CYFROWY POLSAT S.A.

**Annual Report
for the financial year ended
December 31, 2019**

Place and date of publication: Warsaw, March 12, 2020
Place and date of approval: Warsaw, March 11, 2020

CONTENT OF THE ANNUAL REPORT

Letter of the President of the Management Board

Ladies and Gentlemen,

It is the first time that I have the honor of opening the Annual Report of Cyfrowy Polsat Capital Group, and I am doing this with great satisfaction as 2019 was yet another year in the history of our Group of intensive development and implementation of new services as well as a time of exploring new areas of activity. Also for me it has been an exceptional time, full of challenges and a new experience as I have been entrusted with the huge responsibility of managing the biggest Polish media-and-telecommunications group, and at the same time the opportunity to work with the Group's entire staff – people who are extremely professional, creative and devoted. I can say with satisfaction that we have achieved all our goals and assumptions, while our position on the pay TV, telecommunication and TV production markets has grown in strength.

2019 was a year of hard work, engaging our efforts in many fields, a year that was intensive, with many events, and above all a year which we ended with many successes. Following our strategic concept: "TV for Everyone. Everywhere. Internet for Everyone. Everywhere. Phone for Everyone. Everywhere," we consistently worked on the development of the portfolio of our services so as to make them available to all Polish families, regardless of where they live, their needs, the selected services and the technology they use. These activities not only answered the expectations of our customers but also strengthened our smartDOM program which enables customers to create service bundles and which has so far attracted 2 million members.

What I am particularly pleased about is that we were successful not only as a Group. Also the individual companies stood out positively on their respective markets. Cyfrowy Polsat expanded the offer of TV services. IPTV cable TV, which was launched in March, enables the reception of TV programs via a broadband Internet connection, offered among others by Plus and Netia, without requiring a satellite dish. The revolutionary OTT web TV service with a set-top box enables customers to enjoy their favorite channels over an Internet connection from any provider, without long-term commitments, while its flexible programming offer assures the possibility of activation of program bundles directly from the set-top box level. The new services have enabled us to reach totally new customers who look for interesting and valuable TV content available through the use of the cutting-edge technologies, as well as to offer our existing customers even greater flexibility of access to their favorite channels and programs.

Plus, in turn, has yet again been the leader in the area of number portability and the most frequently chosen network. During the entire 2019 it acquired the highest number of customers from among all mobile networks and it was the only big mobile operator who could boast of a positive balance of ported numbers. It was the second year in a row that Plus had the best number porting balance among the big four telecoms. It was also the time of development of the "Plus światłowód" (Plus Fiber Optic) service which, thanks to regular network upgrades and investments made by Netia, currently reaches 2.7 million of Polish families and assures Internet connection with the speed of even up to 1 Gbps. In addition, we successfully completed the tests of 5G technology and started rolling out the first commercial 5G network in Poland, based on the 2600 MHz TDD frequency band.

On the broadcasters' market we observe simultaneously processes of content aggregation by foreign services, emergence of new services under the brand names of major content providers, as well as partnerships of local broadcasters with an aim to be able to respond in a better way to emerging competitive challenges and viewer needs. We signed an agreement with the broadcaster of CANAL+ channels thanks to which our subscribers - apart from being able to watch UEFA Champions League and UEFA Europa League football matches and the matches played in major European leagues via the Eleven Sports channels

– can also watch all matches of PKO BP Premiership, the most important club football matches in Poland. Hence we continually invest in our premium sports offer, thanks to which our customers have gained access to a maximum number of competitions, sports and coverage of major sporting events. TV Polsat sportscasters and journalists have continued exploring the possibilities offered by our new sports studio, which is the biggest and the most advanced studio of this type in Poland. We were the first to employ the virtual window technology, in the interviews held remotely by our journalists, which raised the sports coverage that we provide to an even higher level.

We continued our activities on the movie production market. Our Group produced and co-produced several titles which had very good reception among viewers and proved to be a commercial success. The comedy entitled "Jak poślubić milionera" (*How to Marry a Millionaire*), which was directed by Filip Zylber, was seen by 940 thousand people. The co-production "(Nie)znajomi," which was the Polish version of the Italian hit "Perfect Strangers," attracted 660 thousand people to cinemas across Poland. The third part of Władysław Pasikowski's cult series "Psy 3. W imię zasad" ("*Cops 3. In the Name of Principles*") achieved a spectacular success with over a million people seeing the movie in less than 3 weeks. In fact it attracted more viewers than the two previous releases of "Psy" ("*Cops*") had attracted during their entire distribution in cinemas. Record audience was also attracted by another title - "Jak zostałem gangsterem. Historia prawdziwa" ("*How I became a gangster. A true story.*"), which was the first movie this year that had a million viewers.

Our activities were focused not only on organic growth but also on strategic partnerships. In December 2019, we established strategic cooperation with Asseco Poland, the leading provider of IT solutions whose significant potential in terms of its competence and experience from international markets will support further development of products and services offered by our Group. An additional impulse for becoming engaged in Asseco Poland was the fact that the IT industry is the engine driving nearly all sectors of both, Polish and global economies.

Consistent pursuit of our strategy has been reflected by the very good operational and financial results of the Group. As I have mentioned earlier, as many as 2 million customers have opted for our multiplay services and these customers use a total of over 6 million TV, telephone and Internet services (RGUs). Trust in our companies and the financial benefits obtained thanks to our smartDOM program have an enormous influence on the high level of loyalty of our customers, once again leading to a reduction of the churn ratio to a record-low 6.4%. The number of contract services that we provided grew by nearly 0.5 million, to more than 14.7 million. The total audience share held by our TV stations was 24.3%, giving TV Polsat a 28.0% share in the TV advertising and sponsoring market.

Our financial performance has also given us many reasons to be satisfied. The Group's revenues reached nearly PLN 11.7 billion, EBITDA increased to PLN 4.2 billion while the net profit was at the level of PLN 1.1 billion. We achieved the expected level of free cash flow of PLN 1.3 billion, enabling us to carry out the investments which are necessary for the development of our Group, regularly reduce our debt, and share our profits with our shareholders. Financial stability was the factor underlying the adoption of our new dividend policy whose implementation, based on our estimates, should not interfere with our further deleveraging efforts as well as with the ability to achieve superior financial results with a view to assuring strong and stable foundations for the Group's further development.

For many years we have also been carrying out our mission in the corporate social responsibility area, addressing such topics as aid to children and promotion of sports. The topics from the environmental protection area, which lie within the area of the Group's interests, include such items as improved energy efficiency, ecological products, energy from renewable sources, or waste reduction. That is why we control consumption of raw materials, conserve electrical energy, effectively manage waste and transfer it for recycling to specialized firms. We also examine the influence that our base transceiver stations have on the environment. We are the first company from outside the financial sector to have issued PLN-denominated green bonds. The proceeds from these bonds, in the amount of PLN 1 billion, will be used fully for refinancing the pro-environmental investments which include improvement of the Group's energy efficiency or reducing the carbon footprint associated with the electronic devices that are manufactured by Polsat Group.

One of the more important moments for us was the establishment, by the founder and main shareholder of our Group, of Stowarzyszenie Program Czysta Polska (*Program Clean Poland Society*) whose goal is to indulge in efforts aimed at ensuring life in a healthy and clean environment for Poles. Zygmunt Solorz's vision is not only to make Poland clean but it also includes joint care for the country - for its natural environment, air, water and the nature around us. We are proud that we can be part of such an important a project and we trust that through our joint efforts we will be able to contribute to making the world around us cleaner.

I would like to thank all those whose hard work, devotion and time have contributed to the achievement of such good results by our Group and to the successful completion of the planned projects and undertaken activities. I am very grateful to our customers for motivating us to continue our efforts and for the incessant confidence they have demonstrated, to our shareholders for their trust in the correctness of our choices, to the Supervisory Board - for the support and matter of fact assessment of our proposals. And above all I would like to thank the employees of the Group for their daily efforts, hard work, efficiency and ingenuity thanks to which our Group is the no. 1.

Yours faithfully,

Mirosław Błaszczyk

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

Letter of the Chairman of the Supervisory Board

Ladies and Gentlemen,

When summing up Cyfrowy Polsat Group's performance in 2019, I feel great satisfaction from being part of such an efficiently operating, dynamically developing and operationally effective organization. Last year, Polsat Group not only efficaciously coped with challenges in its daily operations but also successfully undertook a number of new projects and investments which already have a positive influence on the Group's business operations as well as on its operating and financial results. In addition, these efforts opened up new, so important paths of even faster development for Cyfrowy Polsat in the coming years.

The Group was executing its stable business strategy consistently, effectively and at the planned pace, focusing on maintaining its customer base and upselling new services to the Group's existing customers, among others within the unique and popular smartDOM loyalty program. These actions were the factor which differentiated the Group from other market players. Also as regards the respective segments, the companies which are members of the Group stood out positively on the market – Cyfrowy Polsat as the provider of DTH pay TV, Polkomtel in the telecommunications sector, Telewizja Polsat among TV broadcasters and producers of content, IPLA in the video on-line segment, and Netia as the provider of fiber optic Internet access and services for business. These activities fostered the consolidation of Cyfrowy Polsat Group's position as the leader on the entertainment, media and telecommunication markets in Poland.

Continued provision of solutions tailored to users' evolving needs is key for Polsat Group in terms of building its market position and customer trust. Customers require top quality services which must be developed on the basis of efficient IT solutions. Thus, to be able to continue effective development of our business in the future, Cyfrowy Polsat decided last year to enter into strategic cooperation, tightened through significant capital engagement, with Asseco. Asseco is the largest Polish IT company which delivers its solutions to numerous sectors of the transforming Polish economy. It is also a reliable expert with a proven track record in the IT area.

Present technological development, especially in the context of Economy 4.0, 5G technology, Internet of Things, cybersecurity, electronic payments, or cloud solutions and big data, calls for the best, effective and dynamically implemented software solutions. Cooperation with Asseco means that future services and products offered by Cyfrowy Polsat Group will have a solid and the best possible technological and technical base, whereas capital ties will offer the opportunity for influencing the directions of development in the prospective technological areas.

Understanding the significance of services which rely on top quality technological solutions, Cyfrowy Polsat Group is involved and invests in the development of state-of-the-art services offering high speed, reliable Internet access. Last year's tests marked the completion of the Group's and of Plus network's preparations for the development and launch of its 5G network. At the same time, Cyfrowy Polsat Group is the first in Poland to have started the roll out of a commercial 5G network using the 2600 MHz TDD spectrum. Soon customers in several biggest cities of Poland will be able to use this new technology. Development of 5G technology will be of enormous importance in the future, not only for the Group's customers but also for all citizens of Poland, as it will enable our country to move to the next stage of digital and, as it is expected, civilizational development.

Since change is the only constant in today's world, last year Cyfrowy Polsat successfully entered new markets, searched for and embarked upon challenges aimed not only at strengthening its existing business foundations but also at creating new growth opportunities for the Group. Pursuing the concept of providing telecommunication and media services available to everyone and everywhere, Cyfrowy Polsat launched two new, innovative television services which are provided over the Internet, namely the IPTV cable TV and the OTT Internet TV with a set-top box. These edge-cutting technological solutions have enabled Cyfrowy Polsat to offer its services also to those customers who have so far been outside our reach. Also thanks to this, all our customers can now enjoy access to the content we offer no matter where they are, be it at home, on vacation or on a business trip. In other words, they have access everywhere.

Polsat Group has also been dynamically developing its operations as a provider of fixed-line Internet access. I am extremely happy that the cooperation between our companies leads Netia to acceleration in the fight for residential market customers, while at the same time consolidating its strong position among business customers. Healthy rivalry on the fixed-line services market will surely bring benefits for consumers who will be able to choose from among the most attractive convergent services offered to them.

As a result of our companies' efforts, attractive TV content and a rich array of services for individual customers and companies are provided with the use of diverse and modern distribution channels – via satellite, DVB-T and Internet TV, mobile as well as fixed-line technologies – to all types of screens and end-user devices – ranging from standard TV sets through personal computers to tablets and smartphones.

The model in which the Group operates and is managed enables it to pursue its superior goal of continuous growth of Cyfrowy Polsat's value for its shareholders, and also to properly react to the dynamic market environment, as well as to participate effectively in competitive rivalry. Incessant efforts aimed at gaining even better understanding of our customers' needs so as to be able to respond correctly to their expectations, being genuine and acting as a partner when cooperating with customers, our care for the quality of the services we offer as well as offering access to latest technologies to our customers are the factors which enable the Group to maintain top level customer satisfaction, and thus customer loyalty.

On behalf of the Supervisory Board of Cyfrowy Polsat I would like to thank our customers, shareholders and business partners for yet another year of successful cooperation, experience sharing, demonstrated trust, numerous inspirations, and for motivating us to take bold actions. I would like to express my special thanks to the Management Boards and the Supervisory Boards as well as to all the employees of the Group whose business intuitions, professionalism, passion and effectiveness have all contributed to the successful accomplishment of our ambitious goals. I am convinced that we will continue to skillfully tap on the great potential of the Group's companies, which is based on a world unique combination of services, while giving even more satisfaction to our customers from the offering that we provide to them, to our shareholders – from the results we achieve, and to our employees – from being part of exceptional projects, which, as I trust, forms ideal foundations for further growth of the Group's value and thus for pursuing further ambitious goals.

Yours faithfully,

Marek Kapuściński

Chairman of the Supervisory Board
Cyfrowy Polsat S.A.

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. IN THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

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CYFROWY POLSAT AT A GLANCE

Cyfrowy Polsat is the leading pay TV provider in Poland. Within the scope of our activities we provide an array of integrated services in the following areas of digital pay TV and mobile telecommunication services. We offer our customers access to about 170 TV channels 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, by offering them in a subscription and transaction (PPV) model, as well as free of charge (financed by advertising revenue).

We also provide mobile broadband Internet access in state-of-the-art LTE and LTE-Advanced technologies, using the network of our subsidiary Polkomtel. We offer the largest LTE coverage in Poland and our customers enjoy the best quality of services.

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

Our mission and main strategic goals

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

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

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

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

DISCLAIMERS

This constitutes the annual report of Cyfrowy Polsat (the "Report") prepared as required by Article 60 section 1 and Article 70 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations (Journal of Laws 2018.757 dated April 30, 2018).

Presentation of financial data and other information

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

Financial and operating data

This Report contains financial statements and financial information relating to the Company. In particular, this Report contains our financial statements for the financial year ended December 31, 2019. The financial statements for the twelve-month period ended December 31, 2019 attached to this Report have been 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 have been audited by an independent auditor.

Starting from January 1, 2019, the Company is obligated to apply IFRS 16 *Leases*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. This standard replaces the existing guidance for leases, including IAS 17 *Leases.*

The Company has decided to apply IFRS 16 retrospectively without restating the comparative figures for 2018. More details on the introduction of IFRS 16 can be found in Note 5 to the financial statements for the twelve-month period ended December 31, 2019.

Bearing in mind the legibility and comparability of this Report with historical data as well as with provisions of the Combined SFA, which excludes the application of IFRS 16 from the calculation of the Group's indebtedness level, the Company decided to present selected financial data for the year 2019 both including and excluding IFRS 16, describing accordingly the methodology applied in this Report, as required. The detailed comparison of financial data according to the newly introduced IFRS 16 and the previously binding IAS 17 can be found in Note 5 to the financial statements for the financial year ended December 31, 2019.

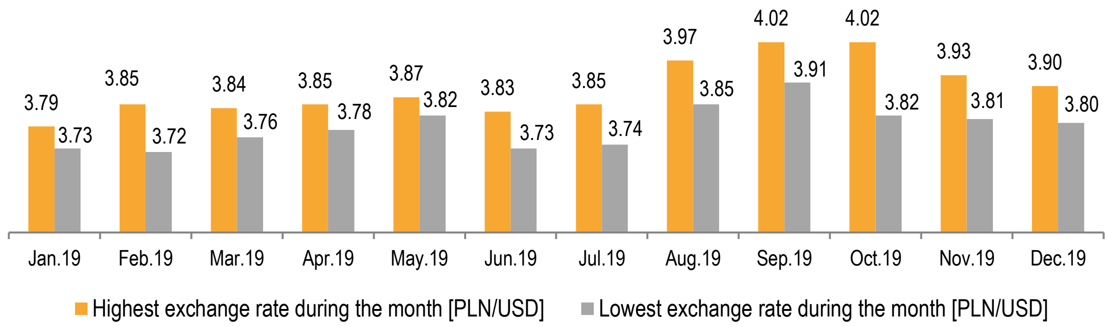
Certain arithmetical data contained in this Report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Report may not conform exactly to the total figure given for that column or row.

Currency presentation IFRS

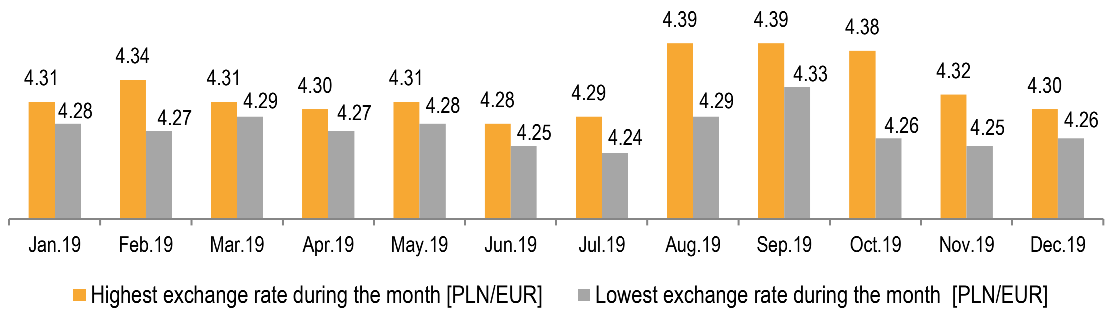
Unless otherwise indicated, all references to "PLN" or "zloty" in this Report are to the lawful currency of the Republic of Poland, all references to "USD" or "US dollars" are to the lawful currency of the United States and all references to "EUR" or the "euro" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98.

The following tables present - for the periods indicated - certain information regarding the average buying/selling rates as published by the National Bank of Poland ("NBP"), for the Polish zloty, expressed in zloty per dollar and zloty per euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our financial statements and other financial information appearing in this Report. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such dollar or euro amounts or that such amounts could have been converted into dollars or euro at any particular rate.

Year [PLN per USD 1.00]	2014	2015	2016	2017	2018	2019
Exchange rate at end of period	3.5072	3.9011	4.1793	3.4813	3.7597	3.7977
Period average exchange rate	3.1551	3.7701	3.9431	3.7777	3.6134	3.8399
Highest exchange rate during period	3.5458	4.0400	4.2493	4.2271	3.8268	4.0154
Lowest exchange rate during period	3.0042	3.5550	3.7193	3.4813	3.3173	3.7243



Year [PLN per EUR 1.00]	2014	2015	2016	2017	2018	2019
Exchange rate at end of period	4.2623	4.2615	4.4240	4.1709	4.3000	4.2585
Period average exchange rate	4.1852	4.1839	4.3625	4.2576	4.2623	4.2988
Highest exchange rate during period	4.3138	4.3580	4.5035	4.4157	4.3978	4.3891
Lowest exchange rate during period	4.0998	3.9822	4.2355	4.1709	4.1423	4.2406



Forward looking statements

This Report contains forward looking statements relating to future expectations regarding our business, financial and operating results. These statements are expressed, without limitation, through words such as "may," "will," "expect," "anticipate," "believe," "estimate" and similar words used in this Report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to base investment decisions on such statements, which speak only as at the date of approval 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 do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of publication of this Report.

We disclose important risk factors that could cause our actual results to differ materially from our expectations in item 4 – *Operating and financial review of the Company* – and in item 6 - *Key risk and threat factors*, as well as elsewhere in this Report. These cautionary statements qualify to all forward looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial situation and operating results.

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 and our internal estimates. We obtain market and industry data relating to our business primarily from industry data providers listed below:

- Eurostat, for data relating to the Polish economy and GDP growth;
- the Polish Chamber of Electronic Communication;
- the Office of Electronic Communications (UKE);
- the Central Statistical Office of Poland (GUS);
- the Body of European Regulators for Electronic Communications (BEREC);
- the European Commission (Digital Agenda Scoreboard);
- IAB AdEX;
- Ipsos;
- PMR;
- KANTAR Millward Brown
- Ericsson Mobility Report;
- IQS; and
- operators functioning on the Polish market.

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected financial data for the twelve-month periods ended December 31, 2019 and December 31, 2018. The selected financial data presented in the tables below is expressed in millions PLN, unless otherwise stated. This information should be read in conjunction with the financial statements for the financial year ended December 31, 2019 (including notes thereto) and the information included in item 4 of this Report – *Operating and financial review of the Company*.

Selected financial data:

- from the income statement and the cash flow statement for the twelve-month periods ended December 31, 2019 and December 31, 2018 have been converted into euro at a rate of PLN 4.2988 per EUR 1, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1, 2019 to December 31, 2019;
- from the balance sheet data as at December 31, 2019 and December 31, 2018 have been converted into euro at a rate of PLN 4.2585 per EUR 1 (average exchange rate published by the NBP on December 31, 2019).

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 data for the financial year ended December 31, 2019 are not fully comparable to data for the financial year ended December 31, 2018 due to the implementation from January 1, 2019 of IFRS 16, merger of the Company with Eileme 1 AB (publ) on April 28, 2018, the merger of the Company with Cyfrowy Polsat Trade Marks Sp. z o.o. on November 30, 2018.

Balance sheet

	December 31, 2019 *data in accordance with IFRS 16*		December 31, 2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	142.1	33.4	258.3	60.7
Assets	14,941.3	3,508.6	13,833.6	3,248.5
Non-current liabilities	2,404.9	564.7	1,644.5	386.2
Non-current financial liabilities	2,322.4	545.4	1,549.4	363.8
Current liabilities	1,382.9	324.7	1,028.0	241.4
Current financial liabilities	701.5	164.7	428.7	100.7
Equity	11,153.5	2,619.1	11,161.1	2,620.9
Share capital	25.6	6.0	25.6	6.0

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

Income statement

	for the 12-month period ended December 31			
	2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
Revenue	**2,378.8**	**553.4**	**2,354.5**	**547.7**
Retail revenue	2,190.4	509.5	2,175.8	506.1
Wholesale revenue	101.0	23.5	98.8	23.0
Sale of equipment	22.2	5.2	29.5	6.9
Other revenue	65.2	15.2	50.4	11.7
Operating costs	**(1,948.5)**	**(453.3)**	**(1,978.5)**	**(460.3)**
Content costs	(727.1)	(169.2)	(628.9)	(146.3)
Technical costs and cost of settlements with telecommunication operators	(488.6)	(113.7)	(565.9)	(131.7)
Distribution, marketing, customer relation management and retention costs	(341.0)	(79.3)	(311.1)	(72.4)
Depreciation, amortization, impairment and liquidation	(176.8)	(41.1)	(194.2)	(45.2)
Salaries and employee-related costs	(121.7)	(28.3)	(119.2)	(27.7)
Cost of equipment sold	(21.2)	(4.9)	(30.6)	(7.1)
Cost of debt collection services and bad debt allowance and receivables written off	(11.8)	(2.8)	(9.9)	(2.3)
Other costs	(60.3)	(14.0)	(118.7)	(27.6)
Other operating income, net	**2.2**	**0.5**	**6.4**	**1.5**
Profit from operating activities	**432.5**	**100.6**	**382.4**	**88.9**
Gain on investment activities, net	358.8	83.5	282.6	65.7
Finance costs, net	(89.8)	(20.9)	(80.1)	(18.6)
Gross profit for the period	**701.5**	**163.2**	**584.9**	**136.0**
Income tax	(114.7)	(26.7)	(96.4)	(22.4)
Net profit for the period	**586.8**	**136.5**	**488.5**	**113.6**
Basic and diluted earnings per share in PLN (not in millions)	**0.92**	**0.21**	**0.76**	**0.18**

Cash flow statement

	for the 12-month period ended December 31			
	2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	462.3	107.5	350.8	81.6
Net cash used in investing activities	(910.7)	(211.8)	(87.5)	(20.4)
Net cash used in financing activities	332.3	77.3	(34.9)	(8.1)
Net increase/(decrease) in cash and cash equivalents	(116.1)	(27.0)	228.4	53.1

Other financial data

	for the 12-month period ended December 31			
	2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
EBITDA(1)	609.3	141.7	576.6	134.1
EBITDA margin	25.6%	25.6%	24.5%	24.5%
Operating margin	18.2%	18.2%	16.2%	16.2%
Capital expenditures(2)	26.2	6.1	38.5	9.0

(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.

We believe EBITDA serves as a useful supplementary financial indicator in measuring the profitability of media and telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

(2) 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.

1. Organization of Cyfrowy Polsat S.A.

1.1. Information on organizational or capital connections with other entities

The following table presents shares in other entities that we held directly as at December 31, 2019 and December 31, 2018, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at December 31, 2019	Share in voting rights (%) as at December 31, 2018
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k. (1)	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o. (1)	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%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Infrastruktura Sp. z o.o. (1)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd. (1)	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Interphone Service Sp. z o.o. (1)	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k. (1)	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium-rate services	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warszawa	film, video and television programs production	100%	-
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising	100%	100%
TVO Sp. z o.o.(2)	Batorego 28-32, 81-366 Gdynia	retail sales	51.22%	-
Karpacka Telewizja Kablowa Sp. z o.o.	Warszawska 220, 26-600 Radom	dormant	99%	99%
Vindix S.A. (2)	Wincentego Rzymowskiego 53, 02-697 Warsaw	debt collection	46.27%	-
Asseco Poland S.A. (2) (3)	Olchowa 14, 35-322 Rzeszów	IT activities	22.73%(2)	-
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.76%	4.55%

(1) Cyfrowy Polsat owns directly and indirectly 100% of shares.
(2) Shares in associates include shares in Vindix S.A. i Asseco Poland S.A.
(3) The Company holds directly shares entitling to exercise 22.73% of the total number of votes in Asseco and Reddev holds directly shares entitling to exercise 0.22% of the total number of votes in Asseco, whereby, based on the agreement concluded between the Company and Reddev on December 27, 2019, Reddev obliged itself to exercise the right to vote from the shares held in compliance with instructions of Cyfrowy Polsat.

1.2. Who we are

Cyfrowy Polsat is part of Polsat Group - the largest provider of integrated media and telecommunication services in Poland. We offer multimedia services designed for the entire family: pay TV via satellite, terrestrial and online (IPTV and OTT) broadcasting, broadband access in LTE and LTE-Advanced technologies and a broad offer of bundled services in the smartDOM program.

Our mission is to create and deliver the most attractive TV content, telecommunication products and other services for 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". We aim at satisfying every customer's needs with our products and services, accessed at any time and any device regardless of the method of service provisioning. We are constantly working on expanding our offering and entering new distribution markets.

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and a leading satellite platform 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, providing nearly 5.2 million pay TV services as at December 31, 2019.

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite and Internet 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 170 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 our customers high quality set-top boxes manufactured in our Capital Group's plant in Mielec. We systematically develop the software of our set-top boxes and improve their functionality, so as to better address the 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 technology and OTT.

Online video

The entertainment website IPLA offers the most diversified database of legal video content and live broadcasts in Poland and over 110 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 Polish and international licensors. At present, IPLA offers on average over 500 hours per month of live coverage of the largest sports events nationwide and worldwide. IPLA provides its users access to content in the free of charge model accompanied by advertisements and the paid model, as well as 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 channels in exchange for a periodic monthly fee. The third model is based on free access in exchange for viewing advertisements. Approximately 60% of IPLA's total revenue is generated by the advertisement-based model, while about 40% is derived from the purchase of access to content made by users.

Thanks to the www.ipla.tv website and dedicated applications the content of IPLA service is available on a wide array of consumer devices: in the most popular web browsers on computers and mobile devices as well as in native mobile apps powered by iOS, Android, on TV sets with Internet connections (e.g., Android TV, Samsung, LG, Sony, Panasonic, Philips) and on set-top boxes (cable TV TOYA, Netia). Since its inception IPLA's mobile app has been already downloaded 11 million times.

Moreover, we offer to 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. The service does not require any additional technological solutions and is available via a TV set.

In October 2019, we signed a joint venture agreement with Discovery Communications Europe Limited to launch a new OTT streaming platform which will give viewers a single destination to access a wide selection of content (including, among others, movies, series, documentaries, sports and entertainment shows), produced either by parties to the agreement or purchased from both external produces and a new entity. The OTT platform will operate both in the advertising-funded model (AVOD) and, at a later stage, also in the paid model (SVOD/TVOD). The joint venture will start operations after obtaining regulatory clearance.

Mobile broadband Internet

We provide broadband mobile internet access based on the telecommunication network of our subsidiary Polkomtel. In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service. At present, our LTE Internet and HSPA/HSPA+ Internet cover practically all 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 256 QAM 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. Thanks to the applied technological solutions, the speed of our LTE Advanced Internet ranged from 300 Mb/s to 500 Mb/s in over 300 locations. Furthermore, the tests of download transmission speed conducted in Białystok on aggregated four bands along with modulation allowed us to achieve data transfer speed above 600 Mb/s. As at December 31, 2019, we provided 1.9 million mobile broadband Internet access services, mostly in the contract model.

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

Bundled services

The bundling of services is one of the strongest trends on 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 savings 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, broadband LTE and fixed-line 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 extended the bundled services offering with fixed Internet access, offered under the 'Plus' brand based on the infrastructure of our subsidiary Netia, and in 2019 we added Internet television in IPTV technology.

1.3. Strategy of the Group

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

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

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

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

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

The factor that will have a positive impact on revenue is the possibility of cross-selling of our existing and future products and services to the combined customer base of Cyfrowy Polsat, Polkomtel and Netia. Within our Group we create a unique portfolio of products and services which is targeted at customer bases of our companies. When properly addressed, both through sale of additional individual products or a multi-play offer, this potential may significantly 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, or sales of electricity and other services), 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 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 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, 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 content by expanding its distribution, including a search for new channels of exploitation of rights, maintaining the audience shares of our channels and improving our viewer profile

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 and pay TV) 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 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 potential, 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 our 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 should be reduced ultimately below the level of 1.75x.

1.4. Competitive advantages

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

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

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 contract base of mobile telephony and the mobile broadband Internet access services. In turn, our subsidiary Netia over which we took control in 2018 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.

Our pay TV, telephony and Internet access services are sold through a nationwide distribution network consisting of 1,050 stationary points of sale of Cyfrowy Polsat and Polkomtel. We simultaneously offer our services in alternative telemarketing, door-to-door channels as well as online in Plus's and Cyfrowy Polsat's online stores.

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

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

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

We believe that our position as the largest pay TV operator in Poland and good relations with programming licenses providers give us a competitive advantage in obtaining high quality content on attractive market terms. We also believe that through offering high quality programming packages at competitive prices we built the attractiveness of our services.

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

Our Capital Group has a significant base of customers, consisting of the individual customers of Cyfrowy Polsat and Polkomtel, business and corporate customers, as well as prepaid users. This base includes 5.6[1] million unique customers, bound by contracts for definite or indefinite periods of time, which entails the generation of 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[2], 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 can currently be addressed to a combined customer base of all companies in the Group. In particular, thanks to the reach of Netia's access infrastructure, a new 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

[1] Excluding customer of Netia Group.
[2] Market Situation Survey 2018. Representive 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.

Netia's broad competence in servicing business customers we have strengthened our competitive position on the market of convergent services for business customers.

We offer a unique combination of integrated services

We provide multi-play services combining pay DTH offer, Internet 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. 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 pay TV over our own assets and infrastructure, which ensures greater price elasticity and more effective operating activities on the 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.

In December 2019, we acquired a block of shares of Asseco Poland, the leading software producer, whose significant competence potential and international experience support further development of products and services offered by our Group. Moreover, thanks to the capital engagement in Asseco Poland we gained a possibility to influence the directions of development in prospective areas of technology (payments, cybersecurity, business intelligence, 5G, etc.)

Multi-platform distribution of online video content and proprietary technology for internet 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 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 2019, 8.9 million set-top boxes left our production lines. We control the entire process of production of set-top boxes, from the hardware and software design phase to the production in our own factory as well as in our subcontractors' facilities. This enables us to produce high quality set-top boxes while incurring manufacturing costs which are noticeably lower than the price of purchasing such equipment from third-party providers. The functionalities of our set-top boxes are designed in line with the customers' expectations as analyzed by the surveys, so that we can be sure the equipment will meet their needs. The fact that software installed on our set-top boxes is developed by in-house engineers, enabling us to rapidly respond to emerging customer needs.

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

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

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

We have strong, stable and diversified cash flows

Revenue from services provided to individual customers, our large customer base, 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.

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 the set-top-box manufacturing plant that is part of our Group, proprietary IT solutions, or the centralization of selected back-office processes within our 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. Our Company is managed by teams of experienced senior managers who provide expertise and a deep understanding of the markets in which we operate. A distinguishing factor is a low factor of rotation among our key managing staff, which positively reflects on the stability of our business and excellent operating results. Our senior managers have a significant track record of increasing our customer base and market share and introducing new products in competitive environments while managing costs and increasing free cash flow.

1.5. Market opportunities

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

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 (defined as more than one service within the offer of one operator) 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.

Growing importance of convergent services

Currently, 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 transaction of a controlling stake in the fixed-line operator Netia, finalized by Cyfrowy Polsat in May 2018, can serve as the first example of such consolidation in Poland. Thanks to this transaction we united all assets necessary to provide fully convergent services within out Capital Group, which shall facilitate better adjustment of the offering to customers' needs and more effective cost management. Already in June 2018 we offered our customers, under a pilot project, Netia's fixed-line broadband Internet, complemented by TV services based on the Internet as well as voice telephony. At the end of 2018 we launched a new fixed-line broadband Internet offering 'Plus Internet Stacjonarny', based on Netia's infrastructure. In turn, in the first quarter of 2019 we implemented cable TV in IPTV technology, 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.

Development of the Internet access market in Poland

Based on data published by the European Commission in the Digital Scoreboard, in June 2018 the penetration rate of fixed-line broadband Internet access services among Polish households was 79.3%. For 28 member states average penetration was 96.7% of households. The low penetration with fixed-line broadband Internet access services in Poland combined with the progressing development of mobile technologies make the broadband access market a continuously growing telecommunication market segment.

According to PMR forecasts, in 2019 there were approximately 14.7 million users of broadband Internet, out of which 47% used mobile connections. According to PMR forecasts, by 2024 the total number of broadband users, both mobile and fixed-line, is expected to grow annually by ca. 1.2% on average (data on mobile Internet include exclusively customers using modems/dedicated SIM cards and PCs).

The main drivers for growth in the number of mobile Internet users in the long term will include increased speeds of data transmission, 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-optical technology (FTTx) is going to rapidly gain importance. To a significant 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).

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

As the market for innovative technologies is growing at a fast pace, the number of mobile devices (notebooks, tablets, smartphones 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. According to Ericsson Mobile Report dated November 2019, video content remains the biggest and fastest growing segment of the mobile data transmission. It is expected that in the years 2019-2025 the use of data related to watching video content will grow by 30% per year on average, reaching ca. 76% of the entire mobile data traffic in 2025. 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 audio-visual 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.

Development of the online advertising market in Poland

Prospects of the online advertising market are positive. According to the IAB AdEx report, in the three quarters of 2019 online advertising expenditures increased at a rate of 12.1% YoY and reached the value of PLN 3.52 billion. The growth dynamics of this form of advertising is influenced to a significant extent by expenditures in the video advertising segment, in which we generate part of our revenue. In the three quarters of 2019, those expenditures increased by 8% and represented 13% of the total expenditures on online advertising. We believe that thanks to the leading position on the online video market (through IPLA internet television and other services of Cyfrowy Polsat group) we will benefit from the growth of this promising advertising market segment

1.6. Development prospects

We are a part of the largest media and telecommunications group in Poland which has gathered under the same roof key assets which allow us to offer customers a unique portfolio of products and services. In line with our strategy, we focus on marketing and sales activities aimed at cross-selling stand-alone products and services to our customer base and at selling our integrated services offer and we see our future development path in it.

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 integrated offer smartDOM. We are convinced that our combination of pay TV and telecommunication services, including in particular broadband Internet access in both high quality LTE/LTE-Advanced and 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 consistently increase the quality of mobile broadband Internet access. LTE Internet offered by us has become the standard for mobile broadband Internet access in Poland, effectively replacing the UMTS standard. Through our subsidiary Polkomtel, we consistently develop infrastructure in order to improve the parameters that characterize our LTE network, such as coverage, capacity and transfer speed. Thanks to the aggregation of frequency bands used by our Group, as a result of which we were able to offer our customers in selected areas of Poland the LTE Advanced technology, which offers transmission speed of the range of 600 Mbps.

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 LTE Advanced 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.

We search for new development opportunities and partnerships, which will allow us to reach a wider audience with our content. In October 2019 we signed a joint venture agreement with Discovery to launch an OTT streaming platform which will operate in Poland and international markets. The project is meant as our response to continued content aggregation which is observed in recent years worldwide, and which resulted in the establishment of global OTT services. The platform will be an independent business entity and its business model assumes openness and common accessibility of the service to each Internet surfer as well as openness for cooperation with various content providers. The joint venture will start operations after obtaining regulatory clearance.

2. Business overview of Cyfrowy Polsat

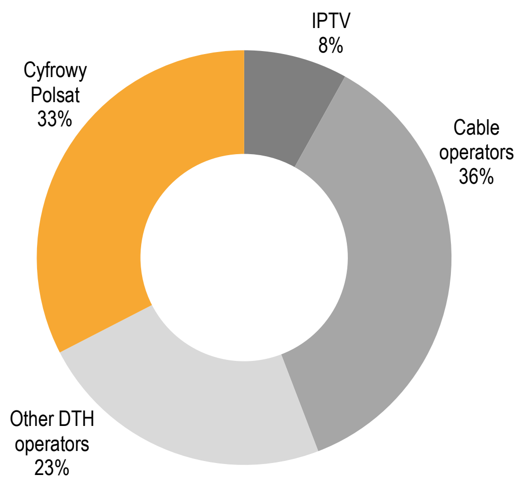
2.1. Activities on the pay TV market

2.1.1. Pay TV market in Poland

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 2018 the market was worth PLN 6.1 billion with a stable customer base at the level of approximately 10 million subscribers. In such circumstances operators place greater emphasis on competing for the customer with the merit and quality of the offered content than with price. Operators expand their offers with premium packages, propose attractive film or sports content which leads to higher ARPU given a stable base.

Pay TV market in Poland in 2018 in terms of subscriber base



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

Pay TV services in Poland are offered by satellite platform operators (DTH) and cable TV operators as well as through IPTV providers. According to our estimates, sector data and PMR forecasts, in 2018 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 56% in terms of subscriber base, followed by cable TV operators with approximately 36%. Despite strong growth dynamics, the significance of IPTV remains marginal, with market share slightly above 8%.

Pay TV services provided by the operators mentioned above, satellite platforms and cable TV operators in particular, are substitutes. However, DTH providers compete with cable TV operators only to a limited extent given the geographical reach of the services they provide. DTH operators are able to provide their services to customers residing in urban, 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 ca. 53% of Poland's population, are therefore 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 is relatively stable and in 2019 it reached nearly 6 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+.

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 service Cyfrowy Polsat GO or the Multiroom HD service, as a result of which as at December 31, 2019 we provided over 5 million contract pay TV services (together with services of paid access to online television), including 1.2 million Multiroom services. Based on own and PMR forecasts we estimate that at the end of 2019 our share in the Polish pay TV market, in terms of the number of subscribers, was at the level of approximately 33%.

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

Cable TV operators

The Polish cable TV market is strongly fragmented. The number of companies operating on it is estimated at ca. 300, with three dominating players: UPC Polska Sp. z o.o., Vectra S.A. and Multimedia Polska S.A. At the end of 2019 the total combined estimated share in the Polish cable TV market of these three operators was approximately 75%.

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. As a result, inhabitants of those areas currently have access only to a limited number of Polish terrestrial channels and alternative providers of broadband Internet and mobile telephony services.

There is an ongoing consolidation process on the Polish cable TV market. In January 2020, the Office of Consumer and Competition Protection expressed conditional consent to the acquisition of Multimedia Polska by Vectra. The antimonopoly office expects Multimedia Polska or Vectra to sell its cable network in 8 cities in which the parties involved in the deal have the highest market shares. Moreover, in further 13 cities Vectra must enable consumers to make a cost-free change of the cable operator. In February 2020, Vectra informed about the finalization of the transaction. The merger of Vectra and Multimedia Polska may become an opportunity for other telecoms to acquire selected elements of infrastructure along with the existing customer base.

According to analysts, 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. The remaining part of the IPTV market is divided among Multimedia Polska S.A. and local Internet service providers (ISPs). This 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 2019, Cyfrowy Polsat also launched its cable TV offer in the IPTV technology.

The IPTV market is developing at a relatively slow rate in Poland, mainly due to technological constraints resulting from the limited reach of modern infrastructure with sufficient capacity to enable high-quality and effective IPTV services and the associated high costs of implementation of these services. We believe that the introduction of IPTV services by fixed-line telecommunications service providers, such as Orange, may have a negative impact on cable TV operators in Poland, since these providers plan to launch IPTV services primarily in urban areas, while having less significant effect on DTH providers who are less dependent on customers living in densely populated areas. At present it is difficult to assess if and when fixed-line telecommunication service providers will significantly develop 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.

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 intends to offer TV services whereas Orange Polska and T-Mobile Polska concluded an agreement enabling T-Mobile to provide its services over Orange's FTTH network as of July 2019. In addition, T-Mobile signed agreements with Nexera and INEA to access their fixed-line networks.

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. 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 any 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 global players (like the US giant Netflix or Amazon Prime Video). In terms of the number of users, the most popular services of this type 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 publically 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 2018 there were approximately 9.4 million users of VOD services, up by 9% year on year. According to PMR, around 45% of the base constitute users of paid services.

As per PMR's estimates, the value of the Polish VOD market in 2018 was at the level of PLN 854 million, with the year-on-year growth dynamics of approximately 25%. The dynamic growth is related mainly to increasing acceptance of Poles to pay for content in the Internet and with fast expansion of the paid access model, particularly the subscription-based one.

A high level of Internet piracy in Poland as well as the low propensity of Poles to pay for video content remain the major barriers to the development of the OTT and VOD segment in Poland.

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 online service Cyfrowy Polsat GO 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 are also working on development of 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.

Development forecasts for the pay TV market

According to PMR forecasts, in the years 2019-2024 the pay TV market in Poland will remain stable, both in terms of the number of customers and market value, with low dynamics not exceeding -2% in the nearest six years. This is mainly due to high market penetration and high saturation of the target group for terrestrial TV services with DVB-T standard services. A possibility to maintain a relatively stable customer base by the pay TV operators in Poland will be due to, among others, strong consumption by households, associated with a favorable situation on the labor market.

According to PMR, in the years 2019-2024 satellite platforms will remain the biggest segment of the pay TV market in Poland, reaching a market share of around 52% (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 development of broadband Internet access networks, including fiber-optics. According to PMR, by the end of 2024 IPTV operators will have a market share of around 18% in terms of the number of subscribers, however growth of the market share measured in terms of market value will be slower.

To attract DVB-T users, pay TV operators will aim to increase their competitiveness and to propose a unique offer to such users. 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 in customer retention policies and increasing customer loyalty. State-of-the-art technologies are rapidly gaining in importance as they enable operators to provide personalized content (such as content on demand) via Internet, to mobile devices in particular.

Market players include independent providers of OTT and VOD services, such as, for example, Netflix, CDA, HBO GO or Chili, however, the substitution pressure from their side is still limited in Poland. Moreover, pay TV providers 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 supplement and extend the offers available on the market instead of substituting traditional services. For example, in October 2019 Cyfrowy Polsat signed a joint venture agreement with Discovery Group to establish a new OTT streaming platform offering access to local, Polish productions. The platform will give viewers a single destination to access a wide selection of content. The aim is to provide a counterweight for international, global OTT services.

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

2.1.2. 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 170 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, and in 2019 Cyfrowy Polsat offered its customers access to channels broadcasting the Polish 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, starting from PLN 20 per month - Rodzinny, Familijny and Familijny Max - and 8 additional packages, which together with basic packages create many offers adjusted to customer needs. Customers using satellite television also have access to our VOD service available on the TV set.

Customers who decide to purchase ready-made offers, e.g. Premium Max Plus + Polsat Sport Premium, receive attractive benefits, such as a price which is lower than the sum of standard fees for each packages separately.

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 several television sets in one household, for a single subscription fee. The promotional price for the service (on one additional set-top box) varies from PLN 5 to PLN 10 per month, depending on the programming package chosen by the customer.

Flexibility

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 can receive, free-of-charge, access to additional channels, online services or our VOD package for the first few months of the subscription period. This strategy not only helps to better customize the offer to suit the customer's individual needs and expectations, but also constitutes an important tool for supporting the migration of customers to higher-end programming packages.

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 InterPhone Service belonging to Cyfrowy Polsat Group. EVOBOX IP ensures access on the TV set to over 150 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 new service is available with a subscription under the same package offering as Cyfrowy Polsat's satellite television and includes various offers priced from PLN 20 to 130, including as many as over 150 TV channels, among them packages with premium channels: HBO, Eleven Sports, Polsat Sport Premium with UEFA Champions League and UEFA Europa League matches or with Canal+ Sport 3 and 4 channels showing matches of the PKO Ekstraklasa football league, added in July 2019. Furthermore, the offer includes access to Cyfrowy Polsat GO service without any additional fees on 3 devices simultaneously (with an active ON THE GO option), Multiroom services, ensures a possibility to combine the cable TV in IPTV technology with other services under the smartDOM program and the possibility to try the offer for 14 days under the "TV trial" promotion.

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, revolutionary 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 - 25 channels for PLN 20 per month)*, Komfortowy* (Comfortable - 42 channels for PLN 30 per month)*, Bogaty* (Rich - 92 channels for PLN 60 per month) and 6 additional packages (3 Premium packages and 3 thematic packages), including the most popular sport, 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. Prices of packages range from PLN 25 to PLN 60 per month, whereas prices of premium and thematic channels are within the range from PLN 15 to 45 per month. After the first start-up of the set-top box, during the first 3 months the full OTT programming offer of Cyfrowy Polsat – over 100 channels (including HBO, Eleven Sports or Polsat Sport Premium) - will be available without any fees.

In order to use additional packages, the customer needs to select one of the basic packages first. Activation of packages is possible directly on the set-top-box in a new Store application. Depending on the preferences, the customer can activate packages in a one-off option (for 30 days, followed by an automatic deactivation after expiry of this period) or renewal option (every 30 days). To start with the customer receives the full programming offer of Cyfrowy Polsat – over 100 channels (including HBO, Eleven Sports or Polsat Sport Premium) – for 3 months without any fees. After the expiry of the trial period, the customer has the freedom to activate individual packages in the desired periods

The service is available on the dedicated set-top box– EVOBOX STREAM, which is offered either with a contract for PLN 10 per month 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. Payments with a credit card or the increasingly popular BLIK system, or adding a given amount to the monthly bill ensure real flexibility and convenience which is expected by modern consumers.

Along with the set-top box, which is available both in the variant with contract as well as without contract *(prepaid)*, the customer will receive for a start the full programming offer of Cyfrowy Polsat – over 100 channels (including HBO, Eleven Sports or Polsat Sport Premium) – for 3 months without any fees. After expiry of the trial period, the customer will have a full freedom in activating individual packages in the desired periods. Activation or change of packages is possible in a one-off option (for 30 days) or a renewal option (every 30 days).

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 software created by Cyfrowy Polsat 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. The latest device, 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; in the IPTV offer most generally available channels are offered in IPTV programming packages) and advanced features, 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 110 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 Polish and international licensors. At present, IPLA offers on average over 500 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 whereas in 2019, the library of content available in the IPLA service was extended with the offer of Paramount Play of the American 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 channels in exchange for a periodic (e.g. monthly) fee. The third model is based on free access in exchange for viewing advertisements. Approximately 60% of IPLA's total revenue is generated by the advertisement-based model, while about 40% is derived from the purchase of access to content made by users.

Thanks to the http://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. Since its inception IPLA's mobile app has been already downloaded more than 11 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.

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 7 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 (a new service implemented commercially in 2019 in Cyfrowy Polsat). 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 7 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 7 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 optical fiber 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) owned by our subsidiary INFO-TV-FM Sp. z o.o. For the broadcasting of channels we use the infrastructure of Emitel Sp. z o.o., which comprises a network of radio transmitters covering 31 largest cities in Poland. Currently, there are around 7.3 million households and 22.5 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 WiFi, 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 2019, set-top boxes manufactured in-house represented 96.4% of the overall number of set-top boxes leased. As of the end of 2019, we produced a total of 8.9 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 audio-visual 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, smartTV sets and independent set-top boxes. Consequently, our platform meets current trends and accommodates all the needs of our customers regarding access to on-line video irrespectively of location, time and the device used.

2.2. Operations on the telecommunications market

2.2.1. Broadband Internet access market in Poland

Broadband Internet access services can be provided through a wide range of different solutions based on fixed-line technologies, including (but not limited to) 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, and LTE Advanced, and in the future also 5G technologies. In Poland broadband Internet access is provided through fixed-line and wireless networks.

Based on the data from the UKE report, there were 15.8 million subscribers of Internet access services in Poland in 2018, 7.7 million of which used mobile access and 8.1 million used fixed-line access. This translated to a household penetration ratio of 105%. At the same time, however, EU data show that fixed-line Internet access saturation was only 79.3% of households in Poland, which consistently remains the lowest level among all EU Member States, where average penetration reached the level of 96.7% of households.

According to the UKE report, in 2018 the number of mobile and fixed-line broadband users increased by 9.2% versus the previous year. 2G/3G/4G modems remain the most popular access technology, used by nearly half of the Internet users in Poland, however the share of users of this technology dropped by nearly 5% YoY. The popularity of the xDSL technology is also declining, it was used by 13% of all the Internet users in 2018, that is by nearly 19% less than in the previous year. According to the UKE report, fiber-optic technologies were used by only 8% of all the Internet users in 2018, but their share is consistently growing – by as much as 54% as compared to 2017. The factor stimulating investments in fiber-optic technologies is, among others, the execution of the governmental program of constructing broadband fiber-optic networks using subsidies from the European Union funds (Operating Program Digital Poland *(Program Operacyjny Polska Cyfrowa – POPC*)). Moreover, operators (Orange Polska, Netia, Inea and Nexera) are conducting their own investments in FTTH broadband networks.

A dynamic increase in the number of fast links is observed on the market, while the share of lines with lower throughputs is declining. According to the UKE report, in 2018 the number of links with throughput exceeding 100 Mbps increased by 60% and constituted 43% of all links in use. At the same time the share of Internet users using links with throughputs lower than 10 Mbps is shrinking (20% in 2018 as compared to 25% a year earlier), while the share of Internet users connecting with the use of links offering over 30 Mbps increased to 65% in 2018 from 56% a year earlier.

PMR estimates, similarly to UKE, that the value of the Polish data transmission, leased lines and Internet access market was PLN 5.3 billion in 2018, having recorded a growth at the level of 2.2% compared to the year 2017. The Internet access segment was the main driver behind this growth (up by 2.2 percentage points YoY), accounting for three-quarters of the total market. Concurrently, mobile technologies decreased their share in terms of value in the revenue structure to 31% (from 35% in 2017). According to the UKE report, the average monthly revenue per user of Internet services (ARPU) increased by PLN 1.3 in 2018 as compared to 2017, reaching the level of PLN 28.5. The increase in ARPU was, among others, caused by the growing popularity of lines with high throughput capacity, in particular FTTx, which are offered to customers at a higher price.

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. 18% market share in 2018, on a market defined as comprising both fixed and mobile technologies). In 2018 UPC Polska (42% share in terms of user base), Vectra (21%) and Multimedia Polska (11%) were the major operators on this market.

The second most popular fixed-line access technology in 2018 was xDSL with a market share of 13% (down by 3 p.p. YoY). Orange is the dominant player operating in the xDSL technology, whose share in the total number of xDSL customers amounted to ca. 80% in 2018. The second largest xDSL operator is Netia, a company of Cyfrowy Polsat Group, with a market share of 17%.

Fiber-optic access (FTTx) is a relatively new though dynamically growing Internet access technology. According to the UKE report, the share of fiber-optic technology in the Internet access market increased in 2018 by nearly 3 p.p., and reached 8% (up from ca. 5% in 2017). The reason for this could be the highest available data throughputs provided by the fiber-optic technologies which currently offer data transfer rates of up to 1 Gbps (Netia, Orange Polska), or event 10 Gbps (Inea), as well as operators' sales strategies which focus on promoting fiber-optic Internet access also in multiplay offers. Currently fiber-optic technology is also the investment priority for a vast part of telecommunication operators, including Orange Polska. In September 2017, Orange announced that its goal was to feed fiber-optic technology to 5 million Polish households, i.e. to around 40% of all households in Poland. Netia, in turn, is pursuing an investment plan based on a comprehensive modernization of its access network, which currently covers approximately 2.7 million households. According to this plan, fiber-optic technology is ultimately expected to dominate by 2020.

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 report published by UKE, 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) controlled less than 43% of the market in 2018. Hence, telecommunication operators are 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, e.g. the agreement signed in July 2017 concerning the purchase of wholesale access to Orange's fiber-optic network by T-Mobile Polska.

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 5.1% Poland still ranked far behind the rest of Europe in September 2018 (27th position) in terms of popularity of Internet access relying on fiber-optic access. In the same period fiber-optic technology was used by 13.9% households in the 28 EU member states, with penetration levels reaching 40-50% in the most advanced European countries (Latvia, Lithuania, Spain, Sweden and Belarus).

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 operators. According to the UKE report, the four leading providers of those services (Polkomtel, T-Mobile, Orange and P4) jointly held ca. 80% of the market in 2018. The remaining 20% was divided between MVNO operators, including Cyfrowy Polsat, who actively promotes and sells mobile broadband access in LTE under its own brand name since 2011.

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.

According to the UKE report, in 2018 mobile technologies became the most popular Internet access technology in terms of the number of users (market share of nearly 49%). The success of mobile broadband can be attributed to broad availability and the ease of installation of this form of broadband access, affordability, the growing LTE network coverage, and increasing data transmission speeds, also thanks to the implementation of new data transmission technologies, e.g. LTE Advanced, LTE TDD. The mobility feature constitutes an advantage of this form of broadband access to a certain group of customers.

Development forecasts for the broadband Internet access market

According to PMR forecasts, the data transmission, line rental and Internet services provision market will continue to grow. 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 technology, will be the most significant factors. According to PMR forecasts, in 2019-2024 the value of the broadband Internet access market will demonstrate continuous positive average annual dynamics of ca. 2%, reaching the level of PLN 6 billion in 2024.

In accordance with PMR forecasts, in the years 2019-2024 the number of broadband Internet access subscribers in Poland will increase to about 15.6 million, i.e., by ca. 22% (in case of mobile access the forecast does not include users who surf the Internet using their mobile phones but only those who operate in the router/card + computer model), out of which 54% will use fixed-line technologies.

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 be 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. The deadline for submitting initial offers in the auction is April 23, 2020. Furthermore, representatives of the 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. At the same time, in January 2020 mobile operators Polkomtel and P4 decided to start the construction of commercial 5G networks based on the frequency resources they already have at their disposal (2600 MHz TDD in case of Polkomtel and 2100 MHz in case of P4), whereas T-Mobile announced the launch of its own 5G network, based on the 2100 MHz band, in mid-2020.

In the area of fixed-line broadband access, fiber-optical technology (FTTx) is going to rapidly gain importance. To a significant extent it is 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.

2.2.2. Internet access offer

We have offered our mobile broadband Internet services in the LTE technology since 2011 and in the LTE Advanced technology since 2016. Our broadband Internet offering is universal, and provides broadband Internet access via all supported technology platforms, for a single monthly fee. Thanks to this solution today almost 100% of Poles live in areas covered by our LTE Internet network and 82% live within the coverage footprint of our LTE Plus Advanced Internet service. We apply state-of-the art- network solutions which render the Internet connection offered by Cyfrowy Polsat and Plus more stable and faster. Currently, the maximum technological speed of LTE Advanced Plus is above 600 Mbps.

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, 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 to 100 GB. After having used up the basic data package in the 45 GB or more package, 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. Contracts are usually concluded for a fixed term of 24 months. 12-month contracts with data packs from 15 GB to 50 GB for monthly fees from PLN 30 to PLN 70 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.

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 WiFi router (IDU). The latest 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 WiFi 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. Currently, in selected subscription plans we offer our customers access to three special IPLA packages free of charge for the first two months of the duration of the contract with the possibility of extending the period of using these packages for a monthly fee of PLN 10. In selected tariffs Plus network customers also have the possibility to test, free of charge, the Internet Protection and HBO GO services for one month.

2.2.3. End-user devices offer

We offer our customers a wide selection of devices used to access broadband Internet. Our equipment portfolio includes: modems, mobile and fixed-line routers. All of the modems and routers offered by us support LTE (data transmission speed of up to 150 Mbps) or LTE Advanced technology (up to 1 Gbps).

In the offer of the Company the customer will also find tablets and laptops, including gaming laptops for players. Gaming laptops offer very high CPU and graphic card performance parameters, therefore they may also be interesting to people who deal with graphics processing, film editing or design. In the laptop offer the customer will always find the equipment of leading brands (Lenovo, HP, Acer) with the latest components (Intel CPUs of 9th and 10th generation, and the latest Nvidia graphics cards).

Consumer devices are sold in the installment plan model (with or without an initial fee), while modems and routers are also leased under equipment leasing plan. In the installment plan model, the monthly subscription fee for the telecommunication service is increased by an installment for the purchased equipment. The value of the installment depends of the type of chosen device. Customers can chose to pay for the equipment in 24, 36 or 48 installments. In 2019 we introduced a novelty, the sale of equipment without the costs of the subscription fee – the customer only pays an interest-free installment for the selected device.

Over two-third of the contracts sold with equipment comprise the sale of mobile or fixed-line routers, with the majority of sold devices supporting the download speed of 300 Mbps. Among the available devices the Home LTE-Advanced Internet set, based in the ODU-IDU (Outdoor Unit-Indoor Unit) technology, is particularly worth noting. 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.

2.2.4. Technology and infrastructure of telecommunication services

Network

Our broadband Internet access services are based on a radio infrastructure provided by our subsidiaries. Through our subsidiaries we have an access to the integrated mobile communication network of the second, the third and the fourth generation (called respectively as 2G, 3G and 4G). The Group's network supports GSM/GPRS/EDGE (2G), UMTS/HSPA+/HSPA+ Dual Carrier (3G) and LTE/LTE Advanced (4G) 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.

Compared to HSPA+ or UMTS, LTE is characterized by much lower latency and has the capacity to support a significantly greater number of users. The potential of the LTE technology is based on greater capacity and transmission speed with lower latency, which enables LTE Internet service customers to use interactive and multimedia applications requiring greater bandwidth and transmission in real time, such as online games, video communication and HD TV through Internet. We use a frequency bandwidth dedicated to LTE that enables us to offer services with transmission speed of up to 200 Mbps for download and 50 Mbps for upload. On the other hand, after aggregating selected bandwidths using Carrier Aggregation, we can significantly increase data transmission speed available to end-users (currently above 600 Mbps), while the maximum speed depends on the quantity of aggregated radio bandwidths.

In 2011, as the first commercial provider in Poland we started offering broadband Internet access in LTE technology, which currently is able to provide a maximum speed of up to 200 Mbps (with MIMO2x2) based on a continuous 20 MHz block in the 1800 MHz band which, combined with the clearly intensified roll-out of the LTE 1800 in the second half of 2016, allowed us to increase the coverage of mobile LTE Internet from Cyfrowy Polsat and Plus to the level of 99% of the population in January 2017. Concurrently, we began the aggregation of frequencies, available at a given site, from the 900, 1800, 2100 and 2600 MHz (both FDD and TDD) bandwidths we use. As a result, we offer our customers the LTE Advanced technology which enables data transmission with maximum speed exceeding 600 Mbps in selected regions of the country. In December 2019 the service LTE Plus Advanced was available to over 82% of Poles.

2.3. Activities on the bundled services market

2.3.1. Bundled services market in Poland

Currently, the bundling of services is one of the strongest trends in the polish media and telecommunications market. Operators develop their offers of bundled services in response to the changing preferences of customers, who are increasingly seeking to receive their media and telecommunications services from one provider at affordable prices, under one contract, one subscription fee and one invoice. 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 customers.

The Polish multi-play services market is systematically growing. According to PMR estimations, as at the end of 2018 the number of services sold in bundles amounted to nearly 27 million. PMR estimates that the total number of subscribers (both residential and business) of bundled services amounted to approximately 11 million in 2018, with around 5% growth dynamics. Each subscriber had on average 2.45 services compared to 2.35 a year earlier.

The multi-play market is consistently growing since 2010 in terms of value. PMR estimates that in 2018 the value of the bundled services market increased by 7.6% YoY and achieved PLN 11.6 billion. ARPU also continues to be in a growth trend, though with a weaker growth dynamics. PMR estimates that in 2018 average revenue per customer from sales of multi-play packages increased by 1.5% YoY to PLN 89.

Bundled services in Poland are provided primarily by cable TV operators and telecommunications service providers. According to PMR, at the end of 2017 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 of Polsat Group on the bundled services market in Poland at the end of 2017 was approximately 20%, according to PMR estimates.

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 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 established 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 as 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 2016, 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 data can be underestimated, however, due to the methodology applied in the survey. According to PMR, in 2017, 52% of households in Poland declared that they use more than one service provided by the same supplier.

Research by PMR demonstrates that a bundle combining two services remains the most popular option, chosen by 69% of Poles in the fourth quarter of 2018. At that time, 22% of Poles used triple-play services (a bundle comprised of three services), while 7% of customers decided to purchase a bundle containing four services. 2% of customers had a bundle of five services in the fourth quarter of 2018. As for the structure of the bundles, mobile telephony and pay TV dominate, followed by fixed-line Internet access services. Fixed-line telephony and mobile Internet access are part of only a third of purchased bundles.

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 3.6% in 2019-2023. In 2023 the number of subscribers using bundled services will exceed 12.2 million and each subscriber will have on average 2.8 services.

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. Operators' strategies based on combining telecommunication and media services with services 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 electric energy and gas, as well as financial and insurance products. Consolidation trends, observed on the media and telecommunications market, may also affect the development of the bundled services market.

2.3.2. Bundled services offer

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

smartDOM and smartFIRMA are unique savings programs 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 or cable 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 may choose from even eleven 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 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 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.

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

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

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

Sales network

As at December 31, 2019, the sales network of Cyfrowy Polsat and Polkomtel covered 1,050 stationary points of sale nationwide. Both Cyfrowy Polsat's pay TV and Internet offers and Polkomtel's telecommunications offer are available at the majority of those sales points. Most of points of sale offer additional products and services to customers of both operators, such as insurance and financial services or the sale of electric energy and gas.

Sales of Polsat Group's services also take place through remote channels. As at December 31, 2019 Cyfrowy Polsat had 6 telemarketing centers (own and external), whose role was customer retention and the sale of core products.

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

Call center

Our call center is an important channel of communication with our customers. We provide Cyfrowy Polsat's, Polkomtel's and Netia's call center contact details when 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 requests (including faxes and e-mails). 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 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 (http://www.cyfrowypolsat.pl/) customers can find information about the current pay TV and telecommunication offer, they can chose a TV or Internet access package they are interested in or select a device (set-top box, tablet, laptop or router. 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.

We offer our customers access to online accounts through the Internet Customer Service Center. Thanks to this functionality our 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.

Thanks to the http://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 11 million times since its launch.

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. The post-sale telephone customer service also involves active up-selling of products and increasing customer loyalty.

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

Customer retention management

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

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.

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.

2.6. Other aspects of our business

Trademarks

We use a number of trademarks to which we hold copyrights and which are registered with, or have applications pending for registration with the appropriate authorities in order to secure our rights to these trademarks. The most significant trademarks to our business operations are the word and device marks of "Cyfrowy Polsat" and "IPLA".

Research and development - new services and implementations

In 2019, we continued our efforts in the field of implementation of state-of-the-art technologies and latest technical solutions which offer superior quality and enhanced functionality of services to our customers and enable us to expand our offer by adding new services and products.

In March 2019, we introduced a new set-top box model - EVOBOX IP, dedicated to the cable TV service in IPTV technology. It is the first device in the offer of Cyfrowy Polsat which will enable the reception of TV channels via the Internet in the closed telecommunication network. In July 2019, we introduced a new EVOBOX STREAM set-top box, thanks to which our customers may use the OTT television in an open telecommunication network, irrespective of the Internet service provider. 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. The latest device, EVOBOX STREAM enables the purchase of packages and events in the 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; in IPTV offer most generally available channels are offered in the IPTV programming packages) and advanced features, such as reStart (watching selected programs from linear TV channels from the beginning), TimeShift (pausing and rewinding the 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, these set-top boxes 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. EVOBOX IP and EVOBOX STREAM are the third and fourth new set-top box introduced by Cyfrowy Polsat to the market in the recent months, and at the same time the fourth and fifth device of the EVOBOX series (after EVOBOX PVR, HD and LTE) manufactured at the plant in Mielec which is a part of Cyfrowy Polsat Group.

In September 2019, we started along with our subsidiary TV Polsat the tests of capabilities of hybrid technologies under digital terrestrial television and technical tests aiming at increasing the coverage of MUX4. Capabilities of hybrid technologies are also verified on the channels of Polsat TV broadcasted on MUX2. The activities were undertaken in order to increase the broadcast coverage and reach the viewers of channels on MUX4 which currently reaches ca. 33% of the Poland's population. Therefore, Cyfrowy Polsat filed an application to the Office of Electronic Communications (UKE) for consent to temporary experimental broadcast in four new locations in order to examine the possibilities of implementation of advanced services for end-users in hybrid technologies, combining a linear broadcast of the digital terrestrial television signal in DVB-T/DVB-T2 technology and the Internet broadcast in HbbTV technology, including new video codecs. We will carry out the tests of hybrid applications and services and estimate the size of the population which is reached by the signal and which have a possibility to receive such a signal. The tests will later allow for final extension of the coverage of channels broadcasted within MUX4 and for applying optimum solutions.

In December 2019, our online entertainment service IPLA introduced to its application dedicated for Android TV systems the possibility of making payments for purchased materials via BLIK. The Polish payment system enables IPLA users to make fast and easy purchases of selected content, such as movies, packages or a sport event broadcasted live. IPLA was the first service on the market to provide its users with the possibility of using the BLIK payment system on Smart TV devices. Thanks to this, customers with Android TV system, e.g. on Sony, Philips, Sharp or TCL TV sets or Xiaomi multimedia boxes may conveniently pay for the content.

IT systems

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

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

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

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

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

We use management systems that include, among other things, financial control, revenue assurance, fraud detection, rating and scoring systems and those that support the reporting process for internal and regulatory purposes.

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

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

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

Real estate property

Cyfrowy Polsat owns the majority of the real estate property on which our DTH satellite TV infrastructure, studios, some offices and warehousing facilities are located. All of our real estate property is located in Poland. We believe that all of our real estate property is well maintained and in good condition. As at December 31, 2019, there was a mortgage registered on the real estate property owned by us, established in respect to the Combined SFA. Some insignificant parts of Cyfrowy Polsat's real estate property are encumbered with typical easement rights for electricity cables, central heating and other media. Part of our real estate property is being leased from third parties.

In order to secure our liabilities under the Combined SFA, a mortgage was registered in favor of the Security Agent on selected real estate property owned by companies belonging to Cyfrowy Polsat.

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 2019, Cyfrowy Polsat 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, and PZU S.A.

In 2019, our subsidiary Polkomtel continued a general fleet motor insurance agreement with STU Ergo Hestia S.A. (collision, comprehensive and third party insurance, theft insurance, accident insurance and assistance), which extends to the entire motor fleet of Cyfrowy Polsat Group.

In 2019, 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

Within the framework of the Business Contingency Plan of Cyfrowy Polsat kept by us, we examine threats and vulnerabilities in critical processes and services, which we define periodically through the Business Impact Analysis. We constantly 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. The impact from the part of threats on the execution of critical processes and business services is minimized thanks to implementing recommendations for these threats.

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, the Company is engaged in this type of actions. In particular, we are involved life-saving, healthcare and safety-promoting initiatives, 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, Przyjaciółka Foundation as well as with emergency services (TOPR – Tatra Volunteer Search and Rescue, WOPR- Volunteer Water Rescue Service and GOPR - Mountain Volunteer Rescue Service). Apart from charity activities we are also engaged in a series of sponsoring activities.

Details regarding the activities in the scope of charity and sponsorship that we are engaged in are presented in the "Report of Cyfrowy Polsat Group on non-financial information for the year 2019", which is available on our website at http://www.grupapolsat.pl/en/investor-relations in the tab *Results center/Non-financial reports.*

3. SIGNIFICANT EVENTS

3.1. Corporate events

Changes in the Management Board of Cyfrowy Polsat S.A.

At the meeting of the Supervisory Board of the Company held on January 17, 2019 Mr. Tobias Solorz resigned from the position of President of the Management Board of the Company, effective March 31, 2019. Subsequently, the Supervisory Board of the Company adopted resolutions concerning the appointment of Mr. Mirosław Błaszczyk, the former President of the Management Board of Telewizja Polsat Sp. z o.o., to the position of President of the Management Board of Cyfrowy Polsat S.A. and the appointment of Mr. Maciej Stec, the former Member of the Management Board of Cyfrowy Polsat S.A., to the position of Vice-President of the Management Board, with both appointments effective April 1, 2019.

Mr. Tobias Solorz, who was appointed as Member of the Management Board of Polkomtel in 2011 and who has been the President of the Management Board of Polkomtel since 2014, and subsequently has managed the entire group since 2015, became member of the Supervisory Boards of the Group's companies where he is exercising supervision over the Group's assets.

On March 14, 2019, Mr. Dariusz Działkowski and Mr. Tomasz Gillner-Gorywoda resigned from the positions of Members of the Management Board of the Company, effective March 31, 2019. On the same date, the Supervisory Board of the Company adopted a resolution concerning the appointment of Mr. Jacek Felczykowski, who also holds the position of Member of the Management Board of Polkomtel, to the position of Member of the Management Board of Cyfrowy Polsat, effective April 1, 2019.

Adoption of a new dividend policy

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

"The main goal of the strategy of Cyfrowy Polsat S.A. Capital Group is the permanent growth of the value of Cyfrowy Polsat S.A. 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 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 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."

The payout at the level of PLN 0.93 per share generates an annual return rate of approximately 4% as compared to the average capitalization of the Company in December 2018. Thus, in the Management Board's opinion, it meets the general principles of the dividend policy presented above and the expectations of the majority shareholder of Cyfrowy Polsat, expressed in a letter received on February 7, 2019 (see the Company's current report No. 4/2019 dated February 7, 2019).

In the opinion of Mr. Zygmunt Solorz, presented in the above mentioned letter, Cyfrowy Polsat Group, which has been built for a number of years by joint effort and with significant support from minority shareholders, has today solid foundations represented by sound assets and recurrent cash flows. Simultaneously, the very good relations with the banks and Cyfrowy Polsat's bondholders, which have been built for many years, grant the Company an access to financing of its further development. Furthermore, Mr. Zygmunt Solorz informed that he has received repeated suggestions from the minority shareholders of Cyfrowy Polsat concerning distribution of the Company's profits, which has been on a relatively low level since the moment of acquiring Polkomtel company back in 2014. According to Mr. Zygmunt Solorz, the dividend based on the above assumptions shall represent a sound compromise between fair and recurrent distributions to the Company's shareholders and its further deleveraging.

Simultaneously, in the Management Board's opinion the above mentioned schedule and amounts of dividend payouts shall not interrupt the development concept of Cyfrowy Polsat Capital Group, enabling at the same time its further deleveraging.

Issuance of Series B Bonds

On March 25, 2019, the Company's Management Board adopted a resolution to establish a new, non-renewable program for the issuance of the Company's bonds and on taking actions to refinance the Company's indebtedness under the Series A Bonds, maturing on July 21, 2021, using the funds from the issuance of the new issue bonds, including in particular the early redemption of Series A Bonds by the Company or the acquisition of Series A Bonds by the Company for the purpose of their redemption. The above mentioned actions were intended to decrease costs of servicing the indebtedness incurred by the Company under the Series A Bonds.

On April 16, 2019, the Company informed about its decision to issue by way of a public offering no more than 1,000,000 unsecured series B bearer bonds with the nominal value of PLN 1,000 each and the aggregate nominal value of up to PLN 1,000 million (the "Series B Bonds").

The offering, addressed solely to professional clients within the meaning of the Act on Trading in Financial Instruments of July 29, 2005 (including the eligible counterparties at the same time qualifying as professional clients), was conducted between

April 17, 2019 and April 19, 2019. As a result, 1,000,000 Series B Bonds with a nominal value of PLN 1,000 each and an aggregated nominal value of PLN 1,000 million were allotted to a total number of 59 investors on April 19, 2019. The issuance of the Series B Bonds took place on April 26, 2019. The final redemption date of the Series B Bonds is on April 24, 2026. The interest rate on the Series B Bonds is variable, based on 6M WIBOR reference rate plus 175 bps margin, with semi-annual interest periods.

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

Details regarding the Series B Bonds are presented in this Report in item 4.6.4. – *Operating and financial review of Cyfrowy Polsat– Review of the Company's financial situation – Liquidity and capital resources*.

Early redemption of Series A Bonds

In connection with the Series B Bonds issue program, on April 26, 2019 the Company purchased (repurchased) to redeem 107,000 Series A Bonds with the aggregate nominal value of PLN 107 million from the investors who paid the issue price of the Series B Bonds by a set-off of the Company's receivables in relation to the Series B Bonds issuance with the investor's receivables in relation to the disposal to the Company of the Company's Series A Bonds. In parallel, the Company's Management Board adopted resolutions to redeem the repurchased Series A Bonds and to conduct an early redemption of all of remaining Series A Bonds which were not repurchased. The record date for Series A Bonds was May 9, 2018 and the early redemption date of the Series A Bonds and the day of payment of benefits was May 17, 2019.

Detailed information about the bond issue program is included in the Company's current reports No. 8/2019 dated March 25, 2019, No. 11/2019 dated April 16, 2019, No. 12/2019 dated April 19, 2019, No. 13/2019 dated April 26, 2019, No. 14/2019 dated April 26, 2019, No. 15/2019 dated April 30, 2019 and No. 18/2019 dated May 29, 2019.

Moody's upgraded Cyfrowy Polsat Group's rating

On June 16, 2019 Moody's Investors Service upgraded the corporate family rating of Cyfrowy Polsat Group from Ba2 to Ba1, changing the rating outlook from positive to stable. Details regarding the rationale of the revision are presented in this Report in item 4.6.4. – *Operating and financial review of the Company – Review of the Company's financial situation – Liquidity and capital resources – Ratings*.

Distribution of the profit for 2018

On June 25, 2019, the Annual General Meeting of the Company adopted a resolution to allocate the entire net profit earned by the Company in the financial year 2018, in the amount of PLN 488.5 million, for a dividend payout. Furthermore, the amount of PLN 106.3 million from the reserve capital, created from profits earned in previous years, was also allocated for a dividend payout. The total amount of the dividend was PLN 594.8 million, i.e., PLN 0.93 per share, which is in line with the dividend policy adopted on March 15, 2019.

The dividend day was scheduled for July 1, 2019 and the dividend payout was divided into two tranches as follows:

(i) the first tranche in the amount of PLN 287.8 million, i.e., PLN 0.45 per share, was paid on July 3, 2019, and

(ii) the second tranche in the amount of PLN 307.0 million, i.e., PLN 0.48 per share, was paid on October 1, 2019.

Appointment of the Members of the Management Board for a new term of office

The Supervisory Board of the Company, based on the resolutions adopted on June 25, 2019 decided to nominate Mirosław Błaszczyk for the position of the President of the Management Board of Cyfrowy Polsat, Maciej Stec for the position of Vice President of the Management Board of Cyfrowy Polsat and Jacek Felczykowski, Aneta Jaskólska, Agnieszka Odorowicz and Katarzyna Ostap-Tomann for the positions of Members of the Management Board of Cyfrowy Polsat. The Members of the Management Board were appointed for a common three-year term beginning as of the date of the Annual General Meeting approving the financial statements of the Company for the financial year 2018, i.e., as of June 25, 2019.

Acquisition of additional debt financing by Cyfrowy Polsat

On October 30, 2019 the Management Board of Cyfrowy Polsat adopted a resolution on taking initial steps in connection with potential acquisition of additional debt financing. The Company's intent was to assess possibilities of acquiring financing in the form of an additional tranche of loan under the Second Amendment and Restatement Deed on which the Company reported in its Current Report No. 9/2018 dated March 2, 2018, denominated in PLN, in the amount of up to PLN 1 billion, and/or the issuance of bonds, denominated in PLN, in the nominal value of up to PLN 1 billion.

Acquisition of an additional loan facility

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. Such instrument has been provisioned for in the Second Amendment and Restatement Deed mentioned above. The additional term facility amounts to up to PLN 1 billion and bears interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the additional facility 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 when 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. The final repayment term for the additional facility is March 31, 2023. The Additional Facility will be repaid in one bullet installment on the final repayment date. The receivables arising under the additional facility 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.

New bond issue program

On December 11, 2019 the Company adopted a resolution to establish a new, non-renewable program for the issuance of the Company's bonds with the total maximum nominal value of PLN 1 billion, under which the Company will be able to incur financial indebtedness through the issuance of unsecured PLN bearer bonds of the Company. In accordance with the Company's intention, the Series C Bonds were issued in the first quarter of 2020. Details regarding the issuance of Series C Bonds are presented in this Report in item 3.3. – *Significant events – Events after the balance sheet date* and in item 4.6.4. – *Operating and financial review of Cyfrowy Polsat – Review of the Company's financial situation – Liquidity and capital resources*.

Details regarding the steps taken to acquire additional debt financing are presented in the Company's current reports No. 30/2019 of October 30, 2019, No. 33/2019 of November 27, 2019, No. 35/2019 of December 11, 2019, No. 1/2020 of January 29, 2020, and No. 2/2020 of January 31, 2020.

Changes in shareholding structure

On November 8, 2019 the Company received notifications pursuant to Article 69 of the Act on Public Offering informing about the change in the share in the total number of votes at the General Meeting of the Company held by the following significant shareholders: Mr. Zygmunt Solorz and entities controlled by him, i.e., TiVi Foundation and Reddev Investments Ltd., TiVi Foundation's subsidiary.

On November 5, 2019 Reddev disposed of 15,199,990 registered, privileged shares of Cyfrowy Polsat and acquired 15,199,990 ordinary bearer shares of Cyfrowy Polsat. The above mentioned transactions resulted in a change in the number of votes at the General Meeting of the Company held directly by Reddev and indirectly by TiVi Foundation. In particular, following the transactions Mr. Zygmunt Solorz's indirect share changed to 56.95% of the share capital of the Company, representing 65.83% of the total number of votes at the General Meeting.

Details regarding the above mentioned changes in the ownership of qualifying holdings of shares of the Company are presented in chapter 8.4.1 of the Report – *Share capital and shareholding structure of Cyfrowy Polsat – Shareholders with qualifying holdings of shares of Cyfrowy Polsat – 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* and in the Company's current report No. 31/2019 of November 8, 2019.

Decisions of the Head of the Małopolska Tax Office in Cracow

On February 15, 2018, the Head of the Małopolska Tax Office in Cracow issued a decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 million increased by interest on tax arrears. The Company informed of the decision of the tax office issued at the first instance in its current report No.11/2018 of March 5, 2018. In the issued decision the tax authority 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 July 10, 2018 the tax office upheld the previous decision dated February 15, 2018. The Company informed of the decision of the tax authority issued at the second instance in its current report No.27/2018 of July 16, 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 mentioned complaint in the ruling as of February 21, 2019. The Company does not agree with this decision and filed a cassation complaint in this respect with the Supreme Administrative Court in Warsaw. The date of the hearing has not been set yet.

The tax authority 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 July 19, 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 million increased by interest on tax arrears. The Company appealed against the decision, but on February 14, 2020 the tax authority maintained its position. The Company intends to file a complaint against the decision to the Administrative Court. The Company disagrees with the tax authority's position and has not created any provisions encumbering its financial results. The Head of the Tax Office in Cracow issued a decision on September 20, 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 million increased by interest on tax arrears. The Company does not agree with this decision. The Company appealed against the decision of the tax authority and has not created any provisions encumbering its financial results. The case is currently examined by the Head of the Małopolska Customs and Tax Office in Cracow in the second instance.

Decision of the Head of the Mazovian Tax Office in Warsaw

On April 30, 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw dated May 25, 2017. The tax office's decision dated May 25, 2017 determines the value of tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 million plus accrued penalty. The Company informed about the decision in its financial statements for the year 2017.

The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw and appealed against it to the Voivodship Administrative Court in Warsaw. On May 14, 2019 the Voivodship Administrative Court in Warsaw announced its judgement which took into account the allegations presented in the appeal except for the allegation of ineffective suspension of the limitation period for tax liability for 2011 and annulled the decision of the Head of the Mazovian Tax Office in Warsaw as well as discontinued the proceedings. The Head of the Mazovian Tax Office in Warsaw did not file a cassation appeal against this judgment and the Company withdrew its cassation appeal. The Voivodship Administrative Court in Warsaw annulled cassation proceedings. On this basis, the Company assumes that the judgment of the Voivodship Administrative Court dated May 14, 2019 is final.

3.2. Business related events

Introduction of the new cable TV service in IPTV technology

In March 2019, we introduced a new service – cable TV in IPTV technology, thanks to which viewers are able to watch TV channels over the fixed broadband Internet, that is without a need to install a satellite antenna. The service is accompanied by a dedicated, new EVOBOX IP set-top box – a device which is a part of the EVOBOX series manufactured in our Group's factory.

The new service is available with a subscription under the same package offering as on Cyfrowy Polsat satellite platform and covers various offers including even more than 150 TV channels and packages with premium channels. Besides ensuring access to the rich content offer of Cyfrowy Polsat's platform, the launch of the new service gives the customers the possibility to choose an optimum technology of TV signal delivery – via satellite or cable in IPTV technology.

The introduction of the new offer based on the IPTV technology is our response to the changing needs and expectations of our customers. Since December 2018, Plus network has offered the fixed Internet access based on the Netia's infrastructure, which can be combined with the IPTV service from Cyfrowy Polsat. From March 2019 the IPTV service is available to our customers also under the smartDOM program.

Introduction of the new OTT Internet TV service

As a next step in the Company's development, in July 2019 we offered our customers an OTT Internet television service, supported by a dedicated set-top box EVOBOX STREAM. The service stands out in the market by enabling access to television channels via the Internet delivered by any service provider. Moreover, the programming offer of the new OTT service is marked with very flexible terms and the lack of long-term commitments. Activation of packages is possible at any time directly on the set-top-box with the use of instant, electronic methods of payments (via a bank transfer, Blik system or credit card). Detailed information regarding the OTT Internet TV service is presented in item 2.1.2. of this Report – *Business overview of Cyfrowy Polsat– Activities on the pay TV market – Pay TV offer*.

Introduction of new models of set-top boxes

In March 2019, we introduced to the market EVOBOX IP, a new set-top box dedicated to the IPTV service. EVOBOX IP is the first device in the offer of Cyfrowy Polsat which enables the reception of TV channels via the Internet in the closed telecommunication network. In July 2019, we implemented to our offering EVOBOX STREAM, a set-top box which enables our customers to use OTT Internet television in the open telecommunication network, regardless of their Internet service provider.

EVOBOX IP and EVOBOX STREAM are a third and fourth set-top boxes introduced by Cyfrowy Polsat to the market in the recent months, and at the same time the fourth and fifth devices of EVOBOX series (after EVOBOX PVR, HD and LITE) manufactured at a plant in Mielec which is a part of Cyfrowy Polsat Group.

We are constantly working on expanding our equipment offering. We would like to offer our customers a possibility to choose convenient, adjusted to their needs technology solutions which allow watching TV in the highest quality thanks to using the modern equipment, providing also access to rich premium content of VOD services. A combination of high quality set-top boxes with a wide variety of multimedia services offering freedom, flexibility and convenience to the users when accessing their favorite content is in our opinion an important element of building a competitive advantage on the pay TV market.

Expansion of the premium sports content

In July 2019, Cyfrowy Polsat signed an agreement with the broadcaster of CANAL+ channels, thanks to which for at least two coming seasons the subscribers to Cyfrowy Polsat's DTH platform have the possibility of watching all the matches of PKO BP Ekstraklasa Polish football premiership on two new channels launched by CANAL+ platform, i.e. CANAL+ SPORT 3 and CANAL+ SPORT 4.

In the new television channels it is possible to watch all PKO Ekstraklasa matches (part of them in the form of Multiliga+ program), football league magazines as well as match summaries and analyses. The programming offer also includes programs presenting archival recordings of the most interesting league matches from recent years as well as programs devoted to the current season.

The Ekstraklasa package is available to Cyfrowy Polsat subscribers using satellite TV and cable TV in IPTV technology. It is also possible to watch the PKO BP Ekstraklasa matches on mobile devices through the Cyfrowy Polsat GO service.

Conclusion of a joint venture agreement with Discovery Communications Europe Limited and TVN S.A. to launch the OTT streaming platform

On October 25, 2019, Cyfrowy Polsat concluded a joint venture agreement with Discovery Communications Europe Limited and TVN S.A. regarding the implementation of a joint venture involving the establishment of a special purpose vehicle to launch an OTT streaming platform offering content to Polish customers, with an intention to later expand into other countries as the parties may agree.

In the parties' intent, the new OTT platform shall provide viewers with access to, among others, movies, series, documentaries, sports and entertainment shows. The OTT platform shall offer content produced by the parties, purchased from third party producers or produced itself by the special purpose vehicle. The OTT platform will operate both in the advertising-funded model (AVOD) and, at a later stage, also in the paid model (SVOD/TVOD).

In recent years content is being aggregated worldwide, thanks to which such international, global OTT services as Netflix, Amazon Prime, YouTube have emerged. The broadcasters also join their forces, establishing complementary local-content-based services, which take into account specific needs and preferences of viewers. In response to expectations of the viewers to have an easy and single-destination access to their favorite programs, the new platform shall enable watching, any time and in any place, the most popular series, films and programs addressed to Polish viewers.

The joint venture agreement stipulates the principles of establishing and functioning of the special purpose vehicle operating the OTT platform, covering such areas as corporate governance, the principles of financing the operations, the principles of licensing, purchases and creation of content for the purpose of the project, as well as includes provisions regarding a joint notification to the competent antimonopoly authority in relation to the implementation of the project.

According to the joint venture agreement, the Company will ultimately hold 50% of shares in the special purpose vehicle and provide financing to the special purpose vehicle on a 50:50 basis in the form of share capital increase and shareholder loans.

The initial financing to be provided to the special purpose vehicle by Cyfrowy Polsat and Discovery is capped at PLN 30 million for each party separately. Each of Cyfrowy Polsat and Discovery also committed to provide additional financing in such amounts as they may agree at a later stage. Cyfrowy Polsat or its Group will also conclude ancillary agreements, including license agreements, related to the project, with other parties to the joint venture agreement or their group companies.

At the current stage of the project the special purpose vehicle has been established by Cyfrowy Polsat, however it will engage in operating activity and Discovery will acquire and take up its shares only after the relevant antimonopoly consent is obtained. Also at a later stage Discovery will also be required to make a statement on the absence of obstacles to the implementation of the project.

Detailed information on the concluded joint venture agreement has been provided in the Company's current report No. 29/2019 dated October 25, 2019.

Acquisition of shares in Asseco Poland S.A.

On December 18, 2019 Cyfrowy Polsat announced an invitation to submit offers for the sale of shares of Asseco in the amount not exceeding approximately 18.22 million of shares with aggregate value not exceeding approximately PLN 1.2 billion, representing 21.95% of the share capital of Asseco and vesting the right to exercise 21.95% of the total number of votes at its general meeting. The proposed price for the Asseco shares under the invitation was PLN 65.00 per share.

In response to the invitation shareholders of Asseco submitted offers to sell 18,178,386 shares, representing 21.90% of share capital of Asseco and carrying the right to exercise 21.90% of the total number of votes at its general meeting.

As a result of settlement of the invitation, the above mentioned shares were acquired on December 30, 2019, based on the agreement described below, by the Company and Reddev, with the Company acquiring directly 7,994,259 Asseco shares representing 21.68% of share capital and carrying the right to exercise 21.68% of the total number of votes at the general meeting and Reddev, an entity controlled by Mr. Zygmunt Solorz, acquiring 184,127 Asseco shares, representing 0.22% of share capital and carrying the right to exercise 0.22% of the total number of votes at the general meeting.

When taking into consideration 868,897 shares of Asseco held by the Company prior to the announcement of the invitation to submit offers to sell shares, as of the Report's date Cyfrowy Polsat and Reddev jointly hold 19,047,283 shares of Asseco, representing 22.95% of share capital of Asseco and carrying the right to exercise 22.95% of the total number of votes at its general meeting.

The acquisition of the Asseco shares was financed from own funds and from funds available under financial indebtedness of the Company.

More information regarding the acquisition of a stake in Asseco is presented in item 4.3. of the Report – *Operating and financial review of Cyfrowy Polsat– Major investments in 2019* and in the Company's current reports No. 37/2019 of December 18, 2019, No. 40/2019 of December 24, 2019 and No. 41/2019 of December 27, 2019.

Agreement with Reddev Investments Limited

Provisions of the Combined SFA, concluded on September 15, 2015, permit companies from Polsat Group to allocate a strictly limited amount of funds to acquisitions. Due to those restrictions, which were binding as at the date of the announcement of the invitation to submit offers to sell Asseco's shares, under the invitation Asseco shares were acquired by the Company and its affiliate Reddev.

In order to enable Reddev to acquire 184,127 Asseco shares under the invitation, on December 27, 2019 the Company concluded with Reddev an agreement on the joint acquisition of the Asseco shares under the invitation and on the exercising by Reddev of the right to vote from Asseco shares acquired under the invitation in a manner in compliance with instructions of the Company. Under the agreement, Reddev will be obliged to resell to the Company the above Asseco shares within 10 business days from the day of the delivery to Reddev of a request to resell such shares to the Company for the price for which Reddev acquired shares under the invitation. Reddev shall also receive an additional remuneration for the period between the settlement 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 (i.e., the interim period) in an amount equivalent to the average weighted cost of financing of the Company's capital group provided by financial institutions, prorated to the specific portion of the price to be paid by Reddev for shares under the invitation for each day of the interim period.

Details regarding the acquisition of Asseco shares by the Company from Reddev are presented in the Company's current report No. 41/2019 of December 27, 2019.

3.3. Events after the balance sheet date

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 and the final redemption date on February 12, 2027 (the "Series C Bonds").The issuance represents Poland's first corporate green bonds denominated in Polish zloty (PLN). The proceeds from the issue will be used for refinancing the pro-environmental projects, including improvement of the energy efficiency by the Group or reduction of the carbon footprint associated with the electronic devices manufactured by Cyfrowy Polsat. Cyfrowy Polsat is the first company in Poland from a sector other that banking to have used a relatively new financial instrument.

The interest rate on the Series C Bonds is variable, based on 6M WIBOR reference rate plus 165 bps margin, which represents the lowers margin among all issuances exercised so far by the Company. The interest periods on the Series C Bonds are semi-annual. Early redemption of the Series C Bonds is allowed at the Company's or bondholder's request based on the terms provided for in the terms of their issuance. Series C Bonds were allowed to trading in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market.

The proceeds from the Series C Bonds issue will be used for refinancing the expenditures incurred 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.

Apart from ecological products, renewable energy or waste reduction, energy efficiency is one of the topics that Polsat Group focuses on as regards environmental protection. The Group's main shareholder Mr. Zygmunt Solorz is the originator of Stowarzyszenie Program Czysta Polska (Clean Poland Program Association) whose goal is to take actions aimed at ensuring life in a healthy and clean environment for the Polish society.

Detailed information about the issuance of Series C Bonds is included in the Company's current reports No. 30/2019 dated October 30, 2019, No. 35/2019 dated December 11, 2019, No. 1/2020 dated January 29, 2020, No. 2/2020 dated January 31, 2020 and in item 4.6.4. of the Report – *Operating and financial review of Cyfrowy Polsat– Review of the Company's financial situation – Liquidity and capital resources*.

4. Operating and financial review of Cyfrowy Polsat

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

4.1.1. Factors related to social-economic environment

Economic situation in Poland

Macroeconomic trends in the Polish economy and the economic situation on global markets have thus far affected the operations and operating results of the Company, and are expected to continue affecting them in the future. The key factors affecting our operations, in particular the demand for advertising and the spending on our services, as well as demand for end-user devices that we sell, include GDP growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

Based on data published by the European Commission, a noticeable recovery of economies both of Poland and other EU countries took place in the years 2016-2018. GDP growth for Poland in this period was 2.9%, 4.6% and 5.1%, respectively, while for the years 2019-2020 it is estimated at 4.1% and 3.3%, respectively. Current forecasts, published by domestic and international institutions, regarding growth prospects of the Polish economy assume that despite slower growth, the high rate of growth of Poland's GDP, outperforming corresponding indices for the whole European Union more than twofold, will be sustained in the years 2020-2021.

We believe that average consumer spending, including spending on pay TV, video online, broadband access, bundled services and end-user devices will generally grow in line with the overall GDP growth in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2020-2021 will also have a positive impact on the advertising expenditures in Poland.

Situation on the pay TV market in Poland

Our revenue from subscription fees depends 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 saturated.

The market on which we operate is very dynamic and competitive. Strong 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, which allows for bundling the Internet, TV and voice offerings and using them everywhere and on any device) 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, in the first quarter of 2019 we offered a TV service in fixed-line IPTV technology (a closed network). Next, in July 2019 we launched our OTT television service, which enables access to television channels via the Internet delivered by any service provider (an open network). Thus, our customers may now 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, as demonstrated, e.g. by the purchase of broadcasting rights to the UEFA Champions League and Europa League for the seasons 2018-2021 by our subsidiary Telewizja Polsat. This gives us a chance to attract a significant portion of migrating customers to our platform. Moreover, 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. In parallel, Naspers' withdrawal of its Showmax service from Poland is, in our opinion, evidence of big challenges faced by this segment. 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. Moreover, with a view to building a counterbalance to global OTT services, in October 2019 we signed a joint-venture agreement with Discovery Group concerning the launch of a new, joint OTT streaming service that will offer access to local, Polish productions.

Development of online advertising market in Poland

Prospects of the online advertising market are positive. According to the IAB AdEx report, during the first three quarters of 2019 online advertising expenditures in Poland increased at a rate of 12.1% YoY and reached the value of PLN 3.52 billion. The growth dynamics of this form of advertising is influenced, among others, by expenditures in the video advertising segment in which we generate part of our revenue. In the first three quarters of 2019 those expenditures increased by 8% and represented 13% of total online advertising spending. We believe that thanks to the leading position on the online video market, through IPLA internet television and other services of Cyfrowy Polsat Group we will benefit from the growth of this promising advertising market segment.

Growing importance of convergent services

Currently, convergence, meant as a combination of at least two services provided by a single operator from different base groups of 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 more and more often 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 recent years it was possible to observe increased efforts of big Polish market players, especially among mobile operators, aimed at strong promotion of bundled services for the home and solutions that were a combination of mobile and fixed services. Operators pay a lot of attention to high quality broadband access for households, which results in wide-scale investments in the modernization and expansion of the footprint of both mobile LTE and LTE-Advanced technologies, and modern fixed-line technologies (NGA – Next Generation Network, FTTH – Fiber to the Home) as well as acquisitions of entities owning broadband infrastructure.

Moreover, increasing engagement of mobile operators in the acquisition of content that could differentiate a given offering on the market is visible. For example, thanks to the cooperation with international video online services, such as HBO GO or the music service Tidal, mobile operators offer access to those services as an add-on to their subscription tariff plans.

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 the first 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. Already in June 2018 we offered our customers, under a pilot project, Netia's fixed-line broadband Internet, complemented by TV services based on broadband access as well as voice telephony. At the end of 2018 we introduced the 'Plus Internet Stacjonarny' service which is a fixed-line Internet access service provided to our customers based on Netia's infrastructure. In the first quarter of 2019 we launched the service cable TV in IPTV technology, which is available to customers using fixed-line Internet offered by Plus, Netia and Orange networks. The next phase in the Group's development was the implementation, in July 2019, of the OTT television service which can be accessed via the Internet delivered by any service provider. The introduction of the new Internet television services to our offering represents the next stage of development of our Group as well as our response to the ever changing needs and expectations of our customers, who can now choose themselves the most convenient form of content delivery.

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

Changes in ownerships and partnerships in our competitive environment

UPC Polska

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

Cable network operators

The fragmented Polish cable network market, which according to PMR estimates comprises around 300 operators, 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 finalization of the above mentioned transaction, which will enable it to offer services to 1.7 million subscribers, with as many as ca. 4.4 million households within its network coverage footprint. Both, Vectra and Multimedia Polska offer access to television, Internet and telephony services. Since UOKiK issued its consent to the merger subject to 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 develop their own convergent offers.

Similar acquisitions, though on a smaller scale, occurred on the Polish market earlier. They were carried out by, among others, Orange, Vectra and Netia. In particular, at the turn of 2019 and 2020 Netia acquired two local cable companies. We expect that the trend of cable network consolidation will continue in the years to come.

Information on seasonality

Our revenues are not directly subject to substantial seasonal fluctuations.

4.1.2. Factors related to the operations of the Company

Growing importance of integrated services

Growing interest in integrated services, observed among our customers, provides us with the possibility to generate growth of average revenue per customer. We carefully follow the evolution of consumption patterns and our customers' expectations striving to meet their growing needs by combining the pay TV, broadband access and mobile telephony services offered within our Capital Group 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 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 enable our customers to combine products in a flexible way and benefit from attractive discounts that we offer. The program smartDOM, launched in 2014, yields excellent sales results and is regularly adjusted to meet the needs and expectations of our customers. The possibility of selling additional products and services (cross-selling) to our customer base has a positive impact both on our stream of revenue and the level of ARPU per contract customer, and contributes to increasing the loyalty of customers, who use our bundled services.

We strive to meet the needs of our customers by offering a broad range of complementary services to every basic service. We combine our traditional pay TV services – which are currently provided in two technologies: satellite and Internet (OTT, IPTV) – with VOD, PPV, Multiroom, online video services and mobile television. Along with broadband access service we offer Value Added Services (VAS) - optional services including, among others, entertainment and information (infotainment), location-based and 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 per individual customer, thus increasing average revenue per customer (ARPU), concurrently reducing the churn ratio.

Strengthening of our market position in integrated services thanks to the acquisition of Netia

Thanks to the acquisition of a controlling stake in Netia we have expanded our Capital Group's 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's services are being rendered via own access networks with approximately 2.7 million homes passed, out of which, as at the end of 2019, over 1.4 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.

Netia's fiber optic, nationwide backbone infrastructure perfectly complements our Group's existing 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 us – large cities and urban areas. Thanks to this we are gaining a new, attractive base of residential customers, thus increasing significantly our potential for cross-selling products and services as part of the integrated offering.

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

Development of IPLA

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

Mobile video traffic is the fastest growing segment of global mobile data traffic. 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. Therefore, we pay attention to providing IPLA users with a wide variety of attractive content. In particular, starting from 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.

Moreover, with the view to building a counterbalance to global OTT services, in October 2019 we signed a joint-venture agreement with Discovery Group concerning the launch of a new, joint OTT streaming service that will offer access to local, Polish productions. The new platform will be able to start operations once the relevant antimonopoly consent is obtained. We believe that cooperation with Discovery will allow us to strengthen our position of the online video market.

4.1.3. 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 other international agreements.

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

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 costs of servicing debt. In particular, our liabilities under the Combined Senior Facilities Agreement dated September 21, 2015 and our liabilities under the Terms of Issue of Series B Notes are calculated based on variable WIBOR, EURIBOR or LIBOR interest rates subject to periodical changes, increased by a relevant margin.

Despite the fact that the Group intends to maintain certain hedging positions the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such hedging will be still possible or whether it will be available on acceptable terms. The Group analyzes its 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 adverse effect on our business, financial condition, results of operations or prospects.

4.2. Key market trends

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

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

4.3. Major investments in 2019

Acquisition of a stake in Asseco Poland S.A.

On December 18, 2019, Cyfrowy Polsat announced an invitation to submit offers for the sale of shares of Asseco in the amount not exceeding approximately 18.22 million of shares with aggregate value not exceeding approximately PLN 1.18 billion, representing 21.95% of the share capital of Asseco and vesting the right to exercise 21.95% of the total number of votes at its general meeting. The proposed price for the Asseco shares under the invitation was PLN 65.00 per share.

In response to the invitation shareholders of Asseco submitted offers to sell 18,178,386 shares, representing 21.90% of share capital of Asseco and carrying the right to exercise 21.90% of the total number of votes at its general meeting.

As a result of settlement of the invitation, the above mentioned shares were acquired on December 30, 2019, based on the agreement, described in detail in item 3.2. of the Report, by the Company and Reddev, with the Company acquiring directly 17,994,259 Asseco shares representing 21.68% of share capital and carrying the right to exercise 21.68% of the total number of votes at the general meeting and Reddev, an entity controlled by Mr. Zygmunt Solorz, acquiring 184,127 Asseco shares, representing 0.22% of share capital and carrying the right to exercise 0.22% of the total number of votes at the general meeting.

When taking into consideration 868,897 shares of Asseco held by the Company prior to the announcement of the invitation to submit offers to sell shares, as at the date of approval of this Report Cyfrowy Polsat and Reddev jointly hold 19,047,283 shares of Asseco, representing 22.95% of share capital of Asseco and carrying the right to exercise 22.95% of the total number of votes at its general meeting.

The acquisition of the Asseco shares was financed from own funds and from funds available under financial indebtedness of the Company.

More information regarding the acquisition of a stake in Asseco is presented in the Company's current reports No. 37/2019 of December 18, 2019, No. 40/2019 of December 24, 2019 and No. 41/2019 of December 27, 2019.

The acquisition of a stake of shares in Asseco is perfectly compatible with the strategy of Cyfrowy Polsat Group, according to which we want to deliver the most attractive products and services for the home as well as residential and business customers using the state-of-the-art technologies. It is a strategic alliance of two Polish TMT sector leaders, who cooperated in the past on, among others, the implementation of the Group's new IT environment. Cyfrowy Polsat Group is the largest and the most important Polish company in the media and telecommunications area while Asseco Poland is the largest software producer in Poland and CEE. Both companies' future and development is based on an ability to create and implement products and services with the use of cutting-edge technologies.

New market trends require the preparation of services and products using state-of-the-art technologies which are based on the highest quality IT solutions. Given the fact that the Group is focusing both its current and future operations on the core business, i.e., media and telecommunications, strengthening the existing cooperation with Asseco through capital engagement shall enable, in the Company's opinion, to obtain synergies in the form of: (i) further efficiency growth of Group IT area, (ii) even better service of existing and acquisition of new customers, and (iii) development of new products and services.

In particular, the Group expects such benefits from capital alliance as: (i) diversification of risk in the IT area thanks to opting for a local partner, strongly engaged in the implementation of the new IT environment for the Group, (ii) the Group's focus on core media and telecommunications activities due to Asseco's ensuring the highest level of IT solutions and services, (iii) ensuring by the Group the possibility to influence the directions of development in prospective areas of technology (payments, cybersecurity, business intelligence, 5G, etc.), (iv) guarantee of support for dynamically developing operations of the Group due to the significant competence potential of Asseco, (v) execution opportunities for new products and services thanks to Asseco's scale of operations, (vi) an inspiration for further development of services provided by the Group based on Asseco's international experience, and (vii) an outstanding capital investment (dividend yield for Asseco shares is approximately 5%).

An additional stimulus for the Group to its capital engagement in Asseco is the fact that the IT sector is a driving engine of almost all sectors of Polish, European and the world's economies. The cooperation of both companies may thus be a natural step in times of development of the Economy 4.0, founded on IoT, big data or cloud computing and 5G.

For the Group, Asseco may therefore become a main technology partner, supporting the development and maintenance of its IT systems. On the other hand, specialized telecommunications services of the Group may be extended with Asseco's advanced services offering. Results which both companies can jointly achieve give them even greater development prospects on the rapidly growing telecommunications and IT markets. By cooperating they can operate as the largest technology group and deliver the most innovative solutions to their customers.

Next steps, which are currently being executed by Cyfrowy Polsat and Mr. Adam Góral as Asseco's shareholders, relate to negotiating and signing the shareholders cooperation agreement which will enable the execution of Asseco development strategy and agreeing on the terms of a contract for the transformation of the Group's IT systems by Asseco.

Cyfrowy Polsat and Asseco do not plan to merge and shall continue to operate autonomously, however their joint potential shall enable the establishment of a rich offer of advanced telecommunication and IT services.

Expansion of the premium sports content

In July 2019, Cyfrowy Polsat signed an agreement with the broadcaster of CANAL+ channels, thanks to which for at least two coming seasons the subscribers to Cyfrowy Polsat's DTH platform have the possibility of watching all the matches of PKO BP Ekstraklasa Polish football premiership on two new channels launched by CANAL+ platform, i.e. CANAL+ SPORT 3 and CANAL+ SPORT 4.

In the new television channels it is possible to watch all PKO Ekstraklasa matches (part of them in the form of Multiliga+ program), football league magazines as well as match summaries and analyses. The programming offer also includes programs presenting archival recordings of the most interesting league matches from recent years as well as programs devoted to the current season.

The Ekstraklasa package is available to Cyfrowy Polsat subscribers using satellite TV and cable TV in IPTV technology. It is also possible to watch the PKO BP Ekstraklasa matches on mobile devices through the Cyfrowy Polsat GO service.

4.4. Operating review of the Group

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

When assessing our operating results, 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 Aero2, 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. 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 / %
	2019	2018		2019	2018	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS						
Total number of RGUs (EOP) (contract + prepaid)	**17,386,252**	**16,906,133**	**2.8%**	**17,386,252**	**16,906,133**	**2.8%**
Contract services						
Total number of RGUs (EOP), incl.	**14,728,758**	**14,259,264**	**3.3%**	**14,728,758**	**14,259,264**	**3.3%**
Pay TV, incl.	5,038,448	5,098,917	(1.2%)	5,038,448	5,098,917	(1.2%)
Multiroom	*1,192,984*	*1,160,353*	*2.8%*	*1,192,984*	*1,160,353*	*2.8%*
Mobile telephony	7,894,581	7,345,213	7.5%	7,894,581	7,345,213	7.5%
Internet	1,795,729	1,815,134	(1.1%)	1,795,729	1,815,134	(1.1%)
Number of customers (EOP)	**5,637,734**	**5,706,147**	**(1.2%)**	**5,637,734**	**5,706,147**	**(1.2%)**
ARPU per customer	85.6	84.0	1.9%	84.2	83.2	1.2%
Churn per customer	6.4%	7.6%	(1.2 p.p.)	6.4%	7.6%	(1.2 p.p.)
RGU saturation per one customer	2.61	2.50	4.5%	2.61	2.50	4.5%
Average number of RGUs, incl.	**14,660,255**	**14,159,632**	**3.5%**	**14,460,145**	**13,938,900**	**3.7%**
Pay TV, including:	5,039,351	5,070,219	(0.6%)	5,058,263	5,019,249	0.8%
Multiroom	*1,185,919*	*1,149,795*	*3.1%*	*1,174,789*	*1,128,443*	*4.1%*
Mobile telephony	7,823,962	7,276,732	7.5%	7,601,837	7,109,421	6.9%
Internet	1,796,942	1,812,681	(0.9%)	1,800,045	1,810,230	(0.6%)
Average number of customers	**5,641,301**	**5,708,353**	**(1.2%)**	**5,660,191**	**5,729,666**	**(1.2%)**
Prepaid services						
Total number of RGUs (EOP), including:	**2,657,494**	**2,646,869**	**0.4%**	**2,657,494**	**2,646,869**	**0.4%**
Pay TV	161,208	95,685	68.5%	161,208	95,685	68.5%
Mobile telephony	2,415,819	2,423,774	(0.3%)	2,415,819	2,423,774	(0.3%)
Internet	80,467	127,410	(36.8%)	80,467	127,410	(36.8%)
ARPU per total prepaid RGU [PLN]	20.3	20.3	0.0%	20.5	20.4	0.5%
Average number of RGUs, including:	**2,656,703**	**2,745,638**	**(3.2%)**	**2,630,219**	**2,770,309**	**(5.1%)**
Pay TV	145,284	95,346	52.4%	111,300	70,357	58.2%
Mobile telephony	2,425,301	2,511,226	(3.4%)	2,416,903	2,540,414	(4.9%)
Internet	86,118	139,066	(38.1%)	102,016	159,538	(36.1%)

As at December 31, 2019, our Group provided a total of 17,386,252 services in the contract and prepaid models, which represents 2.8% growth YoY. It is worth emphasis that the share of contract services in the total number of services that we provide is growing consistently and has reached the level of 84.7% at the end of the fourth quarter of 2019, as compared to 84.3% recorded at the end of the fourth quarter of 2018.

Contract services

As at December 31, 2019, we provided contract services to a total of 5,637,734 customers, i.e. 1.2% less compared to 5,706,147 customers the Group had as at December 31, 2018. 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 4.5% YoY). 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 increased by 469,494 in the last 12 months, that is by 3.3%, to 14,728,758 as at December 31, 2019, from 14,259,264 as at December 31, 2018, which was mainly due to a lower number of provided satellite TV services. The number of pay TV services provided in the contract model amounted to 5,038,448 as at December 31, 2019 and decreased by 60,469, or 1.2%, compared to 5,098,917 as at December 31, 2018. The number of provided mobile telephony services in the contract model increased by 549,368, or 7.5%, reaching the level of 7,894,581 as at December 31, 2019, up from 7,345,213 as at December 31, 2018. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of new, attractive tariff plans addressed to contract customers, as well as by high demand among business customers for m2m services. In terms of mobile broadband, as at December 31, 2019, we provided 1,795,729 RGUs in the contract model, that is by 19,405, or 1.1%, less than as at December 31, 2018, when we provided 1,815,134 such services. The decrease is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing popularity of data transmission in mobile telephony tariff plans (smartphones), which competes with dedicated mobile Internet access services. As at December 31, 2019, every customer in our base had on average 2.61 contract services, which constitutes an increase of 4.5% compared to 2.50 contract services per customer as at December 31, 2018. We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we consistently 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 2019, average revenue per contract customer increased by 1.2% to PLN 84.2, from PLN 83.2 in 2018. In the fourth quarter of 2019 the average revenue per contract customer increased by 1.9% to PLN 85.6 as compared to PLN 84.0 in the same period of 2018.

Our churn rate amounted to 6.4% in the twelve-month period ended December 31, 2019, decreasing by 1.2 p.p. as compared to 7.6% in the twelve-month period ended December 31, 2018. This is primarily the effect of 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 and loyalty. In addition, more conservative than in the past offering policy of mobile operators translates into a steady decrease of the number of customers migrating between the networks, which also contributes to our churn rate.

Our bundled services offer, based on a mechanism of offering attractive rebates 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 2019, already 1,993,287 customers were using our bundled services, which constitutes an increase of 197,303 customers, or 11.0%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 35.4% at the end of December 2019. At the end of December 2019, this group of customers had a total of 6,046,176 RGUs, that is by 661,321, or 12.3%, more than a year earlier. In the beginning of 2018, we lifted entry thresholds for the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the dynamics of growth of our multiplay services customer base and blended ARPU level for the total customer base. 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 as at December 31, 2019 increased by 10,625, that is by 0.4%, to 2,657,494 from 2,646,869 as at December 31, 2018. The number of prepaid TV services provided by us as at December 31, 2019 increased by 65,523, that is by 68.5%, to 161,208 from 95,685 as at December 31, 2018 driven by the growing popularity of the IPLA service resulting from an enriched programming offering. The number of prepaid mobile telephony services decreased by 7,955, i.e., by 0.3% to 2,415,819 as at December 31, 2019 from 2,423,774 as at December 31, 2018.

In 2019, average revenue per prepaid RGU (prepaid ARPU) increased by 0.5%, to PLN 20.5 from PLN 20.4 in 2018. In the fourth quarter of 2019, average revenue per prepaid RGU (prepaid ARPU) reached the level of PLN 20.3 and remained unchanged compared to the level attained in the fourth quarter of 2018.

4.5. Key positions in the income statement

Revenue

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

Retail revenue

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) fees for the lease of set-top boxes,

(v) activation fees,

(vi) penalties, and

(vii) fees for additional services.

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

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue,

(ii) revenue from the sale of broadcasting and signal transmission services, and

(iii) revenue from the sale of licenses, sublicenses and property rights.

Sale of equipment

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

Other revenue

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

Operating costs

Operating costs consist of:

(i) content costs,

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

(iii) depreciation, amortization, impairment and liquidation,

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

(v) salaries and employee-related costs,

(vi) cost of equipment sold,

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

(viii) other costs.

Content costs

Content costs consist mainly of programming license costs, which 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.

Distribution, marketing, customer relation management and retention cost

Distribution 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

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

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

(ii) depreciation of plant and equipment,

(iii) amortization of intangible assets and IT programs,

(iv) non-current assets impairment allowance, and

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

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators comprise:

(i) IT systems maintenance costs,

(ii) costs of using satellite transponders,

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

(iv) interconnection charges, and

(v) other costs.

Salaries and employee-related costs

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

Cost of equipment sold

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

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

In this group of costs we present:

(i) bad debt recovery fees,

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

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

Other costs

Key items of other costs include:

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

(ii) legal, advisory and consulting costs,

(iii) property maintenance costs,

(iv) taxes and other charges,

(v) trademark license costs, and

(vi) other costs.

Other operating income/costs, net

Other operating income/costs 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

Gains and losses on investment activities include interest income on funds invested, interest expenses (including interest expenses on leasing liabilities but other than interest expenses on borrowings), dividends income, results on the disposal of available-for-sale financial instruments, fair value 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 forward exchange contracts and call options, impairment losses recognized on financial assets, unwinding of the discount on provisions.

Finance costs

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

4.6. Review of the Company's financial situation

The following review of results for twelve-month period ended December 31, 2019 was prepared based on the financial statements for the twelve-month period ended December 31, 2019, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analysis.

All financial data presented in this chapter below are expressed in millions of PLN.

Starting from January 1, 2019, the Company is obligated to apply IFRS 16 *Leases*. The implementation of IFRS 16 results in a decrease of rental costs (included previously mainly in the items *Technical costs and cost of settlements with telecommunication operators* and *Other costs*) which leads to an increase of EBITDA and of depreciation, a change in profit/(loss) from investment activities, net, as well as an increase of total assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) and an increase of net debt. The Company has decided to apply IFRS 16 retrospectively without restating the comparative figures for 2018. The impact from the implementation of IFRS 16 on the financial results for the twelve months ended December 31, 2019 is presented in Note 5 to the Company's financial statements for the financial year ended December 31, 2019.

It should be noted that data for the financial year ended December 31, 2019 are not fully comparable to data for the financial year ended December 31, 2018 due to the implementation from January 1, 2019 of IFRS 16, merger of the Company with Eileme 1 AB (publ) on April 28, 2018 and the merger of the Company with Cyfrowy Polsat Trade Marks Sp. z o.o. on November 30, 2018.

4.6.1. Income statement analysis

[mPLN]	for the 12 month period ended December 31		change	
	2019 *data in accordance with IFRS 16*	2018 *data in accordance with IAS 17*	[mPLN]	[%]
Revenue	2,378.8	2,354.5	24.3	1.0%
Operating costs	(1,948.5)	(1,978.5)	30.0	(1.5%)
Other operating income, net	2.2	6.4	(4.2)	(65.6%)
Profit from operating activities	**432.5**	**382.4**	**50.1**	**13.1%**
Gain on investment activities, net	358.8	282.6	76.2	27.0%
Finance costs, net	(89.8)	(80.1)	(9.7)	12.1%
Gross profit for the period	**701.5**	**584.9**	**116.6**	**19.9%**
Income tax	(114.7)	(96.4)	(18.3)	19.0%
Net profit for the period	**586.8**	**488.5**	**98.3**	**20.1%**
EBITDA	***609.3***	***576.6***	***32.7***	***5.7%***
EBITDA margin	***25.6%***	***24.5%***	***-***	***-***

Revenue

Our total revenue increased by PLN 24.3 million, or 1.0%, to PLN 2,378.8 million in 2019, from PLN 2,354.5 million in 2018. The increase in revenue was triggered by factors described below.

[mPLN]	for the 12 month period ended December 31		change	
	2019 *data in accordance with IFRS 16*	2018 *data in accordance with IAS 17*	[mPLN]	[%]
Retail revenue	2,190.4	2,175.8	14.6	0.7%
Wholesale revenue	101.0	98.8	2.2	2.2%
Sale of equipment	22.2	29.5	(7.3)	(24.7%)
Other revenue	65.2	50.4	14.8	29.4%
Revenue	**2,378.8**	**2,354.5**	**24.3**	**1.0%**

Retail revenue

Retail revenue increased by PLN 14.6 million, or 0.7%, to PLN 2,190.4 million in 2019, from PLN 2,175.8 million in 2018. The driver behind this growth was higher revenue from pay TV services, resulting from the migration of customers to higher packages, as well as the growing number of provided services, in particular Multiroom and paid OTT services.

Wholesale revenue

Wholesale revenue increased by PLN 2.2 million, or 2.2%, to PLN 101.0 million in 2019 from PLN 98.8 million in 2018. The increase of wholesale revenue was triggered primarily by higher revenue from the sale of licenses, sublicenses and property rights.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 7.3 million, or 24.7%, to PLN 22.2 million in 2019 from PLN 29.5 million in 2018, which was primarily due to lower sales volumes of end-user devices, which was also reflected in the lower cost of equipment sold.

Other revenue

Other revenue increased by PLN 14.8 million, or 29.4%, to PLN 65.2 million in 2019 compared to PLN 50.4 million in 2018, primarily due to the recognition of higher revenues from the provision of services to other companies of Polsat Group following the centralization of selected back-office tasks in the Group.

Operating costs

Our operating costs decreased by PLN 30.0 million, or 1.5%, to PLN 1,948.5 million in 2019 from PLN 1,978.5 million in 2018. Operating costs increased for the reasons set forth below.

[mPLN]	for the 12 month period ended December 31		change	
	2019 *data in accordance with IFRS 16*	2018 *data in accordance with IAS 17*	[mPLN]	[%]
Content costs	727.1	628.9	98.2	15.6%
Technical costs and cost of settlements with telecommunication operators	488.6	565.9	(77.3)	(13.7%)
Distribution, marketing, customer relation management and retention costs	341.0	311.1	29.9	9.6%
Depreciation, amortization, impairment and liquidation	176.8	194.2	(17.4)	(9.0%)
Salaries and employee-related costs	121.7	119.2	2.5	2.1%
Cost of equipment sold	21.2	30.6	(9.4)	(30.7%)
Cost of debt collection services and bad debt allowance and receivables written off	11.8	9.9	1.9	19.2%
Other costs	60.3	118.7	(58.4)	(49.2%)
Operating costs	**1,948.5**	**1,978.5**	**(30.0)**	**(1.5%)**

Content costs

Content costs increased by PLN 98.2 million, or 15.6%, to PLN 727.1 million in 2019 from PLN 628.9 million in 2018. This increase was mostly the result of higher programming license costs due to the acquisition of broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels, airing the PKO BP Ekstraklasa football matches, and the Polsat Sport Premium channels, airing, among others, the football games of the UEFA Champions League and the UEFA Europa League as well as the migration of our customers to higher pay TV packages.

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators decreased by PLN 77.3 million, or 13.7%, to PLN 488.6 million in 2019 from PLN 565.9 million in of 2018, mainly due to the renegotiated terms of the wholesale traffic purchase from our subsidiary Polkomtel.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 29.9 million, or 9.6%, to PLN 341.0 million in 2019 as compared to PLN 311.1 million in 2018, mainly due to higher sales commissions.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs decreased by PLN 17.4 million, or 9.0%, to PLN 176.8 million in 2019 from PLN 194.2 million in 2018, among others as the result of lower costs of depreciation of equipment leased to the customers of our satellite platform.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 2.5 million, or 2.1%, to PLN 121.7 million in 2019 from PLN 119.2 million in 2018.

Cost of equipment sold

The cost of equipment sold decreased by PLN 9.4 million, or 30.7%, to PLN 21.2 million in 2019 from PLN 30.6 million in 2018, as a consequence of lower sales volumes of end-user devices.

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

Cost of debt collection services and bad debt allowance and receivables written off increased by PLN 1.9 million, or 19.2%, to PLN 11.8 million in 2019 from PLN 9.9 million in 2018.

Other costs

Other costs decreased by PLN 58.4 million, or 49.2%, to PLN 60.3 million in 2019 from PLN 118.7 million in 2018.

Other operating income, net

Other operating income, net amounted to PLN 2.2 million in 2019 as compared to PLN 6.4 million in 2018.

Gain on investment activities, net

Gain on investment activities, net amounted to PLN 358.8 million in 2019 and increased by PLN 76.2 million, or 27.0%, compared to gain on investment activities, net of PLN 282.6 million in 2018. This was mainly the effect of higher dividends received from the subsidiaries.

Finance costs, net

Finance costs, net amounted to PLN 89.8 million in 2019 and increased by PLN 9.7 million, or 12.1%, compared to PLN 80.1 million in 2018. Higher finance costs, net in 2019 were impacted by a one-time item related to the decision on choosing and paying a flat-rate tax on interest or discount on bonds, which was recognized in the second quarter of 2019. In turn, lower finance costs, net in the corresponding period, i.e., in 2018, was due to a one-time non-cash item related to the renegotiations of the terms and conditions of the Combined SFA in the first quarter of 2018 which resulted, among others, in extending both the agreement's term and the amortization period of costs of acquired financing.

Income tax

Income tax amounted to PLN 114.7 million in 2019 and increased by PLN 18.3 million, or 19.0%, compared to PLN 96.4 million in 2018.

Net profit

As a result of changes mentioned above net profit of the Company increased by PLN 98.3 million, or 20.1%, to PLN 586.8 million in 2019 from PLN 488.5 million in 2018.

EBITDA & EBITDA margin

EBITDA increased by PLN 32.7 million, or 5.7%, to PLN 609.3 million in 2019 from PLN 576.6 million in 2018. EBITDA margin increased by 1.1 p.p. to 25.6% in 2019 from 24.5% in 2018.

Employment

The average employment of permanent workers not engaged in production in the Company, excluding workers who did not perform work in the reporting period due to long-term absences, amounted to 789 full-time equivalents (FTE) in 2019, i.e., increased by 28 FTE or 3.7%, compared to 761 FTE in 2018.

4.6.2. Balance sheet analysis

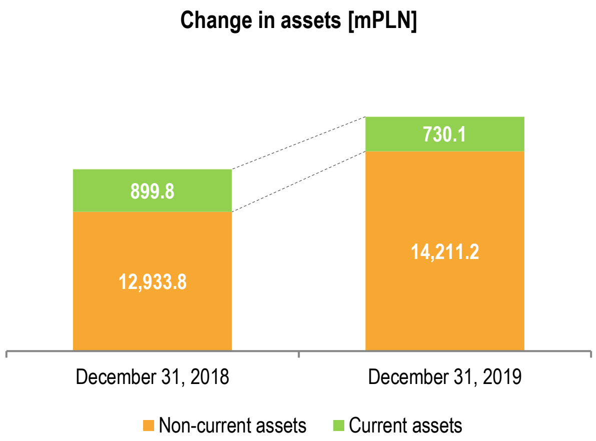
As at December 31, 2019 our balance sheet amounted to PLN 14,941.3 million and increased by PLN 1,107.7 million, or 8.0%, from PLN 13,833.6 million as at December 31, 2018.

Assets

[mPLN]	December 31, 2019 *data in accordance with IFRS 16*	December 31, 2018 *data in accordance with IAS 17*	Change	
			[mPLN]	[%]
Reception equipment	306.4	299.1	7.3	2.4%
Other property, plant and equipment	113.3	116.4	(3.1)	(2.7%)
Goodwill	197.0	197.0	-	-
Brands	7.8	7.8	-	-
Other intangible assets	63.4	63.1	0.3	0.5%
Right-of-use assets	26.4	-	26.4	n/a
Investment property	38.5	40.5	(2.0)	(4.9%)
Shares in subsidiaries and associates	13,404.5	12,151.8	1,252.7	10.3%
includes shares in associate	*1,248.8*	*4.5*	*1,244.3*	*>100%*
Non-current deferred distribution fees	32.4	34.4	(2.0)	(5.8%)
Other non-current assets, includes:	21.5	23.7	(2.2)	(9.3%)
includes derivative instruments	*0.3*	-	*0.3*	n/a
Total non-current assets	**14,211.2**	**12,933.8**	**1,277.4**	**9.9%**
Contract assets	200.8	179.7	21.1	11.7%
Inventories	80.5	130.2	(49.7)	(38.2%)
Trade and other receivables	137.0	149.6	(12.6)	(8.4%)
Income tax receivables	0.3	0.3	-	-
Current deferred distribution fees	66.0	75.9	(9.9)	(13.0%)
Other current assets	103.4	105.8	(2.4)	(2.3%)
includes derivative instruments	*0.1*	-	*0.1*	*n/a*
Cash and cash equivalents	142.1	258.3	(116.2)	(45.0%)
Total current assets	**730.1**	**899.8**	**(169.7)**	**(18.9%)**
Total assets	**14,941.3**	**13,833.6**	**1,107.7**	**8.0%**

As at December 31, 2019 and December 31, 2018, our non-current assets amounted to PLN 14,211.2 million and PLN 12,933.8 million, respectively, and accounted for 95.1% and 93.5% of total assets, respectively.

As at December 31, 2019 and December 31, 2018, our current assets amounted to PLN 730.1 million and PLN 899.8 million, respectively, and accounted for 4.9% and 6.5% of the total assets, respectively.



The value of reception equipment amounted to PLN 306.4 million as at December 31, 2019, representing an increase of PLN 7.3 million, or 2.4%, from PLN 299.1 million as at December 31, 2018.

The value of other property, plant and equipment decreased by PLN 3.1 million, or 2.7%, to PLN 113.3 million as at December 31, 2019 compared to PLN 116.4 million as at December 31, 2018.

The value of goodwill remained unchanged and amounted to PLN 197.0 million both as at December 31, 2019 and as at December 31, 2018.

As at December 31, 2019, the value of brands was PLN 7.8 million and remained unchanged compared to December 31, 2018.

The value of other intangible assets amounted to PLN 63.4 million as at December 31, 2019 and remained at similar level compared to PLN 63.1million as at December 31, 2018.

The value of right-of-use assets amounted to PLN 26.4 million as at December 31, 2019. This item was recognized for the first time as at January 1, 2019 as a result of applying IFRS 16 which introduced a single, on-balance sheet lease accounting model for lessees.

Investment property decreased by PLN 2.0 million, or 4.9%, to PLN 38.5 million as at December 31, 2019 compared to PLN 40.5 million as at December 31, 2018.

The value of shares in subsidiaries and associates amounted to PLN 13,404.5 million as at December 31, 2019 and increased by PLN 1,252.7 million, or 10.3%, from PLN 12,151.8 million as at December 31, 2018, mainly as a result of the acquisition of the 22.73% stake of shares in Asseco Poland S.A.

The value of non-current and current deferred distribution fees decreased by PLN 11.9 million, or 10.8%, to PLN 98.4 million as at December 31, 2019 compared to PLN 110.3 million as at December 31, 2018.

The value of other non-current assets amounted to PLN 21.5 million as at December 31, 2019 and decreased by PLN 2.2 million, or 9.3%, compared to PLN 23.7 million as at December 31, 2018 on lower non-current trade receivables.

The value of contract assets amounted to PLN 200.8 million as at December 31, 2019 and increased by PLN 21.1 million, or 11.7%, compared to PLN 179.7 million as at December 31, 2018. This item represents the Group's right to future remuneration for the products and services provided to the customer.

The value of inventories decreased by PLN 49.7 million, or 38.2%, to PLN 80.5 million as at December 31, 2019 from PLN 130.2 million as at December 31, 2018. Lower value of inventories was mostly due to the lower level of inventories of end-user equipment.

The value of trade and other receivables amounted to PLN 137.0 million as at December 31, 2019 and decreased by PLN 12.6 million, or 8.4%, from PLN 149.6 million as at December 31, 2018.

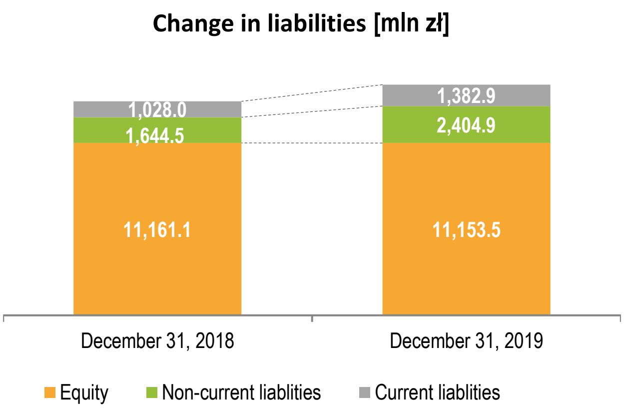
The value of income tax receivables amounted to PLN 0.3 million as at December 31, 2019 and remained at the same level as at December 31, 2018.

The value of other current assets amounted to PLN 103.4 million as at December 31, 2019 and decreased by PLN 2.4 million, or 2.3%, compared to PLN 105.8 million as at December 31, 2018.

The value of cash and cash equivalents and restricted cash decreased by PLN 116.2 million to PLN 142.1 million as at December 31, 2019 compared to PLN 258.3 million as at December 31, 2018.

Equity and liabilities

[mPLN]	December 31, 2019 *data in accordance with IFRS 16*	December 31, 2018 *data in accordance with IAS 17*	Change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	(0.2)	(0.6)	0.4	(66.7%)
Retained earnings	3,954.1	3,962.1	(8.0)	(0.2%)
Total equity	**11,153.5**	**11,161.1**	**(7.6)**	**(0.1%)**
Loans and borrowings	1,330.4	572.4	758.0	>100%
Issued bonds	969.2	976.0	(6.8)	(0.7%)
Lease liabilities	22.8	1.0	21.8	>100%
Deferred tax liabilities	81.2	93.5	(12.3)	(13.2%)
Other non-current liabilities and provisions	1.3	1.6	(0.3)	(18.8%)
includes derivative instruments liabilities	-	*0.1*	*(0.1)*	*(100.0%)*
Total non-current liabilities	**2,404.9**	**1,644.5**	**760.4**	**46.2%**
Loans and borrowings	662.9	386.2	276.7	71.6%
Issued bonds	34.8	42.3	(7.5)	(17.7%)
Lease liabilities	3.8	0.2	3.6	>100%
Contract liabilities	247.2	237.1	10.1	4.3%
Trade and other payables	384.4	312.9	71.5	22.9%
includes derivative instruments liabilities	*0.2*	*0.7*	*(0.5)*	*(71.4%)*
Income tax liability	46.6	46.5	0.1	0.2%
Deposits for equipment	3.2	2.8	0.4	14.3%
Total current liabilities	**1,382.9**	**1,028.0**	**354.9**	**34.5%**
Total liabilities	**3,787.8**	**2,672.5**	**1,115.3**	**41.7%**
Total equity and liabilities	**14,941.3**	**13,833.6**	**1,107.7**	**8.0%**



Equity amounted to PLN 11,153.5 million as at December 31, 2019 and remained at similar level compared to PLN 11,161.1 million as at December 31, 2018.

As at December 31, 2019 and December 31, 2018 the value of our non-current liabilities amounted to PLN 2,404.9 million and PLN 1.644,5 million, which constituted 63.5% and 61.5% of the Company's total liabilities, respectively.

As at December 31, 2019 and December 31, 2018 the value of our current liabilities amounted to PLN 1,382.9 million and PLN 1,028.0 million, which constituted 36.5% and 38.5% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) increased by PLN 1,034.7 million, or 107.9%, to PLN 1,993.3 million as at December 31, 2019 from PLN 958.6 million as at December 31, 2018, which was mainly a result of the acquisition of the additional credit facility in the amounts of PLN 1,000.0 million in the fourth quarter of 2019 and higher amounts used under the Revolving Facility Loan, which offset a decrease in liabilities associated with the repayment of installments under the Combined SFA made during 2019.

Senior Notes liabilities (short- and long-term) decreased by PLN 14.3 million, or 1.4%, to PLN 1,004.0 million as at December 31, 2019 from PLN 1,018.3 million as at December 31, 2018 following the successful refinancing of Series A Bonds performed in 2019.

Lease liabilities (short- and long-term) amounted to PLN 26.6 million as at December 31, 2019 as compared to PLN 1.2 million as at December 31, 2018. The increase was mainly due to the implementation of IFRS 16 as of January 1, 2018.

Deferred income tax liabilities decreased by PLN 12.3 million, or 13.2%, to PLN 81.2 million as at December 31, 2019 from PLN 93.5 million as at December 31, 2018.

The value of other non-current liabilities and provisions amounted to PLN 1.3 million as at December 31, 2019 compared to PLN 1.6 million as at December 31, 2018.

The value of contract liabilities amounted to PLN 247.2 million as at December 31, 2019 and increased by PLN 10.1 million, or 4.3%, from PLN 237.1 million as at December 31, 2018.

The value of trade and other payables amounted to PLN 384.4 million as at December 31, 2019 which constitutes an increase by PLN 71.5 million, or 22.9%, compared to PLN 312.9 million as at December 31, 2018. The increase was driven primarily by higher accruals on costs.

Income tax liabilities amounted to PLN 46.6 million as at December 31, 2019 as compared to PLN 46.5 million as at December 31, 2018.

The value of deposits for equipment amounted to PLN 3.2 million as at December 31, 2019 and remained at similar level as compared to PLN 2.8 million as at December 31, 2018.

4.6.3. Cash flow analysis

The table below presents selected data from the Company's cash flow statement for the twelve-month periods ended December 31, 2019 and December 31, 2018.

[mPLN]	for twelve months ended December 31		change	
	2019 *(data in accordance with IFRS 16)*	2018 *(data in accordance with IAS 17)*	[mPLN]	[%]
Net profit	586.8	488.5	98.3	*20.1%*
Net cash from operating activities	462.3	350.8	111.5	31.8%
Net cash used in investing activities	(910.7)	(87.5)	(823.2)	>100%
Capital expenditures	*(26.2)*	*(38.5)*	*12.3*	*31.9%*
Net cash from/(used in) financing activities	332.3	(34.9)	367.2	>100%
Net increase/(decrease) in cash and cash equivalents	(116.1)	228.4	(344.5)	(>100%)
Cash and cash equivalents at the beginning of the period	258.3	29.5	228.8	>100%
Cash and cash equivalents at the end of the period	142.1	258.3	(116.2)	(45.0%)

Net cash from operating activities

Net cash from operating activities amounted to PLN 462.3 million in 2019 and increased by PLN 111.5 million, or 31.8%, compared to net cash from operating activities in the amount of PLN 350.8 million in 2018. The increase in net cash from operating activities is mainly a result of higher EBITDA, due to the favorable impact of the implementation of IFRS 16, lower level of inventories as well as higher liabilities and provisions. The above mentioned factors compensated for the negative impact from higher expenses for net additions of reception equipment and higher amount of the paid income tax.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 910.7 million in 2019 and increased by PLN 823.2 million compared to PLN 87.5 million used in 2018. The most important factor which impacted in 2019 the above mentioned change in net cash used in investing activities was the effect of the acquisition of shares in subsidiaries and associates, which was higher by PLN 594.3 million primarily due to the acquisition of shares in Asseco Poland S.A. In parallel, in 2019 the positive effect from the Company's mergers with subsidiaries was not recognized while the amount of received dividends increased by PLN 84.1 million.

In 2019, the Company's capital expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 26.2 million, which constitutes a decrease by PLN 12.3 million, or 31.9%, compared to PLN 38.5 million in 2018. In 2019 the expenditures included, among others, the purchase of equipment and systems for the purpose of developing our services, including OTT services, and the modernization of our broadcasting infrastructure while in 2018 were additionally incurring expenses for the construction of our new studio designed to broadcast the UEFA Champions League and the UEFA Europa League football games.

Net cash from/(used in) finance activities

Net cash from financing activities amounted to PLN 332.3 million in 2019 as compared to PLN 34.9 million of chased used in 2018. In 2019 we acquired additional debt financing in the amount of PLN 1,000.0 million (Tranche B) and increased our indebtedness within the Revolving Facility Loan. Our cash expenses included the scheduled repayments of our debt from the Combined SFA, servicing interest on our debt and the PLN 594.8 million dividend payout to our shareholders.

4.6.4. Liquidity and capital resources

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

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

Given the specific nature and construction of the Combined SFA, to which the Company has access as part of Polsat Group, it is not justifiable to consider the Company's indebtedness from a stand-alone point of view. Consequently, the descriptions and information below relate to the indebtedness of the Capital Group, but we indicated, where possible, the information that related directly to the Company.

The table below presents a summary of the indebtedness of the Group as at December 31, 2019.

	Balance value as at December 31, 2019 [mPLN] *(excluding IFRS 16, in accordance with the requirements of the Combined SFA)*	Balance value as at December 31, 2019 [mPLN] *(including IFRS 16)*	Coupon / interest / discount	Maturity date
Combined SFA (Tranche A and B)	9,603.9	9,603.9	WIBOR + margin	Tranche A - 2022 Tranche B - 2023
Revolving Credit Facility (RCF)	900.0	900.0	WIBOR + margin	-
Series B Bonds	1,004.0	1,004.0	WIBOR + 1.75%	2026
Leasing and other	27.9	1,442.9	-	-
Gross debt	**11,535.8**	**12,950.8**	-	-
Cash and cash equivalents[1]	(753.1)	(753.1)	-	-
Net debt	**10,782.7**	**12,197.7**	-	-
EBITDA LTM	3,721.3 [2)]	4,196.7	-	-
Total net debt / EBITDA LTM	**2.90x**	**2.91x**	-	-
Weighted average interest cost[3]	3.3%	3.3%	-	-

1 This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.

2 In accordance with the requirements of the Combined SFA, the calculation excludes the impact from the implementation of IFRS 16 binding as of January 1, 2019. The exclusion concerns both the calculation of EBITDA LTM and the calculation of debt.

3 Prospective average weighted interest cost of the Combined SFA (including the Revolving Credit Facility) and the Series B Bonds, excluding hedging instruments, as at December 31, 2019 assuming WIBOR 1M of 1.63% and WIBOR 6M of 1.79%.

As a result of the conclusion on March 2, 2018 of the Second Amendment and Restatement Deed to the Combined SFA, 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 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 in 2018. In turn, the repayment schedule provides for making equal periodic repayments of Tranche A of the Term Loan in the years 2019-2021 in the amount of PLN 254.4 million per quarter (PLN 1,017.6 million per year).

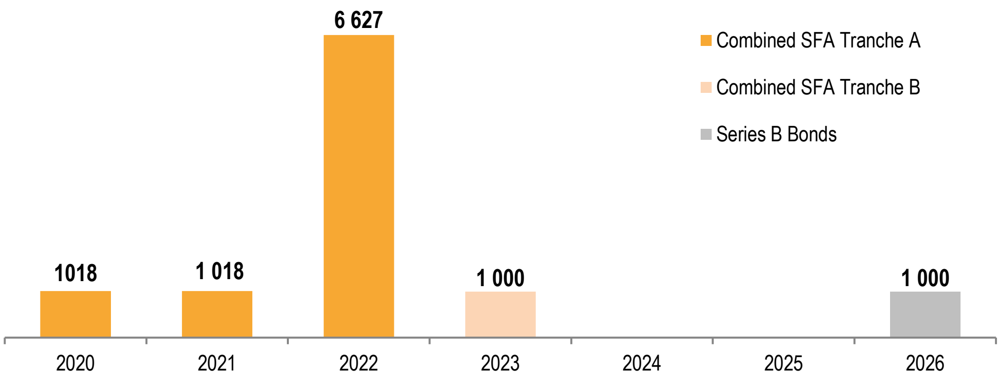
On November 27, 2019, the Company obtained an additional term facility under the Combined SFA in the amount of PLN 1,000.0 million ("Tranche B of the Term Loan"). Tranche B of the Term Loan will be repaid in one bullet installment on March 31, 2023.

On April 26, 2019, the Company issued 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 ("Series B Bonds"). Proceeds from the issuance of Series B Bonds were used to prematurely redeem Series A Bonds.

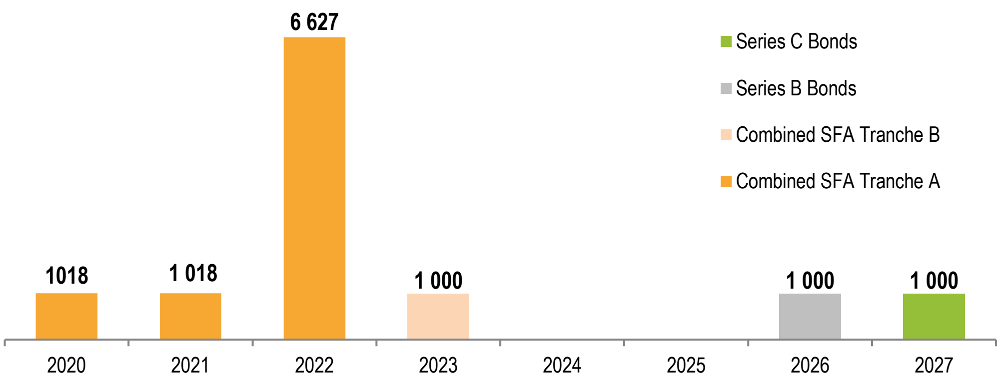
After the balance sheet date, on February 14, 2020, the Company issued 1,000,000 unsecured series C bearer bonds with a nominal value of PLN 1,000.0 each and a total nominal value of PLN 1,000.0 million, maturing on February 12, 2027 ("Series C Bonds"). Series C Bonds constitute so called green bonds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

The graphs below present 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, 2019 and March 11, 2020, i.e. the date of approval of this Report.

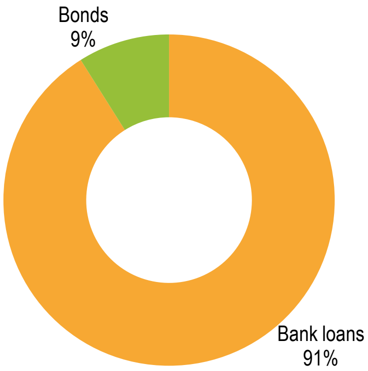
Debt maturing profile as at December 31, 2019 [mPLN]



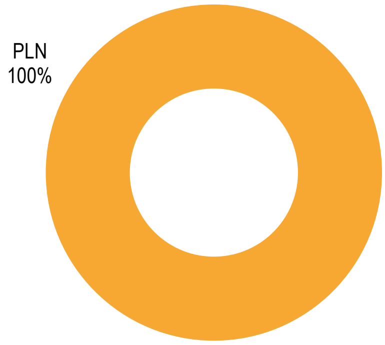
Debt maturing profile as at March 11, 2020 [mPLN]



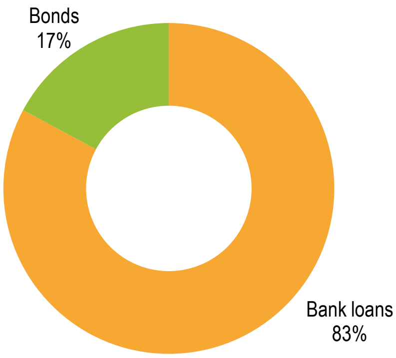
Debt strucutre by instrument type as at December 31, 2019



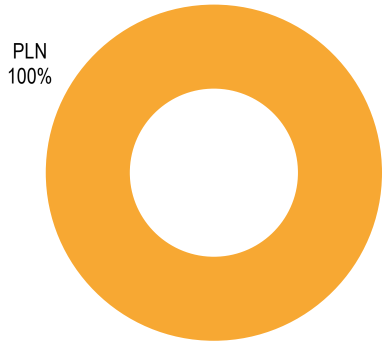
Debt structure by currency as at December 31, 2019



Debt strucutre by instrument type as at March 11, 2020



Debt structure by currency as at March 11, 2020



In order to reduce exposure to interest rate risk related to interest payments on the Combined SFA, as amended, based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular.

Material financing agreements executed by the Group

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.

Combined 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.

Moreover, 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 Combined 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.

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 when 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, whereby the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the Combined 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 Combined SFA the final repayment date for Tranche A of the Term Facility and the RCF is September 30, 2022.

Pursuant to the Combined 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 4.6.5. of this Report – *Operating and financial review of the Company – Review of our financial situation - Information on guarantees granted by the Company or subsidiaries.*

Pursuant to the provisions of the Combined SFA when the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 3.00:1, the Company will have a right to demand that the collaterals for the Combined Senior Facilities Agreement be released (save for guarantees granted on the basis of the Combined SFA). However, such released collateral will need to be re-established if the net consolidated indebtedness to consolidated EBITDA ratio again rises above 3.00:1. 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 Combined Senior Facilities Agreement).

Furthermore, in accordance with the provisions of the Combined 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 Combined SFA, certain members of the Group are to grant guarantees under the English law to each of the financing parties under the Combined 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 Combined SFA or other finance documents executed in relation thereto. The guarantees secure:

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

(ii) a payment of amounts due under the Combined 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 Combined 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.

Furthermore, in the aforesaid resolution the Management Board of Netia resolved: (i) to amend the conditions of the previously binding credit facility agreement in a way that the repayment of the indebtedness totaling PLN 200.0 million was made in a single payment on July 26, 2018 and (ii) to terminate the financing agreement signed with the European Investment Bank.

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. Such an instrument has been provisioned for in the Second Amendment and Restatement Deed mentioned above. 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 when 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. Tranche B of the Term Loan will be repaid in one bullet installment on the final repayment date which falls to March 31, 2023. 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.

Contractual obligations

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on property construction and improvements was PLN 1.2 million as at December 31, 2019 (PLN 2.5 million as at December 31, 2018). The amount of deliveries and services committed to under agreements for the purchases of licenses and software as at December 31, 2019 was PLN 0.3 million (PLN 0.3 million as at December 31, 2018).

Future contractual obligations

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

[mPLN]	1 year and less	1 to 5 years	Above 5 years	Total
Transponder capacity	102.4	452.1	113.0	**667.5**

Future payments for transponder capacity amounted to PLN 769.8 million as at December 31, 2018.

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	Update
Moody's Investor Service	Ba1 / stable	Ba2 / positive	11.06.2019
S&P Global Ratings	BB+ / positive	BB+ / stable	18.12.2018

On June 11, 2019 Moody's Investors Service ("Moody's") upgraded the corporate family rating ("CFR") of the Group from Ba2 to Ba1, changing the rating outlook from positive to stable. In its justification Moody's stated that the rating upgrade reflects in particular: (1) the strengthening of the Group's key credit metrics over the last two years; (2) its market leading positions in pay TV, online video, and fixed and mobile telephony and broadband services; (3) the benefits of being an integrated media and telecommunications group with a fully convergent commercial proposition; (4) its public commitment to reach a net debt/EBITDA leverage of 1.75x over the medium term; and (5) strong and stable free cash flow generation. Moreover, the

Group's credit rating also reflects: (1) a stable operational performance despite strong GDP growth in Poland amid market dynamics that are more challenging in the mobile telecom segment than in the pay TV market; (2) the expectation of a resumption in dividends this year; (3) the Group's concentration in Poland, a very competitive market; and (4) Moody's expectation of a slowdown in GDP growth in 2019 and 2020 coupled with rising cost inflation. 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 current financial policy that targets net debt/EBITDA of 1.75x. 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 levels of indicators defined by Moody's.

On December 18, 2018, S&P affirmed the Group's rating at BB+ revising the outlook from stable to positive. In the rationale S&P stated that upward revision of the rating outlook reflects in particular its opinion that the Group has potential and willingness to deleverage to below 3.0x (S&P adjusted) by 2019 supported by the expectation of organic revenue growth and the consolidation of Netia Group. S&P anticipates the Group's organic revenue growth in 2019 given: (i) the expansion in its premium sports content in the pay TV segment, (ii) the increase in advertising revenues, and (iii) revenue stabilization in the mobile segment. In S&P's view, the addition of Netia further strengthens the Group's position as the Polish telecom operator providing a full-scope convergent offering. Concurrently, S&P expects the Group to maintain reported free operating cash flow (FOCF) of about PLN 1.5 billion, despite temporary higher investments to upgrade Netia's access network. S&P may raise the rating of the Group by one notch over the next 12 months if, as a result of a modest growth in revenues and EBITDA, the Group reduces its adjusted debt to EBITDA below 3.0x coupled with FOCF to debt remaining above 15%. On the other hand, a downward revision of the outlook from positive to stable could result from the Group's maintaining its adjusted debt to EBITDA above 3x, which could stem from a lack of return to organic revenue growth, higher-than-expected investments needed to upgrade Netia's network, or higher-than-expected shareholder returns.

4.6.5. Information on guarantees granted by the Company or subsidiaries

Securities related to the Combined Senior Facilities Agreement

In order to secure the repayment of claims under the Combined 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, Aero2, 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 236,946,700), Polkomtel (with a total nominal value of PLN 2,360,069,800) and Aero2 (with a total nominal value of PLN 91,958,700), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies. the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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, Aero2 and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o)., governed by Polish law.

(vii) 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., Aero2, Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) and Plus Flota Sp. z o.o., governed by Polish law.

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

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

(x) 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.

(xi) 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.

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

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

(xiv) 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.

(xv) 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.

(xvi) 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.

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

(xviii) 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.

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

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

(xxi) statements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel, Aero2 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

(xxii) 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 concluded in the financial year ended December 31, 2019 by us or our subsidiaries with entities related to the Company have all been concluded on market conditions and are described in Note 38 of the financial statements for the financial year ended December 31, 2019.

5.2. Information on loans granted

Information on loans granted is presented in Note 35 of the financial statements for the financial year ended December 31, 2019.

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

Cyfrowy Polsat had not published any financial forecasts.

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

Management believes that the provisions for litigations as at December 31, 2019 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

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

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

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

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

Other proceedings

On April 28, 2017, the 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 in entirety. 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.

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 rebroadcast 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.

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

There were no changes to the principle rules of management of our Company in the year 2019.

5.6. 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.

5.7. Disclosure of non-financial information

On March 11, 2019, the Company approved for publication, as a separate document, the "Report of Cyfrowy Polsat Group on non-financial information for the year 2019", which comprehensively addresses key non-financial issues for both the Group and Cyfrowy Polsat, and demonstrates how we aim to achieve our 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 "Report of Cyfrowy Polsat Group on non-financial information for the year 2019" is available on Polsat Group's corporate website at http://www.grupapolsat.pl/en/investor-relations in the tab Results centre/Non-financial reports.

6. RISK FACTORS

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

The performance of our broadcasting and television production operations depends on our customers' satisfaction, the acceptance of our programming content by viewers

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

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

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programs in a cost-effective manner.

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

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

Our performance depends on our ability to acquire attractive television programs. Our pay TV customers' access to television channels depends entirely on our purchase of licenses from TV broadcasters. 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, 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. Our inability to obtain, maintain, or extend important program licenses may make it difficult for us to provide and offer new attractive channels and programs, which may result in losing our ability to acquire and retain customers. This in turn may have a material adverse effect on the results of our operations, financial condition and prospects.

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

We operate an organized and specialized Poland-wide sales network, which distributes the products and services offered by our Company. 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 will 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. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

It is expected that certain communications technologies that are currently under development, including LTE Advanced or 5G, as well as fiber optic technology allowing for faster data transmission at lower unit costs, to become increasingly important in the markets in which we operate. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict how emerging and future technological changes will affect the Company’s 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 plans to cover with its FTTH (Fiber To The Home) network ca. 5 million households by year 2020 and, moreover, a governmental program of construction of broadband fiber optic networks using subsidies from the European Union funds (POPC – Operating Program Digital Poland) is underway. We are not able to guarantee that the demand for our broadband services will be sufficient to reach our revenue targets. Neither can we guarantee that the growing coverage of the less developed areas of Poland with fiber optic technologies giving the end users broader access to video content, will not adversely affect the demand for our pay TV satellite access services.

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

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

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

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

Goodwill and brand values may be impaired

Following the acquisitions made in the past, in particular of Telewizja Polsat, Polkomtel, Netia and Aero2, 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.

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 the manufacturing plant in Mielec which belongs to Interphone Service Sp. z o.o., our subsidiary. Should any batch of the set-top boxes our Group has 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 and lead to erosion of our brand value, which could have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Whether the Company will be able to reap all expected benefits from past or future acquisitions or strategic alliances may depend on various factors, including our ability to implement our strategy of integrating business processes leading to noticeable income and cost synergies on acquisitions or strategic alliances. Through acquisitions or strategic alliances, the scale of our Group 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 Company'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

We use large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat, Polkomtel, Aero2 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 Combined 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 Company'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 Combined 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 Combined 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 Combined SFA we are under the obligation to repay our liabilities. Moreover, if a change of control takes place, our ability to repay our debt will be limited by the level of available funds at the time. There can be no assurance that those funds will be sufficient to repay outstanding debts. In view of the above, we believe that in the case of change of control over the Company, we would require additional external financing in order to repay the debt.

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

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

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

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

Moreover, the worsening of the macroeconomic conditions across the world, as well as possible uncertainty regarding the future economic situation, may have, among others a negative impact on the 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 Company.

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 or Amazon Prime) can be observed on the Polish market recently. We may also assume that new franchises operating in this model with 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.

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

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

Our main competitor on satellite TV market is the Canal+ (previously nc+) platform. To a smaller extent 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.

Losing customers 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 Company is exposed to a number of financial risk factors, including:

- credit risk,
- liquidity risk,
- market risk:
    - currency risk,
    - interest rate risk.

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

The Management Board is responsible for oversight and management of each of the risk factors faced by the Company. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on market, credit and liquidity risk.

Note 35 to the Company's financial statements for the financial year ended December 31, 2019 presents information about the Company's exposure to each of the above risk factors and the Company's objectives, policies and processes for measuring and managing risk as well as for capital management.

Market risk management

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

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

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

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

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

Currency risk

One of the main risks to which we are exposed is the currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by the Company are denominated mainly in Polish zloty, however, a portion of operating costs and capital expenditures are incurred in foreign currencies. The Company's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity agreements (EUR), fees for conditional access system (EUR and USD) and purchases of reception equipment and accessories for reception equipment (USD and EUR).

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

The Company did not have any assets held for trading 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 minimizing scenarios. Based on these analyses, the Company estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from interest payments on floating rate senior facility, the Company stipulated interest rate swaps.

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

Detailed information concerning the Company's exposure to each of the above mentioned risk factors, the Company's objectives, policies and processes for measuring and managing risk are presented in Note 35 to the Company's financial statements for the financial year ended December 31, 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 Company's' tax settlements on non-statute-barred tax liabilities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of the Company. Any unfavorable decisions, interpretations (including changes to any interpretations obtained by the Company) or rulings by tax authorities may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

In particular, as at the date of approval of this Report, the Company is party to certain tax proceedings before Polish tax authorities as well as administrative court proceedings concerning the Company's tax liabilities.

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

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

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

The regulations relevant to the determination of the level of remunerations and labor costs have been recently undergoing profound changes which will affect the level of our costs of employment as well as our ability to employ employees in the future. In particular, on 10 September 2019 the Council of Ministers adopted an ordinance on the minimum salary in 2020, setting it at PLN 2,600, PLN 350 higher than the 2019 level. The minimum salary is expected to grow successively to reach PLN 4,000 in 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.6. Risk factors associated with the Bonds and their introduction to trading on ASO GPW

Risk factors associated with the Bonds and their introduction to trading on ASO GPW have been described in detail in the Information Note on the issuance of Series B Bonds and the Information Note on the issuance of Series C Bonds which are available in Polish on the Company's corporate website at grupapolsat.pl/relacje-inwestorskie/obligacje.

7. CYFROWY POLSAT ON THE CAPITAL MARKET

7.1. Cyfrowy Polsat shares

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

The table below presents the characteristics of the shares issued as of December 31, 2018:

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*.

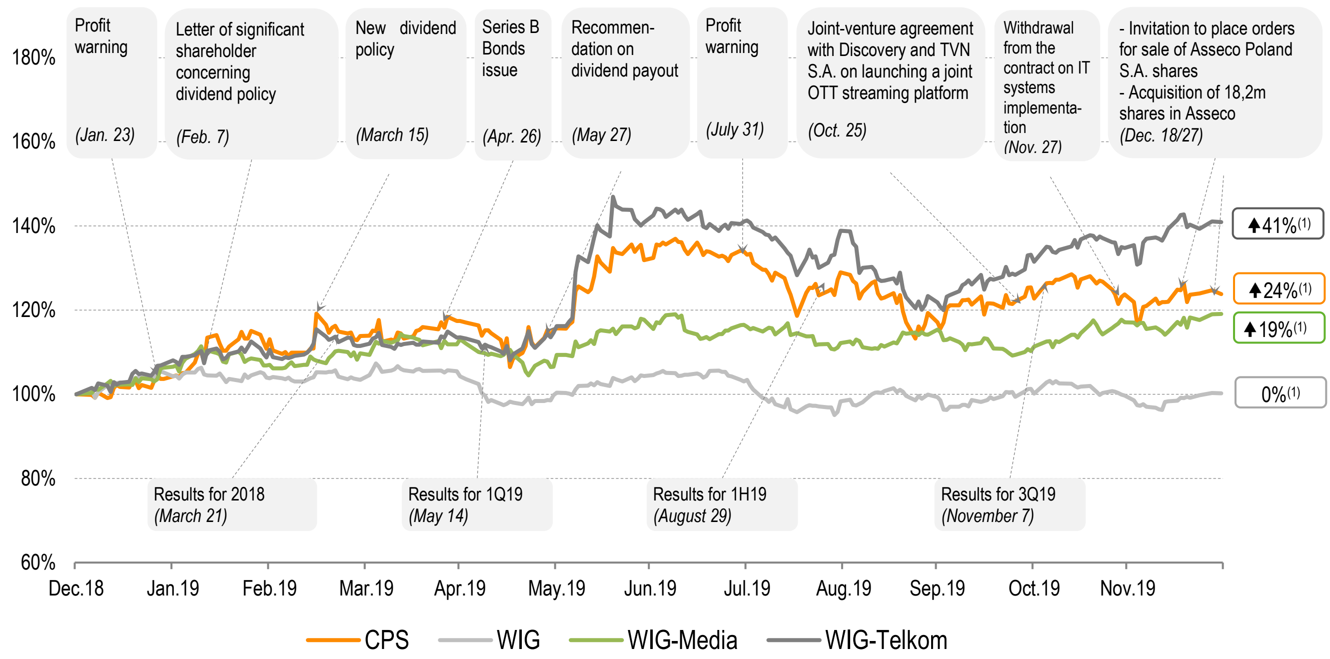
Basic data on the Cyfrowy Polsat shares in trading

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
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 2019

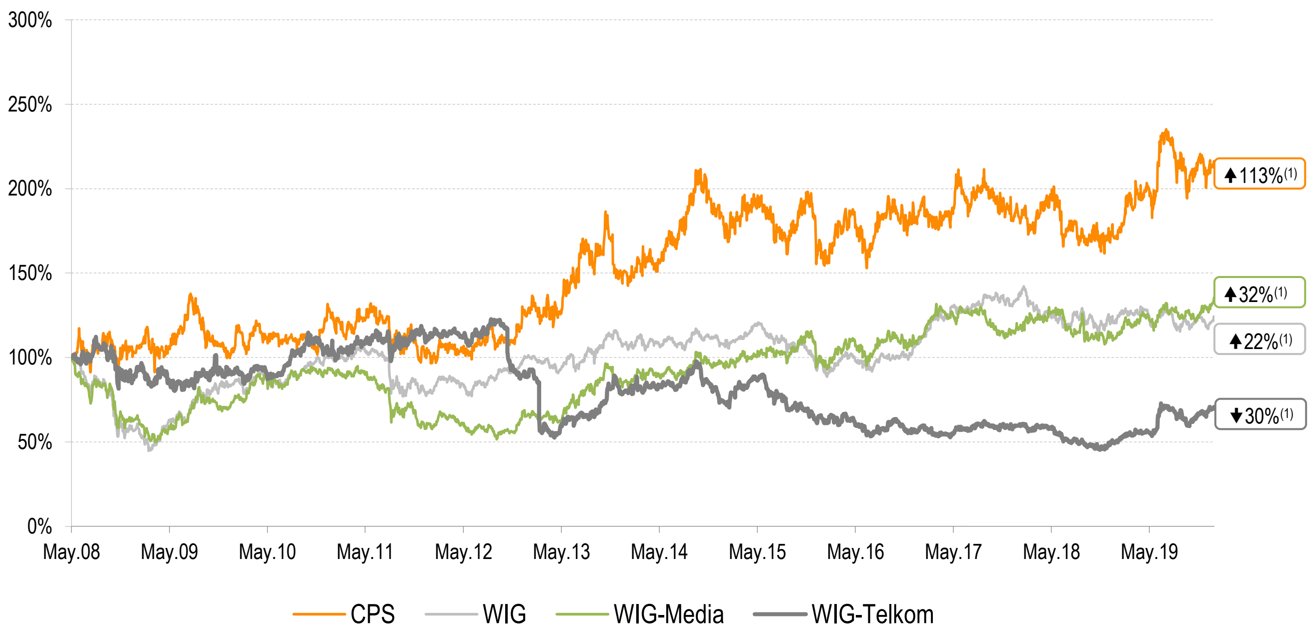
(indexed; 100 = closing price on December 28, 2018)



(1) change December 30, 2019 vs December 28, 2018

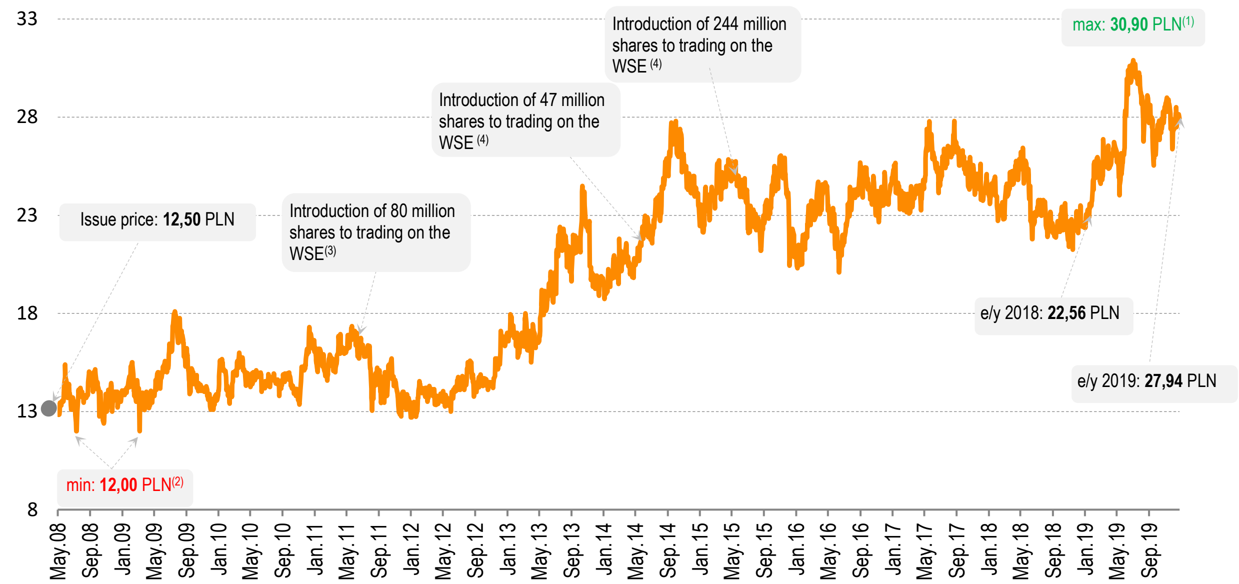
Performance of Cyfrowy Polsat shares since the debut on the WSE in May 2008 until the end of 2019 compared to WSE indexes

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



(1) change December 30, 2019 vs. May 6, 2008

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



(1) Share price on October 6-7, 2014 and August 28, 2017.

(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.

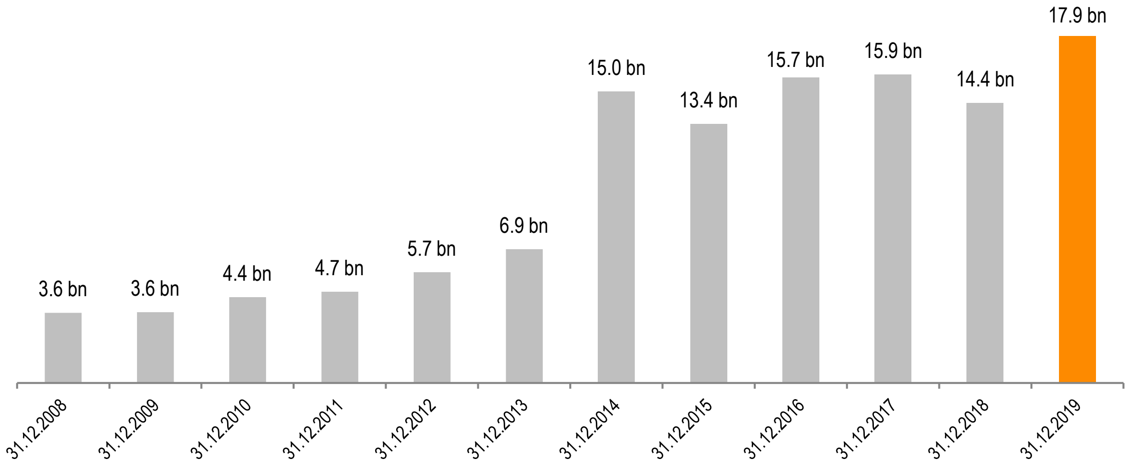
(4) On May 7, 2014 the Company issued 47,260,690 Series I shares and 243,932,490 Series J shares with the nominal value of PLN 0.04 each. On May 14, 2014 these shares were registered in the Central Securities Depository of Poland with ISIN codes PLCFRPT00013 and PLCFRPT00021, respectively. Series I shares 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 2019

		2019	2018
Year-end price	PLN	27.94	22.56
High for the year	PLN	30.90	26.60
Low for the year	PLN	22.36	21.20
Average for the year	PLN	26.99	23.48
Average daily turnover	PLN '000	12,754	12,050
Average daily trading volume	shares	472,005	515,845
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	17,868,916	14,428,158

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

Cyfrowy Polsat is the largest in terms of market capitalization, that amounted to PLN 17.9 billion as of the end of 2019, 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.
- Pekao Investment Banking S.A.

International

- 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 2019

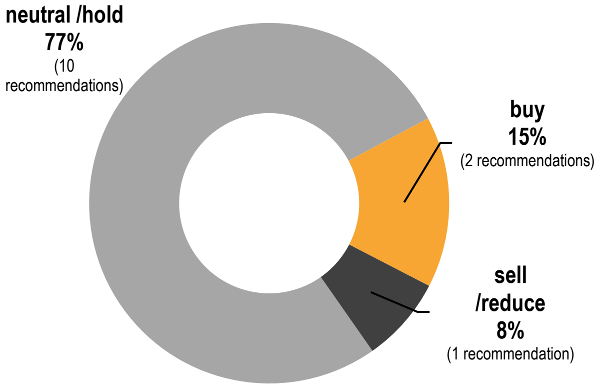
Date	Institution	Recommendation	Target price [PLN]
December 17, 2019	Haitong Bank S.A.	↑ Buy	32.00
December 9, 2019	Trigon Dom Maklerski S.A.	↓ Sell	24.70
December 8, 2019	Dom Maklerski BOŚ S.A	– Hold	25.80
December 4, 2019	Citigroup Global Markets Inc.	– Neutral	30.50
December 3, 2019	Pekao Investment Banking S.A.	– Hold	29.70
November 21, 2019	Santander Biuro Maklerskie	– Hold	29.80
November 14, 2019	Dom Maklerski mBanku S.A	↓ Reduce	26.10
October 18, 2019	Trigon Dom Maklerski S.A.	↓ Sell	24.50
October 10, 2019	Raiffeisen CENTROBANK	– Hold	29.00
October 8, 2019	Pekao Investment Banking S.A.	↑ Buy	30.70

Date	Institution	Recommendation	Target price [PLN]
September 26, 2019	Haitong Bank S.A.	↑ Buy	29.00
August 13, 2019	IPOPEMA Securities S.A.	– Hold	28.10
August 8, 2019	Wood&Co	– Hold	30.50
July 18, 2019	Trigon Dom Maklerski S.A.	↓ Sell	25.70
July 16, 2019	Citigroup Global Markets Inc.	– Neutral	31.00
July 11, 2019	Goldman Sachs	– Neutral	31.50
July 8, 2019	UBS Investment Bank	– Neutral	32.00
June 28, 2019	Trigon Dom Maklerski S.A.	↓ Sell	25.90
June 12, 2019	Goldman Sachs	– Neutral	30.50
June 12, 2019	DM PKO BP S.A	– Hold	29.50
June 11, 2019	Pekao Investment Banking S.A.	↑ Buy	32.60
June 6, 2019	Santander Biuro Maklerskie	– Hold	27.10
June 4,2019	Pekao Investment Banking S.A.	↑ Buy	29.90
May 31, 2019	Dom Maklerski mBanku S.A	↓ Reduce	24.60
May 22,2019	Santander Biuro Maklerskie	– Hold	25.50
May 13, 2019	Goldman Sachs	– Neutral	24.40
April 18, 2019	Trigon Dom Maklerski S.A.	↓ Sell	24.40
April 16, 2019	ERSTE	↑ Buy	31.00
March 22, 2019	Pekao Investment Banking S.A.	↑ Buy	30.30
February 21, 2019	UBS Investment Bank	↑ Buy	30.00
January 23, 2019	ERSTE	↑ Buy	30.00
January 16, 2019	Goldman Sachs	– Neutral	24.50
January 9,2019	IPOPEMA Securities S.A.	↑ Buy	26.20

Recommendations released in 2020 after the reporting period

Date	Institution	Recommendation	Target price [PLN]
March 4, 2020	Biuro Maklerskie mBanku	– Hold	26.10
February 26, 2020	Raiffeisen CENTROBANK	– Hold	30.30
January 29, 2020	Santander Biuro Maklerskie	↑ Buy	30.30
January 24, 2020	Goldman Sachs	↓ Sell	27.70
January 24, 2020	ERSTE	– Hold	30.00

Structure of recommendations as at March 11, 2020



Target price as at March 11, 2020 [PLN]

minimum	25.8
maximum	32.0
average	**29.2**

7.4. 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 the members of the Company's management. Both are open events. In 2019, we attended meetings with approximately 220 representatives of the capital market during nearly 20 conferences and roadshows outside of Poland.

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 do not discuss or meet 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.

In connection with implementation of European Parliament's and Council's Directive 2014/57/UE of 16 April 2014 - the Market Abuse Directive (MAD), as well as European Parliament's and Council's Regulation (EU) no. 596/2014 of 16 April 2014 - the Market Abuse Regulation (MAR), the reporting standards and the information obligations of security issuers have changed fundamentally on the Polish capital market. 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 obligations. We have also adopted the so-called Individual Reporting Standard which supports identification and classification of events as inside information.

In order to reach a wide audience we also use state-of-the-art tool 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. Several times in the past years we were ranked at the top spots of the Best Listed Company of the Year ranking organized by *Puls Biznesu* daily. In 2019, we were distinguished in the Main Ranking which covers over 120 companies from the most important indices of the Warsaw Stock Exchange and ranked No. 2 in the "Investor Relations" category. Furthermore, the competencies of our Management Board were also highly rated. In March 2019, Cyfrowy Polsat was announced the winner of the investor relations survey among WIG30 companies, organized by the daily *Parkiet* and the Chamber of Brokerage Houses in the poll of representatives of financial institutions.

7.5. 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.

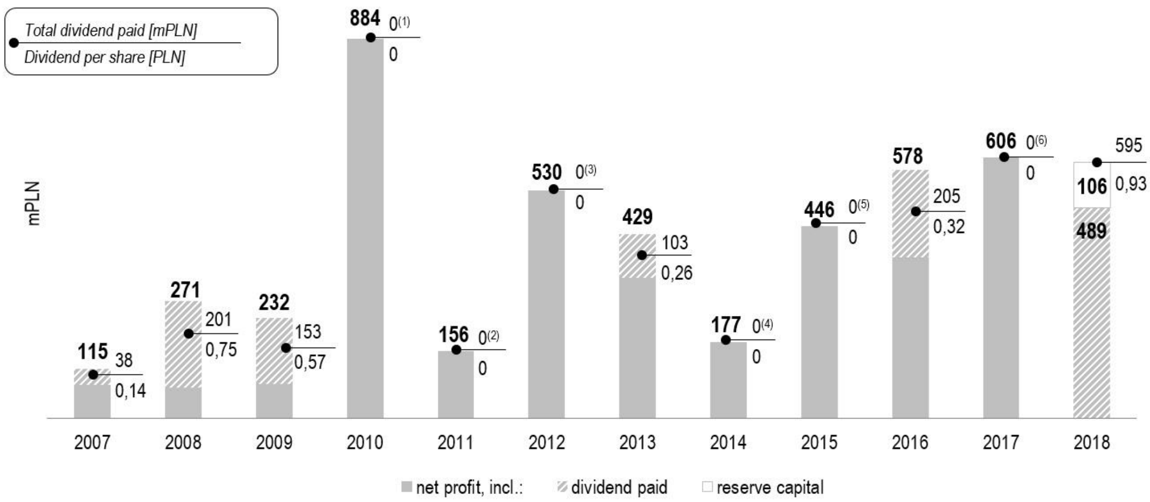
The new dividend policy will take effect from April 1, 2019."

Distribution of net profit of Cyfrowy Polsat for 2018

Acting in accordance with resolution no. 33 of the Ordinary General Meeting, held on June 25, 2019, regarding profit distribution, the entire net profit earned by the Company in the financial year ended December 31, 2018 in the amount of PLN 489 million was allocated to the dividend payout. Furthermore, an amount of PLN 106 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 595 million, i.e., PLN 0.93 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 distribution



(1) Net profit allocated entirely to reserve capital according to the resolution of the General Meeting of May 19, 2011.
(2) Net profit distributed in total to reserve capital and to cover losses from previous years according to the resolution of the General Meeting on June 5, 2012.
(3) Net profit distributed in total to reserve capital according to the resolution of the General Meeting of June 11, 2013.
(4) Net profit distributed in total to reserve capital according to the resolution of the General Meeting of April 2, 2015.
(5) Net profit distributed in total to reserve capital according to the resolution of the General Meeting of June 29, 2016.
(6) Net profit allocated entirely to reserve capital according to the resolution of the General Meeting of June 28, 2018.

8. Corporate governance Statement

8.1. Principles of corporate governance which the Company issuer is subject to

In 2017, Cyfrowy Polsat S.A was subject to the set of principles of corporate governance in the form of 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

Following the entry into force of the Best Practices 2016 on January 1, 2016, the Management Board of the Company has adopted the recommendations and principles specified in the aforementioned document, except for the recommendations included in items 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., IV.Z.2., V.Z.6., and 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.

Pursuant to § 29 section 3 of the Warsaw Stock Exchange Rules, on January 29, 2016, the Company published via the Electronic Information Base (EIB) system Report no. 1/2016/CG on non-compliance with detailed principles included in the set of Good Practices 2016. The above information was subsequently updated by the Company on April 16, 2018 with the EIB report no. 1/2018/CG. At the same time, the Company published on its website – according to the requirements of the principle I.Z.1.13. – information about the application by the Company of the recommendations and principles included in the Best Practices 2016.

The Company does not comply or complies partially with the below mentioned recommendations and detailed principles included in the Best Practices 2016:

- **Principle II.Z.1.** stating that the internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent. As a consequence the Company also does not apply the **principle marked as I.Z.1.3.**, requiring the publication of a chart describing that division on the company's website. 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. Due to the broad scope of responsibilities of each Management Board Member, it is impossible, both within the entire capital group, as well as in individual companies, to define and allocate specific tasks and responsibilities to respective Board Members.

- **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, Company authorities do not see the need 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 operation 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 a person responsible for the 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.

Ensuring the smooth running and the validity of the resolutions adopted by the General Meeting are the priorities of the Management Board. The relatively small popularity of the practice of conducting General Meetings using electronic means of communication and insufficient readiness of the market may lead to an increased 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 permanently.

- **Principle IV.Z.2.** about ensuring publicly available real-time broadcasts of general meetings. An efficient course of proceedings of general meetings as well as cost optimization are priorities for the Management Board. The Management Board makes every effort to ensure that the documentation, as well as the proceedings of general meetings ensure transparency and protect the rights of all shareholders. Information regarding draft resolutions and adopted resolutions, as well as additional materials, is disclosed in the form of current reports and published on the Company's website, thus enabling equal access to information on the matters addressed at general meetings for all stakeholders. In view of the above, the Management Board is of the opinion that ensuring real-time coverage of general meetings would not be economically justified. At present the Management Board plans no changes to the manner in which general meetings are organized.

- **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 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. 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 and **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.1. due to the fact that a formalized remuneration policy covering the members of the Company's authorities and its key managers has not been implemented in the Company. Nonetheless, individual corporate documents and internal regulations define the manner of determining the remuneration of the members of the Company's authorities and its employees.

  In accordance with article 24 d) of the Company's Articles of Association, the remuneration of the members of the Supervisory Board requires a resolution of the General Meeting, except for the members of the Supervisory Board delegated to temporarily perform functions of a member of the Management Board, pursuant to article 19 2d) of the Articles of Association, when the decision is taken by the Supervisory Board. The remuneration relates to the scope of tasks and responsibilities related to the function performed, reflects the size of the Company and keeps a healthy relation to its financial results.

  In accordance with article 19, item 2 g) of the Company's Articles of Association, the principles of remuneration of Management Board Members are defined by the Supervisory Board, with the remuneration corresponding to the scopes of duties and responsibilities of respective Management Board Members.

  In accordance with the Employee Remuneration Regulations valid in the Company, determination of the structure and the amounts of remuneration of key managers is the competence of the Management Board.

- **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. 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 need for introducing more detailed regulations governing the functioning of the Remuneration Committee.

- **Principle VI.Z.4.** regarding providing of general information on the Company's remuneration policy. The Company does not have a formalized remuneration policy for the members of the Company's authorities and its key managers. Pursuant to article 24 d) of the Company's Articles of Association, the remuneration of the Supervisory Board Members is determined by the General Meeting, save for the remuneration of the Supervisory Board Members who have been temporarily delegated to perform the duties of a Management Board Member by virtue of article 19 item 2d) of the Company's Articles of Association. In such a situation the decision is taken by the Supervisory Board. The amount of the remuneration depends on the scope of tasks and responsibilities of a function and it also corresponds to the size of the Company, while being in a reasonable proportion to its financial performance.

  In accordance with article 19, item 2 g) of the Company's Articles of Association, the principles of remuneration of Management Board Members are defined by the Supervisory Board, with the remuneration corresponding to the scopes of duties and responsibilities of respective Management Board Members. In accordance with the Employee Remuneration Regulations valid in the Company, determination of the structure and the amounts of remuneration of key managers is the competence of the Management Board.

  Nonetheless, it should be underscored that in accordance with the regulations related to information disclosure, the Company presents, in its annual report, general information regarding the remuneration principles valid in the Company as well as the information regarding the remuneration obtained in a given financial year by Management Board Members and Supervisory Board Members, while indicating the fixed and the variable components. The presented information also indicates the rules of payment of severance pay and other payments on account of termination of employment.

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 controls exercised by the Finance and Controlling Department and the Internal Audit Department.

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. 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.

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, 2019 and December 31, 2018.

[mPLN]	For the year ended December 31	
	2019	2018
Review of interim financial statements	0.1	0.1
Audit of financial statements for the year and other services	0.3	0.4
Total	**0.4**	**0.5**

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.

8.4. Share capital and shareholding structure of Cyfrowy Polsat

8.4.1. 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 11, 2020. Data included in the table is based on the information received from shareholders on November 8, 2019 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:	**364,244,418**	**56.95%**	**523,961,929**	**63.98%**
TiVi Foundation, including through:	298,080,297	46.61%	457,797,808	55.90%
Reddev Investments Limited	298,080,287	46.61%	457,797,788	55.90%
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	**275,301,598**	**43.05%**	**295,001,588**	**36.02%**
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 7, 2019 (interim report for the third quarter of 2019), until the date of approval of this Report, i.e. March 11, 2020, the Company received notifications pursuant to Article 69 of the Act on Public Offering from Reddev Investments Limited, TiVi Foundation and Mr. Zygmunt Solorz.

Reddev Investments Limited

In accordance with the notification received on November 8, 2019, the Company was informed that on November 5, 2019 Reddev disposed of 15,199,990 registered, privileged shares of Cyfrowy Polsat constituting 2.38% of share capital of the Company and carrying the right to exercise 30.399.980 votes at the Company's general meeting, representing 3.71% of the total number of votes at the general meeting, and acquired 15,199,990 ordinary bearer shares of Cyfrowy Polsat constituting 2.38% of the share capital of the Company and carrying the right to exercise 15,199,990 votes at the Company's general meeting, representing 1.86% 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 472,997,778 votes at the Company's general meeting, representing 57.76% of the total number of votes at the general meeting. The above shares consisted of:

(i) 174,917,491 registered, privileged with respect to votes shares of the Company, constituting 27,35% of the share capital of the Company, carrying the right to exercise 349,834,982 votes at the Company's general meeting, representing 42.72% of the total number of votes at the Company's general meeting, and

(ii) 123,162,796 ordinary bearer shares of the Company, constituting 19.26% of the share capital of the Company, carrying the right to exercise 123,162,796 votes at the Company's general meeting, representing 15.04% of the total number of votes at the Company's general meeting.

Following the transactions Reddev holds directly 298,080,287 shares of the Company, which constitutes 46.61% of the share capital of the Company and entitles 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, 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.

TiVi Foundation

In accordance with the notification received on November 8, 2019, the Company was informed that on November 5, 2019 Reddev disposed of 15,199,990 registered, privileged shares of Cyfrowy Polsat constituting 2.38% of the share capital of the Company, carrying the right to exercise 30,399,980 votes at the Company's general meeting, representing 3.71% of the total number of votes at the Company's general meeting and acquired 15,199,990 ordinary bearer shares of Cyfrowy Polsat, constituting 2.38% of the share capital of the Company, carrying the right to exercise 15,199,990 votes at the Company's general meeting, representing 1.86% of the total number of votes at the Company's general meeting. TiVi Foundation is an entity directly controlling Reddev.

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 472,997,798 votes at the Company's general meeting, representing 57,76% 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 472,997,778 votes at the Company's general meeting, representing 57.76% of the total number of votes at the Company's general meeting. The above shares consisted of:

(i) 174,917,491 registered, privileged with respect to votes shares of the Company, constituting 27.35% of the share capital of the Company, carrying the right to exercise 349,834,982 votes at the Company's general meeting, representing 42.72% of the total number of votes at the Company's general meeting, and

(ii) 123,162,796 ordinary bearer shares of the Company, constituting 19.26% of the share capital of the Company, carrying the right to exercise 123,162,796 votes at the Company's general meeting, representing 15.04% of the total number of votes at the Company's general meeting.

Following the transactions TiVi Foundation currently holds directly and indirectly 298,080,297 shares of the Company, which constitutes 46.61% of the share capital of the Company and entitles 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% of 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.

Mr. Zygmunt Solorz

In accordance with the notification received on November 8, 2019, 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 followed the conclusion of two transaction described above, i.e., the disposal by Reddev of 15,199,990 registered, privileged with respect to votes shares of Cyfrowy Polsat on November 5, 2019 and the acquisition by Reddev of 15,199,990 ordinary bearer shares of Cyfrowy Polsat on November 5, 2019.

Prior to the above mentioned transactions Mr. Zygmunt Solorz held indirectly, through entities controlled indirectly and directly by him, i.e.,. Reddev, TiVi Foundation, Embud 2 Sp. z o.o. S.K.A. and Tipeca Consulting Limited 364,244,418 shares of the Company, constituting 56.95% of the share capital of the Company and carrying the right to exercise 539,161,919 votes at the Company's general meeting, representing 65.83% 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 472,997,778 votes at the Company's general meeting, representing 57.76% of the total number of votes at the Company's general meeting, including:

(i) 174,917,491 registered, privileged with respect to votes shares of the Company, constituting 27.35% of the share capital of the Company, carrying the right to exercise 349,834,982 votes at the Company's general meeting, representing 42.72% of the total number of votes at the Company's general meeting, and

(ii) 123,162,796 ordinary bearer shares of the Company, constituting 19.26% of the share capital of the Company, carrying the right to exercise 123,162,796 votes at the Company's general meeting, representing 15.04% of the total number of votes at the Company's general meeting;

(ii) Embud 2 Sp. z o.o. S.K.A. held directly 64.011.733 ordinary bearer shares of the Company, constituting 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 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, through entities controlled indirectly and directly by him, i.e.,. Reddev, TiVi Foundation, Embud 2 Sp. z o.o. S.K.A. and Tipeca Consulting Limited 364,244,418 shares of the Company, constituting 56.95% of the share capital of the Company i 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 holds:

a) directly 10 registered, privileged with respect to votes shares of the Company, constituting 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, 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 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;

(ii) Embud 2 Sp. z o.o. S.K.A. holds directly 64,011,733 ordinary bearer shares of the Company, constituting 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 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.

8.4.2. 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 11, 2019, 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.

8.4.3. 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 and indirectly, as at the date of approval of this Report, i.e. March 11, 2020 as well as at the date of publication of the previous interim report, i.e. November 7, 2019 (interim report for the third quarter of 2019).

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 11, 2020, along with changes in shareholdings from the date of publication of the previous interim report, i.e. November 7, 2019 (report for the third quarter of 2019).

Name, Surname and function	Status as at November 7, 2019	Increases	Decreases	Status as at March 11, 2020
Mr. Marek Kapuściński Chairman of the Supervisory Board	18,500	-	-	18,500
Mr. Aleksander Myszka Member of the Supervisory Board	50,000	-	-	50,000
Mr. Tomasz Szeląg(1) Member of the Supervisory Board	18,500	-	-	18,500

(1) Mr. 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 11, 2020, nor at the date of publication of the previous interim report, i.e. November 7, 2019 (report for the third quarter of 2019).

8.4.4. Securities with special controlling rights

Current shareholders do not have any other rights in the General Meeting of Shareholders than those resulting from holding our shares. As at December 31, 2019 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.

8.4.5. 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.

8.5. Articles of Association of the Company

An amendment to the Articles of Association requires a resolution of the General Shareholders' Meeting and a registry into the Court register. The general provisions of law and the Bylaws of the General Shareholders' Meeting and the Articles of Association 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.

8.6. 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) discussion and approval of Reports on the Management Board's activity and the Supervisory Board's activity, and the financial statements for the previous year,
b) decision about distribution of profits, or covering losses,
c) signing off for the Supervisory Board's and the Management Board's performance of duties,
d) appointment and dismissal of members of the Supervisory Board and determination of their compensation,
e) amendments to the Articles of Association of the Company,
f) amendments to the business activity of the Company,
g) increase or decrease in the share capital,
h) merger or transformation of the Company,
i) dissolution or liquidation of the Company,
j) issuance of convertible bonds or seniority bonds,
k) sale or lease of the Company and establishment of a right of use or sale of the Company's plant,
l) purchase of real estate or equipment for the Company, serving for permanent usufruct for a price exceeding by 1/5 (one fifth) the paid-up share capital if the purchase takes place within two years of the Company's registration,
m) all decisions regarding claims for damages upon establishment of the Company, or activities of management or supervision,
n) other issues set out by the provisions of the commercial companies' code.

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 is opened by the Chairman of the Supervisory Board or a person they nominate. The person opening the General Meeting shall proceed with immediate election of Chairman of the General Meeting, refraining from considering any other substantive or formal matters.

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 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 a 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 of 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 a 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. Resolutions are adopted by a simple majority of votes.

As at December 31, 2019 the shareholders participating in the General Meeting had the number of votes corresponding to the number of shares held, observing the fact that the shares listed in item 8.4.3. – *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.

8.7. Management Board of the Company

8.7.1. Rules regarding appointment and dismissal of the management and their rights

Pursuant to article 15 of the Articles of Association of the Company the Management Board consist of one or more members, including the President and Vice-president or and Vice-presidents of the Management Board, appointed by the Supervisory Board. The Supervisory Board decides as to the number of Management Board Members upon their appointment. The term of office of the Management Board is joint and lasts three years. The Members of the Management Board may be dismissed at any time by the Supervisory Board.

Pursuant to the Articles of Association, the Management Board of the Company, led by the President of the Management Board, is responsible for our day-to-day management and for our representations in dealing with third parties. All business decisions are in the scope of activities of the Management Board, unless limited by law, Articles of Association to be the competence of the Supervisory Board or the General Shareholders' Meeting.

Members of the Management Board participate in each General Shareholders' Meeting and provide answers to questions posed during the General Shareholders' Meeting. Moreover, Members of the Management Board invited by the Chairman of the Supervisory Board to a Meeting of the Supervisory Board participate in the Meeting with a right to voice their opinion on issues on the agenda.

The General Shareholders' Meeting makes decisions regarding an issue or buy back of the Company's shares. The competencies of the Board in respect to the above are limited to execution of any resolutions adopted by the General Shareholders' Meeting.

8.7.2. Composition of the Management Board and changes in 2019

As at January 1, 2019 the Management Board comprised the following Members:

- Tobias Solorz – President of the Management Board,
- Dariusz Działkowski - Member of the Management Board,
- Tomasz Gillner-Gorywoda - 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,
- Maciej Stec - Member of the Management Board.

The following table presents changes in the composition of the Management Board in 2019.

Data	Description
January 17, 2019	Tobias Solorz resigned from the function of President of the Management Board, effective March 31, 2019.
January 17, 2019	Mirosław Błaszczyk was appointed by the Company's Supervisory Board for the function of President of the Management Board, effective April 1, 2019.
January 17, 2019	Maciej Stec was appointed by the Company's Supervisory Board for the function of Vice-President of the Management Board, effective April 1, 2019.
March 14, 2019	Dariusz Działkowski resigned from the function of Member of the Management Board, effective March 31, 2019.
March 14, 2019	Tomasz Gillner-Gorywoda resigned from the function of Member of the Management Board, effective March 31, 2019.
March 14, 2019	Jacek Felczykowski was appointed by the Company's Supervisory Board for the function of Member of the Management Board, effective April 1, 2019.

As at date of approval of this Report, i.e, March 11, 2020, the Management Board consisted of six Members. 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.

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 (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. 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. Mr. Felczykowski has long-term and versatile experience in company management within the areas of finance and innovative technologies, such as IT and telecommunications.

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. In 2015 he assumed a position of Member of the Management Board of Polkomtel Sp. z o.o.

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 and Safety Department. 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., Plus TM Management 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). Ms. Jaskólska 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 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 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.

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.

8.7.3. Competences and bylaws of the Management Board

Our Management Board acts pursuant to the provisions of the commercial companies code, the Company's Articles of Association and the Bylaws of Management Board approved by the Supervisory Board on 29 November 2007.

The Management Board runs our matters in a transparent and efficient way pursuant to the provisions of the law, our internal provisions and the Best Practices 2016. Upon taking decisions related to our matters, the Members of the Management Board act within justified limits of business risk.

The following are entitled to submit statements on our behalf

(i) in the case of one person Management Board – the President of the Management Board acting independently, and

(ii) in the case of a more numerous Management Board – the President of the Management Board acting independently, the Vice-president of the Management Board acting jointly with a Member of the Management Board or another Vice-president, two Members of Management Board acting jointly, the Vice-president of the Management Board acting jointly with a proxy, or a Member of the Management Board acting jointly with a proxy.

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.

Members of the Management Board participate in sessions of the General Meeting and provide substantive answers to questions asked during the General Meeting. Members of the Management Board invited to a meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the meeting with the right to take the floor regarding issues on the agenda. Members of the Management Board shall, within their scope of competence and the scope necessary to settle issues discussed by the Supervisory Board, submit explanation and information regarding Company affairs to the participants in the meeting of the Supervisory Board.

The Board adopts resolutions provided that at least a half of the Members of the Board are present in the meeting and all Members of the Board have been notified of the meeting. Resolutions are adopted by an absolute majority of votes of the Members of the Board present in the meeting or participating in the voting. The establishment of a proxy requires consent of all the Members of the Management Board. Each Member of the Management Board may revoke the power of proxy. In the case of equality of votes upon adoption of resolutions by the Management Board the vote of the President of the Management Board shall prevail.

Resolutions are adopted in a meeting or in a manner set out below. The President of the Management Board or an authorized Member of the Board calls meetings of the Management Board. The meetings of the Management Board are held in our offices or another place indicated by the person calling the meeting.

The voting is open. A secret voting shall be administered upon a request of just one Member of the Board present in the meeting.

Moreover, according to the Bylaws of the Management Board, the Management Board may adopt resolutions in writing, or in a manner enabling instantaneous communication of the Members of the Management Board by means of audio-video communication (e.g. teleconferencing, videoconferencing).

8.7.4. Remuneration of the Members of the Management Board

Information regarding remuneration of Members of the Management Board in 2019 is included in Note 41 of the financial statements for the financial year ended December 31, 2019.

8.7.5. 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.

8.8. Supervisory Board

The Supervisory Board may consist of five to nine Members including the Chairman of the Supervisory Board, appointed by the General Shareholders' Meeting. The General Shareholders' Meeting, prior to appointment of Members of the Supervisory Board for a new term, determines the number of Members of the Supervisory Board. The term of office of the Supervisory Board is three years and is a joint one.

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.

8.8.1. Composition of the Supervisory Board

As at January 1, 2019 the Supervisory Board comprised the following Members:

- Marek Kapuściński – Chairman of the Supervisory Board,
- Józef Birka – Member of the Supervisory Board
- Robert Gwiazdowski – Independent Member of the Supervisory Board,
- Aleksander Myszka - Member of the Supervisory Board,
- Leszek Reksa – Independent Member of the Supervisory Board,
- Tomasz Szeląg - Member of the Supervisory Board,
- Piotr Żak - Member of the Supervisory Board.

In 2019 there were no changes to the composition of the Supervisory Board.

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.

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
Robert Gwiazdowski	Independent(1) Member of the Supervisory Board Chairman of the Audit Committee	2008	2018	2021
Aleksander Myszka	Member of the Supervisory Board	2015	2018	2021
Leszek Reksa	Independent(1) Member of the Supervisory Board Member of the Audit Committee	2008	2018	2021
Tomasz Szeląg	Member of the Supervisory Board Chairman of the Remuneration Committee Member of the Audit Committee	2016	2018	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 its Chairman since 25 October 2016. He serves also 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."

Robert Gwiazdowski has been a Member of the Company's Supervisory Board since July 2008, where he is also a Chairman of the Audit Committee. 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, Mr. Gwiazdowski 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 Mr. Myszka 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 Mr. Aleksander Myszka 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, Mr. Myszka was elected to the Council of the Polish Film Institute.

Leszek Reksa was appointed a Member of the Company's Supervisory Board in July 2008, where he is also Member of the Audit Committee. Mr. Reksa 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.). Mr. Reksa 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., and Member of the Supervisory Board of Zakłady Azotowe Kędzierzyn S.A. Currently he is Vice President (CFO) of the Management Board of AGRAIMPEX Sp. z o.o. and a 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.

In 2000-2003 Mr. Szeląg was an assistant at Foreign Trade Faculty of the Economic Academy of Wrocław. In May 2003 Mr. Szeląg received PhD title for his thesis on hedging transaction 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 a lecturer in 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, Mr. Szeląg 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, Mr. Szeląg took the position of Vice-president for Finance in Telefonia Dialog S.A., which he held until March 2009. In Telefonia Dialog S.A. Mr. Szeląg 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 in Cyfrowy Polsat S.A. and was responsible for broadly understood finances in the entire capital group. In the years 2010-2016 Mr. Szeląg was a 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 a 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).

Piotr Żak was appointed a Member of the Company's Supervisory Board in June 2018. He graduated in economics from Royal Holloway, University of London.

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, 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 Sp. z o.o., a leading broadcaster on the Polish television market, and since June 2018 - a Member of the Supervisory Board of Netia S.A., one of the largest Polish telecommunications operators being a part of Cyfrowy Polsat Group.

8.8.2. 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 of March 16, 2018.

Pursuant to the Articles of Association of the Company the Supervisory Board performs constant supervision over activities of the enterprise. Within the scope of supervision performance the Supervisory Board may demand any information and documents regarding our business from the Management Board.

Members of the Supervisory Board shall take necessary steps to receive regular and full information from the Management Board regarding material matters concerning our business and risks involved in the business and the strategies of risk management. The Supervisory Board may - not infringing the competencies of other bodies of the Company - express their opinion on all the issues related to our proceedings, including forwarding motions and proposals to the Board.

The competencies of the Supervisory Board also include matters restricted by the Commercial Companies Code, in particular:

a) audit of the financial statements both as to their compliance with the books and documents and also the factual state, audit of the interim and annual reports of the Management Board, or Management Board's motions regarding allocation of profit or covering debts and presenting written reports with results of the audits to the General Shareholders Meeting,

b) creating, once a year, and presenting before the Annual General Meeting a concise evaluation of the situation of the Company, considering the evaluation of the internal control system, and the system for managing risks relevant for the Company,

c) appointment of Members of the Management Board,

d) delegation of Members of the Supervisory Board to temporary performance of duties of Members of the Management Board who are unable to perform their duties,

e) suspending particular or all Members of the Management Board for material reasons,

f) approval of the Bylaws of the Management Board,

g) determination of remuneration of the Members of the Management Board,

h) appointment of a certified auditor to examine financial statements of the Company,

i) granting consent for disbursement of a down payment toward the anticipated dividend.

Moreover, the competencies of the Supervisory Board include:

a) creation and presentation of an evaluation of the work of the Management Board to the General Shareholders' Meeting,

b) analysis and issuing of an opinion on matters that may be the subject of a resolution of the General Meeting,

c) approval of one-year and long-term programs for the Company developed by the Management Board,

d) determination of the remuneration level of the Supervisory Board delegated to temporary performance of duties of a Member of the Management Board,

e) granting consent for participation in other companies,

f) granting consent for appointing, dismissing and suspending members of authorities of the subsidiaries,

g) granting consent for entering into a material agreement with a related entity,

h) granting consent for performance of activities resulting in the Company incurring a liability, with the exception of:

   - activities projected or set out in the annual program for the Company approved by the Supervisory Board, or
   - activities resulting in incurring a liability of the value up to PLN 10.0 million, including guarantees or issuing or guaranteeing bills of exchange done in the scope of daily business, in particular the business of pay digital television, Internet service or the business of MVNO.

i) issuing, upon the Management Board's request, opinion on all issues material for the Company.

Meetings of the Supervisory Board take place at least once a quarter. The venue for meetings is the seat of the Company or any other place indicated by the person calling the meeting.

The Chairman of the Supervisory Board, or a Member of the Supervisory Board appointed by the Chairman calls a meeting of the Supervisory Board. Meetings of the Supervisory Board are chaired by the Chairman, and in the case of his absence by a Member of the Supervisory Board indicated by the Chairman in writing, or another Member of the Supervisory Board elected by the Members present in the meeting.

The Chairman calls a meeting of the Supervisory Board also upon request of a Member of the Management Board, or a Member of the Supervisory Board, or upon a motion of a shareholder representing at least one tenth of the share capital. A Meeting of the Supervisory Board shall take place at least within 14 days of the date of filing a written application to the Chairman.

Resolutions of the Supervisory Board are passed by majority of votes cast. In the case of equality the vote of the Chairman prevails. A resolution of the Supervisory Board requires inviting all the Members of the Supervisory Board and presence of at least half of the Members of the Supervisory Board to be valid.

The Supervisory Board may pass resolutions via means of direct, remote communication and also a Member of the Supervisory Board may cast their vote in writing via other Member of the Supervisory Board.

Members of the Supervisory Board execute their rights and perform their duties in person. Members of the Supervisory Board participate in General Meetings.

Moreover, within the performance of their duties, the Supervisory Board shall:

a) once a year prepare and present before the General Meeting a report on its activities and the evaluation of the situation of the Company in the scope provisioned for by corporate governance principle adopted by the Company,
b) investigate and issue opinions about matters to be subjects of resolutions of the General Meeting.

8.8.3. 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.

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 December 31, 2019, **the Audit Committee** comprised the following Members of the Supervisory Board:

- Robert Gwiazdowski, an independent Member of the Supervisory Board and Chairman of the Audit Committee,
- Leszek Reksa, an independent Member of the Supervisory Board,
- Tomasz Szeląg.

During 2019 the composition of the Audit Committee remained unchanged.

The composition of the Audit Committee meets the requirements article 128 item 1 and article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

As at December 31, 2019, **the Remuneration Committee** comprised the following Members of the Supervisory Board:

- Tomasz Szeląg, Chairman of the Remuneration Committee,
- Marek Kapuściński.

During 2019 the composition of the Remuneration Committee remained unchanged.

The provisions of the Bylaws of the Supervisory Board apply to meetings, resolutions, and minutes of the committees of the Supervisory Board, and in the case of the Audit Committee provisions of the Bylaws of the Audit Committee are also applicable, with reservation of the following information.

A committee is 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 other Member of the Supervisory Board they indicate. Meetings of the committees are convened as needs arise, ensuring thorough delivery of duties assigned with a particular committee. Minutes of committee's meetings and adopted resolutions are made available to the Members of the Supervisory Board not being Members of the committee. The Chairman of a given committee chairs its proceedings. The Chairman also performs supervision over preparation of the agenda, distribution of documents, and preparation of minutes of the meetings of the committee.

Audit Committee

Among the members of the Audit Committee, the statutory independence criteria are met by the following persons:

- Robert Gwiazdowski, an independent Member of the Supervisory Board and Chairman of the Audit Committee,
- Leszek Reksa, an independent Member of the Supervisory Board.

All members of the Audit Committee possess knowledge and skills in accounting or auditing financial statements which were obtained during studies and extensive professional practice.

Mr. Tomasz Szeląg, Member of the Audit Committee, possesses knowledge and skills with regard to the sector in which the Company operates, obtained during many years of professional career on key managerial positions within Cyfrowy Polsat Group, among others, as Member of the Management Board, 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. In 2019 four meetings of the Audit Committee were held.

The Audit Committee passes resolutions if at least half of its Members is present at the Meeting and all Members were properly invited. Resolutions are passed by an absolute majority of votes and in the case of 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 direct remote communications.

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 preparation of an agenda of each meeting and organization of the distribution of documents for Committee's meetings. A notification about 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. 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.

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. In the financial year 2019, EY, the auditing company who audited the financial statements of the Company and the financial statements of the Company's capital group provided the following permitted services other than audit services: (i) the review of financial statements, (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 and (iii) the open training by Ernst & Young spółka z ograniczoną odpowiedzialnością Academy of Business sp. k., after being granted consent from the Audit Committee.

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.

The following are the main assumptions underlying selection of the auditor which are valid 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.

The following are the 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.

Additionally, the Audit Committee presents recommendations to the Company's Management Board aimed at ensuring the reliability of financial reporting in the Company.

8.8.4. Remuneration of the Members of the Supervisory Board

Information regarding remuneration of Members of the Supervisory Board in 2019 is included in Note 42 of the financial statements for the financial year ended December 31, 2019.

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

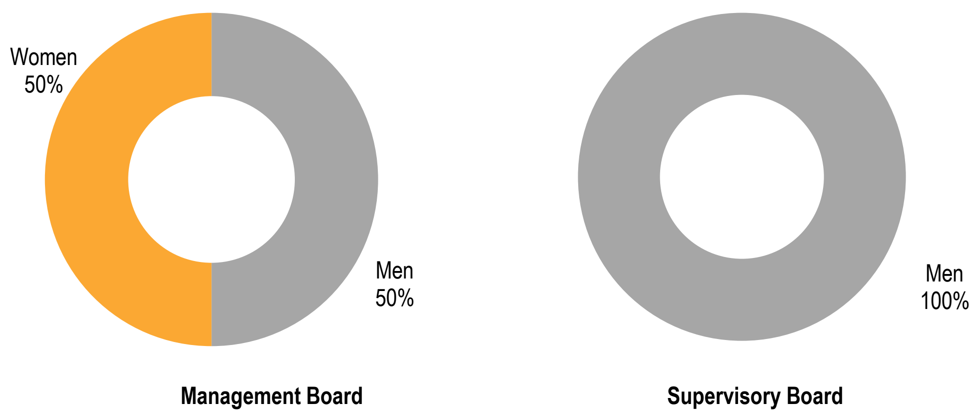
Polsat Group adopted the *Diversity and Human Rights Respect Policy of Cyfrowy Polsat Group* (the "Diversity Policy") which has the purpose of supporting the pursuit of the Group's business goals. The policy enables the Group to respond in a better way to the employees' expectations, make full use of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

The principles and the goals of Polsat Group's Diversity Policy are regulated in the Group's corporate documents, especially in the Code of Ethics, HR Policy, Work Regulations, and Regulations of Anti-Mobbing Committee. 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, recruitment and rewarding processes. 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. The diagrams below present the gender and age structures of the Members of the Management and Supervisory Boards of Cyfrowy Polsat.

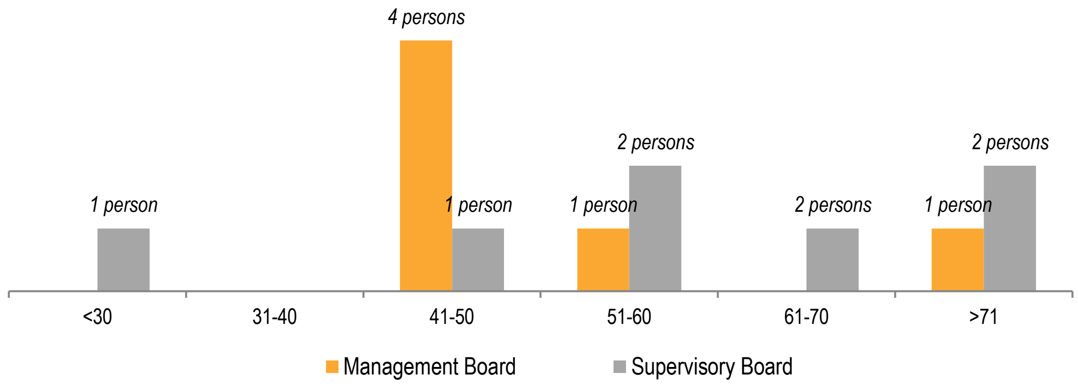
Structure of the Management Board and the Supervisory Board with respect to gender



As at December 31, 2019 three men and three women sat on Cyfrowy Polsat's Management Board while the Supervisory Board included seven 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 11, 2020

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
Aero2	Aero2 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)
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Aero2.
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.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
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.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015 and the Second Amendment and Restatement Deed of March 2, 2018.
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, 2022.
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 September 30, 2022.
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.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668. Merged with Cyfrowy Polsat S.A. on April 28, 2018.
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.
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).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel. Merged with Cyfrowy Polsat on April 7, 2017.
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.
NDS	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, KDPW).
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 September 30, 2022.
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 Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
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 September 30, 2022.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000378997.

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 Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000377416.
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.
Roaming Regulation	Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union
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.
Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A 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. 01/02/07/2015 dated July 2, 2015.
Series A Bonds A Bond Terms	Terms and conditions of Series A Bonds issuance together with the supplement.
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 B Bonds B Bond Terms	Terms and conditions of Series C Bonds issuance.
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.
Series C Bonds B Bond Terms	Terms and conditions of Series B Bonds issuance.
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.
Spartan	Spartan Capital Holding spółka z ograniczoną odpowiedzialnością, a company whose legal successor, as a result of the merger conducted in 2013, is Polkomtel; an issuer of bonds dated January 26, 2012 and repurchased in 2016 with total nominal value of EUR 542.5 million and USD 701.0 million.
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.
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.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000567976.

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: $$\mathrm{CAGR} = \left(\frac{\mathrm{W_{rk}}}{\mathrm{W_{rp}}}\right)^{\left(\frac{1}{\mathrm{rk}-\mathrm{rp}}\right)} - 1$$ 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 Mbps (downlink, using MIMO 8x8 antennas).
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
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).

Term	Definition
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 Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

Pursuant to the requirements of the *Regulation of the of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent,* the Management Board of Cyfrowy Polsat S.A. represented by:

Mirosław Błaszczyk, President of the Management Board,
Maciej Stec, Vice-President of the Management Board,
Jacek Felczykowski, Member of the Management Board,
Aneta Jaskólska, Member of the Management Board,
Agnieszka Odorowicz, Member of the Management Board,
Katarzyna Ostap-Tomann, Member of the Management Board,

hereby represents that:

- to the best of its knowledge the annual financial statements and the comparative information were prepared in accordance with the currently effective accounting principles, and they truly and fairly present the financial position of the Company as well as its financial performance and the Management Board's report on activities contains a true image of the Company's development, achievements and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has audited the annual financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the financial statements pursuant to relevant provisions of the national law and industry norms.

Mirosław Błaszczyk	Maciej Stec	Jacek Felczykowski	Aneta Jaskólska
President of the Management Board	Vice-President of the Management Board	Member of the Management Board	Member of the Management Board
Agnieszka Odorowicz	Katarzyna Ostap-Tomann		
Member of the Management Board	Member of the Management Board		

Warsaw, 11 March 2020

Supervisory 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:

- Marek Kapuściński – Chairman of the Supervisory Board,
- Józef Birka – 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,
- 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 January 23, 2018 it selected an audit firm to audit the annual financial statements of Cyfrowy Polsat S.A. and Cyfrowy Polsat S.A. Capital Group, namely Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., 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 2018

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, 2019 prepared in accordance with International Financial reporting Standards, including:
   a) balance sheet as at December 31, 2019, showing the balance sheet total of PLN 14,941.3 million,
   b) profit and loss account for the financial year ended December 31, 2019, showing net profit of PLN 586.8 million,
   c) statement of changes in equity for the financial year ended December 31, 2019, showing a decrease in total equity by PLN 7.6 million,

d) cash flow statement for the financial year ended December 31, 2019, showing a decrease in net cash and cash equivalents by PLN 116.1 million,

e) notes to financial statements.

2) the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2019,

3) the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2019 prepared in accordance with International Financial reporting Standards, including:

a) consolidated balance sheet as at December 31, 2019, showing the balance sheet total of PLN 32,589.6 million,

b) consolidated profit and loss account for the financial year ended December 31, 2019, showing net profit of PLN 1,114.6 million,

c) consolidated statement of changes in equity for the financial year ended December 31, 2019, showing an increase in total consolidated equity by PLN 589.3 million,

d) consolidated cash flow statement for the financial year ended December 31, 2019, showing a decrease in net cash and cash equivalents by 426.4 million,

e) 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, 2019.

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, 2019, and having acquainted 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 2019,

– the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2019,

– the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year 2019,

– the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in 2019

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	Aleksander Myszka Member of the Supervisory Board
Leszek Reksa Member of the Supervisory Board	Tomasz Szeląg Member of the Supervisory Board	Piotr Żak Member of the Supervisory Board	

Warsaw, March 11, 2020

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 S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A, containing: balance sheet as at 31 December 2019, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for the period from 1 January 2019 to 31 December 2019 and notes to the financial statements (the 'financial statements').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,

- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 11 March 2020.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), 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 Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<u>Revenue recognition and accounting</u> Revenues from sales of the Company for the year ended 31 December 2019 amounted to PLN 2,378.8 million. Revenue recognition was assessed as a key audit matter due to the fact that the accuracy of the revenue recognition is an inherent industry risk. This is because of the complexity of the billing and other IT systems, that process large volumes of data, combination of different products and services offered, including bundled offers. Furthermore, the application of International Financial Reporting	In the course of performed audit procedures, we have documented our assessment of Company's accounting policies in regards to revenue recognition and accounting in accordance with IFRS 15 and related key judgements and estimates applied by the Company's Management. Additionally, our procedures included, among others: - understanding of the processes of revenue recognition, as well as identification and assessment of key controls mechanisms;

Standard 15 'Revenue from contracts with customers' ('IFRS 15'), involves a number of key judgements and estimates, that are related among others to identification of the performance obligations, determination of the transaction price or identification of material rights. Taking into account the above, we considered revenue recognition and accounting as a key audit matter. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to revenue recognition are included in note 6 "Accounting policies" to the financial statements. Disclosures on revenue are included in note 9 "Revenue" to the financial statements.	- testing of controls over revenue related processes; - evaluation of relevant IT systems, including testing of controls in place, engaging our IT audit experts, which included manage changes as well as logical access controls in IT systems used in the revenue recognition processes; - analytical procedures, including analysis of monthly trends and data for significant revenue streams versus budgets and forecasts; - reconciliation of balances of contract assets, contract costs and contract liabilities to source documentation; - substantive testing on sample of agreements and invoices for customers in respect of revenue recognition and verification of payments received; - analysis of allowance for bad debt, capitalized contract costs and contract assets, including assessment of the adequacy of methodology applied for the purpose of allowance calculation as well as analysis of significant, unsettled balances. We also assessed the adequacy of the Company's disclosures in respect of the revenue recognition and accounting in the financial statements.
First application of IFRS 16 "Leases" International Financial Reporting Standard 16 "Leases" ("IFRS 16") requires analysis of contracts and business relationships, and also involves a number of judgments and estimates related to determination on whether a given contract falls under IFRS 16 scope and how the it should be recognized. This	During the audit of the financial statements, we have analysed accounting policies covering application of contracts and business relationships falling under IFRS 16 scope and related significant judgments and estimates, in particular:

includes i.e. determination of the scope of application of the new standard, lease periods, including assessment of duration of contracts concluded for an indefinite periods, minimum lease payments as well as incremental borrowing rates. Resulting from the above, the quantity and variety of contracts and the fact that the Company applied that standard for the first time, that matter was considered as key audit matter. Management Board of the Company decided to implement IFRS 16 using a modified retrospective approach. As a result of the first application of IFRS 16 and recognition of right-of-use assets and lease liabilities, the balance sheet amount as amount at 1 January 2019 of the Company was increased by PLN 28.6 million, in comparison to 31 December 2018. *Reference to disclosure in the financial statements* Disclosure related to the implementation of the standard is included in note 5 "Implementation of IFRS 16 Leases". Disclosures related to the application of IFRS 16 regarding right-of-use assets and lease liabilities are set out in note 19 "Right-of-use assets" and note 32 "Lease liabilities" to the financial statements. Disclosure of accounting policies in relation to leases, including key judgements and estimates, is included in note 6 "Accounting policies" and in note 45 "Judgments, financial estimates and assumptions" to the financial statements.	• determining the scope of contracts to be recognized under IFRS 16; • determination of minimum lease payments; • determination of lease periods, including assumptions used for assessing contracts duration concluded for an indefinite periods; • rationale of applied incremental borrowing rates. In addition, our audit procedures covered among others: • understanding of IFRS 16 implementation process, recording of contracts within its scope and evaluation of related key control mechanisms; • analysis of the completeness of the identification of contracts within the scope of IFRS 16; • conducting test of controls for selected controls in relation to recognition contracts within scope of IFRS 16; • performing substantive tests on sample of contracts and assessment of the correctness of parameters used in calculation of leasing liabilities and right-of-use assets. Additionally, we have evaluated adequacy of financial statements disclosures in relation to guidelines deriving from IFRS 16, as well as related to key judgements concerning treatment of lease contracts and new standard implementation impact on the financial statements of the Company.

Fixed assets (including goodwill) impairment analysis	
As at 31 December 2019 the Company presents fixed assets in the amount of PLN 14,211.2 million (including goodwill in the amount of PLN 197 million and investments in subsidiaries and associates in the amount of PLN 13,404.5 million), which constitutes 95,1% of total assets. Under requirements of International Accounting Standard 36 'Impairment of assets' ('IAS 36'), the Company tested the amount of goodwill for impairment. For the purpose of impairment tests the Company's Management used certain judgements such as: (i) identification of cash generating units ('CGU') and allocation of goodwill to these cash generating units, (ii) continuance of current and expected market and economics conditions, (iii) expected revenue and costs levels, (iv) planned CAPEX, (v) weighted average cost of capital ("WACC"). This matter was considered key audit matter from the financial statements perspective, due to the following: (i) significance of the non-current assets; (ii) significance of the impact of Company's Management professional judgement necessary to establish the recoverable amounts of non-current assets based on discounted cash flows,	Our audit procedures in relation to the described key audit matter, included among others: - understanding and assessment of the accounting policies and procedures applied (including internal control environment) in the area of assessment of impairment indicators, including impairment indicators of investments in subsidiaries and associates, identification of the events indicating the impairment as well as impairment tests; - understanding and assessment of the judgements and estimates used by the Company's Management in relation to grouping the assets within CGUs and goodwill allocation; - assessment, with involvement of the valuation specialists, of assumptions and estimates made by the Company's Management and used for the purposes of defining the recoverable amount, including: (i) applied future key macroeconomic assumptions (including: discount rate, forecasted growth rate) by benchmarking to the market data and observable external data, (ii) assumptions applied for establishing terminal values i.e. cash flows and interest rate after the forecast period; - verification of mathematical accuracy of discounted cash flows model; - inquiring the financial personnel and Company's Management about status of historical accuracy of assumptions made, including validity and applicability of these key assumptions;

which are generally uncertain as well as identification of impairment indicators. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to the impairment of assets are included in note 6 "Accounting policies" to the financial statements. Disclosures related to key estimates and assumptions, including sensitivity analysis as well as results of goodwill impairments test, which were prepared by the Company's Management, are included in note 17 "Impairment test on goodwill allocated to the *Services to individual and business customers* cash-generating unit" and in the note 45 "Judgments, financial estimates and assumptions" to the financial statements.	- 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; - assessing the sensitivity analysis of the models prepared by the Company's Management to changes in significant assumptions. We also assessed the adequacy of the disclosures made in the financial statements describing the impairment test and sensitivity analysis.
<u>Claims, disputes and contingent liabilities</u> Due to its complex structure and the fact that the Company is operating in constantly changing legal and regulatory environment, the Company is a party to court and administrative proceedings, including tax and regulatory authorities. The decision whether to account for liability or the provisions and in what amount, as well as the estimate and scope of disclosures of contingent liabilities are subject to the Company's judgments, often based on currently available information on the legal status of the proceedings, which involves an inherent risk of uncertainty.	Our audit procedures in relations to the described key audit matter, included among others: - understanding and evaluation of the applied procedures, including the internal control environment relating to the identification, recognition and measurement of events indicating the need to recognize provisions or making disclosures in the financial statements; - monitoring of information from the external sources in order to identify the Company's breach or potential breach of laws and regulations;

Consequently, claims, disputes and contingent liabilities were assessed as a key audit matter. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to the provisions and contingent liabilities are included in note 6 "Accounting policies" to the financial statements. Disclosures related to the claims, disputes and contingent liabilities are included in note 39 "Litigations", note 43 "Important agreements and events" and note 45 "Judgments, financial estimates and assumptions" to the financial statements.	- analysis and evaluation, with the support of our tax law specialists, of the responses received from law and tax offices responsible for conducting court, tax and administrative proceedings on behalf of the Company, including an assessment of the probability of negative resolutions of these proceedings; - analysis and assessment of contingent liabilities and changes in the value of provisions for claims and litigations; - review of minutes from meetings of the decision making bodies of the Company as well as protocols from the controls conducted by supervisory authorities and correspondence with these authorities. We also assessed the adequacy of disclosures regarding significant pending court, out-of-court and tax proceedings and contingent liabilities in the Company's financial statements.
<u>**Taxation (current and deferred tax)**</u> Current composition of the capital group, in which the Company is a parent is a result of consolidation, structure-related activities and other transactions involving assets of considerable value, implemented over the recent years by and between the group's companies. Those activities had an effect on the tax settlements, deferred tax assets and deferred tax liabilities not only for the companies directly involved in such consolidation, structure-related activities and other transactions involving assets of considerable value, but also on respective members or shareholders. The Company	Our audit procedures in relations to the described key audit matter, included among others: - understanding and assessment of the procedures applied, including internal control environment, in the area of accounting for tax purposes (current and deferred income tax); - analysis of tax rulings possessed by the Company, internal and external analyses supporting executed structure-related activities; - monitoring of current case-law and tax rulings for cases where the fact pattern and considered issue were similar to the state and issues existing in the Company;

is subject of ongoing, unresolved tax proceedings. Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established rulings that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between tax administration units as well as tax administration authorities and entrepreneurs. In the light of these ambiguities, the final tax treatment application of particular economic transactions may not be known until issuance of the final administration decision by the relevant tax authority or the courts. Based on the above, in accordance with the IFRS, an administration or court dispute or fact of examination of a particular tax treatment by the authorized government authority may affect the Company's accounting for a current or deferred tax asset or liability. Consequently, the Company's Management considered key judgements and estimates in respect of most likely outcomes of tax conclusions made by tax organs. Additionally, on 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination	- analysis and assessment, with assistance of tax experts, obtained responses from Company's tax advisors regarding status of ongoing tax controls and tax proceedings, including estimation of probability of unfavorable outcome, including significant transactions from previous years having an impact on tax settlements or recognition of additional deferred tax assets or decrease of deferred tax liabilities; - 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 financial statements.

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and use of factitious legal structures made to avoid payment of tax in Poland. As at 31 December 2019, the Company's Management performed detailed analysis of the deferred tax assets recoverability. In addition, Company's Management's assessment process in respect to deferred tax asset recoverability is based on assumptions, specifically the timing and amount of future taxable profits, against which deductible temporary differences and tax losses carried forward can be utilized. Due to the significance of tax settlements and significant element of Company's Management judgement related to interpretation of tax regulations, assessment of expected tax proceedings outcomes as well as, in many cases, lack of unequivocal certification, we considered this topic as key audit matter. *Reference to related disclosures in the financial statements* Disclosures on taxes are included in note 13 "Income tax", note 43 "Important agreements and events" and note 45 "Judgments, financial estimates and assumptions" of the financial statements as well as in "Key risk and threat factors" included in the Company's Management Report for the period from 1 January 2019 to 31 December 2019.	

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Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act (jointly 'Other Information').

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

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),

- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has included in Directors' Report information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

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

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Supervisory Board from 23 January 2018. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2018, i.e. for the past two consecutive years.

Warsaw, 11 March 2020

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

CYFROWY POLSAT S.A.

Financial Statements
for the year ended 31 December 2019

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

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APPROVAL OF THE FINANCIAL STATEMENTS

On 11 March 2020, the Management Board of Cyfrowy Polsat S.A. approved the financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Income Statement for the period from 1 January 2019 to 31 December 2019 showing a net profit for the period of:	PLN 586.8
Statement of Comprehensive Income for the period from 1 January 2019 to 31 December 2019 showing a total comprehensive income for the period of:	PLN 587.2
Balance Sheet as at 31 December 2019 showing total assets and total equity and liabilities of:	PLN 14,941.3
Cash Flow Statement for the period from 1 January 2019 to 31 December 2019 showing a net decrease in cash and cash equivalents amounting to:	PLN 116.1
Statement of Changes in Equity for the period from 1 January 2019 to 31 December 2019 showing an decrease in equity of:	PLN 7.6

Supplementary Information to the Financial Statements

The financial statements have been prepared in PLN million unless otherwise indicated.

Mirosław Błaszczyk President of the Management Board	Maciej Stec Vice-President of the Management Board	Jacek Felczykowski Member of the Management Board	Aneta Jaskólska Member of the Management Board
Agnieszka Odorowicz Member of the Management Board	Katarzyna Ostap-Tomann Member of the Management Board	Agnieszka Szatan Chief Accountant	

Warsaw, 11 March 2020

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

Income Statement

	Note	for the year ended 31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Revenue	9	2,378.8	2,354.5
Operating costs	10	(1,948.5)	(1,978.5)
Other operating income, net		2.2	6.4
Profit from operating activities		**432.5**	**382.4**
Gain on investment activities, net	11	358.8	282.6
Finance costs, net	12	(89.8)	(80.1)
Gross profit for the period		**701.5**	**584.9**
Income tax	13	(114.7)	(96.4)
Net profit for the period		**586.8**	**488.5**
Basic and diluted earnings per share (in PLN)	15	**0.92**	**0.76**

Statement of Comprehensive Income

	Note	for the year ended 31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Net profit for the period		**586.8**	**488.5**
Items that may be reclassified subsequently to profit or loss:		**0.4**	**(0.7)**
Valuation of hedging instruments	29	0.5	(0.9)
Income tax relating to hedge valuation	29	(0.1)	0.2
Other comprehensive income/(loss), net of tax		**0.4**	**(0.7)**
Total comprehensive income for the period		**587.2**	**487.8**

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

Balance Sheet - Assets

	Note	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Reception equipment	16	306.4	299.1
Other property, plant and equipment	16	113.3	116.4
Goodwill	17	197.0	197.0
Brands		7.8	7.8
Other intangible assets	18	63.4	63.1
Right-of-use assets	19	26.4	-
Investment property	20	38.5	40.5
Shares in subsidiaries and associates	21	13,404.5	12,151.8
includes shares in associates		*1,248.8*	*4.5*
Non-current deferred distribution fees	22	32.4	34.4
Other non-current assets	23	21.5	23.7
includes derivative instruments		*0.3*	-
Total non-current assets		**14,211.2**	**12,933.8**
Contract assets		200.8	179.7
Inventories	24	80.5	130.2
Trade and other receivables	25	137.0	149.6
Income tax receivables		0.3	0.3
Current deferred distribution fees	22	66.0	75.9
Other current assets	26	103.4	105.8
includes derivative instruments		*0.1*	-
Cash and cash equivalents	27	142.1	258.3
Total current assets		**730.1**	**899.8**
Total assets		**14,941.3**	**13,833.6**

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

Balance Sheet - Equity and Liabilities

	Note	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Share capital	28	25.6	25.6
Share premium	28	7,174.0	7,174.0
Hedge valuation reserve	29	(0.2)	(0.6)
Retained earnings		3,954.1	3,962.1
Total equity		**11,153.5**	**11,161.1**
Loans and borrowings	30	1,330.4	572.4
Issued bonds	31	969.2	976.0
Lease liabilities	32	22.8	1.0
Deferred tax liabilities	13	81.2	93.5
Other non-current liabilities and provisions		1.3	1.6
includes derivative instruments		-	*0.1*
Total non-current liabilities		**2,404.9**	**1,644.5**
Loans and borrowings	30	662.9	386.2
Issued bonds	31	34.8	42.3
Lease liabilities	32	3.8	0.2
Contract liabilities		247.2	237.1
Trade and other payables	34	384.4	312.9
includes derivative instruments		*0.2*	*0.7*
Income tax liability		46.6	46.5
Deposits for equipment		3.2	2.8
Total current liabilities		**1,382.9**	**1,028.0**
Total liabilities		**3,787.8**	**2,672.5**
Total equity and liabilities		**14,941.3**	**13,833.6**

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

Cash Flow Statement

	Note	for the year ended 31 December 2019 (IFRS 16 basis)	31 December 2018 (IAS 17 basis)
Net profit		**586.8**	**488.5**
Adjustments for:		**6.9**	**(70.5)**
Depreciation, amortization, impairment and liquidation	10	176.8	194.2
Interest expense		80.3	77.3
Change in inventories		49.7	(64.6)
Change in receivables and other assets		27.2	53.1
Change in liabilities and provisions		65.5	(41.2)
Change in contract assets		(21.1)	(17.2)
Change in contract liabilities		10.1	16.0
Income tax	13	114.7	96.4
Net increase in reception equipment		(144.7)	(95.7)
Dividends income and share in the profits of partnerships	11	(358.8)	(282.9)
Other adjustments		7.2	(5.9)
Cash from operating activities		**593.7**	**418.0**
Income tax paid		(135.6)	(67.8)
Interest received from operating activities		4.2	0.6
Net cash from operating activities		**462.3**	**350.8**
Received dividends and shares in the profits of partnerships		364.4	280.3
Merger with related entities		-	305.9
Acquisition of shares in subsidiaries and associates	21	(1,233.1)	(638.8)
Share capital increase in subsidiary and associates	21	(19.6)	(2.1)
Acquisition of property, plant and equipment		(10.2)	(24.0)
Acquisition of intangible assets		(16.0)	(14.5)
Loans granted		(3.9)	(1.4)
Other inflows		7.7	7.1
Net cash used in investing activities		**(910.7)**	**(87.5)**
Bonds issue (Series B Bonds)		893.0	-
Bonds redemption (Series A Bonds)		(893.0)	-
Loans and borrowings inflows	30	1,780.0	300.0
Net cash from the Cash Management System Agreement with interest paid		(0.1)	(106.4)
Repayment of loans and borrowings	30	(747.6)	(150.0)
Payment of interest on loans, borrowings, bonds and commissions*		(96.0)	(73.5)
Dividend paid	28	(594.8)	-
Other outflows		(9.2)	(5.0)
Net cash from/(used in) financing activities		**332.3**	**(34.9)**
Net increase/(decrease) in cash and cash equivalents		**(116.1)**	**228.4**
Cash and cash equivalents at the beginning of the year		**258.3**	**29.5**
Effect of exchange rate fluctuations on cash and cash equivalents		(0.1)	0.4
Cash and cash equivalents at the end of the year		**142.1**	**258.3**

* Includes impact of hedging instruments, amount paid for costs related to the new financing.

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

Statement of Changes in Equity
for the year ended 31 December 2019

	Note	Number of shares	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2019		**639,546,016**	**25.6**	**7,174.0**	**(0.6)**	**3,962.1**	**11,161.1**
Dividend approved and paid	28	-	-	-	-	(594.8)	**(594.8)**
Total comprehensive income		-	-	-	0.4	586.8	**587.2**
Hedge valuation reserve	*29*	-	-	-	*0.4*	-	***0.4***
Net profit for the period		-	-	-	-	*586.8*	***586.8***
Balance as at 31 December 2019		**639,546,016**	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**

Statement of Changes in Equity
for the year ended 31 December 2018

	Number of shares	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 31 December 2017	**639,546,016**	**25.6**	**7,174.0**	**0.1**	**3,712.7**	**10,912.4**
Impact of the implementation of IFRS 15	-	-	-	-	47.1	**47.1**
Balance as at 1 January 2018	**639,546,016**	**25.6**	**7,174.0**	**0.1**	**3,759.8**	**10,959.5**
Merger with Cyfrowy Polsat Trade Marks Sp. z o.o.	-	-	-	-	(286.2)	**(286.2)**
Total comprehensive income	-	-	-	(0.7)	488.5	**487.8**
Hedge valuation reserve	-	-	-	*(0.7)*	-	***(0.7)***
Net profit for the period	-	-	-	-	*488.5*	***488.5***
Balance as at 31 December 2018	**639,546,016**	**25.6**	**7,174.0**	**(0.6)**	**3,962.1**	**11,161.1**

* 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 2018 and 31 December 2019, the capital excluded from distribution amounted 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 Financial Statements

General information

1. The Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Company's registered head office is located at 4a Łubinowa Street in Warsaw.

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). As at 31 December 2019 the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Polkomtel Infrastruktura Sp. z o.o., Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, INFO-TV-FM Sp. z o.o., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k., Netshare Media Group Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Orsen Holding Limited and its subsidiaries, TVO Sp. z o.o. and its subsidiaries and Mese Sp. z o.o.

The Company as the Parent Company prepared the consolidated financial statements (approved on 11 March 2020). These financial statements should be read in conjunction with the consolidated financial statements.

2. Composition of the Management Board of the Company

- Mirosław Błaszczyk	President of the Management Board (from 1 April 2019),
- Tobias Solorz	President of the Management Board (to 31 March 2019),
- Maciej Stec	Vice-President of the Management Board (from 1 April 2019),
	Member of the Management Board (to 31 March 2019),
- Dariusz Działkowski	Member of the Management Board (to 31 March 2019),
- Jacek Felczykowski	Member of the Management Board (from 1 April 2019),
- Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019),
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board,
- Katarzyna Ostap-Tomann	Member of the Management Board.

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- 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,
- Piotr Żak	Member of the Supervisory Board.

Principles applied in the preparation of financial statements

4. Basis of preparation of the financial statements

Statement of compliance

These financial statements for the year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS EU). The Company applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2019 and the financial statements for 2018, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2019.

During the year ended 31 December 2019 the following became effective:

a) IFRS 16 *Leases*
b) IFRIC 23 *Uncertainty over Income Tax Treatments*
c) Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*
e) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
f) Annual Improvements to IFRS Standards 2015-2017 Cycle
IFRS 3 – Business combination - *multi-stage acquisitions*
IFRS 11 – Joint Arrangements - *obtaining joint control over joint operations*
IAS 12 – Income Taxes - *tax consequences of dividends*
IAS 23 – Borrowing Costs

The Company applies, for the first time, IFRS 16 *Leases* (“IFRS 16”). The nature and effect of changes in accounting policies are presented in note 5.

Several other amendments and interpretations apply for the first time in 2019, but do not have material impact on the financial statements of the Company.

Standards published but not yet effective:

(i) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
(ii) Amendments to IAS 1 and IAS 8: Definition of Material

(iii) Amendments to References to the Conteptual Framework in IFRS Standards
(iv) Amendments to IFRS 3: Business Combinations – a definition of a business

The Company has not early adopted the new or amended standards in preparing these financial statements.

5. Implementation of IFRS 16 Leases

Changes in the accounting policy

In accordance with the IAS 17 *Leases* applied until 31 December 2018, the Company classified lease agreements as either financial or operational lease. Assets used under contracts that were classified as finance lease were recognized as non-current assets and measured at the lower of the fair value of the asset and the present value of the minimum lease payments. Payments for operating lease were recognized on a straight-line basis over the lease term in the profit or loss of the current period.

IAS 17 was superseded by IFRS 16 *Leases* as of 1 January 2019, thus the Company was required to adopt IFRS 16 *Leases* from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessee separately recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 includes recognition exemptions for short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low-value items (e.g. personal computers). The Company decided to apply the abovementioned exemptions provided for by the standard and recognized the payments on a straight-line basis over the lease term in the profit or loss of the current period.

Incurred costs for short-term leases, for which the Company decided to apply the abovementioned exemption, amounted to PLN 13.1 in 2019.

IFRS 16 does not introduce substantial changes in respect of requirements for lessors. Lessors will continue to classify and distinguish agreements between operating and finance leases.

The new principles for recognizing lease agreements required an amendment to the accounting policy of the Company. Changes in the accounting policy were made in accordance with the transitional provisions included in IFRS 16.

Implementation of IFRS 16 decreases rental costs, increases depreciation and financial costs which results in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio.

Transition to IFRS 16

As set out in IFRS 16 the lessee is permitted two transition approaches:
a) full retrospective approach (application of the new standard to all prior periods)
b) modified retrospective approach (no requirement to restate its prior-period financial information).

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The Company decided to adopt the new standard using the modified retrospective approach. Cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance as at 1 January 2019, with no restatement of the comparative information. As a result, the year ended 31 December 2019 is not comparable to the year ended 31 December 2018.

While using the modified retrospective approach, the Company decided to apply the following practical expedients in respect to the agreements previously classified as operating lease under IAS 17:

- the Company applies a single discount rate to a portfolio of leases with similar characteristics (such as leasing agreements with similar remaining lease term, operating in a similar economic environment),
- the Company accounts for leases which end within 12 months of the date of initial application as short-term leases (such leases are recognized in the same way as short-term lease contracts and payments are disclosed together with the incurred costs of short-term lease agreements),
- excluding initial direct costs from the measurement of the right-of-use asset.

The Company as a lessee

For leases previously classified as operating leases under IAS 17, a lessee measures the lease liability at the date of initial application as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at that date. The Company measured the right-of-use asset on a lease-by-lease basis at an amount equal to the lease liability (adjusted by prepaid/accrued payments if applicable).

Agreements that have been recognized as right-of-use assets include office space and other premises as well as points of sale premises.

As at 1 January 2019 the value of right-of-use assets and lease liabilities is equal and thus no adjustments to equity are recognized. The estimated impact of IFRS 16 implementation as at 1 January 2019 amounts to PLN 28.6 due to recognition of right-of-use assets and lease liabilities.

The table below presents reconciliation between future lease payments presented in the financial statements for the year ended 31 December 2018, discounted using the Company's incremental borrowing rate effective as at 1 January 2019 to the value of the lease liabilities recognized as at 1 January 2019.

Operating lease commitments as at 31 December 2018 (disclosure under IAS 17)	**36.9**
Exemptions for short-term leases and leases of low-value items	(1.6)
Future operating lease payments as at 1 January 2019	**35.3**
Discount	(6.7)
Additional lease liabilities recognised as at 1 January 2019	**28.6**
Finance lease liabilities recognised under IAS 17 as at 31 December 2018	1.2
Lease liabilities as at 1 January 2019	**29.8**

For leases that were previously classified as finance leases under IAS 17, the Company recognises a right-of-use asset and a lease liability measured at the previous carrying amount under IAS 17. On 1 January 2019, the above lease agreements were presented as right-of-use assets (previously included in Other property, plant and equipment).

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Significant estimates and assumptions that affect measurement of the lease liabilities and the right-of-use assets include lease term as well as discount rate, and are presented in note 45.

In 2019, the IFRS Interpretation Committee "the Committee" issued a summary of decisions reached in its public meetings to clarify interpretations in respect to IFRS 16 on the following issues: subsurface rights, lessee's incremental borrowing rate, lease term and useful life of leasehold improvements.
The Company has analysed the potential impact of these decisions on its accounting principles and assessed there is no impact on the value of right-of-use assets and lease liabilities presented on the Company's balance sheet.

The implementation of IFRS 16 had the following impact on the balance sheet as at 1 January 2019:

	1 January 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**1 January 2019 unaudited prepared in accordance with IFRS 16**
Reception equipment	299.1	-	299.1
Other property, plant and equipment	116.4	(1.2)	115.2
Goodwill	197.0	-	197.0
Brands	7.8	-	7.8
Other intangible assets	63.1	-	63.1
Right-of-use assets	-	29.8	29.8
Investment property	40.5	-	40.5
Shares in subsidiaries and associates	12,151.8	-	12,151.8
includes shares in associate	*4.5*	-	*4.5*
Non-current deferred distribution fees	34.4	-	34.4
Other non-current assets	23.7	-	23.7
Total non-current assets	**12,933.8**	**28.6**	**12,962.4**
Contract assets	179.7	-	179.7
Inventories	130.2	-	130.2
Trade and other receivables	149.6	-	149.6
Income tax receivable	0.3	-	0.3
Current deferred distribution fees	75.9	-	75.9
Other current assets	105.8	-	105.8
Cash and cash equivalents	258.3	-	258.3
Total current assets	**899.8**	**-**	**899.8**
Total assets	**13,833.6**	**28.6**	**13,862.2**

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

	1 January 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**1 January 2019 unaudited prepared in accordance with IFRS 16**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.6)	-	(0.6)
Retained earnings	3,962.1	-	3,962.1
Total equity	**11,161.1**	**-**	**11,161.1**
Loans and borrowings	572.4	-	572.4
Issued bonds	976.0	-	976.0
Lease liabilities	1.0	25.5	26.5
Deferred tax liabilities	93.5	-	93.5
Other non-current liabilities and provisions	1.6	-	1.6
includes derivative instruments	*0.1*	-	*0.1*
Total non-current liabilities	**1,644.5**	**25.5**	**1,670.0**
Loans and borrowings	386.2	-	386.2
Issued bonds	42.3	-	42.3
Lease liabilities	0.2	3.1	3.3
Contract liabilities	237.1	-	237.1
Trade and other payables	312.9	-	312.9
includes derivative instruments	*0.7*	-	*0.7*
Income tax liability	46.5	-	46.5
Deposits for equipment	2.8	-	2.8
Total current liabilities	**1,028.0**	**3.1**	**1,031.1**
Total liabilities	**2,672.5**	**28.6**	**2,701.1**
Total equity and liabilities	**13,833.6**	**28.6**	**13,862.2**

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

To facilitate comparability between periods, the tables below present how the adoption of IFRS 16 affected the Financial Statements in the current period.

	for the year ended		
	31 December 2019 prepared in accordance with IAS 17	**Adjustments**	**31 December 2019 prepared in accordance with IFRS 16**
Revenue	**2,378.8**	**-**	**2,378.8**
Retail revenue	2,190.4	-	2,190.4
Wholesale revenue	101.0	-	101.0
Sale of equipment	22.2	-	22.2
Other revenue	65.2	-	65.2
Operating cost	**(1,948.9)**	**0.4**	**(1,948.5)**
Content costs	(727.1)	-	(727.1)
Technical costs and cost of settlements with telecommunication operators	(488.6)	-	(488.6)
Distribution, marketing, customer relation management and retention costs	(341.2)	0.2	(341.0)
Depreciation, amortization, impairment and liquidation	(173.0)	(3.8)	(176.8)
Salaries and employee-related costs	(121.7)	-	(121.7)
Cost of equipment sold	(21.2)	-	(21.2)
Cost of debt collection services, bad debt allowance and receivables written off	(11.8)	-	(11.8)
Other costs	(64.3)	4.0	(60.3)
Other operating income, net	**2.2**	**-**	**2.2**
Profit from operating activities	**432.1**	**0.4**	**432.5**
Gain/(loss) on investment activities, net	359.5	(0.7)	358.8
Finance costs, net	(89.8)	-	(89.8)
Gross profit for the period	**701.8**	**(0.3)**	**701.5**
Income tax	(114.8)	0.1	(114.7)
Net profit for the period	**587.0**	**(0.2)**	**586.8**

(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 prepared in accordance with IAS 17	**Adjustments**	**31 December 2019 prepared in accordance with IFRS 16**
Reception equipment	306.4	-	306.4
Other property, plant and equipment	114.4	(1.1)	113.3
Goodwill	197.0	-	197.0
Brands	7.8	-	7.8
Other intangible assets	63.4	-	63.4
Right-of-use assets	-	26.4	26.4
Investment property	38.5	-	38.5
Shares in subsidiaries and associates	13,404.5	-	13,404.5
includes shares in associates	*1,248.8*	-	*1,248.8*
Non-current deferred distribution fees	32.4	-	32.4
Other non-current assets	21.5	-	21.5
includes derivative instruments	*0.3*	-	*0.3*
Total non-current assets	**14,185.9**	**25.3**	**14,211.2**
Contract assets	200.8	-	200.8
Inventories	80.5	-	80.5
Trade and other receivables	137.0	-	137.0
Income tax receivable	0.3	-	0.3
Current deferred distribution fees	66.0	-	66.0
Other current assets	103.4	-	103.4
includes derivative instruments	*0.1*	-	*0.1*
Cash and cash equivalents	142.1	-	142.1
Total current assets	**730.1**	**-**	**730.1**
Total assets	**14,916.0**	**25.3**	**14,941.3**

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

	31 December 2019 prepared in accordance with IAS 17	Adjustments	31 December 2019 prepared in accordance with IFRS 16
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.2)	-	(0.2)
Retained earnings	3,954.3	(0.2)	3,954.1
Total equity	**11,153.7**	**(0.2)**	**11,153.5**
Loans and borrowings	1,330.4	-	1,330.4
Issued bonds	969.2	-	969.2
Lease liabilities	0.8	22.0	22.8
Deferred tax liabilities	81.3	(0.1)	81.2
Other non-current liabilities and provisions	1.3	-	1.3
Total non-current liabilities	**2,383.0**	**21.9**	**2,404.9**
Loans and borrowings	662.9	-	662.9
Issued bonds	34.8	-	34.8
Lease liabilities	0.2	3.6	3.8
Contract liabilities	247.2	-	247.2
Trade and other payables	384.4	-	384.4
includes derivative instruments	*0.2*	-	*0.2*
Income tax liability	46.6	-	46.6
Deposits for equipment	3.2	-	3.2
Total current liabilities	**1,379.3**	**3.6**	**1,382.9**
Total liabilities	**3,762.3**	**25.5**	**3,787.8**
Total equity and liabilities	**14,916.0**	**25.3**	**14,941.3**

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

	for the year ended		
	31 December 2019 prepared in accordance with IAS 17	**Adjustments**	**31 December 2019 prepared in accordance with IFRS 16**
Net profit	**587.0**	**(0.2)**	**586.8**
Adjustments for:	**2.6**	**4.3**	**6.9**
Depreciation, amortization, impairment and liquidation	173.0	3.8	176.8
Interest expense	79.6	0.7	80.3
Change in inventories	49.7	-	49.7
Change in receivables and other assets	27.2	-	27.2
Change in liabilities and provisions	65.6	(0.1)	65.5
Change in contract assets	(21.1)	-	(21.1)
Change in contract liabilities	10.1	-	10.1
Income tax	114.8	(0.1)	114.7
Net increase in reception equipment	(144.7)	-	(144.7)
Dividends income and share in the profits of partnerships	(358.8)	-	(358.8)
Other adjustments	7.2	-	7.2
Cash from operating activities	**589.6**	**4.1**	**593.7**
Income tax paid	(135.6)	-	(135.6)
Interest received from operating activities	4.2	-	4.2
Net cash from operating activities	**458.2**	**4.1**	**462.3**
Received dividends and shares in the profits of partnerships	364.4	-	364.4
Acquisition of shares in subsidiaries and associates	(1,233.1)	-	(1,233.1)
Share capital increase in subsidiary and associate	(19.6)	-	(19.6)
Acquisition of property, plant and equipment	(10.2)	-	(10.2)
Acquisition of intangible assets	(16.0)	-	(16.0)
Loans granted	(3.9)	-	(3.9)
Other inflows	7.7	-	7.7
Net cash used in investing activities	**(910.7)**	**-**	**(910.7)**
Bonds issue (Series B Bonds)	893.0	-	893.0
Bonds redemption (Series A Bonds)	(893.0)	-	(893.0)
Loans and borrowings inflows	1,780.0	-	1,780.0
Net cash from the Cash Management System Agreement with interest paid	(0.1)	-	(0.1)
Repayment of loans and borrowings	(747.6)	-	(747.6)
Payment of interest on loans, borrowings, bonds and commissions*	(96.0)	-	(96.0)
Dividend paid	(594.8)	-	(594.8)
Other outflows	(5.1)	(4.1)**	(9.2)
Net cash from/(used in) financing activities	**336.4**	**(4.1)**	**332.3**
Net decrease in cash and cash equivalents	**(116.1)**	**-**	**(116.1)**
Cash and cash equivalents at the beginning of the year	**258.3**	**-**	**258.3**
Effect of exchange rate fluctuations on cash and cash equivalents	(0.1)	-	(0.1)
Cash and cash equivalents at the end of the year	**142.1**	**-**	**142.1**

* Includes impact of hedging instruments and amount paid for costs related to the new financing.
** Includes payment of principal elements and interest of lease liability.

6. Accounting policies

The accounting policies set out below have been applied by the Company consistently to all periods presented in the financial statements except for new and changed IFRS EU standards presented in note 5 and 6v.

a) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are valued at fair value.

b) Going concern assumption

These financial statements have been prepared assuming that the Company will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2019.

c) Functional currency and presentation currency

The financial data in the financial statements is presented in Polish zloty, rounded to million. The functional currency of the Company is the Polish zloty.

d) Judgments and estimates

The preparation of financial statements in conformity with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies is included in note 45.

e) Comparative financial information

It should be noted that the year ended 31 December 2019 is not comparable to the year ended 31 December 2018 due to implementation of IFRS 16 as at 1 January 2019 as well as the merger of the Company with Eileme 1 AB (publ) as at 28 April 2018 and the merger of the Company with Cyfrowy Polsat Trade Marks Sp. z o.o. as at 30 November 2018.

This results from the Company's adopted policy in respect to the Business combinations among entities under common control as described in detail in note 6aa.

f) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates effective on a day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the valuation. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

g) Financial instruments

(i) Non-derivative financial instruments

(i) Financial assets

Financial assets are classified in the following measurement categories depending on the business model in which assets are managed and their cash flow characteristics:

- assets measured at amortised cost - if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- financial asset measured at fair value through other comprehensive income – if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- assets measured at fair value through profit or loss - all other financial assets.

Financial assets at initial recognition are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Trade receivables that do not have a significant financial component are initially measured at their transaction price

Financial assets measured at amortised cost

Financial assets measured at amortised cost include trade and other receivables, loans granted and cash and cash equivalents. Interest income from these financial assets is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial assets classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset.

(ii) Financial liabilities

Financial liabilities include financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities are recognised initially at fair value and, in the case of financial liabilities which are not measured at fair value through profit or loss, net of directly attributable transaction costs.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include loans and borrowings, issued bonds, trade and other payables and lease liabilities. Interest expense related to these financial liabilities is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net or Finance costs, net.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial liabilities classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

Accounting policies related to gains and losses on investment activities and finance costs are presented in 6u.

(ii) Derivative financial instruments

Hedge accounting

The Company may use derivative financial instruments such as forward currency contracts, foreign exchange call options, interest rate swaps and cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. The Company may use forward currency contracts and foreign exchange call options as cash flow hedges of its exposure to foreign currency risk in forecasted payments as well as interest rate swaps and cross-currency interest rate swaps for its exposure to volatility in the interest payments on floating rate debt.

For the purpose of hedge accounting, the Company's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognized immediately in the profit or loss.

The amounts recognized within other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the related gain or loss is recognized in finance cost or when a forecast sale occurs.

Gains and losses from the settlement of derivative instruments that are designated as, and are effective hedging instruments, are presented in the same position as the impact of the hedged item. The derivative instrument is divided into a current portion and a non-current portion only if a reliable allocation can be made.

In accordance with IFRS 9, the Company chose to apply hegde accounting requirements as in IAS 39 instead of those included in IFRS 9.

h) Equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

Preferred shares

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Costs attributable to the issue and public offer of shares

Costs attributable to a new issue of shares are recognized in equity while costs attributable to a public offering of existing shares are recognized directly in finance costs. These costs relating to both new issue and sale of existing shares are recognized on a pro-rata basis in equity and finance costs.

Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

Retained earnings

Retained earnings include net result, reserve capital and effect of merger with the Company. Effect of merger is calculated as the difference between assets and liabilities of the merged entity.

In accordance with the provisions of article 396 of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. This capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

i) Property, plant and equipment

(i) Property, plant and equipment owned by the Company

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received.

The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Investment property

Investment property is defined as a property (land, building, or both) held by the Company to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost. Once recognized all investment property held by the Company are measured using the cost model as set out in IAS 16. This means that the assets are recognized at cost model as presented in (i) above.

Investment property is removed from the balance sheet on disposal or when it is permanently withdrawn from use and no further economic benefits are expected from its disposal.

(iii) Subsequent costs

Subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and the amount of the cost can be measured reliably. Replaced item is derecognised. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Buildings and structures	2-61	Years
Reception equipment	2 or 3 or 5	Years
Technical equipment and machinery	2-22	Years
Vehicles	2-10	Years
Other	2-26	Years

Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end and adjusted if appropriate.

(v) Leased assets

Assets used by the Company under lease, tenancy, rental or similar contracts which meet lease definition, are classified separately in the balance sheet as right-of-use assets.

Equipment that is provided to customers under operating lease agreements are recognized within non-current assets (Reception equipment in the balance sheet) and depreciated as described in point (iv). The set-top boxes are depreciation over a period that exceeds the period the lease agreements are entered into.

Carrying amounts of reception equipment and other items of property, plant and equipment as well as right-of-use assets may be reduced by impairment losses whenever there is uncertainty as to those assets' revenue generating potential or their future use in the Company's operations. The accounting policies relating to impairment are presented in note 6n.

Detailed accounting policies related to lease contracts are described in point 6v.

j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to acquirer's cash-generating units for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Other intangible assets

The Company capitalizes costs of IT software internally generated, including employee-related expenses, directly resulting from generating and preparing an asset to be capable of operating, if the Company is able to demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for respective intangible assets groups are as follows:
- Computer software: 2 – 15 years,
- Other: 2 – 7 years.

k) Shares in subsidiaries and associates

Shares in subsidiaries and associates are measured at cost less impairment losses. Accounting principles relating to impairment testing are presented in note 6n.

Subsidiaries are entities controlled by the Company. Associates are all entities over which the Company has significant influence but not control or joint control, over the financial and operating policies. This is generally the case where the Company holds between 20% and 50% of the voting rights.

l) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory.

The cost of inventories includes purchase price, costs relating directly to the acquisition and the costs related to preparing the inventory for use or sale.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, mobile phones, modems and tablets, which under the business model applied by the Company are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Company creates an allowance for slow-moving or obsolete inventories.

m) Settlements concerning data transfer purchases

Settlements concerning data transfer purchases are recognized in the nominal value upon payments made. The costs are recognized in the income statement based on actual usage of data transmission and contractual. Payments, which will be settled after 12 months from the balance sheet date are presented as other non-current assets.

n) Impairment of assets

(i) Financial assets measured at amortised cost

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets. The trade receivables are assessed for impairment collectively in groups that share similar credit risk characteristics. The expected credit losses are estimated based on historical pattern for overdue receivables collection adjusted with currently available forward-looking information. The credit risk characteristics of contract assets correspond to the credit risk characteristics of trade receivables for a particular type of contract.

The Company considers financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The Company considers a financial asset to be credit impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, including significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of intangible assets which are not yet ready for use is assessed at each financial year-end.

The Company considers on annual basis whether there are indicators that investments in subsidiaries suffered any impairment (i.a. value of net assets). If so, then the impairment test is performed and the recoverable amount of the investment is estimated based on value-in-use calculations.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the income statement. An impairment loss for a cash-generating unit is initially recognized as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In the case of assets that do not generate independent cash flows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss for goodwill cannot be reversed. As for other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss other than that in respect of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o) Employee benefits

(i) Defined contribution program

The Company is obliged, under applicable regulations, to collect and remit the contribution to the state pension fund. These benefits, according to IAS 19 *Employee Benefits* represent state plans and are classified as defined contribution plans. Therefore, the Company's obligations for each period are estimated as the amount of contributions to be remited for a given period.

(ii) Defined benefit program – retirement benefits

The Company is obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee rotation is estimated based on historical experience and forecasts of future employment levels.

Changes in the value of the retirement benefit provision are recognized in the income statement. Actuarial gains and losses are recognized in the equity, in other comprehensive income in full in the period they originated.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

The Company recognizes a liability and charges the income statement for the amounts expected to be paid under short-term bonuses, if the Company has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

p) Provisions

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Company discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

Certain disclosures may not be included in these financial statements as they relate to sensitive information.

Warranty provision

A warranty provision is recognized when products or goods, for which the warranty was granted, are sold. The amount of the provision is based on historical warranty data and on a weighted average of all possible outflows connected with warranty claims against their associated probabilities.

q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events, but its amount cannot be estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

A contingent liability is disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Unless the possibility of any outflow in settlement is remote, the Company discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:
- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any outflow and
- the possibility of any reimbursement.

r) Revenue

Revenue, which excludes value added tax, returns, trade discounts and volume rebates, represents the gross inflow of economic benefit from Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company's main sources of revenue are recognized as follows:

(a) Retail revenue consists primarily of subscription fees paid by our pay digital television contract customers and our contract customers for telecommunication services. Retail revenue also includes received contractual penalties related to terminated agreements which are recognized when the contract is terminated and revenue from the rental of reception equipment. Revenue from above mentioned services is recognized as these services are provided.
Revenue from the rental of reception equipment and activation fees are recognized on a straight-line basis over the minimum base period of the subscription contract.
Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilised or forfeited.

(b) Wholesale revenue consists of revenue from the sale of broadcasting and signal transmission, advertising and sponsorship revenue, revenue from the sale of licenses, sublicenses and property rights and interconnect revenue. Wholesale revenue is recognized, net of any discount given, when the relevant goods or service are provided.

(c) Revenue from sale of equipment is measured at the fair value of the consideration received or receivable, in case of multi-element contracts after the allocation of standalone selling price, net of discounts, rebates and returns. Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(d) Other revenue is recognized, net of any discount given, when the relevant goods or service are provided.

The Company's process for revenue recognition from multi-element contracts consists of:
a) assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract
b) determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

s) Distribution fees

Commissions for distributors for registering new subscribers and for retention of existing subscribers are recognized during the minimum basic period of the subscription agreement and presented in the income statement in Distribution, marketing, customer relation management and retention costs

Turnover commissions for concluding a certain number of subscription contracts are recognized in the income statement as they are due.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as non-current assets.

t) Revenues and costs of barter transactions

Revenues from barter transactions for dissimilar services or goods are recognized when the services are rendered or goods are delivered. Programming licenses, products or services are expensed or capitalized when received or used. The Company recognizes barter transactions based on the estimated fair value of the programming licenses, products or services.

u) Gains and losses on investment activities and finance costs

Gains and losses on investment activities income includes interest income on funds invested, interest expenses (including interest on lease liabilities but other than interest expenses on borrowings), dividends income, share in the profits of partnerships, results on the disposal of available-for-sale financial instruments, net foreign currency gains/losses, and results on completed forward exchange contracts and call options related to investment activities, impairment losses recognized on financial assets. Interest income and expense (other than interest expense on borrowings) is recognized as it accrues in profit or loss using the effective interest method. Dividends income is recognized in profit or loss on the date that the Company's right to receive payment is established, with the exception of advance dividend shown as other liabilities, if there is a likelihood of the return on the basis of the final distribution of financial results of the subsidiaries. Share in the profits of partnerships are recognized once unconditional right to the division of these profits is gained. Share in the losses of partnerships are recognized in accordance with the partners' agreements.

Finance costs comprise interest expense on borrowings (including bank loans and issued bonds), foreign exchange gains/losses on bank loans and issued bonds, realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank and other charges on borrowings as well as guarantee fees resulting from the indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

v) Leasing

Company as a lessor

Agreements which meet the lease definition are classified as finance lease or operating lease. The main criterion is the extent to which the risks and rewards associated with the leased asset are transferred between the Company and the lessee.

Similarly to agreements in which the Company acts as a lessee, the Company as a lessor also determines for each agreement: commencement date, lease term, lease payments and interest rate. At the commencement date lessor accounts for the finance lease by:

- excluding carrying amount of the underlying asset;
- recognizing net investment in the lease;
- recognizing selling profit or loss in profit and loss statement (if applicable).

For operating leases, the Company recognizes revenue in profit and loss statement on a straight line basis.

Company as a lessee – rules applicable from 1 January 2019

The Company changed accounting policies relating to the lease agreements in which the Company acts as a lessee. These changes and implications on the financial statements are presented in note 5.

(i) Assets

Assets used under agreements which meet the lease definition are recognized as right-of-use assets and lease liabilities representing the Company's obligation to make payments for the underlying assets on the day when the leased assets are available for use by the Company.

At the commencement date, the right-of-use assets are measured at cost and consist of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee;
- an estimate of costs of dismantling, removing and restoring the underlying asset and/or the site where it is located.

After the commencement date, the right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and adjusted for remeasurement of the lease liability resulting from reassessment or lease modification which does not require recognition of a separate lease component.

Right-of-use assets are depreciated on a straight-line basis over the shorter of: the term of the lease agreement or the useful life of the underlying asset. If the Company is reasonably certain that ownership of the underlying asset will be transferred to the lessee by the end of the lease term – then the right-of-use asset shall be depreciated from the commencement date to the end of its useful life.

The Company depreciates the right-of-use assets as follows:

- office space and other premises: 2-9 years,
- points of sale premises: 2-3 years.
- vehicles: 4-5 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 purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease (understood as any economic factors discouraging the Company from terminating the contract), if the lease term reflects that the lessee will exercise the option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise the lessee's incremental borrowing rate is used.

After the commencement date, the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. change in the lease term or the amount of future lease payments.

Interest expenses on lease liabilities are recognized in profit or loss over the term of the lease.

Company as a lessee – rules applicable until 31 December 2018

The Company classified lease agreements as finance lease or operating lease. Assets used under contracts that were classified as finance lease were recognized as non-current assets and measured at the lower of the fair value of the asset and the present value of the minimum lease payments. Payments for operating lease were recognized on a straight-line basis over the lease term in the profit or loss of the current period.

w) Taxation

Income tax expense/benefit for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, respectively, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realised. When not recognized deferred tax asset becomes recoverable, it is recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The Company recognizes a deferred tax asset used to carry over unused tax losses to the extent that it is probable that the future taxable profits will be available and unused tax losses may be utilized. While assessing whether the future taxable profits available will be sufficient, the Company takes into account *inter alia* forecasted future tax revenues

Deferred tax assets and liabilities are offset by the Company as criteria for offsetting from IAS 12 are fulfilled.

x) Earnings per share

The Company presents basic and diluted earnings per share for its ordinary and preference shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from the continued operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares adjusted for all potentially dilutive ordinary and preference shares.

y) Segment reporting

The Company operates in the services to individual and business customers segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services and the online TV services.

The Company conducts its operating activities in Poland.

Further information on segments is presented in the consolidated financial statements of the Group.

z) Cash flow statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the balance sheet.

The purchase of reception equipment provided to clients under operating lease contracts is classified in the cash flow statement in operating activities. The purchase and sales of reception equipment are classified in the cash flow statement in operating activities and presented as "Net disposals/(additions) in reception equipment provided under operating lease".

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

aa) Business combinations among entities under common control

In principle, the issues relating to acquisitions and business combinations are regulated by IFRS 3 "Business combinations". However, transactions under common control are excluded from the scope of this standard. The situation in which a given transaction or business phenomenon that require recognizing in financial statements prepared in accordance with IFRS are not regulated by the provisions of the individual standards is regulated by the provisions of IAS 8, points 10-12. These provisions put an entity which prepares its financial statements in accordance with IFRS under an obligation to determine an accounting policy and to use it on a consistent basis for similar transactions.

The Company decided to apply the predecessor accounting method to account for the combination of entities that are under common control. This method is based on the assumption that the entities combining were, both before and after the transaction, controlled by the same shareholder and, therefore, the financial statements reflect the continuity of joint control.

The predecessor accounting method guidelines for the merger of the parent company with its subsidiaries are as follow:
a) Assets and liabilities are not adjusted to reflect fair values as at the merger date. Instead, the acquirer recognizes in its financial statements assets and liabilities in the amount as recognized in the financial statements of the predecessor. "Predecessor values" are the carrying amounts of the merged subsidiary, which were recognized in the consolidated financial statements of the parent company. These amounts include the goodwill on acquisition of shares in a subsidiary recognized in the consolidated financial statements of the parent company.
b) Intercompany transactions and balances between the merging entities are eliminated.
c) Goodwill other than already recognized in the consolidated financial statements of the parent company is not recognized.
d) Share capital of the combined entity is the share capital of the acquiring entity. Share capital of a predecessor is eliminated.
e) Other elements of predecessor's equity are added to the relevant items of the acquiring company's equity. The difference between the value of net assets and payment is recognized in the Retained earnings.
Pursuant to the predecessor accounting method, the Company recognizes in its financial statements the assets and liabilities of the acquired subsidiary at their carrying amounts as recognized in the consolidated financial statements of the Group.
The Company recognized business combinations under common control prospectively from the date of the merger, i.e. standalone financial statements of the Company will include the assets, liabilities, income, costs and cash flows of acquired entities from the date of the legal merger. Comparative data will remain unchanged.

7. Determination of fair values

A number of accounting principles and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In justified cases, further information on methods of fair value measurement is described in the appropriate notes specific to that asset or liability.

(i) Derivatives

The fair value of derivatives is calculated based on their quoted closing bid price at the balance sheet date or, in the lack thereof, other inputs that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices). In the second case, the fair value of derivatives is estimated as the present value of future cash flows, discounted using the market interest rate at the reporting date. Information on the structure of Polish and eurozone interest rates and Polish złoty exchange rate are used in order to estimate future cash flows and market interest rate.

(ii) Non-derivative financial assets

The fair value of non-derivative financial asset for disclosure purposes is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on liabilities' quoted closing bid price at the balance sheet date or, in the lack thereof, estimated on the present value of future principal and interest cash flows, discounted using the market interest rate at the reporting date. Market interest rate is estimated as interbank interest rate for a given currency zone (WIBOR, EURIBOR) plus a margin regarding the Company's credit risk. A market interest rate for a lease contract is estimated based on interest rates for similar lease contracts.

8. Approval of the Financial Statements

These financial statements were approved for publication by the Management Board on 11 March 2020.

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

Explanatory notes

9. Revenue

	for the year ended	
	31 December 2019	**31 December 2018**
Retail revenue	2,190.4	2,175.8
Wholesale revenue	101.0	98.8
Sale of equipment	22.2	29.5
Other revenue	65.2	50.4
Total	**2,378.8**	**2,354.5**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

10. Operating costs

		for the year ended	
	Note	**31 December 2019** *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Content costs		727.1	628.9
Technical costs and costs of settlements with telecommunication operators		488.6	565.9
Distribution, marketing, customer relation management and retention costs		341.0	311.1
Depreciation, amortization, impairment and liquidation		176.8	194.2
Salaries and employee-related costs	a	121.7	119.2
Cost of equipment sold		21.2	30.6
Cost of debt collection services and bad debt allowance and receivables written off		11.8	9.9
Other costs		60.3	118.7
Total		**1,948.5**	**1,978.5**

a) Salaries and employee-related costs

	for the year ended	
	31 December 2019	**31 December 2018**
Salaries	102.5	100.5
Social security contributions	14.8	13.9
Other employee-related costs	4.4	4.8
Total	**121.7**	**119.2**

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

Average headcount of non-production employees*

	for the year ended	
	31 December 2019	**31 December 2018**
Employment contracts (full-time equivalents)	789	761

* excluding workers who did not perform work in the reporting period due to long-term absences

11. Gain on investment activities, net

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Dividends	299.5	219.8
Share in the profits of partnerships	59.3	63.1
Other	-	(0.3)
Total	**358.8**	**282.6**

12. Finance costs, net

	for the year ended	
	31 December 2019	**31 December 2018**
Interest expense on loans and borrowings	34.2	34.6
Interest expense on issued bonds	41.0	43.2
Valuation and realization of hedging instruments	0.6	0.2
Cumulative catch-up	-	(4.2)
Guarantee fees	5.0	5.2
Bank and other charges	9.0	1.1
Total	**89.8**	**80.1**

13. Income tax

(i) Income tax in the income statement

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Corporate income tax	127.2	95.5
Change in deferred income tax in the income statement	(12.5)	0.9
Income tax expense in the income statement	**114.7**	**96.4**

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

	for the year ended	
Change in deferred income tax	**31 December 2019** *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Receivables and other assets	4.1	(12.0)
Liabilities	(17.7)	23.3
Deferred distribution fees	(2.3)	0.4
Tangible and intangible non-current assets	3.5	(11.0)
Other	(0.1)	0.2
Change in deferred income tax – total	**(12.5)**	**0.9**

(ii) Income tax recognized in other comprehensive income

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Change in deferred income tax on hedge valuation	0.1	(0.2)
Income tax expense recognized in other comprehensive income - total	**0.1**	**(0.2)**

(iii) Effective tax rate reconciliation

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Profit before income tax	701.5	584.9
Profit before tax multiplied by the statutory tax rate in Poland of 19%	133.3	111.1
Dividend received from subsidiaries	(56.9)	(41.8)
Other	38.3	27.1
Tax charge for the year	**114.7**	**96.4**
Effective tax rate	**16.4%**	**16.5%**

(iv) Deferred tax assets

	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Liabilities	51.9	34.1
Tangible and intangible non-current assets	0.9	1.0
Receivables and other assets	30.6	28.4
Total deferred tax assets	**83.4**	**63.5**
Offsetting of deferred tax liabilities and deferred tax assets	(83.4)	(63.5)
Deferred tax assets in the balance sheet	**-**	**-**

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

(v) Deferred tax liabilities

	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Receivables and other assets	53.3	47.0
Deferred distribution fees	18.7	20.9
Tangible and intangible non-current assets	73.9	70.5
Liabilities	18.7	18.6
Total deferred tax liabilities	**164.6**	**157.0**
Offsetting of deferred tax liabilities and deferred tax assets	(83.4)	(63.5)
Deferred tax liabilities in the balance sheet	**81.2**	**93.5**

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 Company's key measure of earnings performance. The level of EBITDA measures the Company's ability to generate cash from recurring operations, however it is neither a measure of liquidity nor cash level. The Company defines EBITDA as operating profit adjusted by depreciation, amortization, impairment and liquidation. EBITDA is not an IFRS EU measure, and as such can be calculated differently by other entities.

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Net profit for the period	586.8	488.5
Income tax (see note 13)	114.7	96.4
Gain on investment activities, net (see note 11)	(358.8)	(282.6)
Finance costs, net (see note 12)	89.8	80.1
Depreciation, amortization, impairment and liquidation* (see note 10)	176.8	194.2
EBITDA (unaudited)	**609.3**	**576.6**

* depreciation, amortization, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets and right-of-use assets as well as net book value of disposed property, plant, equipment and intangible assets

15. Basic and diluted earnings per share

As at the balance sheet date, the Company did not have financial instruments that could have a dilutive effect, therefore the Company's diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Net profit for the period	586.8	488.5
Weighted average number of ordinary and preference shares in the year	639,546,016	639,546,016
Earnings per share in PLN (not in million)	**0.92**	**0.76**

(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								
Cost as at 1 January 2019 *(IAS 17 basis)*	**1,228.4**	**15.5**	**103.9**	**186.3**	**2.7**	**20.1**	**4.3**	**332.8**
Right-of-use reclassification	-	-	-	-	(1.4)	-	-	(1.4)
Cost as at 1 January 2019 *(IFRS 16 basis)*	**1,228.4**	**15.5**	**103.9**	**186.3**	**1.3**	**20.1**	**4.3**	**331.4**
Additions	145.2	-	1.7	5.6	0.1	0.1	5.9	13.4
Transfer from assets under construction	-	-	0.8	1.9	-	-	(2.7)	-
Disposals	(71.1)	-	-	(12.5)	(0.2)	(0.1)	-	(12.8)
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1,302.5**	**15.5**	**106.4**	**181.3**	**1.2**	**20.1**	**7.5**	**332.0**
Accumulated impairment losses as at 1 January 2019	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Recognition	1.0	-	-	-	-	-	-	-
Utilisation	(1.0)	-	-	-	-	-	-	-
Accumulated impairment losses as at 31 December 2019	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Accumulated depreciation								
Accumulated depreciation as at 1 January 2019 *(IAS 17 basis)*	**925.0**	**-**	**45.0**	**153.9**	**1.4**	**15.8**	**-**	**216.1**
Right-of-use reclassification	-	-	-	-	(0.2)	-	-	(0.2)
Accumulated depreciation as at 1 January 2019 *(IFRS 16 basis)*	**925.0**	**-**	**45.0**	**153.9**	**1.2**	**15.8**	**-**	**215.9**
Additions	136.1	-	4.2	9.6	0.1	1.4	-	15.3
Disposals	(69.3)	-	-	(12.5)	(0.2)	(0.1)	-	(12.8)
Accumulated depreciation as at 31 December 2019 *(IFRS 16 basis)*	**991.8**	**-**	**49.2**	**151.0**	**1.1**	**17.1**	**-**	**218.4**
Carrying amount								
As at 1 January 2019 *(IAS 17 basis)*	**299.1**	**15.5**	**58.9**	**32.1**	**1.3**	**4.3**	**4.3**	**116.4**
As at 1 January 2019 *(IFRS 16 basis)*	**299.1**	**15.5**	**58.9**	**32.1**	**0.1**	**4.3**	**4.3**	**115.2**
As at 31 December 2019 *(IFRS 16 basis)*	**306.4**	**15.5**	**57.2**	**30.0**	**0.1**	**3.0**	**7.5**	**113.3**

The Company recognized utilisation of an impairment loss on items of property, plant and equipment. The impairment allowance is recognized in ‘depreciation, amortization, impairment and liquidation’.

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

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost								
Cost as at 1 January 2018 *(IAS 17 basis)*	**1,225.0**	**6.9**	**99.1**	**182.7**	**3.0**	**18.7**	**1.7**	**312.1**
Merger with related entity	-	-	3.6	3.7	-	2.2	-	9.5
Additions	96.3	8.6	1.0	4.1	1.4	0.6	3.4	19.1
Transfer from assets under construction	-	-	0.2	0.5	-	0.1	(0.8)	-
Disposals	(92.9)	-	-	(4.7)	(1.7)	(1.5)	-	(7.9)
Cost as at 31 December 2018 *(IAS 17 basis)*	**1,228.4**	**15.5**	**103.9**	**186.3**	**2.7**	**20.1**	**4.3**	**332.8**
Accumulated impairment losses as at 1 January 2018 *(IAS 17 basis)*	**5.2**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Recognition	1.5	-	-	-	-	-	-	-
Utilisation	(2.4)	-	-	-	-	-	-	-
Accumulated impairment losses as at 31 December 2018 *(IAS 17 basis)*	**4.3**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Accumulated depreciation								
Accumulated depreciation as at 1 January 2018 *(IAS 17 basis)*	**861.9**	**-**	**38.7**	**142.7**	**2.7**	**13.1**	**-**	**197.2**
Merger with related entity	-	-	2.0	2.6	-	2.0	-	6.6
Additions	152.0	-	4.3	13.2	0.3	1.7	-	19.5
Disposals	(88.9)	-	-	(4.6)	(1.6)	(1.0)	-	(7.2)
Accumulated depreciation as at 31 December 2018 *(IAS 17 basis)*	**925.0**	**-**	**45.0**	**153.9**	**1.4**	**15.8**	**-**	**216.1**
Carrying amount								
As at 1 January 2018 *(IAS 17 basis)*	**357.9**	**6.9**	**60.4**	**39.7**	**0.3**	**5.6**	**1.7**	**114.6**
As at 31 December 2018 *(IAS 17 basis)*	**299.1**	**15.5**	**58.9**	**32.1**	**1.3**	**4.3**	**4.3**	**116.4**

The Company recognized utilisation of an impairment loss on items of property, plant and equipment. The impairment allowance is recognized in ‘depreciation, amortization, impairment and liquidation’.

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

17. Impairment test on goodwill allocated to the "Services to individual and business customers" cash-generating unit

The Company recognized goodwill in the amount of PLN 197.0 on the acquisition of M.Punkt Holdings Ltd. and Redefine Sp. z o.o. in the financial statements and allocated them to the "Services to individual and business customers" cash-generating unit. "Services to individual and business customers" cash-generating unit is equivalent to the Company. Upon merger of M.Punkt Holdings and Redefine with the Company the amount of goodwill recognized in consolidated financial statements was transferred to these financial statements (see accounting policy in note 6aa).

Goodwill was tested for impairment as at 31 December 2019. The impairment test did not indicate impairment.

The impairment test was based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. The Company tests the total carrying amount of the cash-generating unit and any impairment identified is recognized in the profit or loss immediately with respect to goodwill first and is not subsequently reversed. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to other assets of the cash-generating unit on a pro rata basis.

In the annual impairment test performed by the Company as at 31 December 2019 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow before tax projections based on actual financial business plans covering the 5-year period until 2024. Cash flow projections after 5-year forecast period are estimated using the terminal growth. Terminal growth rate does not exceed the long-term average growth rate for the country in which the Company operates.

The key financial assumptions

The most sensitive key financial assumptions used in the value-in-use calculations of the "Services to individual and business customers" cash-generating unit were as follows:
- discount rate
- terminal growth rate used for estimating fee cash flows beyond the period of financial plans

	Services to individual and business customers	
	2019	2018
Terminal growth	2%	2%
Discount rate before tax	8.2%	8.5%

Discount rate – the discount rate reflects the estimate made by the management of the risks specific to cash-generating unit, taking into account the time value of money and risks specific to the asset. The discount rate was estimated on the basis of weighted average cost of capital method (WACC) and considered Company's business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment expected by the Company's investors while cost of debt is based on the interest bearing debt instruments. Operating segment - specific risk is considered by the estimation of beta. Beta is estimated annually and is based on the market data.

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Terminal growth rate – growth rates are based on widely available published market data.

Sensitivity analysis of key financial assumptions

The Company believes that the key assumptions made in testing for impairment of the "Services to individual and business customers" cash-generating unit as at 31 December 2019 are reasonable and are based on our experience and market forecasts that are published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause the impairment charge to be recognized.

18. Other intangible assets

	Software and licenses	Other	Under development	Total
Cost				
Cost as at 1 January 2019	**207.8**	**1.3**	**23.6**	**232.7**
Additions	4.2	-	14.0	**18.2**
Transfer from intangible assets under development	13.7	0.2	(13.9)	**-**
Disposals	(4.5)	-	-	**(4.5)**
Cost as at 31 December 2019	**221.2**	**1.5**	**23.7**	**246.4**
Accumulated amortization				
Accumulated amortization as at 1 January 2019	**168.6**	**1.0**	**-**	**169.6**
Additions	17.8	0.1	-	**17.9**
Disposals	(4.5)	-	-	**(4.5)**
Accumulated amortization as at 31 December 2019	**181.9**	**1.1**	**-**	**183.0**
Carrying amounts				
As at 1 January 2019	**39.2**	**0.3**	**23.6**	**63.1**
As at 31 December 2019	**39.3**	**0.4**	**23.7**	**63.4**

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

	Software and licenses	Other	Under development	Total
Cost				
Cost as at 1 January 2018	**208.3**	**7.2**	**16.7**	**232.2**
Merger with related entity	0.4	-	-	**0.4**
Additions	3.8	-	15.2	**19.0**
Transfer from intangible assets under development	4.5	-	(4.5)	**-**
Disposals	(9.2)	(5.9)	(3.8)	**(18.9)**
Cost as at 31 December 2018	**207.8**	**1.3**	**23.6**	**232.7**
Accumulated amortization				
Accumulated amortization as at 1 January 2018	**159.4**	**6.5**	**-**	**165.9**
Merger with related entity	0.3	-	-	**0.3**
Additions	17.8	0.4	-	**18.2**
Disposals	(8.9)	(5.9)	-	**(14.8)**
Accumulated amortization as at 31 December 2018	**168.6**	**1.0**	**-**	**169.6**
Carrying amounts				
As at 1 January 2018	**48.9**	**0.7**	**16.7**	**66.3**
As at 31 December 2018	**39.2**	**0.3**	**23.6**	**63.1**

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

19. Right-of-use assets

	Vehicles	Points of sale	Office space and other	Total
Cost				
Cost as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from property, plant and equipment)	1.4	-	-	**1.4**
Implementation of IFRS 16	-	0.4	28.2	**28.6**
Cost as at 1 January 2019 *(IFRS 16 basis)*	**1.4**	**0.4**	**28.2**	**30.0**
Additions	-	0.2	0.3	**0.5**
Cost as at 31 December 2019 *(IFRS 16 basis)*	**1.4**	**0.6**	**28.5**	**30.5**
Accumulated amortization				
Accumulated amortization as at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
Right-of-use reclassification (transfer from property, plant and equipment)	0.2	-	-	**0.2**
Accumulated amortization as at 1 January 2019 *(IFRS 16 basis)*	**0.2**	**-**	**-**	**0.2**
Additions	0.2	0.2	3.5	**3.9**
Accumulated amortization as at 31 December 2019 *(IFRS 16 basis)*	**0.4**	**0.2**	**3.5**	**4.1**
Carrying amount				
As at 1 January 2019 *(IAS 17 basis)*	**-**	**-**	**-**	**-**
As at 1 January 2019 *(IFRS 16 basis)*	**1.2**	**0.4**	**28.2**	**29.8**
As at 31 December 2019 *(IFRS 16 basis)*	**1.0**	**0.4**	**25.0**	**26.4**

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

20. Investment property

	2019	2018
Cost		
Cost as at 1 January	**47.4**	**41.3**
Additions	0.1	6.1
Cost as at 31 December	**47.5**	**47.4**
Accumulated depreciation		
Accumulated depreciation as at 1 January	**6.9**	**5.0**
Additions	2.1	1.9
Accumulated depreciation as at 31 December	**9.0**	**6.9**
Carrying amounts		
As at 1 January	**40.5**	**36.3**
As at 31 December	**38.5**	**40.5**

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

21. Shares in subsidiaries and associates

Shares in subsidiaries and associates as at 31 December 2019

	Company's registered office	Activity	Voting rights percentage	Cost and carrying amount
Polkomtel Sp. z o.o.	Konstruktorska 4, Warsaw	telecommunication activities	100%	4,498.7
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%	3,899.0
Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.)**	Konstruktorska 4, Warsaw	telecommunication activities	74.98%	2,293.1
Netia S.A.	Poleczki 13, Warsaw	telecommunication activities	65.98%	1,277.5
Asseco Poland S.A.*	Olchowa 14, Rzeszów	software activities	22.73%	1,217.8
Interphone Service Sp. z o.o.**	Inwestorów 8, Mielec	production of set-top boxes	99%	64.0
Orsen Holding Limited	Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	34.9
Vindix S.A.*	Rzymowskiego 53, Warsaw	debt collection activities	46.27%	31.0
INFO-TV-FM Sp. z o.o.**	Łubinowa 4a, Warsaw	radio and TV activities	73.5%	29.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp.k.**	Ostrobramska 77, Warsaw	media	37.75%	25.2
Teleaudio Dwa Sp. z o.o. Sp.k.**	Al. Jerozolimskie 81, Warsaw	call center and premium rate services	99%	21.0
TVO Sp. z o.o.	Stefana Batorego 28-32, Gdynia	retail sales	51.22%	8.4
Karpacka Telewizja Kablowa Sp. z o.o.	Warszawska 220, Radom	dormant	99%	2.4
Netshare Media Group Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	2.1
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, Warsaw	web portals activities	4.76%	0.1
Orsen Limited**	Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	0.2%	0.0
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	0.0
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	0.0

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

	Company's registered office	Activity	Voting rights percentage	Cost and carrying amount
Mese Sp. z o.o.	Stanów Zjednoczonych 61a, Warsaw	films and television programs production	100%	0.0
			Total	**13,404.5**

* shares in associates include shares in Vindix S.A. i Asseco Poland S.A.

** the Company holds directly and indirectly 100% shares

	31 December 2018	Additions	Decreases	31 December 2019
Polkomtel Sp. z o.o.	4,498.7	-	-	4,498.7
Telewizja Polsat Sp. z o.o.	3,899.0	-	-	3,899.0
Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.)	2,293.1	-	-	2,293.1
Netia S.A.	1,277.5	-	-	1,277.5
Asseco Poland S.A.	-	1,217.8(a)	-	1,217.8
Interphone Service Sp. z o.o.	64.0	-	-	64.0
Orsen Holding Limited	34.9	-	-	34.9
Vindix S.A.	-	31.0(b)	-	31.0
INFO-TV-FM Sp. z o.o.	29.3	-	-	29.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	25.2	-	-	25.2
Teleaudio Dwa Sp. z o.o. Sp.k.	21.0	-	-	21.0
TVO Sp. z o.o.	4.5	3.9(c)	-	8,4
Karpacka Telewizja Kablowa Sp. z o.o.	2.4	-	-	2.4
Netshare Media Group Sp. z o.o.	2.1	-	-	2.1
Polskie Badania Internetu Sp. z o.o.	0.1	-	-	0.1
Orsen Limited	0.0	-	-	0.0
CPSPV1 Sp. z o.o.	0.0	-	-	0.0
CPSPV2 Sp. z o.o.	0.0	-	-	0.0
Mese Sp. z o.o.	-	0.0(d)	-	0.0
Total	**12,151.8**	**1,252.7**	**-**	**13,404.5**

(a) On 30 December 2019 the Company acquired a significant stake in Asseco Poland S.A. – the Company holds 22.73% of shares (see note 43).

(b) On 13 June 2019 the Company acquired 40.76% shares in Vindix S.A. for the purchase price of PLN 14.7. On 1 July 2019 share capital increase in Vindix S.A. was registered by the court thus increasing the number of shares held by the Company to 46.27%.

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

(c) On 30 May 2019 the Company acquired additional 12 shares in TVO Sp. z o.o. for the purchase price of PLN 0.6 thus increasing the number of shares held to 104 shares (i.e. 50.98%). On 9 August 2019 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 51.22%. On 10 February 2020 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 75.96%.

(d) On 24 October 2019 the Company acquired 100% of shares in Mese Sp. z o.o.

No impairment on shares in related entities was recognized as at 31 December 2019.

22. Deferred distribution fees

	31 December 2019	31 December 2018
Deferred distribution fees	98.4	110.3
Of which: Current	*66.0*	*75.9*
Non-current	*32.4*	*34.4*

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Company to profit or loss over the minimum base period of the subscription contracts.

As at 31 December 2019, 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 98.3 (as at 31 December 2018: 110.2 PLN).

23. Other non-current assets

	31 December 2019	31 December 2018
Non-current trade receivables*	14.9	21.7
Non-current loans granted	5.2	1.5
Other deferred costs	1.1	0.5
Derivative instruments (IRS) assets (see note 35)	0.3	-
Total	**21.5**	**23.7**

*Long-term receivables are denominated in PLN.

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

24. Inventories

Types of inventories	31 December 2019	31 December 2018
Set-top boxes and disc drives	44.9	40.6
Mobile phones, modems, tablets and laptops	9.8	14.5
Other inventories	25.8	75.1
Total net value	**80.5**	**130.2**

Write-downs of inventories	2019	2018
Opening balance	**6.9**	**8.3**
Increase	0.3	0.8
Utilisation	(0.8)	(2.2)
Reversal	(0.2)	-
Closing balance	**6.2**	**6.9**

25. Trade and other receivables

	31 December 2019	31 December 2018
Trade receivables from related entities	29.9	26.1
Trade receivables from non-related entities	66.3	66.4
Tax and social security receivables	15.7	25.2
Other receivables	25.1	31.9
Total	**137.0**	**149.6**

Trade receivables from non-related entities include receivables from individual clients, distributors and others.

Trade receivables by currency

Currency	31 December 2019	31 December 2018
PLN	81.4	77.1
EUR	14.2	14.8
USD	0.6	0.6
Total	**96.2**	**92.5**

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

Movements in bad debt allowance – short-term and log-term

	2019	2018
Opening balance as at 1 January	**36.9**	**32.2**
Increase	9.0	11.5
Reversal	-	(0.1)
Utilisation	(6.6)	(6.7)
Closing balance as at 31 December	**39.3**	**36.9**
Of which:		
Short-term	*38.7*	*35.9*
Long-term	*0.6*	*1.0*

26. Other current assets

	31 December 2019	31 December 2018
Other deferred costs	93.2	98.3
Other deferred income	9.6	7.5
Derivative instruments (IRS) assets (see note 35)	0.1	-
Other	0.5	-
Total	**103.4**	**105.8**

Other deferred costs as at 31 December 2019 and 31 December 2018 comprise mainly deferred costs related to the agreement with Polkomtel Sp. z o.o. for the data transfer services.

27. Cash and cash equivalents

	31 December 2019	31 December 2018
Current accounts	18.0	25.5
Deposits*	124.1	232.8
Total	**142.1**	**258.3**

* with maturity of up to 3 months from the date of establishing the deposit

The Company places its cash and cash equivalents in banks and financial institutions with reliability proven by ratings awarded by universally recognized agencies Standard & Poor's, Moody's or Fitch, as required by the loan agreement and policies adopted therein. As at 31 December 2019, the largest concentration of funds in one bank was 83%.

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

Currency	31 December 2019	31 December 2018
PLN	135.6	241.0
EUR	5.7	5.0
USD	0.7	12.3
CHF	0.1	-
Total	**142.1**	**258.3**

As the Company cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

28. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 December 2019 and 31 December 2018:

Share series	Number of shares	Nominal value of shares	Type
A	2,500,000	0.1	preference shares (2 voting rights)
B	2,500,000	0.1	preference shares (2 voting rights)
C	7,500,000	0.3	preference shares (2 voting rights)
D	166,917,501	6.7	preference shares (2 voting rights)
D	8,082,499	0.3	ordinary bearer shares
E	75,000,000	3.0	ordinary bearer shares
F	5,825,000	0.2	ordinary bearer shares
H	80,027,836	3.2	ordinary bearer shares
I	47,260,690	1.9	ordinary bearer shares
J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

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

The shareholders' structure as at 31 December 2019 was as follows:

	Number of shares	**Nominal value of shares**	**% of share capital held**	**Number of votes**	**% of voting rights**
TiVi Foundation [2], including through:	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.

[2] Entity is controlled by Mr. Zygmunt Solorz.

[3] the Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act

The shareholders' structure as at 31 December 2018 was as follows:

	Number of shares	**Nominal value of shares**	**% of share capital held**	**Number of votes**	**% of voting rights**
Reddev Investments Ltd. [1]	298,656,832	12.0	46.70%	472,203,083	57.66%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Karswell Ltd. [2]	10,000,000	0.4	1.56%	10,000,000	1.22%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
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.

(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 25 June 2019 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2018 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 amounts to PLN 594.8. The dividend day was scheduled for 1 July 2019 and the dividend payout shall be made in two tranches as follows:

1) Tranche I: PLN 287.8 on 3 July 2019
2) Tranche II: PLN 307.0 on 1 October 2019.

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

29. Hedge valuation reserve

On 22 June 2018 the Company concluded interest rate swap transaction with Societe Generale Corporate and Investment Bank. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.9450%.
The transaction was concluded for the period from 28 September 2018 to 30 September 2020. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

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.

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 assets and liabilities as at 31 December 2018

	IRS
Liabilities	
Long-term	(0.1)
Short-term	(0.7)
Total	**(0.8)**

Impact of hedging instruments valuation on hedge valuation reserve

	2019	**2018**
Balance as at 1 January	**(0.6)**	**0.1**
Valuation of cash flow hedges	0.5	(0.9)
Deferred tax	(0.1)	0.2
Change for the period	**0.4**	**(0.7)**
Balance as at 31 December	**(0.2)**	**(0.6)**

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

30. Loans and borrowings

Loans and borrowings	31 December 2019	31 December 2018
Short-term liabilities	662.9	386.2
Long-term liabilities	1,330.4	572.4
Total	**1,993.3**	**958.6**

Change in loans and borrowings liabilities

	2019	2018
Loans and borrowings as at 1 January	**958.6**	**914.9**
Term facility loan	1,000.0	-
Revolving facility loan	780.0	300.0
Repayment of capital	(217.6)	-
Repayment of revolving facility loan	(530.0)	(150.0)
Repayment of interest and commissions	(31.9)	(33.2)
Net cash from the Cash Management System Agreement	-	(103.5)
Cumulative catch-up	-	(4.2)
Interest accrued	34.2	34.6
Loans and borrowings as at 31 December	**1,993.3**	**958.6**

Facilities agreement between the Company and a consortium of financial institutions

On 21 September 2015, the Company, as the borrower, along with Telewizja Polsat Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k. 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”).

Based on the CP Facilities Agreement the Company has been granted a Term Facility Loan up to PLN 1,200.0 (the “CP Term Facility”) and a Revolving Facility Loan up to PLN 300.0 (the “CP Revolving Facility”).

Amendment, Restatement and Consolidation Deed executed between the parties to the CP Facilities Agreement, PLK Facilities Agreement and certain members of the Group

On 21 September 2015 the Amendment, Restatement and Consolidation Deed was concluded between the Company, Polkomtel Sp. z o.o., Telewizja Polsat Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat License Ltd. and Polsat Media Biuro

Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), Plus TM Management Sp. z o.o., TM Rental Sp. z o.o., Plus TM Group Sp. z o.o. and the consortium of Polish and foreign financing institutions (the "Amendment, Restatement and Consolidation Deed").

According to the Amendment, Restatement and Consolidation Deed, upon repayment of the HY Notes Indebtedness (indebtedness under the senior notes issued on 26 January 2012 by Eileme 2 AB (publ) – a Company's indirect subsidiary), the indebtedness under the PLK Facilities Agreement (facilities agreement between Polkomtel and consortium of financial institutions dated 21 September 2015) was refinanced using the funds made available under the CP Facilities Agreement, as amended in the Amendment, Restatement and Consolidation Deed. The HY Notes Indebtedness have been repaid on 1 February 2016.

The Amendment, Restatement and Consolidation Deed amends the CP Facilities Agreement as follows:

i. the maximum amount of the CP Term Facility is PLN 11,500, and the maximum amount of the CP Revolving Facility is PLN 1,000;
ii. the Company and other Group members established additional collaterals for the facilities granted on this basis.

On 26 January 2016, Polkomtel Sp. z o.o. (an indirect subsidiary of the Company) increased utilization of the PLN facility by PLN 4.8 billion (not in million) pursuant to the terms of the Amendment, Restatement and Consolidation Deed.

Amendments and restatement deed to the facilities agreement

On 2 March 2018 the Company (acting as the obligors' agent) and UniCredit Bank AG (acting as finance parties' agent) entered into Second Amendment and Restatement Deed to the Facilities Agreement dated 21 September 2015 and amended by the Amendment, Restatement and Consolidation Deed dated 21 September 2015. The Second Amendment and Restatement Deed amends i*nter alia* the termination date of the CP Term Facility and the CP Revolving Facility to 30 September 2022 (originally set on 21 September 2020). Pursuant to the agreement the repayment schedule has been changed - for details please refer to consolidated financial statements for the year ended 31 December 2019 (note 32).

The CP Term Facility and the CP 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 and the CP Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin. As at 31 December 2019 the CP Term Facility and the CP Revolving Facility are to be repaid in quarterly installments of variable value with the final repayment date for each of these facilities set at 30 September 2022.

As at 31 December 2019 the CP Revolving Facility used by the Company amounted to PLN 400.

The Company used the CP Term Facility in particular to:

(i) repay the indebtedness under the Senior Facilities Agreement of 11 April 2014 between the Company (as the borrower) and a consortium of financial institutions, and

(ii) fund general corporate needs of the Group.

In accordance with the provisions of the Amendment, Restatement and Consolidation Deed, the Company 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.

Acquiring additional financing

On 27 November 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 (the "Accession Deed"). The Accession Deed has been foreseen in the Second Amendment and Restatement Deed. According to the Accession Deed, the Company was granted an additional PLN term facility up to PLN 1 billion (not in million) (the "Additional Facility").

The Additional Facility bears interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Additional Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin. The final repayment date for the Additional Facility is on 31 March 2023. The Additional Facility will be repaid in one bullet installment on the final repayment date.

The receivables arising under the Additional Facility are secured by the same package of security interests and guarantees extended by some of the Company's group members as granted under the Facilities Agreement.

Liabilities related to the CP Facilities Agreement are secured by collaterals established by the Company. A detailed description of the established securities is presented in the Management Report in note 4.6.5.

31. Issued bonds

	31 December 2019	31 December 2018
Short-term liabilities	34.8	42.3
Long-term liabilities	969.2	976.0
Total	**1,004.0**	**1,018.3**

Change in issued bonds payable

	2019	2018
Issued bonds liabilities as at 1 January	**1,018.3**	**1,018.2**
Bonds issue (Series B Bonds)	1,000.0	-
Bonds redemption (Series A Bonds)	(1,000.0)	-
Repayment of interest and commissions	(55.3)	(43.1)
Interest accrued	41.0	43.2
Issued bonds liabilities as at 31 December	**1,004.0**	**1,018.3**

Issuance of bonds

On 16 April 2019 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series B Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series B Bonds.

On 26 April 2019 the Company issued 1,000,000 Series B Bonds, with the nominal value of PLN 1,000 (not in million) each and the aggregate nominal value of PLN 1,000,000,000 (not in million). The Series B Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange ("WSE") within the Catalyst market on 31 May 2019.

Repurchase of bonds

On 26 April 2019 the Company purchased (repurchased) to redeem 107,000 A series bearer bonds with the aggregate nominal value of PLN 107,000,000 (not in million) issued by the Company on 21 July 2015 with the redemption date specified in the terms and conditions of the issuance (warunki emisji) of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the Warsaw Stock Exchange ("WSE") within the Catalyst market ("Series A Bonds Repurchased to Redeem"), from the investors entitled under the Series A Bonds Repurchased to Redeem, who paid the issue price of the Series B Bonds, being registered on 26 April 2019 in the depository kept by National Depositary for Securities ("NDS") pursuant to settlement orders as defined in § 11 of the Detailed Rules of Operation of the NDS, by a set-off of the Company's receivables in relation to the Series B Bonds issuance with the investor's receivables in relation to the disposal to the Company of the Company's Series A Bonds Repurchased to Redeem. On 26 April 2019 the Management Board of the Company adopted a resolution to redeem Series A Bonds Repurchased to Redeem ("Resolution on Redemption").

On 26 April 2019 the Company's Management Board adopted a resolution on conducting an early redemption of all of series A bearer bonds with the redemption date specified in the terms and conditions of the issuance of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the WSE within the Catalyst market ("Series A Bonds"), which will not be redeemed until the early redemption date pursuant to the Resolution on Redemption.

Early redemption of the Series A Bonds and payment of benefits occurred on 17 May 2019.

32. Lease Liabilities

	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Short-term liabilities	3.8	0.2
Long-term liabilities	22.8	1.0
Total	**26.6**	**1.2**

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

Change in lease liabilities:

	2019 *(IFRS 16 basis)*
Lease liabilities as at 1 January (before implementation of IFRS 16)	**1.2**
Implementation of IFRS 16 (as at 1 January 2019)	28.6
Change in the period	0.4
Interest accrued	0.7
Repayment of capital and interest	(4.3)
Lease liabilities as at 31 December	**26.6**

33. Company as a lessor and as a lessee

a) Company as a lessor

Operating leases

The Company entered into contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment, lease of TV production studio, garage and lease of office premises. Assets connected with such contracts are presented as property, plant and equipment.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 12 to 36 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by subscribers or new contracts are signed.

Future minimum lease payments under operating lease are as follows:

	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
within 1 year	176.2	176.6
between 1 and 5 years	114.9	113.6
in more than 5 years	7.4	9.5
Total	**298.5**	**299.7**

In 2019 the Company obtained revenues from operating lease agreements in the amount of PLN 230.5.

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

b) Company as a lessee

Operating leases - 2018

The Company entered into lease agreements for points of sale as well as office and other premises, which are classified as lease contracts based on their economic substance. Until 31 December 2018 above agreements were classified as operating lease contracts. As at 1 January 2019 the Company recognizes a right-of-use assets representing its rights to use the underlying assets due to above agreements (except for short-term leases and leases of low-value item). More details about changes in lease accounting policies are described in notes 5 and 6v.

Future minimum lease payments under operating leases are as follows:

	31 December 2018 *(IAS 17 basis)*
within 1 year	5.6
between 1 and 5 years	15.7
in more than 5 years	15.6
Total	**36.9**

In 2018 the Company incurred costs related to operating lease agreements amounting to PLN 16.7.

Finance leases - 2018

As at 31 December 2018 the Company had agreements classified as financial lease amounting to PLN 1.2 and the present value of the fees were PLN 1.2. Financial lease liabilities were recognized in the balance sheet until 31 December 2018, and were reclassified to lease liabilities on 1 January 2019 in accordance to the implementation of the new standard IFRS 16. More details about changes in lease accounting policies are described in notes 5 and 6v.

Future minimum lease payments under finance leases are as follows:

	31 December 2018 *(IAS 17 basis)*
within 1 year	0.2
between 1 and 5 years	1.1
Total	**1.3**

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

34. Trade and other payables

	31 December 2019	31 December 2018
Trade payables to related parties	85.3	78.2
Trade payables to non-related parties	64.0	77.4
Taxation and social security payables	10.6	11.6
Payables relating to purchases of non-current assets	6.2	3.4
Accruals	197.0	121.6
Short-term provisions	14.8	14.4
Derivative instruments (IRS) liabilities (see note 35)	0.2	0.7
Other	6.3	5.6
Total	**384.4**	**312.9**

Accruals

	31 December 2019	31 December 2018
Salaries	24.8	17.0
Licence fees and royalties for copyright management organizations	103.3	58.2
Distribution costs	12.4	10.1
Other	56.5	36.3
Total	**197.0**	**121.6**

Short-term and long-term provisions

	2019	2018
Opening balance as at 1 January	**15.3**	**17.5**
Increases	0.8	1.5
Reversal	-	(3.7)
Closing balance as at 31 December	**16.1**	**15.3**
Of which:		
Short-term	*14.8*	*14.4*
Long-term	*1.3*	*0.9*

Provisions comprise mainly of provisions for license fees, litigation and disputes.

Trade payables and payables relating to purchases of non-current assets by currency

Currency	31 December 2019	31 December 2018
PLN	123.5	133.1
EUR	26.2	17.0
USD	5.8	8.9
Total	**155.5**	**159.0**

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

Accruals by currency

Currency	31 December 2019	31 December 2018
PLN	174.8	112.5
EUR	19.3	8.7
USD	2.9	0.4
Total	**197.0**	**121.6**

Other notes

35. Financial instruments

Overview

Cyfrowy Polsat S.A. is exposed to the following financial risks:
- credit risk,
- liquidity risk,
- market risk:
    a. currency risk,
    b. interest rate risk.

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

The Management Board is responsible for oversight and management of each of the risks faced by the Company. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on market, credit and liquidity risks.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these financial statements.

Bank loans, bonds, cash, interest rate swaps and short-term bank deposits are the main financial instruments used by the Company, with the intention of securing the financing for the Company's activities. The Company also holds other financial instruments including trade receivables and payables and payables relating to purchases of tangible and intangible assets which arise in the course of its business activities.

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

Financial assets	Carrying amount	
	31 December 2019	**31 December 2018**
Financial assets measured at amortized cost, including:	**283.4**	**406.0**
Loans granted	10.9	6.6
Trade and other receivables from related parties	30.3	27.0
Trade and other receivables from non-related parties	81.9	90.3
Share in the profits of partnerships receivables	18.2	23.8
Cash and cash equivalents	142.1	258.3
Hedging derivative instruments:	**0.4**	**-**
Interest rate swaps	0.4	-

Financial liabilities	Carrying amount	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Financial liabilities measured at amortised cost, including:	**3,385.8**	**2,267.7**
Borrowings and loans	1,993.3	958.6
Issued bonds	1,004.0	1,018.3
Lease liabilities	26.6	1.2*
Trade payables and other payables to third parties and deposits	79.3	89.5
Trade and other payables to related parties	85.6	78.5
Accruals	197.0	121.6
Hedging derivative instruments:	**0.2**	**0.8**
Interest rate swaps	0.2	0.8

* Financial lease liabilities as at 31 December 2018

Credit risk

Credit risk is defined as the risk that counterparties of the Company will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging or other derivative transactions are undertaken,
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

Credit risk arises mainly on trade receivables and contract assets. In the financial year ended 31 December 2019, the Company was not materially exposed to credit risk arising from sales on credit. The Company's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Receivables from subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to Internet client.

The Company pursues a credit policy under which credit risk exposure is constantly monitored.

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

Due to diversification of risk in terms of the nature of individual entities, their geographical location and cooperation with highly-rated financial institutions, also taking into consideration the fair value of liabilities arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

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 2019	**31 December 2018**
Loans granted	10.9	6.6
Trade and other receivables from related parties	30.3	27.0
Trade and other receivables from non-related parties	81.9	90.3
Share in the profits of partnerships receivables	18.2	23.8
Contract assets	200.8	179.7
Cash and cash equivalents	142.1	258.3
Total	**484.2**	**585.7**

The maximum exposure to credit risk for trade and other receivables and assets related to contracts, by type of customer, was:

	Carrying amount	
	31 December 2019	**31 December 2018**
Receivables from subscribers	250.6	242.0
Receivables from distributors	1.5	0.2
Receivables from media companies	23.3	21.9
Receivables and loans granted to related parties, including share in the profits of partnerships receivables	59.2	57.1
Other receivables and loans granted to non-related parties	7.5	6.2
Total	**342.1**	**327.4**

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

The ageing of trade and other receivables and assets related to contracts at the reporting date was:

	31 December 2019			31 December 2018		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Not past due	86.8	7.1	79.7	107.6	8.4	99.2
Past due 0-30 days	23.2	0.4	22.8	14.2	0.8	13.4
Past due 31-60 days	4.2	0.5	3.7	6.6	0.6	6.0
Past due more than 60 days	41.7	17.5	24.2	36.1	13.6	22.5
Total	**155.9**	**25.5**	**130.4**	**164.5**	**23.4**	**141.1**
Assets related to contracts	204.1	3.3	200.8	183.0	3.3	179.7
Total	**360.0**	**28.8**	**331.2**	**347.5**	**26.7**	**320.8**

To estimate impairment due to expected loss model the Company performed analysis using a provision matrix. Bad debt allowance is recognized for trade and other receivables in the amount of expected credit losses in instrument's life cycle.

Liquidity risk

The Company's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits.

The Company prepares, on an ongoing basis, analyses and forecasts of cash requirements based on projected cash flows.

The following are the contractual maturities of the Company's financial liabilities.

	31 December 2019 *(IFRS 16 basis)*						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans and borrowings	1,993.3	2,134.6	536.4	132.6	259.5	1,206.1	-
Issued bonds	1,004.0	1,230.4	17.8	17.8	35.4	106.3	1,053.1
Lease liabilities	26.6	31.4	2.0	2.2	4.1	9.7	13.4
Trade and other payables to non-related parties and deposits	79.3	79.3	79.3	-	-	-	-
Trade and other payables to related parties	85.6	85.6	85.6	-	-	-	-
Accruals	197.0	197.0	197.0	-	-	-	-
Hedging derivative instruments:							
IRS*	0.2	0.3	(0.2)	0.1	0.4	-	-
	3,386.0	**3,758.6**	**917.9**	**152.7**	**299.4**	**1,322.1**	**1,066.5**

* pursuant to the agreements settlements shall be on a net basis

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

	31 December 2018 *(IAS 17 basis)*						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans and borrowings	958.6	1,019.1	271.7	119.9	234.4	393.1	-
Issued bonds	1,018.3	1,128.8	21.6	21.3	43.0	1,042.9	-
Financial lease liabilities	1.2	1.3	0.1	0.1	0.2	0.9	-
Trade and other payables to non-related parties and deposits	89.5	89.5	89.5	-	-	-	-
Trade and other payables to related parties	78.5	78.5	78.5	-	-	-	-
Accruals	121.6	121.6	121.6	-	-	-	-
Hedging derivative instruments:							
IRS*	0.8	0.7	0.4	0.2	0.1	-	-
	2,268.5	**2,439.5**	**583.4**	**141.5**	**277.7**	**1,436.9**	**-**

* pursuant to the agreements settlements shall be on a net basis

The Company may utilize revolving facility line of credit up to the amount of PLN 1.000. As at 31 December 2019 the final maturity date was set on 30 September 2022. As at 31 December 2019 and as at 31 December 2018 the revolving facility was partially utilized.

Market risk

The Company has an active approach to managing its market risk exposure. The objectives of market risk management are:

- to limit fluctuations in profit/loss before tax,
- to increase the probability of meeting budget assumptions,
- to maintain the healthy financial condition, and
- to support the process of undertaking strategic decisions relating to investing activity, with attention to sources of capital for this activity.

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

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

All of the potential hedging strategies and the selection of those preferred reflect the following factors: the nature of identified market risk exposures of the Company, the suitability of instruments to be applied and the cost of hedging, current and forecasted

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market conditions. In order to mitigate market risk, derivatives are primarily used. The Company transacts only those derivatives for which it has the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, the Company relies on information obtained from particular market leading banks, brokers and information services.
It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

Currency risk

One of the main risks to which the Company is exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by the Company are denominated mainly in Polish zloty, however, a portion of operating costs and capital expenditures are incurred in foreign currencies. The Company's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity agreements (EUR), fees for conditional access system (EUR and USD) and purchases of reception equipment and accessories for reception equipment (USD and EUR).

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

The Company did not have any assets held for trading denominated in foreign currencies.

The Company's exposure to foreign currency was as follows based on currency amounts:

	31 December 2019 *(IFRS 16 basis)*		**31 December 2018** *(IAS 17 basis)*	
	EUR	**USD**	**EUR**	**USD**
Trade receivables	3.3	0.2	3.4	0.2
Cash and cash equivalents	1.3	0.2	1.2	3.3
Lease liabilities	(0.1)	-	-	-
Trade payables	(6.2)	(1.5)	(4.0)	(2.4)
Gross balance sheet exposure	**(1.7)**	**(1.1)**	**0.6**	**1.1**
Net exposure	**(1.7)**	**(1.1)**	**0.6**	**1.1**

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Following foreign exchange rates were applied in the presented periods:

	Average rate		**Rates at the balance sheet date**	
(in PLN)	**2019**	**2018**	**31 December 2019**	**31 December 2018**
1 EUR	4.2980	4.2623	4.2585	4.3000
1 USD	3.8395	3.6134	3.7977	3.7597
1 CHF	3.8634	3.6918	3.9213	3.8166

For the purposes of exchange rate volatility sensitivity analysis as at 31 December 2019 and 31 December 2018 it was assumed that probable volatility will be in the +/- 5% band. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

	2019					2018				
	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	As at 31 December 2018		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	3.3	14.2	5%	0.6	-	3.4	14.8	5%	0.7	-
USD	0.2	0.6	5%	0.2	-	0.2	0.6	5%	-	-
Cash and cash equivalents										
EUR	1.3	5.7	5%	0.1	-	1.2	5.0	5%	0.3	-
USD	0.2	0.7	5%	0.1	-	3.3	12.3	5%	0.6	-
CHF	0.0	0.1	5%	-	-	-	-	5%	-	-
Lease liabilities										
EUR	(0.1)	(0.4)	5%	-	-	-	-	5%	-	-
Trade payables										
EUR	(6.2)	(26.2)	5%	(1.5)	-	(4.0)	(17.0)	5%	(0.9)	-
USD	(1.5)	(5.8)	5%	(0.2)	-	(2.4)	(8.9)	5%	(0.4)	-
Change in operating profit				(0.7)	-				0.3	-
Income tax				0.1	-				-	-
Change in net profit				(0.6)	-				0.3	-

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

	2019					2018				
	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	As at 31 December 2018		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	3.3	14.2	-5%	(0.7)	-	3.4	14.8	-5%	(0.7)	-
USD	0.2	0.6	-5%	(0.2)	-	0.2	0.6	-5%	-	-
Cash and cash equivalents										
EUR	1.3	5.7	-5%	(0.1)	-	1.2	5.0	-5%	(0.3)	-
USD	0.2	0.7	-5%	(0.1)	-	3.3	12.3	-5%	(0.6)	-
CHF	0.0	0.1	-5%	-	-	-	-	-5%	-	-
Lease liabilities										
EUR	(0.1)	(0.4)	-5%	-	-	-	-	-5%	-	-
Trade payables										
EUR	(6.2)	(26.2)	-5%	1.5	-	(4.0)	(17.0)	-5%	0.9	-
USD	(1.5)	(5.8)	-5%	0.2	-	(2.4)	(8.9)	-5%	0.4	-
Change in operating profit				0.7	-				(0.3)	-
Income tax				(0.1)	-				-	-
Change in net profit				0.6	-				(0.3)	-

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

	2019		2018	
	Estimated change in profit in PLN	**Estimated change in other comprehensive income in PLN**	**Estimated change in profit in PLN**	**Estimated change in other comprehensive income in PLN**
Estimated change in exchange rate by 5 %				
EUR	(0.7)	-	0.1	-
USD	0.1	-	0.2	-
Estimated change in exchange rate by -5 %				
EUR	0.7	-	(0.1)	-
USD	(0.1)	-	(0.2)	-

Had the Polish zloty strengthened 5% against the basket of currencies as at 31 December 2019, the Company's net profit would have decreased by PLN 0.6 and other comprehensive income would have been unchanged in 2019. Had the Polish zloty appreciated 5%, the Company's net profit would have increased by PLN 0.6 in 2019 and other comprehensive income would have been unchanged in 2019. Had the Polish zloty strengthened 5% against the basket of currencies as at 31 December 2018, the Company's net profit would have increased by PLN 0.3 and other comprehensive income would have been unchanged in 2018. Had the Polish zloty appreciated 5%, the Company's net profit would have decreased by PLN 0.3 in 2018 and other comprehensive income would have been unchanged in 2018, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into account.

Interest rate risk

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

The Company regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Company estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from interest payments on floating rate senior facility, the Company stipulated interest rate swaps.

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At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount	
	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Fixed rate instruments		
Financial assets*	10.7	156.1
Variable rate instruments		
Financial assets*	142.3	108.8
Financial liabilities*	(3,029.8)	(1,967.2)
Net interest exposure	**(2,876.8)**	**(1,702.3)**

* nominal values

The Company's management classifies loan liabilities as variable rate instruments. Changes in the interest rate components do not result in a change in the carrying amount of the loan liability. The changes are reflected prospectively in the interest expense on loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments (pre-tax effect):

	Income statement		Other comprehensive income		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2019						
Variable rate instruments*	(28.9)	28.9	2.2	(2.2)	(26.7)	26.7
Cash flow sensitivity (net)	**(28.9)**	**28.9**	**2.2**	**(2.2)**	**(26.7)**	**26.7**
31 December 2018						
Variable rate instruments*	(18.6)	18.6	3.1	(3.1)	(15.5)	15.5
Cash flow sensitivity (net)	**(18.6)**	**18.6**	**3.1**	**(3.1)**	**(15.5)**	**15.5**

* include sensitivity in fair value changes of derivative instruments (interest rate swaps) due to changes in interest rate

The Company applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN on senior facility hedged by interest rate swap.

Fair value vs. carrying amount

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

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Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Presented below are fair values and carrying amounts of financial assets and liabilities not measured in fair value.

			31 December 2019 *(IFRS 16 basis)*		31 December 2018 *(IAS 17 basis)*	
	Category according to IFRS 9	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	10.9	10.9	6.6	6.6
Trade and other receivables	A	*	130.4	130.4	141.1	141.1
Cash and cash equivalents	A	*	142.1	142.1	258.3	258.3
Loans and borrowings	B	2	(1,994.7)	(1,993.3)	(964.3)	(958.6)
Issued bonds	B	1	(1,025.7)	(1,004.0)	(1,028.9)	(1,018.3)
Lease liability	B	2	(26.6)	(26.6)	(1.2)	(1.2)
Accruals	B	*	(197.0)	(197.0)	(121.6)	(121.6)
Trade and other payables and deposits	B	*	(164.9)	(164.9)	(168.0)	(168.0)
Total			**(3,125.5)**	**(3,102.4)**	**(1,878.0)**	**(1,861.7)**
Unrecognized gain/(loss)				**(23.1)**		**(16.3)**

A – assets subsequently measured at amortised cost

B – liabilities subsequently measured at amortised cost

* it is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 31 December 2019 and as at 31 December 2018 loans and borrowings comprised term facility loan and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 31 December 2019, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan obtained in 2015 and changed in 2018) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019). When determining the fair value of senior facility as at 31 December 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan). The fair value of the revolving facility loan as at 31 December 2019 as well as at 31 December 2018 is set as the nominal value, which is equal to carrying amount.

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The fair value of bonds as at 31 December 2019 and 31 December 2018 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 31 December 2019, the Company held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
IRS		-	0.4	-
Total		**-**	**0.4**	**-**

Liabilities measured at fair value	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
IRS		-	(0.2)	-
Total		**-**	**(0.2)**	**-**

The fair value of interest rate swaps is determined using financial instruments valuation models, based on generally published interest rates. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

As at 31 December 2018, the Company held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
IRS		-	(0.8)	-
Total		**-**	**(0.8)**	**-**

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Items of income, costs, profit and losses recognized in profit or loss generated by loans and issued bonds (including hedging transactions)

For the period from 1 January 2019 to 31 December 2019	Loans and borrowings	Issued bonds	Hedging instruments	**Total**
Interest expense on loans and borrowings	(34.2)	-	(0.6)	**(34.8)**
Interest expense on issued bonds	-	(41.0)	-	**(41.0)**
Total finance costs	(34.2)	(41.0)	(0.6)	(75.8)
Total gross profit/(loss)	**(34.2)**	**(41.0)**	**(0.6)**	**(75.8)**
Hedge valuation reserve	**-**	**-**	**(0.5)**	**(0.5)**

For the period from 1 January 2018 to 31 December 2018	Loans and borrowings	Issued bonds	Hedging instruments	**Total**
Interest expense on loans and borrowings	(30.4)	-	(0.2)	**(30.6)**
Interest expense on issued bonds	-	(43.2)	-	**(43.2)**
Total finance costs	(30.4)	(43.2)	(0.2)	**(73.8)**
Total gross profit/(loss)	**(30.4)**	**(43.2)**	**(0.2)**	**(73.8)**
Hedge valuation reserve	**-**	**-**	**0.9**	**0.9**

Hedge accounting and derivatives

Cash Flow Hedge of interest rate risk of interest payments

At 31 December 2019, the Company held a number of interest rate swaps, designated as hedges of floating interest payments on senior facility denominated in PLN. The interest rate swaps are being used to hedge the interest rate risk of the Company's floating rate financing in PLN.

The terms of the interest rate swaps have been negotiated to match the terms of the floating rate financing in PLN. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the income statement.

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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 2019	31 December 2018
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument (PLN)	250.0	250.0
Fair value of hedging instruments	0.2	(0.8)
Hedge accounting approach	Cash Flow Hedge	Cash Flow Hedge
Expected period the hedge item affect income statement	Until 30 September 2021	Until 30 September 2020

Change in fair value of cash flow hedges recognized in equity is presented below (pre-tax):

	2019	2018
Opening Balance	**(0.8)**	**0.1**
Effective part of gains or losses on the hedging instrument	0.5	(1.1)
Amounts recognized in equity transferred to the profit and loss statement, of which:	0.5	0.2
- adjustment of interest costs	0.5	0.2
Closing Balance	**0.2**	**(0.8)**

36. Capital management

This note presents information about the Company's management of capital. Further quantitative disclosures are also included throughout these financial statements.

The goal of capital management is to maintain the Company's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Company might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

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The Company monitors capital on the basis of leverage ratio, which is calculated as a ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings and issued bonds less cash and cash equivalents (including restricted cash).

	Carrying amount	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Loans	1,993.3	958.6
Issued bonds	1,004.0	1,018.3
Cash and cash equivalents	(142.1)	(258.3)
Net debt	**2,855.2**	**1,718.6**
Equity	11,153.5	11,161.1
Equity and net debt	**14,008.7**	**12,879.7**
Leverage ratio	**0.20**	**0.13**

37. Barter transactions

The Company is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenue comprise revenue from services, goods and materials sold, costs comprise costs of sales.

	for the year ended	
	31 December 2019	**31 December 2018**
Revenues from barter transactions	7.2	6.0
Cost of barter transactions	7.5	5.1

	31 December 2019	**31 December 2018**
Barter receivables	2.0	2.4
Barter payables	-	-

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

38. Transactions with related parties

Receivables

	31 December 2019	31 December 2018
Subsidiaries	46.8	48.7
Joint ventures	1.0	1.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.9	1.5
Total	**48.7**	**51.4**

A significant portion of receivables is represented by receivables from share of the profits of partnerships and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services.

Other assets

	31 December 2019	31 December 2018
Subsidiaries	98.4	102.9
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.	0.1	-
Total	**98.5**	**102.9**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilities

	31 December 2019 *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Subsidiaries	109.2	98.3
Joint ventures	3.3	0.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	22.9	4.7
Total	**135.4**	**103.2**

A significant portion of liabilities is represented by programming licence fees, Polkomtel services and lease liabilities.

Loans granted

	31 December 2019	31 December 2018
Subsidiaries	10.7	1.9
Joint ventures	-	4.6
Total	**10.7**	**6.5**

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

Revenues

	for the year ended	
	31 December 2019	**31 December 2018**
Subsidiaries	113.4	103.6
Joint ventures	1.5	0.6
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.	1.2	1.7
Total	**116.1**	**105.9**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, advertising, programming fees, property rental services.

Expenses

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Subsidiaries	745.6	825.0
Joint ventures	0.1	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	18.6	26.6
Total	**764.3**	**851.6**

The most significant transactions include data transfer services.

The Company also pays license fees for broadcasting Telewizja Polsat’s programs, commissions on sales, and incurs expenses for IT services, rental of properties, telecommunication services with respect to the Company’s customer call center and advertising production.

Gains/(loss) on investment activities, net

	for the year ended	
	31 December 2019 *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Subsidiaries	365.2	288.6
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.	(0.5)	-
Total	**364.7**	**288.6**

Gains and losses on investment activities comprises mostly of dividends, income from share of the profits of partnerships and guarantees granted by the Company in respect to Polkomtel’s and Netia’s term facilities.

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

Finance costs

	for the year ended	
	31 December 2019	**31 December 2018**
Subsidiaries	5.0	5.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	-	5.3
Total	**5.0**	**10.5**

Finance costs comprise mostly of guarantee fees in respect to the term facilities.

39. Litigations

Management believes that the provisions for litigations as at 31 December 2019 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company’s financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

Proceedings before the Office of Competition and Consumer (“UOKiK”)

On 30 December 2016 the President of UOKiK issued a decision stating that the Company’s operations were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 5.3. The Company appealed to SOKiK against the decision. On 7 August 2019 the court dismissed the appeal of the Company. The Company appealed against the decision.

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

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

Other proceedings

On 28 April 2017, Association of Polish Stage Artists (“ZASP”) filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on 8 May 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement.

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.

40. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the facilities agreement. Detailed information in respect to the agreements is presented in the Management Report in note 4.6.5.

Other securities

The Company provided guarantees and surety to its subsidiaries in respect to purchase contracts. Information regarding the amounts of guarantees provided was not separately disclosed, as in the opinion of the Company’s Management, such disclosure could have a negative impact on the relations with the third parties.

Contractual liabilities related to purchases of non-current assets

Total amount of capital commitments resulting from agreements for property construction and improvements was PLN 1.2 as at 31 December 2019 (PLN 2.5 as at 31 December 2018). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software was PLN 0.3 as at 31 December 2019 (PLN 0.3 as at 31 December 2018).

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

Future contractual obligations

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

	1 year and less	1-5 years	Above 5 years	Total
Transponder capacity	102.4	452.1	113.0	**667.5**

Future payments for transponder capacity amounted to PLN 769.8 as at 31 December 2018.

41. Remuneration of the Management Board

The table below presents the remuneration of the Management Board members of the Company in 2019 and 2018.

Name	Function	2019	2018
Mirosław Błaszczyk	President of the Management Board (from 1 April 2019)	0.4	-
Tobias Solorz	President of the Management Board (to 31 March 2019)	0.1	0.2
Maciej Stec	Vice-President/Member of the Management Board	0.3	0.1
Dariusz Działkowski	Member of the Management Board	0.2	0.6
Jacek Felczykowski	Member of the Management Board	0.2	-
Tomasz Gillner-Gorywoda	Member of the Management Board	0.2	0.7
Aneta Jaskólska	Member of the Management Board	0.6	0.6
Agnieszka Odorowicz	Member of the Management Board	0.6	0.6
Katarzyna Ostap-Tomann	Member of the Management Board	0.5	0.5
Total		**3.1**	**3.3**

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

The bonuses payable to each member of the Management Board of the Company for years 2019 and 2018 from the Company and subsidiaries are presented below:

Name	Function	2019	2018
Mirosław Błaszczyk	President of the Management Board (from 1 April 2019)	2.0	-
Tobias Solorz	President of the Management Board (to 31 March 2019)	-	9.5
Maciej Stec	Vice-President/Member of the Management Board	2.0	1.7
Dariusz Działkowski	Member of the Management Board	-	-
Jacek Felczykowski	Member of the Management Board	1.4	-
Tomasz Gillner-Gorywoda	Member of the Management Board	-	1.5
Aneta Jaskólska	Member of the Management Board	1.5	1.5
Agnieszka Odorowicz	Member of the Management Board	0.8	0.8
Katarzyna Ostap-Tomann	Member of the Management Board	1.8	1.6
Total		**9.5**	**16.6**

The table below presents the remuneration of the Management Board of Cyfrowy Polsat S.A. in 2019 and 2018 from other related companies:

Name	Function	2019	2018
Mirosław Błaszczyk	President of the Management Board (from 1 April 2019)	0.6	-
Tobias Solorz	President of the Management Board (to 31 March 2019)	0.3	1.3
Maciej Stec	Vice-President/Member of the Management Board	0.6	0.8
Dariusz Działkowski	Member of the Management Board	-	0.3
Jacek Felczykowski	Member of the Management Board	0.8	-
Tomasz Gillner-Gorywoda	Member of the Management Board	0.1	0.5
Aneta Jaskólska	Member of the Management Board	0.3	0.3
Katarzyna Ostap-Tomann	Member of the Management Board	0.5	0.5
Total		**3.2**	**3.7**

42. The Supervisory Board remuneration

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007. On 29 June 2016 the Annual General Meeting adopted the resolution concerning changes in remuneration of members of the Supervisory Board.

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

The table below presents the total remuneration payable to the Supervisory Board members in 2019 and 2018:

Name	**Function**	**2019**	**2018**
Marek Kapuściński	President of the Supervisory Board	0.24	0.24
Józef Birka	Member of the Supervisory Board	0.18	0.18
Robert Gwiazdowski	Independent Member of the Supervisory Board	0.18	0.18
Aleksander Myszka	Member of the Supervisory Board	0.18	0.18
Leszek Reksa	Independent Member of the Supervisory Board	0.18	0.18
Tomasz Szeląg	Member of the Supervisory Board	0.18	0.18
Piotr Żak	Member of the Supervisory Board (from 28 June 2018)	0.18	0.09
Total		**1.32**	**1.23**

43. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Provincial Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filed a cassation complaint in this respect to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set yet.

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 intends to file a complaint against the decision to the Administrative Court. The Company disagrees with the Tax Authority's position and 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 does not agree with this decision. The Company appealed against the decision of the Tax Authority and has not created any provisions encumbering its financial results. The case is currently examined by the Head of the Małopolska Customs and Tax Office in Cracow in the second instance.

Decision of the Head of the Mazovian Tax Office in Warsaw

On 30 April 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw ("Tax Office") dated 25 May 2017. The Tax Office's decision dated 25 May 2017 determines the value of tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 plus accrued penalty. The Company informed about the decision in its financial statements for the year 2017.

The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw and appealed against it to the Voivodship Administrative Court in Warsaw. On 14 May 2019 the Voivodship Administrative Court in Warsaw announced its judgement which took into account the allegations presented in the appeal except for the allegation of ineffective suspension of the limitation period for tax liability for 2011 and annulled the decision of the Head of the Mazovian Tax Office in Warsaw as well as discontinued the proceedings. The Head of the Mazovian Tax Office in Warsaw did not file a cassation appeal against this judgment and the Company withdrew its cassation appeal. The Voivodship Administrative Court in Warsaw annulled cassation proceedings. On this basis, the Company assumes that the judgment dated 14 May 2019 of the Voivodship Administrative Court is final.

Acquisition of shares of 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 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 51.22%. On 10 February 2019 share capital increase in TVO Sp. z o.o. was registered by the court thus increasing the number of shares held by the Company to 75,96%.

Acquisition of shares of 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%.

Acquisition of shares of Asseco Poland S.A.

On 18 December 2019 the Company decided to initiate actions aimed at acquiring a significant stake of shares in Asseco Poland S.A. (Asseco), in the amount not exceeding 18,221,000 (not in million) shares and with aggregate value not exceeding PLN 1,184,365,000 (not in million), with a potential participation of other entities controlled by Mr. Zygmunt Solorz (the "Acquisition").

In order to complete the Acquisition, the Company hereby announced an invitation to submit offers for the sale of shares in Asseco (the "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 is 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 the Company 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 will be obliged to resell to the Company the above Asseco shares within 10 business days from the day of the delivery to Reddev of a request to resell such shares to the Company for the price paid by Reddev under the Invitation. Reddev shall also receive an additional remuneration for the period between the settlement 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 (the “Interim Period”) in an amount equivalent to the average weighted cost of financing of the Company’s capital 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 holds a total of 22.73% of the Asseco shares as at 30 December 2019.

Joint-venture agreement

On 25 October 2019 the Company concluded a Joint Venture Agreement with Discovery Communications Europe Limited (“Discovery”) and TVN S.A. (the “JV Agreement”) regarding the implementation of a joint venture involving the establishment of a special purpose vehicle to launch an OTT streaming platform offering content to Polish customers, with an intention to later expand into other countries as the parties may agree. The OTT Platform operated by the SPV will provide the viewers with access to, among others, movies, series, documentaries, sports and entertainment shows.

According to the JV Agreement, the Company will ultimately hold 50% of shares in the SPV and provide financing to the SPV on a 50:50 basis in the form of share capital increase and shareholder loans. The initial financing to be provided to the SPV by the Company and Discovery is capped at PLN 30 for each party separately. Each of the Company and Discovery also committed to provide additional financing in such amounts as the Company and Discovery may agree at a later stage.

The SPV has been established by the Company. The SPV will engage in operating activities and Discovery will acquire and take up its shares after the relevant antimonopoly consent is obtained. The SPV will be jointly controlled by the Company and Discovery.

44. Events subsequent to the reporting date

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.

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.

Acquisition of shares – Alledo Sp. z o.o.

On 13 January 2020 the Company acquired 51.25% shares in Alledo Sp. z o.o. for the purchase price of PLN 6.9.

45. Judgments, financial estimates and assumptions

The preparation of financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates and assumptions made primarily related to the following:

- *Classification of lease agreements*

In the case of contracts where the Company acts as a lessor, the Company classifies leasing agreements as operating or financial based on the assessment as to what extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on the economical substance of each transaction. The Company concludes agreements for the rental of reception equipment (set-top boxes, modems and routers) to its customers in the course of its business operations. These lease agreements are classified as operating leases as the Company holds substantially all the risks and rewards incidental to ownership of the reception equipment. For more information see note 33.

- *Lease term*

For agreements which meet the lease definition, the Company determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. While determining the lease term, the Company considers all relevant facts and circumstances, which could indicate that the Company will exercise the option to extend the lease. A lessee has to reassess an extension option upon the occurrence of either a significant event or significant change in the circumstances that are within the control of the lessee. In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term. The Company estimates lease term to be 2 years for point of sale agreements with indefinite periods.

- *Discount rate used by the lessee*

Discount rate is understood as the interest rate implicit in the lease (if that rate can be readily determined) or the incremental borrowing rate of the Company, determined as the cost of interest on the loan, which the Company would have to incur when taking a loan to purchase a given asset with adequate security. The incremental borrowing rate can be defined as the sum of the risk free rate and the Company's credit risk premium. Discount rates applied by the Company take into account the maturity and the currency of lease contracts.

- *Depreciation rates of property, plant and equipment and intangible assets with definite useful lives*

Depreciation rates are based on the expected economic useful lives of property, plant and equipment (including reception equipment provided to customers under lease agreements) and intangible assets. The expected economic useful lives are reviewed on an annual basis based on the experience of the entity.

The economic useful lives of the set-top boxes rented to customers under operating lease agreements are estimated for 5 years, modems and routers 3 years. For information on the useful lives of property, plant and equipment, programming assets and other intangible assets with definite useful lives see notes 6i and 6j. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives and right-of-use assets see notes 16, 18 and 19.

- *The impairment of goodwill*

The Company performed impairment test on goodwill arising on the acquisition of M.Punkt Holdings and Redefine. The impairment test was based on the value-in-use calculations of the "Services to individual and business customers" cash-generating unit to which the goodwill has been allocated on the initial recognition. The value-in-use calculations included estimation of discounted cash flows for the given cash-generating unit and the relevant discount rate. The value of goodwill tested at each cash-generating unit, the key assumptions used in the value-in-used calculations for each cash-generating unit, impairment test results and sensitivity analysis of reasonably possible changes in the key assumptions are presented in note 17.

- *The impairment of investment in subsidiaries*

The Company analyzed whether any indicators of potential impairment of investments in subsidiaries exist as at the balance sheet date. The analysis did not indicate such impairment indicators therefore the Company did not perform an impairment test for these assets.

- *The impairment of non-financial non-current assets*

As at the reporting date the Company has assessed whether there are any indications that intangible and tangible assets with definite useful lives may be impaired. The impairment loss recognised equals the difference between net book value and recoverable amount. The impairment values are presented in notes 16 and 18.

- *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, 25 and 35.

- *Provisions for pending litigation*

During the normal course of its operations the Company participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Company, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Company's lawyers who participate in the current litigations and who estimate Company's possible future obligations taking the progress of litigation proceedings into account. The Company also recognizes provisions for potential unreported claims resulting from past events, should the Management Board find that the resulting outflow of economic benefits is likely. Provisions regarding probable claims are recognized as a result of Management Board's estimates based on accessible information regarding market rates for similar claims. Management believes that the provisions as at 31 December 2019 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

- *Deferred tax*

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses. The key assumption in relation to deferred tax accounting is the assessment of the expected timing and manner of realization or settlement of the carrying amounts of assets and liabilities held at the reporting date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deductible temporary differences can be utilized. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For further details refer to notes 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 6g.

- *Loan liabilities measured at amortised cost*

The CP Term Facility and the CP 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 and the CP 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 2019 and 31 December 2018

46. Income Statement

	for the 3 months ended	
	31 December 2019 unaudited *(IFRS 16 basis)*	**31 December 2018 unaudited** *(IAS 17 basis)*
Revenue	603.3	607.1
Operating costs	(504.0)	(525.6)
Other operating income, net	1.7	2.3
Profit from operating activities	**101.0**	**83.8**
Gain on investment activities, net	20.4	20.9
Finance costs, net	(22.1)	(23.1)
Gross profit for the period	**99.3**	**81.6**
Income tax	(20.1)	(23.6)
Net profit for the period	**79.2**	**58.0**
Basic and diluted earnings per share (in PLN)	**0.13**	**0.09**

47. Statement of Comprehensive Income

	for the 3 months ended	
	31 December 2019 unaudited *(IFRS 16 basis)*	**31 December 2018 unaudited** *(IAS 17 basis)*
Net profit for the period	**79.2**	**58.0**
Items that may be reclassified subsequently to profit or loss:		
Valuation of hedging instruments	-	(0.4)
Income tax relating to hedge valuation	-	0.1
Other comprehensive income, net of tax	**-**	**(0.3)**
Total comprehensive income for the period	**79.2**	**57.7**

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

48. Revenue

	for the 3 months ended	
	31 December 2019 unaudited	**31 December 2018 unaudited**
Retail revenue	552.0	556.1
Wholesale revenue	28.5	29.6
Sale of equipment	5.6	7.7
Other revenue	17.2	13.7
Total	**603.3**	**607.1**

49. Operating costs

		for the 3 months ended	
	Note	**31 December 2018 unaudited** *(IFRS 16 basis)*	**31 December 2018 unaudited** *(IAS 17 basis)*
Content costs		192.7	170.5
Technical costs and costs of settlements with telecommunication operators		100.6	150.3
Distribution, marketing, customer relation management and retention costs		103.8	85.9
Depreciation, amortization, impairment and liquidation		43.7	46.6
Salaries and employee-related costs	a	37.7	39.5
Cost of equipment sold		5.5	7.6
Cost of debt collection services and bad debt allowance and receivables written off		3.4	-
Other costs		16.6	25.2
Total		**504.0**	**525.6**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 December 2019 unaudited	**31 December 2018 unaudited**
Salaries	32.8	34.6
Social security contributions	3.5	3.2
Other employee-related costs	1.4	1.7
Total	**37.7**	**39.5**

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

50. Gain on investment activities, net

	for the 3 months ended	
	31 December 2019 unaudited *(IFRS 16 basis)*	**31 December 2018 unaudited** *(IAS 17 basis)*
Share in the profits of partnerships	18.1	19.8
Other	2.3	1.1
Total	**20.4**	**20.9**

51. Finance costs, net

	for the 3 months ended	
	31 December 2019 unaudited	**31 December 2018 unaudited**
Interest expense on loans and borrowings	11.1	10.1
Interest expense on issued bonds	9.0	10.9
Valuation and realization of hedging instruments	0.1	0.2
Guarantee fees	1.6	1.6
Bank and other charges	0.3	0.3
Total	**22.1**	**23.1**