol, despite the subscribers having internet packages or unlimited LTE Internet services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 50.6. Polkomtel appealed to SOKiK against the decision.

On 22 January 2020 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by clauses included in the terms and conditions of telecommunications services regarding prepaid services and expiration of the unused value of the subscribers' accounts. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 20.4. Polkomtel appealed to SOKiK against the decision.

Other proceedings

In September 2015, Polkomtel (Company's subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316.0 (including interest of PLN 85.0), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On 27 December 2018 Court dismissed the entire claim. P4 Sp. z o.o. appealed against the decision. On 13 November 2020, the P4 sp. z o.o. claim for payment of PLN 313, including interest of PLN 85, was delivered by the court. This lawsuit constitutes an "extension" of P4 Sp. z o.o claim dated September 2015 and concerns a further period of the acts alleged against the defendants, i.e. from April 2012 to December 2014.
Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

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, including 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.

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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.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

46. Remuneration of the Management Board

The table below presents the Management Board’s remuneration.

Name	Function	2020	2019
Mirosław Błaszczyk	President of the Management Board	1.0	1.0
Tobias Solorz	President of the Management Board (to 31 March 2019)	-	0.4
Maciej Stec	Vice-President of the Management Board / Member of the Management Board	0.8	0.9
Dariusz Działkowski	Member of the Management Board (to 31 March 2019)	-	0.2
Jacek Felczykowski	Member of the Management Board	1.0	1.0
Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019)	-	0.3
Aneta Jaskólska	Member of the Management Board	0.9	0.9
Agnieszka Odorowicz	Member of the Management Board	0.6	0.6
Katarzyna Ostap-Tomann	Member of the Management Board	1.0	1.0
Total		**5.3**	**6.3**

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The amounts of bonuses and other remuneration payable to each member of the Management Board for 2020 and 2019 are presented below:

Name	Function	2020	2019
Mirosław Błaszczyk	President of the Management Board	2.5	2.0
Maciej Stec	Vice-President of the Management Board / 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**

47. Remuneration of the Supervisory Board

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.

Presented below is 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	Independent 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**

48. 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 legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication concession for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (currently Aero 2 Sp. z o.o.) and CenterNet S.A. (currently Aero 2 Sp. z o.o.). Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. Supreme Administrative Court (NSA), in its ruling dated 8 May 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on 23 September 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the 'reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies'. On 23 December 2016 President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated 4 August

2017 President of UKE notified the parties that the tender dated 2007 has been annulled. On 13 October 2017 Aero 2 Sp. z o.o. (a successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated 4 August 2017 concerning the annulment of the tender procedure. On 31 January 2018 the President of UKE upheld its decision dated 4 August 2017. On 7 March 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw, on 4 October 2018 complaint was dismissed. On 27 December 2018, Aero2 filed a cassation appeal against judgment. The case is awaiting the appointment by the NSA.

The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with President of UKE's press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management's opinion this issue should have no negative impact on the results and financial condition of the Group. Accordingly, no valuation adjustment has been made in these consolidated financial statements.

In the proceedings instigated by T-Mobile Polska S.A., the President of UKE resumed the proceedings which were terminated on 23 April 2009 by the issuance of a final decision by the President of UKE which sustained the decision of the President of UKE dated 30 November 2007 concerning the frequency reservation in the 1710-1730 MHz and 1805-1825 MHz range. Under these proceedings, in the decision dated 28 November 2017 the President of UKE refused, after resuming the proceedings, to annul the reservation decision of the President of UKE dated 23 April 2009. This decision was upheld by the decision of the President of UKE dated 4 June 2018. In connection with complaints filed against this decision, in the ruling of 11 March 2019 the Voivodship Administrative Court in Warsaw annulled the decision of the President of UKE dated 4 June 2018. Aero2 Sp. z o.o. filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

On 4 October 2018, T-Mobile Polska S.A. filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated 5 September 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On 20 November 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On 4 July 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated 20 November 2018, as a result of a cassation appeal filed by T-Mobile Polska S.A. On 18 August 2020, the announcement of the President of UKE dated 5 September 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. Aero2 Sp. z o.o. filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

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.

Auction for spectrum reservation from the 3.6 GHz band

On 6 March 2020, the Office of Electronic Communications (UKE) announced an auction for the reservation of spectrum of the 3.6-3.8 GHz band, which represents Poland's first spectrum allocation process for the purposes of the 5G network. The auctioned spectrum consists of four 80MHz blocks of the 3.6 GHz band. The asking price was set at PLN 450 per one block. In accordance with the auction's documentation, each winner shall be obligated to meet the same network requirements consisting of a roll out in specified areas of at least 700 (not in million) base stations operating in the granted spectrum by 31 December 2025.

Initially, the deadline for submitting preliminary bids in the auction was to expire on 23 April 2020, and it was the regulator's intention to issue spectrum reservations to the auction winners by the end of August 2020 at the latest. Accordingly, spectrum reservations resulting from the auction were to be valid until the end of June 2035.

Due to the state of the epidemic announced on 20 March 2020 and pursuant to the provision 15 zzs par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19 the above deadline was suspended with effect from 31 March 2020 until the termination of the epidemic emergency status. On 10 June 2020 the President of UKE annulled the auction for the reservation of frequencies in the 3.6-3.8 GHz band announced on 6 March 2020 based on provisions of "Anti-Crisis Shield 3.0" Act of 14 May 2020. The ordinance of the Minister of Digitization on the distribution schedule of frequency resources used as civilian in civil or civil-government use specifies the deadline for issuing a decision on the reservation of 3.6-3.8 GHz frequencies by 27 August 2021. However, the exact date of the re-auction for frequency reservations in the 3.6-3.8 GHz band is unknown yet.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon introducing by the Polish government the state of emergency due to an epidemic, in effect from 13 March 2020, the 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 Group's assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 3.1 and 5.10.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire 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.

The announcement of the tender offer for Netia's shares resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer and the number of shares in the tender offer. The liability was recognized in correspondence with a derecognition of non-controlling interests in the equity of the Group and put option valuation in other reserves.

As a result of the tender offer, on 8 March 2021, the Company acquired 84.868 (not in million) 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. As of 8 March 2021 the Company holds 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.

As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognised from the balance sheet, non-controlling interest was recognized and put option valuation was derecognized from other reserves.

The tender offer was secured with a bank guarantee granted up to PLN 548.

Construction of a photovoltaic farm in Brudzew

On 23 September 2020 Esoleo Sp. z o.o. (a subsidiary of the Company) and Przedsiębiorstwo Remontowe „PAK SERWIS" Sp. z o.o., acting as a consortium, entered into a "turn-key" contract for the investment project called "Energy transformation in region - construction of a photovoltaic farm on the reclaimed areas of the Adamów Mine with a capacity of 70 MWp along with the necessary technical infrastructure" for Zespół Elektrowni Pątnów-Adamów-Konin S.A. („ZE PAK").

The contract includes the design, assembly and commissioning of a photovoltaic farm with a capacity of 70 MWp along with the necessary technical infrastructure.

The consortium will receive remuneration in the amount of PLN 163.8.

The obligation to perform under the contract has been qualified by the Group as fulfilled over time. A performance-based approach was adopted to measure the percentage of completion of the contract.

On 22 December 2020, an assignment agreement was signed, under which all rights and obligations under the contract were transferred from ZE PAK to PAK-PCE Fotowoltaika Sp. z o.o.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

49. Events subsequent to the reporting date

Execution of a conditional sale agreement for shares in subsidiary

On 26 February 2021 the Parent 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, Sellers agreed to sell shares representing 99.99% of the share capital of Polkomtel Infrastruktura for the total price of PLN 7,070.3 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 acquisition 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 of Polkomtel Infrastruktura. 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. After the transaction completion Polkomtel Sp. z o. o. will retain 207 shares of Polkomtel Infrastruktura representing 00.01% of the share capital of Polkomtel Infrastruktura.

Entry into exclusive negotiations regarding potential acquisition

On 11 March 2021 Management Board of the Parent 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.

50. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the loan agreements. Detailed information in respect to the agreements is presented in the Management Report in note 4.4.6.

Commitments to purchase programming assets

As at 31 December 2020 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 December 2020	31 December 2019
within one year	182.9	294.1
between 1 to 5 years	315.6	266.2
more than 5 years	45.1	0.9
Total	**543.6**	**561.2**

(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 commitments to purchase programming assets from related parties not included in the consolidated financial statements:

	31 December 2020	31 December 2019
within one year	22.1	1.9
between 1 to 5 years	0.2	-
Total	**22.3**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements for the production and purchases of the property, plant and equipment was PLN 313.2 as at 31 December 2020 (PLN 247.8 as at 31 December 2019). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 64.9 as at 31 December 2020 (PLN 212.7 as at 31 December 2019).

Future contractual obligations

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

	31 December 2020	31 December 2019
within one year	126.0	105.6
between 1 to 5 years	503.9	465.0
more than 5 years	-	116.3
Total	**629.9**	**686.9**

51. Judgments, financial estimates and assumptions

The preparation of consolidated 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*

For contracts in which the Group acts as a lessor, the Group 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 Group 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 Group holds substantially all the risks and rewards incidental to ownership of the reception equipment.

The Group entered into land lease agreements (locations for network infrastructure) and leases of office and other premises which are classified as operating leases. For more information see note 34.

- *Lease term*

For agreements which meet the lease definition, the Group 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 Group considers all relevant facts and circumstances, which could indicate that the Group will exercise the option to extend the lease. Lessee shall reassess an extension option, upon the occurrence of either a significant event or a significant change in the circumstances that are within 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. Contracts with indefinite periods for which the Group estimates reasonable certain lease terms include mainly the following:

- premises for technical infrastructure – estimated lease term is 2-10 years
- dark fibers – estimated lease term is 2-10 years,
- points of sale premises – estimated lease term is 2 years.

- *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 Group, determined as the cost of interest on the loan, which the Group 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 Group’s credit risk premium. Discount rates applied by the Group 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 (including customer relationships and Plus and Netia brands). 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 6j and 6k. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives see notes 16 and 20.

- *Economic useful lives and amortization method of programming assets*

Economic useful life of programming assets is based on the shorter of the expected consumption of future economic benefits from the underlying asset and the license period. Amortisation method of programming assets reflects how these economical benefits are consumed. The estimation of the useful life and the amortization method requires assessment of the timing during which the Group is expecting to obtain the income from the acquired programming assets and the percentage apportionment of this income in the given period. For more information about the amortization method and amortization charge for the period by programming assets' category see notes 6l and 22.

- *Indefinite useful life of Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands*

As at the reporting date, the Group has reviewed whether relevant factors continue to indicate indefinite useful life of Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands recognised in 2011-2017 on the acquisition of Telewizja Polsat S.A., Polskie Media S.A., entities comprising IPLA network and Lemon Records Sp. z o.o.
The Group has reviewed the following factors which are essential for estimating the economic useful life of the Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands:
- The expected usage of the asset by the entity and whether the asset could be managed more efficiently
- Technical, technological, commercial or other types of obsolescence
- The stability of the industry in which the asset operates and changes in the market demand for media services
- Expected actions by competitors or potential competitors
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset
- Whether the useful life of the asset is dependent on the useful life of other asset of the entity.

Having analyzed the above factors, the Group has concluded that there is no foreseeable limit to the period over which the Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands are expected to generate net cash inflows for the Group and thus the indefinite useful life was assumed. This means that the above brands are not subject to amortization but rather are tested for impairment on annual basis. The Management believes that Polsat, TV4, TV6 and Polo TV (Lemon Records) brands have a positive impact on the revenues from advertising and sponsorship and IPLA brand has a positive impact on acquisition of new customers as well as increase of ARPU among current customers of Cyfrowy Polsat. Furthermore, the Polsat brand is widely recognized by media and is highly appreciated in numerous rankings. Numerous awards for employees, individuals associated with the brand as well as high Power Ratio index also indicate a strong position of the brand.
As at the balance sheet date the Management states there are no plans to cease using or significantly modify Polsat, TV4, TV6, IPLA or Polo TV (Lemon Records) brands. The value assigned to the brands relate to the name "Polsat", "TV4", "TV6", "ipla" and "Polo TV" respectively and the related logotypes both of which are reserved trademarks. In case the Group decides about discontinuance of use or significant modification of the name or logotype the Management would review whether events and circumstances continue to support an indefinite useful life assessment of the Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands and assess whether there are indicators of possible impairment.

- *Fair value of assets and liabilities of TVO Sp. z o.o., ISTS Sp. z o.o., Esoleo Sp. z o.o., IST Sp. z o.o., data center in the form of an organised part of the enterprise.*

The Group identified assets and liabilities and estimated their fair value under the purchase price allocation process relating to the acquisition of TVO Sp. z o.o., ISTS Sp. z o.o., Esoleo Sp. z o.o., IST Sp. z o.o., data center in the form of an organised part of the enterprise. For more information see note 38.

- *Preliminary fair value of assets and liabilities of Interia Group, TV Spektrum Sp. z o.o., Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) and Polot Media Sp. z o.o. Sp.k. (formerly Tako Media Sp. z o.o. S.k.) and BCAST Sp. z o.o.*

The Group identified assets and liabilities and estimated their preliminary fair value under the purchase price allocation process relating to the acquisition of Interia Group, TV Spektrum Sp. z o.o., Polot Media Sp. z o.o. and Polot Media Sp. z o.o. Sp.k. and BCAST Sp. z o.o. For more information see note 38.

- *The impairment of goodwill and intangible assets with indefinite useful lives*

The Group performed impairment test of a goodwill and of the intangible assets with indefinite useful lives (Polsat brand, TV4 and TV6 brands, Ipla brand and Polo TV (Lemon Records) brand). The impairment test was based on the value-in-use calculations of the cash-generating unit to which the goodwill and brands have been allocated on the initial recognition. Goodwill and brands with indefinite useful lives have been allocated to the following cash-generating units, which also represent the Group's business segments:

- "B2C and B2B services" - goodwill recognized on the acquisition of M.Punkt Holdings Ltd., goodwill recognized on the acquisition of INFO-TV-FM Sp. z o.o., the goodwill and IPLA brand recognized on the acquisition of entities comprising the IPLA platform, the goodwill recognized on the acquisition of Metelem Holding Company Ltd., the goodwill recognized on the acquisition of Orsen Holding Ltd., the goodwill recognized on the acquisition of Litenite Ltd., the goodwill recognized on the acquisition of IT Polpager S.A., the goodwill recognized on the acquisition of 65.98% shares of Netia S.A., the goodwill recognized on the acquisition of Coltex ST Sp. z o.o., the goodwill recognized on the acquisition of Netshare Media Group Sp. z o.o., the goodwill recognized on the acquisition of 51.22% shares of TVO Sp. z o. o., the goodwill recognized on the acquisition of ISTS Sp. z o. o., the goodwill recognized on the acquisition of 51.25% shares of Esoleo Sp. z o.o., the goodwill recognized on the acquisition of IST Sp. z o. o., the goodwill recognized on the acquisition of data center in the form of an organised part of the enterprise and the goodwill recognized on the acquisition of 70.02% shares of BCAST Sp. z o.o.
- "Media: television and online" - goodwill and Polsat brand recognized on the acquisition of Telewizja Polsat S.A., goodwill and TV4 and TV6 brands recognized on the acquisition of Polskie Media S.A., goodwill recognized on the acquisition of Radio PIN S.A., goodwill recognized on the acquisition of ESKA TV S.A., goodwill recognized on the acquisition of Lemon Records Sp. z o.o., the goodwill recognized on the acquisition 99,99% share of Eleven Sports Network Sp. z o.o. and the goodwill recognized on the acquisition of Superstacja Sp. z o.o., the goodwill recognized on the acquisition of TV Spektrum Sp. z o.o., the goodwill recognized on the acquisition of 60% shares of Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) and Polot Media Sp. z o.o. Sp. k. (formerly Tako Media Sp. z o.o. S.k.)

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 and brands 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 19.

- *The impairment of non-financial non-current assets*

As at the reporting date the Group has assessed whether there are any indications that intangible, tangible assets or right-of-use 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 note 16, 20 and 21.

- *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 6n, 26 and 40.

- *Impairment of inventories*

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and current marketing plans. The purchase cost or production cost is determined based on weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. For more information see notes 6m and 25.

- *Provisions for pending litigation*

During the normal course of its operations the Group participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Group, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Group's lawyers who participate in the current litigations and who estimate Group's possible future obligations taking the progress of litigation proceedings into account. The Group 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 Group's financial situation.

- *Provisions for dismantling*

The Group is required to dismantle equipment and restore sites. The provision is based on the best estimate of the amount required to settle the obligation. The provision for the cost of dismantling and removing the asset and restoring the site is revised, when necessary, along with the value of the relevant asset. The provision is discounted by applying a discount rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The discount rate used in calculating the provision for dismantling and removing the asset and restoring the site is in range 0.165% - 1.485% as at 31 December 2020. The discounting period and discount rate reflect the management's best estimate regarding the expected time of dismantling the assets held by the Group and the expected period of renewal.

- *Deferred tax*

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses. 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 note 6w and 13.

- *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 6h.

- *Loan liabilities measured at amortised cost*

The CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK 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

52. Consolidated Income Statement

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Continuing operations		
Revenue	3,248.2	3,069.1
Operating costs	(2,731.3)	(2,593.8)
Other operating income/(costs), net	7.1	19.0
Profit from operating activities	**524.0**	**494.3**
Gain/(loss) on investment activities, net	(11.5)	34.2
Finance costs, net	(64.9)	(95.3)
Share of the loss of associates accounted for using the equity method	(45.6)	(1.6)
Gross profit for the period	**402.0**	**431.6**
Income tax	(75.3)	(119.7)
Net profit for the period	**326.7**	**311.9**
Net profit attributable to equity holders of the Parent	324.9	313.8
Net profit/(loss) attributable to non-controlling interest	1.8	(1.9)
Basic and diluted earnings per share (in PLN)	**0.51**	**0.48**

53. Consolidated Statement of Comprehensive Income

	for the 3 months ended	
	31 December 2020 unaudited	**31 December 2019 unaudited**
Net profit for the period	**326.7**	**311.9**
Items that may not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain	(0.5)	(2.5)
Items that may be reclassified subsequently to profit or loss:		
Valuation of hedging instruments	1.0	-
Income tax relating to hedge valuation	(0.2)	-
Share in other comprehensive income of associates	4.1	-
Other comprehensive profit/(loss), net of tax	**4.4**	**(2.5)**
Total comprehensive income for the period	**331.1**	**309.4**
Total comprehensive income attributable to equity holders of the Parent	329.4	311.9
Total comprehensive income/(loss) attributable to non-controlling interest	1.7	(2.5)

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

54. Revenue

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Retail revenue	1,660.1	1,618.4
Wholesale revenue	1,043.9	925.4
Sale of equipment	424.4	445.4
Other revenue	119.8	79.9
Total	**3,248.2**	**3,069.1**

55. Operating costs

		for the 3 months ended	
	Note	31 December 2020 unaudited	31 December 2019 unaudited
Technical costs and cost of settlements with telecommunication operators		615.0	580.3
Depreciation, amortization, impairment and liquidation		602.3	567.5
Cost of equipment sold		359.5	368.6
Content costs		484.0	454.8
Distribution, marketing, customer relation management and retention costs		259.4	278.1
Salaries and employee-related costs	a	265.8	253.1
Cost of debt collection services and bad debt allowance and receivables written off		25.2	27.6
Other costs		120.1	63.8
Total		**2,731.3**	**2,593.8**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Salaries	227.4	219.5
Social security contributions	28.9	26.5
Other employee-related costs	9.5	7.1
Total	**265.8**	**253.1**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

56. Gain/(loss) on investment activities, net

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Interest on lease liabilities	(12.0)	(13.3)
Interest, net	(1.3)	1.5
Other foreign exchange differences, net	(7.7)	31.4
Other income/costs	9.5	14.6
Total	**(11.5)**	**34.2**

57. Finance costs, net

	for the 3 months ended	
	31 December 2020 unaudited	31 December 2019 unaudited
Interest expense on loans and borrowings	52.8	87.1
Interest expense on issued bonds	10.4	9.0
Valuation and realization of hedging instruments	1.0	0.1
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(0.9)	(1.7)
Guarantee fees, bank and other charges	1.6	0.8
Total	**64.9**	**95.3**