CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the six month period ended
June 30, 2020

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

POLSAT GROUP AT A GLANCE

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

- **pay TV services** offered mainly by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe – and our subsidiary Netia. We offer our customers access to about 170 TV channels broadcast in satellite, terrestrial and Internet (IPTV, OTT) technologies as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, pay-per-view, Video On Demand) and Multiroom. We also provide online video services through IPLA, the leader on Poland's online video market, by offering them in a subscription and transaction (PPV) model, as well as free of charge (financed by advertising revenue);
- **telecommunication services**, including voice and data transmission services, as well as various added services (VAS). We provide mobile telecommunication services mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators, and fixed-line telecommunication services mainly through our subsidiary Netia;
- **mobile broadband Internet**, offered under two alternative brands: Cyfrowy Polsat and Plus. We provide these services in the state-of-the-art LTE, LTE Advanced and 5G technologies. We offer the largest LTE coverage and the frst commercial 5G network in Poland thanks to which our customers enjoy the best quality of services;
- **fixed-line broadband Internet**, offered under Netia and Plus brands based on the infrastructure of our subsidiary Netia whose own access networks reach over 2.7 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on access to the infrastructure of Orange Polska and Nexera;
- **broadcasting and television production** through Telewizja Polsat, the leading commercial TV broadcaster on the Polish market, offering 34 popular TV channels, including our main channel POLSAT, one of the leading FTA channels in Poland;
- **Internet media.** Belonging to the Group Internet portal 'Interia.pl', being one of the three largest horizontal portals in Poland, provides individual Internet users with a vast selection of the highest quality information, multimedia, social and communication services. We also invest in the development of thematic portals such as 'Polsatnews.pl' or 'Polsatsport.pl'. Jointly with Interia Group we are one of the leaders of the Polish online advertising market;
- **wholesale services to other operators**, including, i.a., network interconnection, IP and voice traffic transit, lease of lines and national and international roaming services.

We operate mainly on the territory of Poland in two business segments: the segment of services to individual and business customers and the broadcasting and television production segment.

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 report of Cyfrowy Polsat Capital Group S.A. (the "Report") prepared as required by Article 60 sections 1 and 2 and Article 68 and 69 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. Capital Group (hereafter "Report") apply to Cyfrowy Polsat S.A., while all references to the Group, Polsat Group, the Capital Group, Cyfrowy Polsat Group or Cyfrowy Polsat Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we," "us," "our" and similar apply generally to the Group, unless it is clear from the context that they apply only to the Company. A glossary of terms used in this document is presented at the end of this Report.

Financial and operating data

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our condensed interim consolidated financial statements for the six-month period ended June 30, 2020 and condensed interim financial statements for the six-month period ended June 30, 2020, prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements attached to this Report have not been audited by an independent auditor, however, the interim condensed consolidated financial statements for the six-month period ended June 30, 2020 and the interim condensed financial statements for the six-month period ended June 30, 2020 were reviewed by an independent auditor.

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

Forward looking statements

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

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

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

Industry and market data

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

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the three- and six-month periods ended June 30, 2020 and June 30, 2019. This information should be read in conjunction with the interim condensed consolidated financial statements for the six-month period ended June 30, 2020 (including notes thereto) constituting part of this Report and the information included in item 3 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement and the consolidated cash flow statement for the three-month periods ended June 30, 2020 and June 30, 2019 have been converted into euro at a rate of PLN 4.5044 per EUR 1, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from April 1, 2020 to June 30, 2020;
- from the consolidated income statement and the consolidated cash flow statement for the six-month periods ended June 30, 2020 and June 30, 2019 have been converted into euro at a rate of PLN 4.4143 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1, 2020 to June 30, 2020;
- from the consolidated balance sheet data as at June 30, 2020 and December 31, 2019 have been converted into euro at a rate of PLN 4.4660 per EUR 1 (average exchange rate published by the NBP on June 30, 2020).

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

It should be noted that the financial data for the three- and six-month periods ended June 30, 2020 and June 30, 2019 are not fully comparable due to the following acquisitions and changes to the Group's structure in the period from June 30, 2019 to June 30, 2020:

- acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019,
- acquisition of 12 additional shares in TVO Sp. z o.o. on May 30, 2019, registration of a share capital increase on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22%) and registration by court of the share capital increase in TVO Sp. z o.o. on February 10, 2020 (following the registration of the share capital increase the shareholding of Cyfrowy Polsat S.A. in TVO Sp. z o.o. amounts to 75.96%),
- acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%),
- acquisition by Netia S.A. of 100% of shares in ISTS Sp. z o.o. on November 27, 2019, which resulted in Cyfrowy Polsat holding indirectly 65.98% of shares in this company,
- acquisition of a stake of shares in Asseco Poland S.A. on December 30, 2019 (as a result, total shareholding in Asseco Poland S.A. as at June 30, 2020 amounted to 22.73%),
- acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020,
- acquisition by Netia S.A. of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) on February 14, 2020 which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.,
- acquisition of 69.13% of shares in BCAST Sp. z o.o. on March 25, 2020,
- acquisition of 9% of shares in Pluszak Sp. z o.o. on Apri 24, 2020.

Consolidated balance sheet

	June 30, 2020		December 31, 2019	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents[(1)]	1,320.5	295.7	753.1	168.6
Assets	32,622.8	7,304.7	32,589.6	7,297.3
Non-current liabilities	13,796.6	3,089.3	12,256.9	2,744.5
Non-current financial liabilities	12,237.2	2,740.1	10,610.0	2,375.7
Current liabilities	3,888.2	870.6	5,868.2	1,314.0
Current financial liabilities	832.3	186.4	2,340.8	524.1
Equity	14,938.0	3,344.8	14,464.5	3,238.8
Share capital	25.6	5.7	25.6	5.7

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

Consolidated cash flow statement

	for the six-month period ended June 30,			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	1,353.2	306.5	1,558.1	353.0
Net cash used in investing activities	(544.1)	(123.3)	(732.0)	(165.8)
incl. capital expenditures[(1)]	*(535.7)*	*(121.4)*	*(636.3)*	*(144.1)*
Net cash used in financing activities	(243.2)	(55.1)	(1,219.0)	(276.1)
Net increase/(decrease) in cash and cash equivalents	565.9	128.2	(392.9)	(89.0)

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

Consolidated income statement

	for the three-month period ended June 30				for the six-month period ended June 30			
	2020				2019			
	mPLN	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*	*mPLN*	*mEUR*
Revenue	**2,862.7**	**635.5**	**2,923.0**	**648.9**	**5,711.2**	**1,293.8**	**5,714.6**	**1,294.5**
Retail revenue	1,592.0	353.4	1,616.1	358.8	3,196.5	724.1	3,222.1	729.9
Wholesale revenue	802.5	178.2	861.6	191.3	1,626.2	368.4	1,634.3	370.2
Sale of equipment	392.9	87.2	379.3	84.2	738.6	167.3	726.7	164.6
Other sales revenue	75.3	16.7	66.0	14.6	149.9	34.0	131.5	29.8
Total operating cost	**(2,455.6)**	**(545.1)**	**(2,407.2)**	**(534.4)**	**(4,847.7)**	**(1,098.2)**	**(4,724.2)**	**(1,070.2)**
Technical costs and cost of settlements with telecommunication operators	(636.1)	(141.2)	(591.4)	(131.3)	(1,236.9)	(280.2)	(1,155.2)	(261.7)
Depreciation, amortization, impairment and liquidation	(565.9)	(125.6)	(553.6)	(122.9)	(1,130.4)	(256.1)	(1,100.7)	(249.4)
Cost of equipment sold	(334.8)	(74.3)	(321.7)	(71.4)	(617.1)	(139.8)	(611.1)	(138.4)
Content costs	(368.9)	(81.9)	(415.8)	(92.3)	(757.7)	(171.6)	(782.7)	(177.3)
Distribution, marketing, customer relation management and retention costs	(232.0)	(51.5)	(241.8)	(53.7)	(456.4)	(103.4)	(486.6)	(110.2)
Salaries and employee-related costs	(210.2)	(46.7)	(205.6)	(45.6)	(432.1)	(97.9)	(418.2)	(94.7)
Cost of debt collection services and bad debt allowance and receivables written off	(36.6)	(8.1)	(16.9)	(3.8)	(80.9)	(18.3)	(51.5)	(11.7)
Other costs	(71.1)	(15.8)	(60.4)	(13.4)	(136.2)	(30.9)	(118.2)	(26.8)
Other operating income/(cost), net	**(13.0)**	**(2.9)**	**6.7**	**1.5**	**(7.2)**	**(1.6)**	**23.3**	**5.3**
Profit from operating activities	**394.1**	**87.5**	**522.5**	**116.0**	**856.3**	**194.0**	**1,013.7**	**229.6**
Gain/(loss) on investment activities, net	(1.2)	(0.3)	4.8	1.1	(75.4)	(17.1)	(7.4)	(1.6)
Financial costs, net	(47.7)	(10.6)	(170.0)	(37.8)	(201.5)	(45.6)	(272.7)	(61.8)
Share of the profit/(loss) of associates accounted for using the equity method	17.8	4.0	(1.9)	(0.4)	34.1	7.7	(3.6)	(0.8)
Gross profit for the period	**363.0**	**80.6**	**355.4**	**78.9**	**613.5**	**139.0**	**730.0**	**165.4**
Income tax	(72.3)	(16.1)	(86.5)	(19.2)	(139.0)	(31.5)	(163.8)	(37.1)
Net profit for the period	**290.7**	**64.5**	**268.9**	**59.7**	**474.5**	**107.5**	**566.2**	**128.3**
Net profit attributable to equity holders of the Parent	288.4	64.0	263.6	58.5	470.8	106.7	555.5	125.9
Net profit attributable to non-controlling interest	2.3	0.5	5.3	1.2	3.7	0.8	10.7	2.4
Basic and diluted earnings per share in PLN (not in millions)	**0.45**	**0.10**	**0.43**	**0.10**	**0.74**	**0.17**	**0.89**	**0.20**
Weighted number of issued shares (not in millions)	639.546.016		639.546.016		639.546.016		639.546.016	
EBITDA[(1)]	**960.0**	**213.1**	**1,076.1**	**238.9**	**1,986.7**	**450.1**	**2,114.4**	**479.0**
EBITDA margin	33.5%	33.5%	36.8%	36.8%	34.8%	34.8%	37.0%	37.0%
COVID-related costs (incl. donations)	(41.5)	(9.2)	-	-	(41.5)	(9.4)	-	-
adjusted EBITDA [(2)]	**1,001.5**	**222.3**	**1,076.1**	**238.9**	**2,028.2**	**459.5**	**2,114.4**	**479.0**
adjusted EBITDA margin	35.0%	35.0%	36.8%	36.8%	35.5%	35.5%	37.0%	37.0%
Operating margin	13.8%	13.8%	17.9%	17.9%	15.0%	15.0%	17.7%	17.7%

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

(2) Adjusted EBITDA excludes costs related to the COVID-19 epidemic, including donations, incurred in the second quarter of 2020.

1. CHARACTERISTICS OF POLSAT GROUP

1.1. Who we are

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

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

We operate in two business segments: the segment of services to individual and business customers, and the broadcasting and television production segment.

In the segment of services to individual and business customers we provide the following services: satellite and Internet television, mobile and fixed-line Internet access, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunications equipment and production of set-top boxes. At the end of June 2020 we had around 5.6 million contract customers and companies from our Group provided a total of over 17.5 million active services, including nearly 15.0 million contract RGUs (the above data does not include the activities conducted by Netia Group companies).

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

1.2. Composition and structure of Polsat Group

The following table presents the organizational structure of Polsat Group as at June 30, 2020 and December 31, 2019, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2020	December 31, 2019
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	media	100%	100%
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
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.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2020	December 31, 2019
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium-rate services	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	finance activities	(1)	(1)
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
Music TV Sp. z o.o. (formerly ESKA TV S.A.)(2)	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o. (3)	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	65.98%
ISTS Sp. z o.o.	Bociana 4A / 68A, 31-231 Cracow	wired communication	65.98%	65.98%
IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.)	Księcia Janusza 13, 18-400 Łomża	wired communication	65.98%	-
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	100%	100%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	Advertising activities	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2020	December 31, 2019
TVO Sp. z o.o.(4)	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Pure Omni Wework Sp. z o.o. S.k.(4)	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Wework Sp. z o.o.(4)	Stefana Batorego 28-32, 81-366 Gdynia	administrative services	75.96%	51.22%
Plus Finanse Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	monetary intermediation	100%	100%
Alledo Sp. z o.o. (5)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Express Sp. z o.o.(5)	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	-
Alledo Parts Sp. z o.o.(5)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	-
Alledo Parts Sp. z o.o. Sp.k. (5)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	-
Alledo Setup Sp. z o.o.(5)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Setup Sp. z o.o. Sp.k.(5)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-

(1) Cyfrowy Polsat indirectly holds 100% of certificates.
(2) On May 28, 2019 the changes of name and legal form of Eska TV S.A. into Music TV Sp. z o.o. were registered.
(3) On May 19, 2020 Internetia Sp. z o.o. was merged with its parent company Netia S.A.
(4) Consolidated since May 30, 2019 as a result of acquiring additional shares in TVO Sp. z o.o. by the Group which resulted in obtaining control over TVO Sp. z o.o. and its subsidiaries.
(5) Consolidated since January 13, 2020 as a result of acquiring 51.25% of shares in Alledo Sp. z o.o. by the Company which resulted in obtaining control over Alledo Sp. z o.o. and its subsidiaries.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2020	December 31, 2019
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	111 Salusbury Road London NW6 6RG Great Britain	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	media	49.48%	49.48%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Wincentego Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.73%(1)	22.73%(1)
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	69.13%	-

(1) As at June 30, 2020 The Company held directly shares entitling to exercise 22.73% of the total number of votes in Asseco and Reddev held 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. On July 31, 2020 Cyfrowy Polsat acquired from Reddev shares entitling to exercise 0.22% of the total number of votes in Asseco and, as as a result, Cyfrowy Polsat holds currently directly shares entitling to exercise 22.95% of the total number of votes in Asseco.

Additionally, the following entities were included in the consolidated financial statements for the six-month period ended June 30, 2020:

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2020	December 31, 2019
Karpacka Telewizja Kablowa Sp. z o.o.(1)	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, suite 216 00-697 Warsaw	web portals activities	4.76%	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25E/216 10-686 Olsztyn	infrastructure project advisory	1.5%(2)	1.5%(2)
Pluszak Sp. z o.o.	Domaniewska 47, 02-672 Warsaw	retail sales	9%	-

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

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2020 until the date of approval of this Report, i.e. August 26, 2020, the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions and the systematically executed process of simplifying the capital structure of the Group. The changes in the Group's structure entail, among other things, improved efficiency of financial management on the consolidated level through the simplification and streamlining of intragroup financial flows and the elimination of redundant costs. What is more, they translate into greater credibility and transparency of Polsat Group, which in turn has a positive influence on the possibilities of obtaining and using external debt financing.

Date	Description
January 13, 2020	Acquisition of 51.25% of shares in Alledo Sp. z o.o.
February 10, 2020	Registration by court of the share capital increase in TVO Sp. z o.o. (following the registration of the share capital increase the shareholding of Cyfrowy Polsat S.A. in TVO Sp. z o.o. amounts to 75.96%).
February 14, 2020	Acquisition of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) by Netia S.A. which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.
March 25, 2020	Acquisition of 69.13% of shares in BCAST Sp. z o.o.
April 24, 2020	Acquisition of 9% of shares in Pluszak Sp. z o.o.
July 8, 2020	Acquisition by Telewizja Polsat of 100% of shares in Grupa Interia.pl Sp. z o.o. and of all rights and obligations of a limited partner of Grupa Interia.pl Sp. z o.o.
July 31, 2020	Acquisition by Cyfrowy Polsat from Reddev of 0.22% of shares in Asseco Poland, resulting in Cyfrowy Polsat holding 22.95% of shares in Asseco Poland.

1.3. Segment of services to individual and business customers

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and one of the leading satellite platforms in Europe in terms of the number of customers. Since 2006, we are the leader on the Polish market in terms of the number of active services, as well as market share. We actively expand our pay TV offer by adding both new forms of service provisioning (IPTV and OTT) and additional services which build customer value, such as Multiroom or paid video online subscriptions. As at June 30, 2020, we provided 5.1 million pay TV services.

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

Furthermore, Netia from Cyfrowy Polsat Group provides an IPTV service under the brand of 'Personal Television' ('*Telewizja Osobista*'). Currently, Netia's Personal Television offering includes approximately 220 channels, with approximately 130 channels in HD or super HD technology. The number of TV services provided by Netia as at June 30, 2020 reached over 263 thousand.

Online video

The entertainment website IPLA offers the most diversified database of legal video content and live broadcasts in Poland and 119 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. IPLA offers on average over 500 hours per month of live coverage of the largest national and international sports events. IPLA provides its users with access to content in the free of charge model accompanied by advertisements and the paid model, 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 50% of IPLA's total revenue is generated by the advertisement-based model, while about 50% 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 and on set-top boxes. Since its inception the IPLA mobile app has already been downloaded over 12 million times.

In addition, IPLA cooperates with other web services who, by embedding the IPLA player on their sites, allow their users to access content in the advertisement-based model.

Moreover, we offer our satellite TV customers the video on demand (VOD) "Home Film Rental" service which allows paid access to the latest novelties and film hits through a set-top box. The service does not require any additional technological solutions and is available via a TV set.

Mobile and fixed-line telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators. As at June 30, 2020 we provided 10.5 million mobile telephony services in both the postpaid and prepaid models.

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

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

Mobile broadband Internet

In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service. At present, our LTE Internet and HSPA/HSPA+ Internet cover practically the entire population of Poland. Since 2016 we have been offering our customers services in the LTE Advanced technology. This technology is being successively developed, as demonstrated by our launch of the QAM 256 and MIMO 4x4 modulation, which allows for increased transmission speed while using the same radio band. We are also pursuing aggregation of bands in two, three and, selectively, four frequencies which further contributes to increasing the capacity of our network, thus making our mobile Internet faster and more stable. Thanks to the applied technological solutions, the speed of our LTE Advanced Internet ranges from 300 Mbps to 500 Mbps in over 300 locations. Furthermore, the tests of download transmission speed on aggregated four bands along with modulation allowed us to achieve data transfer speed above 600 Mbps. As at June 30, 2020, we provided around 1.9 million mobile broadband Internet access services, mostly in the contract model.

In May 2020, we launched the first commercial 5G network in Poland using the spectrum from the 2.6 GHz TDD frequency band. The launch is the first step en route to Plus's nationwide 5G network coverage in Poland. The network which was put into operation at this stage has a coverage of approximately 900 thousand inhabitants and is composed of 100 transceivers operating in 7 Polish cities - Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw. Simultaneously, work has commenced to put on air more than 600 additional stations located in Warsaw and its surroundings, on an area inhabited by over 2 million people. Upon the completion of this project, Plus's 5G network will have extended its coverage to over 3 million inhabitants of the 7 cities and the Warsaw agglomeration.

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

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

Fixed-line broadband Internet

Through our subsidiaries Netia and Polkomtel we provide fixed-line broadband Internet services, among others in fiber optic technologies. Fixed-line services are being rendered via own access networks with over 2.7 million homes passed, out of which, as at end of June 2020, over 1.6 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, we offer fixed-line Internet services based on access to Orange Polska's and Nexera's network.

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

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

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

Bundled services

The bundling of services is one of the strongest trends on 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, mobile and fixed-line broadband Internet, mobile and fixed-line telephony, financial and insurance services, energy and gas, home security services or supplies of telecommunications and electronic equipment, saving on each added service or product.

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

Wholesale business

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

Network interconnection

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

Shared access to network assets and lease of telecommunications infrastructure

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

International roaming

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

Cooperation with roaming partners represents a major part of sales in our wholesale channel. We offer the wholesale roaming service over our own network to foreign operators under discount agreements in exchange for favorable terms offered by foreign partners for the handling of roaming traffic generated by our customers, who use roaming services when abroad. This translates into a reduction of costs of wholesale international roaming services incurred by us and therefore enables us to provide competitively priced international roaming services to both our own customers and customers of MVNOs who operate on our telecommunications network.

Virtual operators (MVNOs)

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

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

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

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

1.4. Broadcasting and television production segment

Production and sale of television channels

Our activities in the segment of broadcasting and television production include primarily production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels. Our portfolio comprises 34 channels including our flagship channel POLSAT. Moreover, there is a group of 8 cooperating channels which are related with Polsat Group either by capital links or joint broadcasting projects.

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

Channel	Description
POLSAT	The main channel, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain a nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of shares in the commercial audience group. POLSAT broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-L4 and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats in most cable networks and satellite platforms. The channel features a broad selection of films, entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.
General interest	
Super Polsat **Super Polsat HD**	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions from the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
TV4 HD	Nationwide entertainment channel, the programming offer of which includes feature movies, series, entertainment and popular science programs and sports. The channel is available in digital terrestrial television.
TV6 HD	Nationwide entertainment channel broadcasting popular foreign formats, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Sports	
Polsat Sport HD	The first sports channel of Polsat Group broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, world class boxing and MMA contests), which include live broadcasts.
Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon.
Polsat Sport News HD	Sports channel dedicated to sports news. Broadcast in DTT technology until January 1, 2017, since January 2, 2017 available only from cable and satellite networks.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, professional boxing galas and mixed martial arts, as well as coverages of Polsat Boxing Night.
Eleven Sports 1 HD	Sports channel devoted solely to football. The most interesting live events, matches from the most interesting European leagues, championships and qualifying games. Eleven Sports 1 HD broadcasts 24 hours a day, in HD quality and with Polish commentary.
Eleven Sports 2 HD	International television that broadcasts large sports events and offers sports fans premium quality entertainment. The channel broadcasts 24 hours a day, in HD quality and with Polish commentary.
Eleven Sports 3 HD	Channel offering the most important European football live matches. In addition, the channel presents documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1 and Eleven Sports 2 channels.
Eleven Sports 4 HD	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.

Channel	Description
Polsat Sport Premium 1	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Polsat Sport Premium 2	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Movie	
Polsat Film HD	Movie channel broadcasting movie hits, top box office productions and non-mainstream movies from the libraries of major US movie studios.
Polsat Romans	Channel created for and dedicated to women. The programming offer includes feature movies as well as popular Polish and foreign series.
Music	
Eska TV **Eska TV HD**	Music and entertainment channel broadcasting the latest music clips, exclusive interviews, gossips about show biz stars and information about musical events. Available in digital terrestrial television.
Eska TV Extra **Eska TV Extra HD**	Channel broadcasting recent hits and the greatest pop music hits from the last 20 years.
Eska Rock TV	Channel offering music defined as mainstream pop-rock, classic rock and alternative rock.
Polo TV	Channel broadcasting the greatest hits of disco polo and dance, reports from the most famous festivals of disco dance, concerts and euro disco hits, italo disco and dance music from the 80s and the 90s. Available in DTT technology.
Polsat Music	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. Polsat Music is the second music channel in Polsat's programming offer.
Vox Music TV	Music and entertainment channel broadcasting disco hits from the 80s and the 90s, italo disco, euro dance and disco polo. The channel's programming offer also includes programs devoted to pop stars and hit lists.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
News	
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs. Addressed to viewers interested in economics.
Superstacja	News and entertainment channel addressed to people who are active and curious about the world. It offers journalism in light edition. The channel's programming offer includes also sensational news from the world of show business and sports.
Lifestyle	
Polsat Cafe HD	Channel dedicated to women, focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat Games HD	Channel devoted to gamers. Addressed not only to fans of computer games or e-sports, but also to enthusiasts of new technologies and animation. The channel's programming includes original gaming programs, coverage from e-sports tournaments, Japanese animated series and documentaries.
Polsat Rodzina HD	Family channel for three generations: from children, via parents, to grandparents, and living anywhere in Poland. The channel helps to deal with challenges of the modern world. Its programing includes informative programs, educational cartoon, series and Christian matters programs.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.

Channel	Description
TV Okazje	Channel broadcasting 24 hours a day, dedicated to teleshopping and broadcasting solely spots that encourage shopping.
Channels cooperating with Cyfrowy Polsat Group (non-consolidated)	
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
CI Polsat HD	Criminal channel that takes its viewers to the world of crime providing insight into criminal laboratories, police archives and courtrooms. The channel is a joint project of Polsat Group and A+E Networks UK.
Polsat Viasat Explore HD	Channel dedicated to men, simple-unusual people, who work hard and have fun while making extraordinary dreams come true. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature HD	Nature channel targeting the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History HD	Channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time. The content features historical events that influenced world history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Fokus TV	Thematic channel of an educational and cognitive character, addressed to the entire family, broadcast in DDT technology. Main thematic sections are knowledge, documentary and entertainment. Fokus TV's mission is to convey knowledge through fun and in an accessible way. TV Polsat is a co-owner of TV Spectrum which broadcasts Fokus TV channel.
Nowa TV	TV station of a universal character. It airs lifestyle programs, series, news, journalistic shows and cabaret skits. Available in the DTT technology. TV Polsat is a co-owner of TV Spectrum which broadcasts Nowa TV channel.
Polsat Comedy Central Extra	Channel broadcasting Polish and foreign comedy series and cabaret programs, launched on March 3, 2020 as a result of cooperation between TV Polsat and ViacomCBS. Previously the channel was aired under the name Comedy Central Family.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on initial estimates from Starcom we evaluate that in the first half of 2020 Polsat Group channels captured 27.7% of the Polish TV advertising market worth approximately PLN 1.7 million in that period while in the second quarter of 2020 alone the share of the Group's channels reached 27.4% in the market valued at PLN 778 million in that period.

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

Sale of channel broadcasting rights

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

Internet media

We develop thematic web portals which leverage on the unique content produced by our TV channels and dedicated editorial teams. In particular, it is worth mentioning the "Polsatnews.pl' service which gained a 270% year on year increase in the number of users and a sixfold increase in the number of views. In turn, the Interia Group acquired by us in July 2020 is a leading player on the Polish market of new generation media, reaching around 60% of Internet users in Poland. Its services are used by over 16 million users every month, and the number of page views of the Interia Group's websites exceeds 1.4 billion per month.

The Internet portal 'Interia.pl', which belongs to the Group, is one of the three largest horizontal portals in Poland and provides individual Internet users with a vast selection of the highest quality information, multimedia, social and communication services. In addition, Interia Group includes thematic services, services designed to exchange opinions, tips and communication as well as one of country's first mail services. In parallel, thanks to the acquisition of Interia Group comprising the 'pogoda.interia.pl' weather forecast service which is a leader in its category, Cyfrowy Polsat Group has strengthened the number 1 position among online weather forecast services in Poland.

Following the acquisition of Interia Group we are is one of the key players on the Polish online advertising market, offering modern marketing and promotion services. We also provide a wide range of technologies for businesses.

1.5. 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. August 26, 2020. Data included in the table is based on 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. May 14, 2020 (quarterly report for the first quarter of 2020), until the date of approval of this Report, i.e. August 26, 2020, the Company did not receive notifications concerning changes in the structure of ownership of significant blocks of Cyfrowy Polsat shares.

1.6. 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. August 26, 2020 as well as at the date of publication of the previous interim report, i.e. May 14, 2020 (quarterly report for the first quarter of 2020).

The table below presents the number of shares of Cyfrowy Polsat S.A. which, according to the Company's best knowledge, were held, directly or indirectly, by Members of the Company's Supervisory Board as at the date of approval of this Report, i.e. August 26, 2020, along with changes in shareholdings from the date of publication of the previous interim report, i.e. May 14, 2020 (quarterly report for the first quarter of 2020).

Name, Surname and function	Status as at May 14, 2020	Increases	Decreases	Status as at August 26, 2020
Mr. Marek Kapuściński Chairman of the Supervisory Board	22,150	-	-	22,150
Mr. Aleksander Myszka Member of the Supervisory Board	54,586	-	-	54,586
Mr. Tomasz Szeląg(1) Member of the Supervisory Board	25,500	-	-	25,500

(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. August 26, 2020, nor at the date of publication of the previous interim report, i.e. May 14, 2020 (quarterly report for the first quarter of 2020).

2. SIGNIFICANT EVENTS

2.1. Extraordinary events

State of epidemic due to the COVID-19 coronavirus disease

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

In the fight against spreading of the coronavirus, numerous measures have been implemented including, among others, border closures, restrictions on movement, organizing events and meetings, commerce, education and childcare, as well as a two-week obligatory quarantine imposed in certain cases. In particular, many workplaces and all educational, cultural and entertainment establishments were closed, which resulted in switching to online working and learning and in greater interest in the entertainment offered by media and the Internet. Moreover, as a result of the closure of large commercial spaces, points of sale located in shopping malls have had to be temporary and compulsorily closed.

In order to defend the state against the crisis caused by the worldwide coronavirus pandemic, the Polish government has adopted a package of solutions aimed at stabilizing the economy and giving it an investment boost. The actions conducted within the so-called 'Anti-Crisis Shields,' (1.0, 2.0, 3.0 and 4.0) and the so-called 'Financial Shield' were focused on:

- protection of jobs and safety of employees and workers,
- financing for entrepreneurs,
- health care,
- strengthening the financial system,
- public investments.

The above package consists of the government's cash components, such as the state budget's and National Healthcare Fund's spending and special purpose funds, the government's liquidity components, including credit repayment holidays, deferred levies, liquidity financing in the form of credit and capital and the liquidity package from the National Bank of Poland, executed, among others, through a radical (by 140 bps) reduction of interest rates to their record low levels.

The total value of funds dedicated to fighting the consequences of the COVID-19 pandemic shall exceed, according to the government's declarations, PLN 312 billion.

Cyfrowy Polsat Group has immediately taken actions to assure business continuity and reduce the negative impact of the epidemic on its operations. The priorities included in particular ensuring safety of the employees as well as guaranteeing high quality of services to our customers. Moreover, the Group has also engaged in nationwide initiatives combatting the epidemic by carrying out a number of social initiatives.

The impact from the introduction of the state of epidemic on the Group's operations and financial prospects is presented in item 4.4 *Other significant information – Factors that may impact our operating activities and financial results at least in the subsequent quarter* of this Report.

Corporate social responsibility actions taken by Cyfrowy Polsat Group in connection with the coronavirus epidemic

In response to the extraordinary situation caused by the coronavirus epidemic Cyfrowy Polsat Group has undertaken numerous social activities which answer social needs associated with the new, difficult circumstances, the new lifestyle, the necessity to perform daily duties remotely as well as the search for diverse forms of entertainment on the Internet. In order to support the society and the health care institutions in their struggle against the coronavirus pandemic Zygmunt Solorz, the founder and main shareholder of Cyfrowy Polsat, together with Cyfrowy Polsat Group have donated so far in excess of PLN 30 million in total. The addressees of the aid included in particular hospitals, doctors, nurses, healthcare personnel as well as children from orphanages.

Polsat Group to-date activities have addressed such areas as: healthcare and safety, aid to children and the youth, support for the elderly as well as education and information. The most important activities included the purchase of 200 thousand coronavirus tests, together with the necessary laboratory equipment, purchase of 20 modern ventilators and other medical equipment, a dedicated commercial block in TV Polsat as well as the donation of 2200 tablets to digitally-excluded children.

Other activities included SMS actions, providing meals for hospital staff, gift packs for children in hospitals and a social campaign addressing the issue of support for senior citizens.

Educational and informational functions were performed by our news channel Polsat News and *Wydarzenia (The News)* program, having several editions daily in Polsat's main channel, as well as by the portal Polsatnews.pl and the mobile app Polsat News.

Moreover, we offered our customers, among others, a one-off free data bundle and additional data bundles at promotional prices, expanded the "open window" offer for the subscribers of the DTH satellite TV and the IPTV services with additional channels, expanded the free IPLA PLUS package, offered to all Plus network customers, with additional channels and accelerated the fixed-line Internet relying on HFC, ETTH and PON technologies to the maximum available speeds.

2.2. Corporate events

Issuance of Series C Bonds

On February 14, 2020, Cyfrowy Polsat issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000 each and the aggregate nominal value of PLN 1,000.0 million 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 were used for refinancing pro-environmental projects, including improvement of the energy efficiency of the Group or reduction of the carbon footprint associated with electronic devices manufactured by Polsat Group. Cyfrowy Polsat is the first company in Poland from a sector other than banking to have used this relatively new financial instrument.

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 3.3.5. of this Report– *Operating and financial review of Polsat Group – Review of our financial situation – Liquidity and capital resources*.

Changes to the Company's Articles of Association

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

Distribution of profit for the financial year 2019

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

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

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

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

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

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

On July 23, 2020 the Annual General Meeting of Cyfrowy Polsat resolved to allocate a total of PLN 639.5 million, i.e., PLN 1.00 per share, to dividend payout for the year 2019, in accordance with the above mentioned recommendation of the Company's Management Board.

2.3. Business related events

Expansion of the footprint of Plus's fixed-line Internet access through Orange Polska and Nexera infrastructures

In January 2020, the footprint of the 'Plus Internet Stacjonarny' fixed-line Internet access service, hitherto provided based on Netia's infrastructure, has been expanded by using Orange Polska infrastructure in the so-called regulated local communes, i.e., communes where access to Orange's infrastructure is granted to other operators based on UKE's decision.

As a consequence, the service is available to an additional 3.2 million households, 0.5 million of which are connected to fiber optic.

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

Taking into account the households within Netia's, Orange's and Nexera's footprint, the total reach of 'Plus Internet Stacjonarny' is now around 40% of all households in Poland.

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

On March 6, 2020, the Office of Electronic Communications (UKE) announced an auction for the reservation of spectrum from the 3.4 3.8 GHz band, thus starting Poland's first spectrum allocation process for the purposes of the 5G network deployment. The auctioned spectrum consisted of four 80MHz blocks from the 3.6 GHz band. The asking price per one block was set at PLN 450 million.

Initially, the deadline for submitting preliminary bids in the auction was to expire on April 23, 2020, and it was the regulator's intention to issue spectrum reservations to the auction winners by the end of August 2020 at the latest. In this scenario spectrum reservations made as a result of the auction were to be valid until the end of June 2035.

Due to the state of epidemic announced on March 20, 2020, the above time limit was suspended, with effect from June 30, 2020 until the cancellation of the epidemic emergency status, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the 'Anti-Crisis Shield 3.0' act adopted by the Polish Parliament on May 14, 2020 included provisions that gave ground to cancellation of the 5G auction announced by the President of UKE. As at the date of approval of this Report no binding decisions with regard to the form nor the time schedule of the spectrum distribution from the 3.6 GHz band were taken.

Execution of amendment and restatement deeds to the SFA

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

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

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

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

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

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

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

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

Detailed information concerning the Third Amendment and Restatement Deed is presented in the Company's current report No. 14/2020 dated April 27, 2020.

Acquisition of shares in Interia Group

On April 30, 2020, Telewizja Polsat executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH a preliminary agreement concerning the acquisition of 100% of shares in Grupa Interia.pl Sp. z o.o. as well as all rights and obligations of a limited partner of Grupa Interia.pl Media Sp. z o.o. sp. k. The aforesaid agreement was finalized on July 8, 2020 following the satisfaction of a condition precedent in the form of obtaining consent of the President of the Office for Competition and Consumer Protection for the concentration on July 2, 2020, which resulted in acquiring by the Group exclusive control over all the companies of Interia Group.

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

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

Commercial launch of the 5G network

On May 11, 2020, Polkomtel, the operator of Plus network, launched the first commercial 5G network in Poland using the spectrum from the 2.6 GHz TDD frequency band. The launch is the first step en route to Plus's nationwide 5G network coverage in Poland.

The network which was put into operation at this stage has a coverage of approximately 900 thousand inhabitants and is composed of 100 transceivers operating in 7 Polish cities - Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw.

Simultaneously, work has commenced to put into operation more than 600 additional stations located in Warsaw and its surroundings, on the area inhabited by over 2 million people. Upon the completion of this project, Plus's 5G network will have extended its coverage to over 3 million inhabitants of the 7 cities and the Warsaw agglomeration. The majority of the planned additional 600 base stations should be constructed by the end of 2020, while the entire project is expected to be finalized in the early months of 2021.

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

A fully functional 5G network operates based on a Non-standalone (NSA) architecture, integrated with the LTE infrastructure. Polsat Group used existing masts and towers, where 5G transceivers have been installed, to build the next generation network.

Plus's 5G service offering is available to all contract customers of Plus and Cyfrowy Polsat who are within the footprint of the 5G base stations and who use equipment that supports the 5G technology operating in the 2.6 GHz frequency band. Plus's offer already includes smartphones and routers which meet these requirements, while further equipment from leading global manufacturers will be successively added to the sales offer in upcoming months.

Until the end of August 2020 the 5G data transmission is available to Plus and Cyfrowy Polsat customers on promotional terms, as an element of the data bundles offered under currently available tariff plans.

The construction of the 5G network by the Group is a response to the evolving needs of our customers and the environment in which we function. The new digital world will require even faster, more reliable and stable transfer of increasing volumes of data. This was particularly visible upon the imposing of the state of epidemic, which resulted in operations of many companies from practically all sectors, the condition of the administration, education and the entire nation's economy being dependent on the continuity of telecommunications services provided by domestic operators.

2.4. Events after the balance sheet date

Entering the photovoltaic market

In July 2020, Polsat Group expanded its offer by photovoltaic installations, offered under a new brand 'ESOLEO'. The installations are sold by Alledo – a company belonging to Polsat Group, which has extensive experience on the photovoltaic market in Poland. The 'ESOLEO' offer is available across Poland in more than 1,000 points of sale and customer service points of Plus and Cyfrowy Polsat. It is promoted by an extensive marketing campaign aimed at raising awareness of benefits from owning a photovoltaic installation. The offer provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed under the "turn-key" model, including preparation of all required documents and a notification of the installation filed with the power grid on behalf of the customer. Under the cooperation with 'ESOLEO' the customer may receive a credit for the investment under special offers prepared by banks.

Appointment of Supervisory Board Members

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

Acquisition of Asseco Poland shares from Reddev

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

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

Detailed information about the agreement signed between the Company and Reddev in December 2019 is provided in the Company's current report No. 41/2019 dated December 27, 2019.

Construction of a new data center

We constantly strengthen our position on the advanced ICT solutions market, which is based on modern data centers. In July 2020 the Management Board of Netia decided to invest PLN 79 million in a new facility located near Warsaw. The data center which is being constructed 10 km from the capital city will accommodate, among others, over 1,000 square meters of server space and over 1,400 square meters of modern office space. The investment decision was preceded by the commercial success of collocation services sales by Netia's data center located in Cracow and observed demand for this type of service in the middle part of the country. It is planned that the first customers shall use infrastructure collocation services and cloud solutions in the new facility in the beginning of 2021.

According to the analytical firm Audytel, in 2020 Cyfrowy Polsat Group, with approximately 8,000 square meters of collocation space, is the country's leader on the data center market.

3. Operating and financial review of Polsat Group

3.1. Operating review of the Group

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

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

	for the 3-month period ended June 30		change / %	for the 6-month period ended June 30		change / %
	2020	2019		2020	2019	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS						
Total number of RGUs (EOP) [thous.] (contract + prepaid)	**17,504**	**17,059**	**2.6%**	**17,504**	**17,059**	**2.6%**
Contract services						
Total number of RGUs (EOP) [thous.], incl.	**14,979**	**14,452**	**3.6%**	**14,979**	**14,452**	**3.6%**
Pay TV [thous.] , incl.	5,001	5,059	(1.1%)	5,001	5,059	(1.1%)
Multiroom [thous.]	*1,197*	*1,174*	*2.0%*	*1,197*	*1,174*	*2.0%*
Mobile telephony [thous.]	8,189	7,598	7.8%	8,189	7,598	7.8%
Internet [thous.]	1,790	1,795	(0.3%)	1,790	1,795	(0.3%)
Number of customers (EOP) [thous.]	**5,587**	**5,653**	**(1.2%)**	**5,587**	**5,653**	**(1.2%)**
ARPU per customer [PLN]	86.5	83.4	3.7%	86.0	83.2	3.4%
Churn per customer	6.4%	7.0%	(0.6 p.p.)	6.4%	7.0%	(0.6 p.p.)
RGU saturation per one customer	2.68	2.56	4.7%	2.68	2.56	4.7%
Average number of RGUs, incl.	**14,868**	**14,381**	**3.4%**	**14,821**	**14,333**	**3.4%**
Pay TV [thous.], including:	4,996	5,066	(1.4%)	5,007	5,078	(1.4%)
Multiroom [thous.]	*1,194*	*1,171*	*2.0%*	*1,194*	*1,168*	*2.2%*
Mobile telephony [thous.]	8,083	7,519	7.5%	8,024	7,452	7.7%
Internet [thous.]	1,789	1,796	(0.4%)	1,790	1,802	(0.7%)
Average number of customers [thous.]	**5,592**	**5,662**	**(1.2%)**	**5,609**	**5,675**	**(1.2%)**
Prepaid services						
Total number of RGUs (EOP) [thous.], including:	**2,525**	**2,607**	**(3.1%)**	**2,525**	**2,607**	**(3.1%)**
Pay TV [thous.]	93	87	6.9%	93	87	6.9%
Mobile telephony [thous.]	2,364	2,418	(2.2%)	2,364	2,418	(2.2%)
Internet [thous.]	68	102	(33.3%)	68	102	(33.3%)
ARPU per total prepaid RGU [PLN]	21.4	20.8	2.9%	21.0	20.4	2.9%
Average number of RGUs [thous.], including:	**2,592**	**2,617**	**(1.0%)**	**2,598**	**2,615**	**(0.7%)**
Pay TV [thous.]	160	113	41.6%	141	103	36.9%
Mobile telephony [thous.]	2,361	2,398	(1.5%)	2,384	2,401	(0.7%)
Internet [thous.]	70	106	(34.0%)	73	112	(34.8%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT						
Audience share	23.0%	24.9%	(1.9 p.p.)	23.2%	24.1%	(0.9 p.p.)
Advertising market share	27.4%	27.0%	0.4 p.p.	27.7%	27.5%	0.3 p.p.

3.1.1. Segment of services to individual and business customers

As at June 30, 2020, in the segment of services to individual and business customers our Group provided a total of 17,504 thousand services in the contract and prepaid models, which represents 2.6% growth YoY. It is worth emphasizing that the share of contract services in the total number of services that we provide is growing consistently and has reached the level of 85.6% at the end of the second quarter of 2020, as compared to 84.7% recorded at the end of the second quarter of 2019.

Contract services

As at June 30, 2020, we provided contract services to a total of 5,587 thousand customers, i.e. 1.2% less compared to 5,653 thousand customers the Group had as at June 30, 2019. 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 4.7% 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 528 thousand, that is by 3.6%, to 14,979 thousand as at June 30, 2020, from 14,452 thousand as at June 30, 2019. The number of pay TV services provided in the contract model amounted to 5,001 thousand as at June 30, 2020 and recorded a decrease by 58 thousand, or 1.1%, compared to 5.059 thousand as at June 30, 2019, which was mainly due to a lower number of provided satellite TV services. The number of provided mobile telephony services in the contract model increased by 591 thousand, or 7.8%, reaching the level of 8,189 thousand as at June 30, 2020, up from 7,598 thousand as at June 30, 2019. This growth was driven by the successful implementation of our strategy of cross-selling and focusing on customer satisfaction, which translated into a low churn ratio, as well as by high demand among business customers for m2m services. In terms of broadband access, as at June 30, 2020, we provided 1,790 thousand RGUs in the contract model, that is by 5 thousand, or 0.3%, less than as at June 30, 2019. 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 June 30, 2020, every customer in our base had on average 2.68 contract services, which constitutes an increase of 4.7% compared to 2.56 contract services per customer as at June 30, 2019. 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 the first half of 2020, average revenue per contract customer increased by 3.4% to PLN 86.0, from PLN 83.2 in the first half of 2019. In the second quarter of 2020, average revenue per contract customer increased by 3.7% to PLN 86.5, from PLN 83.4 in the second quarter of 2019. Besides the continuous building of customer value, a surge in ARPU increase in the second quarter and the first half of 2020 was impacted by a temporary factor of higher revenue from interconnection settlements, related to a significant increase in voice traffic during the coronavirus epidemic.

Our churn rate amounted to 6.4% in the twelve-month period ended June 30, 2020, decreasing by 0.6 p.p. as compared to 7.0% in the twelve-month period ended June 30, 2019. An additional factor contributing to the decrease in churn was the temporary closure of part of our direct sales network. In addition, lower churn was primarily due to the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy as well as our actions aimed at fostering high customer satisfaction and loyalty. In addition, a 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 reflects favorably on our churn rate.

Our bundled services offer, based on a mechanism of offering attractive discounts on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. At the end of June 2020, already 2,028 thousand customers were using our bundled services, which constitutes an increase of 130 thousand customers, or 6.9%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 36.3% at the end of June 2020. As at June 30, 2020, this group of customers had a total of 6,189 thousand RGUs, that is by 476 thousand, or 8.3%, more than a year earlier. 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 June 30, 2020 decreased by 82 thousand year on year, i.e., by 3.1%, and amounted to 2,525 thousand. The decrease in prepaid services was largely due to the closure of part of our sales network during the lockdown caused by the COVID-19 pandemic and the lower number of foreigners visiting Poland. The number of prepaid mobile telephony services decreased by 54 thousand, i.e., by 2.2%, and amounted to 2,364 thousand as at June 30, 2020 from 2,418 thousand as at June 30, 2019. The number of prepaid broadband Internet services decreased by 34 thousand, i.e., by 33.3%, to 68 thousand as at June 30, 2020 from 102 thousand as at June 30, 2019. The number of prepaid TV services provided by us as at June 30, 2020 increased by 6 thousand, that is by 6.9%, to 93 thousand from 87 thousand as at June 30, 2019 driven by the growing popularity of the IPLA service resulting from the continuous enrichment of the programming offering.

In the first half of 2020, average revenue per prepaid RGU increased by 2.9% to PLN 21.0, from PLN 20.4 in the first half of 2019. In the second quarter of 2020, average revenue per prepaid RGU increased by 2.9% to PLN 21.4, from PLN 20.8 in the second quarter of 2019. An increase in APRU was influenced by higher revenue from calls made from other operators' networks (interconnect) which followed more intense voice traffic during the coronavirus epidemic.

3.1.2. Braodcasting and television production segment

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

Audience shares

	3 months ended June 30		change [p.p.]	6 months ended June 30		change [p.p.]
	2020	2019		2020	2019	
Audience share[(1) (2)], including:	**23.04%**	**24.94%**	***(1.90)***	**23.15%**	**24.10%**	***(0.95)***
POLSAT (main channel)	**9.18%**	***11.38%***	***(2.20)***	**9.55%**	***11.29%***	***(1.74)***
Other channels	**13.86%**	***13.55%***	***0.31***	**13.60%**	***12.82%***	***0.78***
TV4	3.22%	3.67%	*(0.45)*	3.37%	3.51%	*(0.14)*
TV6	1.57%	1.62%	*(0.05)*	1.72%	1.61%	*0.11*
Polsat News	1.91%	0.71%	*1.20*	1.67%	0.65%	*1.02*
Super Polsat	1.39%	1.11%	*0.28*	1.36%	1.02%	*0.34*
Polsat 2	1.33%	1.29%	*0.04*	1.22%	1.20%	*0.02*
Polsat Film	0.83%	0.72%	*0.11*	0.83%	0.68%	*0.15*
Polo TV	0.61%	1.01%	*(0.40)*	0.62%	0.98%	*(0.36)*
Polsat Play	0.63%	0.53%	*0.10*	0.58%	0.57%	*0.01*
Eska TV	0.63%	0.72%	*(0.09)*	0.57%	0.69%	*(0.12)*
Polsat Cafe	0.39%	0.39%	-	0.38%	0.35%	*0.03*
Polsat Seriale[(3)]	0.24%	0.13%	*0.11*	0.18%	0.12%	*0.06*
Eleven Sports 1	0.11%	0.28%	*(0.17)*	0.14%	0.25%	*(0.11)*
Polsat Sport	0.12%	0.37%	*(0.25)*	0.13%	0.26%	*(0.13)*
Disco Polo Music	0.15%	0.21%	*(0.06)*	0.13%	0.20%	*(0.07)*
Polsat Doku	0.11%	0.12%	*(0.01)*	0.11%	0.10%	*0.01*
Vox Music TV	0.12%	0.11%	*0.01*	0.11%	0.10%	*0.01*
Eska TV Extra	0.11%	0.07%	*0.04*	0.10%	0.07%	*0.03*
Polsat Games	0.06%	0.05%	*0.01*	0.06%	0.04%	*0.02*
Polsat Sport Extra	0.06%	0.08%	*0.01*	0.05%	0.07%	*(0.02)*
Polsat Music HD	0.06%	0.04%	*(0.02)*	0.05%	0.04%	*0.01*
Polsat News 2	0.05%	0.05%	-	0.05%	0.04%	*0.01*
Polsat Sport Fight	0.04%	0.04%	-	0.04%	0.05%	*(0.01)*
Polsat Rodzina	0.05%	0.02%	*0.03*	0.04%	0.02%	*0.02*
Superstacja	0.02%	0.08%	*(0.06)*	0.03%	0.08%	*(0.05)*
Eleven Sports 2	0.02%	0.05%	*(0.03)*	0.03%	0.05%	*(0.02)*
Polsat Sport News HD	0.02%	0.05%	*(0.03)*	0.02%	0.04%	*(0.02)*
Eska Rock TV	0.03%	0.04%	*(0.01)*	0.02%	0.05%	*(0.03)*
Polsat 1[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 1[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share[(5)]	**27.4%**	**27.0%**	0.4 p.p.	**27.7%**	**27.5%**	0.3 p.p.

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
Audience share	3 months ended June 30		change [p.p.]	6 months ended June 30		change [p.p.]
	2020	2019		2020	2019	
Fokus TV	1.11%	0.80%	*0.31*	1.04%	0.84%	*0.20*
Nowa TV	0.31%	0.22%	*0.09*	0.32%	0.29%	*0.03*
Polsat Comedy Central Extra[6]	0.34%	0.25%	*0.09*	0.27%	0.21%	*0.06*
Polsat JimJam	0.17%	0.17%	-	0.18%	0.18%	-
CI Polsat	0.11%	0.17%	*(0.06)*	0.14%	0.14%	-
Polsat Viasat History	0.16%	0.18%	*(0.02)*	0.14%	0.17%	*(0.03)*
Polsat Viasat Explore	0.12%	0.09%	*0.03*	0.11%	0.10%	*0.01*
Polsat Viasat Nature	0.04%	0.04%	-	0.04%	0.03%	*0.01*

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

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for the entire Polsat Group amounted to 23.0% in the second quarter of 2020, decreasing by 1.9 p.p. versus the prior year, and 23.1% in the first half of 2020, decreasing by 0.9 p.p. versus the prior year. Continuous market fragmentation can be observed on the Polish market, as a result of which audience shares of the main TV channels (Polsat, TVN, TVP1 and TVP2) decrease in favor of the steadily growing audience shares of thematic channels. At this point, it is worth mentioning the impact of the coronavirus epidemic on the viewership of our news channel. Polsat News recorded audience shares of 1.9% and 1.7% in the second quarter and the first half of 2020, respectively, which was up by 1.2 p.p. and 1.0 p.p., respectively, versus the corresponding periods of 2019. In March 2020, which was the period of the highest interest in the pandemic, the audience share of our news channel reached as much as 2.5%.

Channels other than our main channel recorded jointly a year-on-year increase by 0.3 p.p. to the level of 13.9% in the second quarter of 2020 and by 0.8 p.p. to 13.6% in the first half of 2020.

Both in the second quarter and the first half of 2020, viewers in the commercial group were attracted by the fixed slots on our main channel's schedule. Premier episodes of the TV series *Pierwsza miłość (First Love)* were very popular, gaining an audience share of 17.3% in the second quarter and 15.5% in the first half of 2020. In turn, Monday's film slot *Mega Hit* had an audience share of 12.4% both in the second quarter and the first half of 2020.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*The News*), maintained high viewership figures with an audience share of 15.4% in the second quarter and 16.9% in the first half of 2020 (17.4% and 17.2%, respectively, in the corresponding periods of 2019). The morning block of news and information programs, *Nowy Dzień z Polsat News (New Day with Polsat News)*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 14.7% in the second quarter and 14.5% in the first half of 2020. An important change introduced in June 2020 was the extension of the news block by a publicistic series *Gość Wydarzeń (The News' Guest)* at 7.30 p.m., which replaced the series *Świat według Kiepskich.* This program reached a 10.3% audience share.

The results of the second quarter and the first half of 2020 were influenced by programs from the season programming schedules, although part of premiere broadcasts was abandoned due to the coronavirus epidemic. This was the case with the Saturday show *Twoja Twarz Brzmi Znajomo (Your Face Sounds Familiar),* which gathered on average 6.9% audience share both in the second quarter and the first half of 2020 (5 episodes). The show *Taniec z Gwiazdami. Dancing with the Stars* was aired twice in spring (and was watched by 10.5% of viewers) and then the broadcasts were suspended taking into consideration the safety and health of people engaged in production and live broadcasts. Both programs are planned to continue airing in autumn. In turn, a new reality show *Tylko jeden (Just one),* broadcast in spring, was watched by 7.2% of audience in the second quarter and by 7.1% in the first half of 2020. Another new item in the scheduling, an entertainment show *The Four. Bitwa o sławę (The Four)*, was suspended after airing two episodes which reached an audience share of 6.9%.

As far as series broadcast in spring are concerned, invariably the series *Girlfriends* and *Zawsze warto (It's Always Worth)* were popular with audience shares of 11.8% and 7.4%, respectively.

During the coronavirus epidemic, we have been observing a gradual shift in our customers' interest from the news channels and programs, which recorded a significant growth in viewership in the first period after the introduction of the state of epidemic, towards entertainment channels, especially film and series channels.

In the second quarter of 2020, the cabaret *Kabaretowa Ekstraklasa (Cabaret Premiership)* of June 22, 2020 had a 13.6% audience share and the cabaret *21 Mazurska Noc Kabaretowa (The 21st Mazurian Cabaret Night)* of June 21, 2020 gained a 13.5% share. Other programs worth mentioning include the *XIII Płocka Noc Kabaretowa* of May 31, 2020 which gathered 12.8% of audience. In the first half of 2020 a large audience share of 13.5% was also gathered by the cabaret *Kabaret na Żywo Przystanek Radość (Cabaret Live Stop Joy)* of March 15, 2020 while the cabaret *Klinika Skeczów Męczących (Weary Sketches Clinique)* of January 1, 2020 reached a 12.8% share. An important event aired by Telewizja Polsat on January 4, 2020 was the Sports Champions Gala, which gathered 12.4% of audience.

The extraordinary situation related to the epidemic forced decisions, which impacted and still continue to influence the programming offer of Telewizja Polsat channels. Besides the suspension of the aforesaid formats (*Your Face Sounds Familiar, Dancing with the Stars, The Four), the* production of new episodes of the series *Pierwsza Miłość (First Love)* and *Przyjaciółki (Girlfriends)* were also temporarily suspended. Moreover, the festival *Polsat Superhit Festiwal*, planned on May 22-24, 2020 in the city of Sopot, as well as a number of various events, including the open air ones, were not organized for the same reason. Owing to the binding restrictions and the related lack of possibility to continue productions which were planned to be broadcast in the upcoming schedulings the competing television stations were also forced to change programming and use reruns.

Advertising and sponsoring market share

According to initial estimates of Starcom media house, expenditures on TV advertising and sponsoring in the first half of 2020 amounted to approximately PLN 1.7 billion, decreasing YoY by 21.0%. Based on these data, we estimate that in the first half of 2020 our TV advertising market share amounted to 27.7% and increased by 0.3 percentage points as compared to the first half of 2019. When analyzing the second quarter of 2020, expenditures on TV advertising and sponsoring amounted to PLN 778 million, decreasing year-on-year by 35.4%. Our advertising market share amounted to 27.4% in the second quarter of 2020 and increased by 0.4 percentage points as compared to 27.0% for the corresponding period of 2019.

If we compare the current portfolio of Polsat Group's channels, we generated 1.3% less GRPs in the first half of 2020 compared to the same period in 2019.

Distribution and technical reach

Technical reach[1]	3 months ended June 30		*change [p.p.]*	6 months ended June 30		*change [p.p.]*
	2020	2019		2020	2019	
Polsat	100.0%	100.0%	-	100.0%	100.0%	-
TV4	100.0%	99.9%	*0.10*	100.0%	99.9%	*0.10*
Polo TV	98.8%	98.8%	-	98.7%	98.7%	-
Eska TV	98.7%	98.6%	*0.10*	98.6%	98.5%	*0.10*
Super Polsat	98.2%	97.8%	*0.40*	98.1%	97.8%	*0.30*
TV6	95.7%	95.4%	*0.30*	95.6%	95.5%	*0.10*
Polsat News	68.0%	58.5%	*9.50*	67.7%	58.0%	*9.70*
Eska TV Extra	62.1%	62.9%	*(0.80)*	61.7%	62.7%	*(1.00)*
Polsat 2	61.4%	64.1%	*(2.70)*	60.9%	64.2%	*(3.30)*
Vox Music TV	56.7%	58.3%	*(1.60)*	56.1%	58.3%	*(2.20)*
Polsat News 2	56.1%	58.4%	*(2.30)*	55.6%	58.6%	*(3.00)*
Superstacja	56.0%	58.6%	*(2.60)*	55.5%	58.7%	*(3.20)*
Polsat Cafe	54.3%	56.8%	*(2.50)*	53.9%	57.1%	*(3.20)*
Polsat Film	54.2%	55.9%	*(1.70)*	53.5%	56.1%	*(2.60)*
Polsat Play	50.5%	52.9%	*(2.40)*	50.8%	53.2%	*(2.40)*
Polsat Seriale[2]	51.0%	49.6%	*1.40*	50.6%	49.6%	*1.00*
Disco Polo Music	49.9%	50.9%	*(1.00)*	49.4%	50.8%	*(1.40)*
Polsat Music HD	48.5%	49.2%	*(0.70)*	48.8%	48.7%	*0.10*
Eska Rock TV	48.1%	48.6%	*(0.50)*	47.7%	48.5%	*(0.80)*
Polsat Sport	44.6%	48.2%	*(3.60)*	44.3%	48.2%	*(3.90)*
Polsat Doku	37.2%	35.6%	*1.60*	36.8%	36.0%	*0.80*
Polsat Sport Extra	36.7%	38.2%	*(1.50)*	36.4%	38.2%	*(1.80)*
Polsat Games	.3.0.5%	31.3%	*(0.80)*	30.2%	30.7%	*(0.50)*
Polsat Rodzina	29.9%	27.5%	*2.40*	29.6%	27.3%	*2.30*
Polsat Sport News HD	29.6%	31.7%	*(2.10)*	29.4%	31.4%	*(2.00)*
Polsat Sport Fight	19.6%	20.1%	*(0.50)*	20.0%	19.9%	*0.10*
Eleven Sports 2	15.2%	15.4%	*(0.20)*	15.1%	14.8%	*0.30*
Eleven Sports 1	15.1%	15.3%	*(0.20)*	15.1%	14.6%	*0.50*
Polsat 1[3]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[4]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[4]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 1[4]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[4]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[4]	n/a	n/a	*n/a*	n/a	n/a	*n/a*

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
Technical reach(1)	3 months ended June 30		change [p.p.]	6 months ended June 30		change [p.p.]
	2020	2019		2020	2019	
Fokus TV	98.5%	98.3%	*0.20*	98.4%	98.2%	*0.20*
Nowa TV	86.3%	84.3%	*2.00*	85.6%	84.0%	*1.60*
Polsat Viasat History	51.3%	51.1%	*0.20*	51.0%	51.1%	*(0.10)*
Polsat JimJam	45.2%	46.7%	*(1.50)*	45.0%	46.6%	*(1.60)*
Polsat Viasat Nature	44.2%	45.1%	*(0.90)*	43.9%	45.1%	*(1.20)*
Polsat Viasat Explore	44.1%	45.0%	*(0.90)*	43.9%	44.8%	*(0.90)*
CI Polsat	44.3%	44.8%	*(0.50)*	44.0%	43.5%	*0.50*
Polsat Comedy Central Extra(5)	48.7%	55.8%	*(7.10)*	48.4%	55.5%	*(7.10)*

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

3.2. Key positions in the consolidated income statement

Revenue

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

Retail revenue

Retail revenue consists primarily of:

(i) monthly subscription fees paid by our satellite and Internet pay television contract customers for programming packages,

(ii) subscription fees paid by our contract customers for telecommunication services,

(iii) fees for telecommunication services provided to our contract customers, which are not included in the subscription fee,

(iv) payments for telecommunication services paid by our prepaid and mix customers,

(v) fees for the lease of set-top boxes,

(vi) activation fees,

(vii) penalties, and

(viii) fees for additional services.

Total revenue from pay television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Revenues from prepaid mobile telephone services are recognized in the profit and loss statement once the prepaid credit is utilized or forfeited. Activation fees are collected at the moment of activation and amortized over the life of the contract.

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue,

(ii) revenue from cable and satellite operator fees,

(iii) revenue from the lease of infrastructure,

(iv) interconnect revenue,

(v) revenue from roaming,

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

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

(viii) revenue from the wholesale of Premium rate services.

Sale of equipment

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

Other revenue

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

Operating costs

Operating costs consist of:

(i) content costs,

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

(iii) depreciation, amortization, impairment and liquidation,

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

(v) salaries and employee-related costs,

(vi) cost of equipment sold,

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

(viii) other costs.

Content costs

Content costs consist of:

(i) programming license costs,

(ii) amortization of purchased film licenses,

(iii) costs of internal and external production and amortization of sport rights, and

(iv) other content costs.

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

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

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

Distribution, marketing, customer relation management and retention 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 network systems components and telecommunication network equipment (access and core network equipment, network management systems and software, fiber optic cables, etc.),

(ii) amortization of costs of telecommunications concessions,

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

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

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

(vi) non-current assets impairment allowance, and

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

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators comprise:

(i) telecommunications and IT infrastructure lease costs,

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

(iii) telecommunication network maintenance costs and fees,

(iv) IT systems maintenance costs,

(v) costs of using satellite transponders,

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

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

(viii) interconnection and roaming charges, and

(ix) 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, salaries and social security contributions relating to employees directly involved in the production of TV programs, which are presented as part of the costs of internal TV production and salaries and social security contributions relating to employees directly involved in the production of IT software, which are capitalized on intangible assets) or project-specific contracts, managerial contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Cost of equipment sold

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

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

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) the cost of licenses and other current assets sold,

(iii) legal, advisory and consulting costs,

(iv) property maintenance costs,

(v) taxes and other charges,

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

(vii) 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 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), realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank and other charges on borrowings and guarantee fees resulting from indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

3.3. Review of the Group's financial situation

The following review of results for the three- and six-month month periods ended June 30, 2020 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2020, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analyses.

It should be noted that the financial data for the three- and six-month periods ended June 30, 2020 and June 30, 2019 are not fully comparable due to the following acquisitions and changes to the Group's structure in the period from June 30, 2019 to June 30, 2020:

- acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019,
- the acquisition of additional 12 shares in TVO Sp. z o.o. on May 30, 2019, registration of share capital increase in TVO Sp. z o.o. on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22%) and registration of share capital increase on February 10, 2020 (as a result, the shareholding in TVO Sp. z o.o. increased to 75.96%),
- acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of a share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%),
- acquisition by Netia S.A. of 100% of shares in ISTS Sp. z o.o. on November 27, 2019, which resulted in Cyfrowy Polsat holding indirectly 65.98% of shares in this company,
- acquisition of a stake of shares in Asseco Poland S.A. on December 30, 2019 (as a result, total shareholding in Asseco Poland S.A. amounted to 22.73% as at June 30, 2020),
- acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020,
- acquisition by Netia S.A. of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) by Netia S.A. on February 14, 2020 which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.
- acquisition of 69.13% of shares in BCAST Sp. z o.o. on March 25, 2020,
- acquisition of 9% of shares in Pluszak Sp. z o.o. on April 24, 2020.

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

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

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

3.3.1. Income statement analysis

Review of financial results for the second quarter of 2020 and 2019

[mPLN]	for the 3 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Revenue	2,862.7	2,923.0	(60.3)	(2.1%)
Operating costs	(2,455.6)	(2,407.2)	(48.4)	2.0%
Other operating income, net	(13.0)	6.7	(19.7)	n/d
Profit from operating activities	**394.1**	**522.5**	**(128.4)**	**(24.6%)**
Gain/(loss) on investment activities, net	(1.2)	4.8	(6.0)	n/d
Finance costs, net	(47.7)	(170.0)	122.3	(71.9%)
Share of the profit/(loss) of associates accounted for using the equity method	17.8	(1.9)	19.7	n/d
Gross profit for the period	**363.0**	**355.4**	**7.6**	**2.1%**
Income tax	(72.3)	(86.5)	14.2	(16.4%)
Net profit for the period	**290.7**	**268.9**	**21.8**	**8.1%**
EBITDA	***960.0***	***1,076.1***	***(116.1)***	***(10.8%)***
EBITDA margin	***33.5%***	***36.8%***	***-***	***-***
Costs related to COVID (incl. donations)	(41.5)	-	(41.5)	n/d
EBITDA adjusted	***1,001.5***	***1,076.1***	***(74.6)***	***(6.9%)***
EBITDA adjusted margin	***35.0%***	***36.8%***	***-***	***-***

Revenue

Our total revenue decreased by PLN 60.3 million, or 2.1%, to PLN 2,862.7 million in the second quarter of 2020 from PLN 2,923.0 million in the second quarter of 2019. The changes in revenue were triggered by factors described below.

[mPLN]	for the 3 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Retail revenue	1,592.0	1,616.1	(24.1)	(1.5%)
Wholesale revenue	802.5	861.6	(59.1)	(6.9%)
Sale of equipment	392.9	379.3	13.6	3.6%
Other revenue	75.3	66.0	9.3	14.1%
Revenue	**2,862.7**	**2,923.0**	**(60.3)**	**(2.1%)**

Retail revenue

Retail revenue amounted to PLN 1,592.0 million in the second quarter of 2020 and decreased by PLN 24.1 million, or 1.5%, as compared to PLN 1,616.1 million in the second quarter of 2019. The decrease was mainly due to lower revenue from international roaming from individual and business customers, which resulted from the restrictions in movement introduced in connection with the coronavirus pandemic and lower willingness to travel abroad.

Wholesale revenue

Wholesale revenue amounted to PLN 802.5 million in the second quarter of 2020 and decreased by PLN 59.1 million, or 6.9%, compared to PLN 861.6 million in the second quarter of 2019. A significant decrease in TV advertising revenue during the COVID-19 epidemic was not fully compensated for by higher interconnect revenue, resulting from strong growth of voice traffic volumes, and by higher revenue from the sales of channels to cable and satellite operators.

Sale of equipment

Revenue from the sale of equipment increased by PLN 13.6 million, or 3.6%, to PLN 392.9 million in the second quarter of 2020 compared to PLN 379.3 million in the second quarter of 2019. The temporary closure of part of the physical sales network in March and April 2020 due to the COVID-19 epidemic had only an interim effect on the volume of equipment sales thanks to, among others, our efforts to replace this form of sales with remote channels and the substantial intensification of sales in May and June 2020.

Other revenue

Other revenue increased by PLN 9.3 million, or 14.1%, to PLN 75.3 million in the second quarter of 2020 from PLN 66.0 million in the second quarter of 2019. This increase was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers and the consolidation of Alledo.

Operating costs

Our operating costs amounted to PLN 2,455.6 million in the second quarter of 2020 and were higher by PLN 48.4 million, or 2.0%, compared to PLN 2,407.2 million in the second quarter of 2019. Operating costs changed for the reasons set forth below.

[mPLN]	for the 3 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	636.1	591.4	44.7	7.6%
Depreciation, amortization, impairment and liquidation	565.9	553.6	12.3	2.2%
Cost of equipment sold	334.8	321.7	13.1	4.1%
Content costs	368.9	415.8	(46.9)	(11.3%)
Distribution, marketing, customer relation management and retention costs	232.0	241.8	(9.8)	(4.1%)
Salaries and employee-related costs	210.2	205.6	4.6	2.2%
Cost of debt collection services and bad debt allowance and receivables written off	36.6	16.9	19.7	116.6%
Other costs	71.1	60.4	10.7	17.7%
Operating costs	**2,455.6**	**2,407.2**	**48.4**	**2.0%**

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators increased by PLN 44.7 million, or 7.6%, to PLN 636.1 million in the second quarter of 2020 from PLN 591.4 million in the second quarter of 2019. This increase resulted mainly from higher interconnect costs on higher volumes of outgoing traffic, which was associated with the coronavirus epidemic.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 12.3 million, or 2.2%, to PLN 565.9 million in the second quarter of 2020 from PLN 553.6 million in the second quarter of 2019, due to intensified capital expenditures in 2019.

Cost of equipment sold

The cost of equipment sold increased by PLN 13.1 million, or 4.1%, to PLN 334.8 million in the second quarter of 2020 from PLN 321.7 million in the second quarter of 2019, which corresponds with higher revenue from the sale of equipment.

Content costs

Content costs decreased by PLN 46.9 million, or 11.3%, to PLN 368.9 million in the second quarter of 2020 from PLN 415.8 million in the second quarter of 2019. This decrease was mostly the result of lower costs of internal production and amortization of sport rights, which was a direct consequence of the coronavirus epidemic, and savings introduced by certain TV channels due to the significant weakening of the TV advertising market. This decrease offset an increase in the cost of programming licenses associated with, among others, the decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 9.8 million, or 4.1%, to PLN 232.0 million in the second quarter of 2020 as compared to PLN 241.8 million in the second quarter of 2019, following a decision to postpone certain marketing activities until later in the year.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 4.6 million, or 2.2%, to PLN 210.2 million in the second quarter of 2020 from PLN 205.6 million in the second quarter of 2019, due to, among others, the recognition of costs resulting from the introduction of the state of epidemic of COVID-19, including an increase of the holiday provision, and the consolidation of costs of companies acquired during the last 12 months.

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 19.7 million, or 116.6%, to PLN 36.6 million in the second quarter of 2020 from PLN 16.9 million in the second quarter of 2019, based on a higher value of equipment sold to our retail customers in installments as well as higher write-offs due to a decision to change the vindication method with regard to overdue receivables resulting from unsatisfactory prices on the debt collection market.

Other costs

Other costs increased by PLN 10.7 million, or 17.7%, to PLN 71.1 million in the second quarter of 2020 from PLN 60.4 million in the second quarter of 2019, mainly as a result of the recognition of additional costs related to the adjustment in the Group's operations to the conditions imposed by the state of epidemic.

Other operating costs, net

Other operating costs, net amounted to PLN 13.0 million in the second quarter of 2020 as compared to PLN 6.7 million of other operating income, net in the second quarter of 2019. The change was due to the recognition of donations aimed at combating the effects of the COVID-19 pandemic.

Gain/(Loss) on investment activities, net

Loss on investment activities, net amounted to PLN 1.2 million in the second quarter of 2020, compared to gains on investment activities, net of PLN 4.8 million in the second quarter of 2019. This was mainly the effect of an unfavorable change in the amount of received interests associated with, among others, the reduction of interest rates executed by the National Bank of Poland.

Finance costs, net

Finance costs, net amounted to PLN 47.7 million in the second quarter of 2020 and decreased by PLN 122.3 million, or 71.9%, compared to PLN 170.0 million in the second quarter of 2019. This decrease was caused mainly by the recognition of one-off revenue related to the modification of our bank loan agreements in April 2020 and lower costs of interest following the reduction of interest rates by the National Bank of Poland during 2020 while in the corresponding period a one-off cost was recognized related to the decision on choosing and paying a flat-rate taxation on interest or discount on bonds in the total amount of PLN 70.1 million.

Share of the profit/(loss) of associates accounted for using the equity method

Share of the profit of associates accounted for using the equity method amounted to PLN 17.8 million in the second quarter of 2020 compared to the loss of PLN 1.9 million in the second quarter of 2019 and was due to the recognition of part of Asseco Poland S.A.'s net result following the acquisition of 22.73% of shares in this company in the fourth quarter of 2019.

Income tax

Income tax amounted to PLN 72.3 million in the second quarter of 2020 and decreased by PLN 14.2 million, or 16.4%, compared to PLN 86.5 million in the second quarter of 2019.

Net profit

Net profit amounted to PLN 290.7 million in the second quarter of 2020 and increased by PLN 21.8 million, or 8.1%, compared to net profit of PLN 268.9 million in the second quarter of 2019.

EBITDA/adjusted EBITDA

EBITDA was PLN 960.0 million and EBITDA margin was 33.5% in the second quarter of 2020. This represents a decrease by PLN 116.1 million, or 10.8%, from PLN 1,076.1 million and EBITDA margin of 36.8% in the second quarter of 2019. The decrease in EBITDA was mainly the result of a breakdown on the advertising market, reduced roaming revenue and the recognition of additional costs in connection with the COVID-19 epidemic, including donations granted by Polsat Group to combat the epidemic in Poland.

Excluding the costs related to COVID-19, including donations, which amounted in total to PLN 41.5 million, the adjusted EBITDA result was PLN 1,001.5 million in the second quarter of 2020 and adjusted EBITDA margin was 35.0%, which were lower by PLN 74.6 million, or 6.9%, than EBITDA of PLN 1,076.1 million and EBITDA margin of 36.8% in the second quarter of 2019.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, amounted to 7,143 full-time equivalents (FTEs) in the second quarter of 2020, which represents a decrease by 159 FTEs, or 2.2%, compared to 7,302 FTEs in the corresponding period of 2019.

Review of financial results for the first half of 2020 and 2019

[mPLN]	for the 6 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Revenue	5,711.2	5,714.6	(3.4)	(0.1%)
Operating costs	(4,847.7)	(4,724.2)	(123.5)	2.6%
Other operating income, net	(7.2)	23.3	(30.5)	n/d
Profit from operating activities	**856.3**	**1,013.7**	**(157.4)**	**(15.5%)**
Loss on investment activities, net	(75.4)	(7.4)	(68.0)	>100%
Finance costs, net	(201.5)	(272.7)	71.2	(26.1%)
Share of the loss of associates accounted for using the equity method	34.1	(3.6)	37.7	n/d
Gross profit for the period	**613.5**	**730.0**	**(116.5)**	**(16.0%)**
Income tax	(139.0)	(163.8)	24.8	(15.1%)
Net profit for the period	**474.5**	**566.2**	**(91.7)**	**(16.2%)**
EBITDA	***1,986.7***	***2,114.4***	***(127.7)***	***(6.0%)***
EBITDA margin	***34.8%***	***37.0%***	**-**	**-**
Costs related to COVID (incl. donations)	(41.5)	-		
EBITDA adjusted	***2,028.2***	***2,114.4***	***(86.2)***	***(4.1%)***
EBITDA adjusted margin	***35.5%***	***37.0%***	**-**	**-**

Revenue

Our total revenue amounted to PLN 5,711.2 million in the first half of 2020 and remained stable compared to PLN 5,714.6 million in the first half of 2019.

[mPLN]	for the 6 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Retail revenue	3,196.5	3,222.1	(25.6)	(0.8%)
Wholesale revenue	1,626.2	1,634.3	(8.1)	(0.5%)
Sale of equipment	738.6	726.7	11.9	1.6%
Other revenue	149.9	131.5	18.4	14.0%
Revenue	**5,711.2**	**5,714.6**	**(3.4)**	**(0.1%)**

Retail revenue

Retail revenue amounted to PLN 3,196.5 million in the first half of 2020 and decreased by PLN 25.6 million, or 0.8%, compared to PLN 3,222.1 million in the first half of 2019. The decrease was mainly due to lower revenue from international roaming from individual and business customers, which resulted from the restrictions in movement introduced in connection with the coronavirus pandemic and lower willingness to travel abroad.

Wholesale revenue

Wholesale revenue amounted to PLN 1,626.2 million in the first half of 2020 and remained at similar level compared to PLN 1,634.3 million in the first half of 2019. A significant decrease in TV advertising revenue during the COVID-19 epidemic was almost fully compensated for by higher interconnect revenue, resulting from strong growth of voice traffic volumes, and by higher revenue from the sales of channels to cable and satellite operators.

Sale of equipment

Revenue from the sale of equipment increased by PLN 11.9 million, or 1.6%, to PLN 738.6 million in the first half of 2020 compared to PLN 726.7 million in the first half of 2019. The temporary closure of part of the physical sales network in March and April 2020 due to the COVID-19 epidemic had only an interim effect on the volume of equipment sales thanks to, among others, our efforts to replace this form of sales with remote channels and the substantial intensification of sales in May and June 2020.

Other revenue

Other revenue increased by PLN 18.4 million, or 14.0%, to PLN 149.9 million in the first half of 2020 from PLN 131.5 million in the first half of 2019. This increase was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers and the consolidation of Alledo.

Operating costs

Our operating costs amounted to PLN 4,847.7 million in the first half of 2020 and were higher by PLN 123.5 million, or 2.6%, compared to PLN 4,724.2 million in the first half of 2019. Operating costs changed for the reasons set forth below.

[mPLN]	for the 6 month period ended June 30		change	
	2020	2019	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	1,236.9	1,155.2	81.7	7.1%
Depreciation, amortization, impairment and liquidation	1,130.4	1,100.7	29.7	2.7%
Cost of equipment sold	617.1	611.1	6.0	1.0%
Content costs	757.7	782.7	(25.0)	(3.2%)
Distribution, marketing, customer relation management and retention costs	456.4	486.6	(30.2)	(6.2%)
Salaries and employee-related costs	432.1	418.2	13.9	3.3%
Cost of debt collection services and bad debt allowance and receivables written off	80.9	51.5	29.4	57.1%
Other costs	136.2	118.2	18.0	15.2%
Operating costs	**4,847.7**	**4,724.2**	**123.5**	**2.6%**

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators increased by PLN 81.7 million, or 7.1%, to PLN 1,236.9 million in the first half of 2020 from PLN 1,155.2 million in the first half of 2019. This increase resulted mainly from higher interconnect costs on higher volumes of outgoing traffic, which was associated with the coronavirus epidemic.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 29.7 million, or 2.7%, to PLN 1,130.4 million in the first half of 2020 from PLN 1,100.7 million in the first half of 2019, due to intensified capital expenditures in 2019.

Cost of equipment sold

The cost of equipment sold increased by PLN 6.0 million, or 1.0%, to PLN 617.1 million in the first half of 2020 from PLN 611.1 million in the first half of 2019, which corresponds with higher revenue from the sale of equipment.

Content costs

Content costs decreased by PLN 25.0 million, or 3.2%, to PLN 757.7 million in the first half of 2020 from PLN 782.7 million in the first half of 2019. This decrease was mostly the result of lower costs of internal production and amortization of sports rights, which was a direct consequence of the coronavirus epidemic, and savings introduced by certain TV channels due to the significant weakening of the TV advertising market. This decrease offset the increase in the cost of programming licenses associated with, among others, the decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 30.2 million, or 6.2%, to PLN 456.4 million in the first half of 2020 as compared to PLN 486.6 million in the first half of 2019, following a decision to postpone certain marketing activities until later in the year.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 13.9 million, or 3.3%, to PLN 432.1 million in the first half of 2020 from PLN 418.2 million in the first half of 2019, due to, among others, the recognition of costs resulting from the introduction of the state of epidemic, including an increase of the holiday provision, and the consolidation of costs of companies acquired during the last 12 months.

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 29.4 million, or 57.1%, to PLN 80.9 million in the first half of 2020 from PLN 51.5 million in the first half of 2019, based on a higher value of equipment sold to our retail customers in installments as well as higher write-offs due to a decision to change the vindication method with regard to overdue receivables resulting from unsatisfactory prices on the debt collection market.

Other costs

Other costs increased by PLN 18.0 million, or 15.2%, to PLN 136.2 million in the first half of 2020 from PLN 118.2 million in the first half of 2019, mainly as a result of the recognition of additional costs related to the adjustment in the Group's operations to the conditions imposed by the state of epidemic.

Other operating costs, net

Other operating costs, net amounted to PLN 7.2 million in the first half of 2020 as compared to PLN 23.3 million of other operating income, net in the first half of 2019. The change was due to the recognition in the second quarter of 2020 of donations aimed at combating the effects of the COVID-19 pandemic.

Gain/(Loss) on investment activities, net

Loss on investment activities, net amounted to PLN 75.4 million in the first half of 2020, compared to gains on investment activities, net of PLN 7.4 million in the first half of 2019. This was mainly the effect of an unfavorable change on unrealized exchange rate differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of certain sports content and on interests received. These changes were caused, correspondingly, by the depreciation of the PLN versus the EUR and USD in the first half of 2020 compared to its appreciation and lower depreciation, respectively, in the corresponding period as well as by, among others, the reduction of interest rates by the National Bank of Poland.

Finance costs, net

Finance costs, net amounted to PLN 201.5 million in the first half of 2020 and decreased by PLN 71.2 million, or 26.1%, compared to PLN 272.7 million in the first half of 2019. This decrease was caused mainly by the recognition of one-off revenue related to the modification of our bank loan agreements in April 2020 and lower costs of interest following the reduction of interest rates by the National Bank of Poland during the first half 2020 while in the corresponding period a one-off cost was recognized in the total amount of PLN 70.1 million which was related to the decision on choosing and paying a flat-rate taxation on interest or discount on bonds.

Share of the profit/(loss) of associates accounted for using the equity method

Share of the profit of associates accounted for using the equity method amounted to PLN 34.1 million in the first half of 2020 comapred to PLN 3.6 million in the first half of 2019 and was due to the recognition of part of Asseco Poland S.A.'s net result following the acquisition of 22.73% of shares in this company in the fourth quarter of 2019.

Income tax

Income tax amounted to PLN 139.0 million in the first half of 2020 and decreased by PLN 24.8 million, or 15.1%, compared to PLN 163.8 million in the first half of 2019.

Net profit

Net profit amounted to PLN 474.5 million in the first half of 2020 and decreased by PLN 91.7 million, or 16.2%, compared to net profit of PLN 566.2 million in the first half of 2019.

EBITDA & adjusted EBITDA

EBITDA was PLN 1,986.7 million and EBITDA margin was 34.8% in the first half of 2020. This represents a decrease by PLN 127.7 million, or 6.0%, from PLN 2,114.4 million and EBITDA margin of 37.0% in the first half of 2019. The decrease in EBITDA was mainly the result of a breakdown on the advertising market and the recognition of additional costs in connection with the COVID-19 epidemic, including donations granted by Polsat Group to combat the epidemic in Poland.

Excluding the costs related to COVID-19, including donations, which amounted in total to PLN 41.5 million, the adjusted EBITDA result was PLN 2,028.2 million in the first half of 2020 and adjusted EBITDA margin was 35.5% and was lower by PLN 86.2 million, or 4.1%, than EBITDA of PLN 2,114.4 million and EBITDA margin of 37.0% in the first half of 2019.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, amounted to 7,177 full-time equivalents (FTEs) in the first half of 2020, which represents a decrease by 102 FTEs, or 1.4%, compared to 7,279 FTEs in the corresponding period of 2019.

3.3.2. Operating segments

The Group operates in the following two segments:

- services to individual and business customers segment, including digital television, mobile telephony, Internet access services, mobile television services, Internet television, production of set-top boxes and assembly of photovoltaic installations and
- broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segments with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments. The operating segments also represent reportable segments of the Group.

Services to individual and business customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services where revenues are generated mainly from pay TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees,
- mobile telecommunication prepaid services which generate revenues mainly from traffic and settlements with mobile network operators,
- fixed telecommunication services, which generate revenues mainly from subscription fees, traffic and settlements with network operators,
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees,
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services,
- lease of fiber optic lines and infrastructure,

- online TV services (IPLA) available on computers, smartphones, tablets, smart TV sets, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet,
- premium rate services based on SMS/IVR/MMS/WAP technologies,
- production of set-top boxes,
- sale of telecommunication equipment,
- sale of electric energy and other media to retail customers,
- sale of photovoltaic installations.

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the six-month period ended June 30, 2020:

Six-month period ended June 30, 2020 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,942.3	768.9	-	**5,711.2**
Inter-segment revenues	29.6	103.9	(133.5)	-
Revenues	**4,971.9**	**872.8**	**(133.5)**	**5,711.2**
adjusted EBITDA (unaudited)	**1,758.8**	**269.4**	**-**	**2,028.2**
Costs related to COVID-19 (including donations)	37.8	3.7	-	41.5
EBITDA (unaudited)	**1,721.0**	**265.7**	**-**	**1,986.7**
Depreciation, amortization, impairment and liquidation	1,100.1	30.3	-	1,130.4
Profit from operating activities	**620.9**	**235.4**	**-**	**856.3**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	568.9 *	37.9	-	606.8
Balance as at June 30, 2020 (unaudited)				
Assets, including:	27,210.3	5,482.2 **	(69.7)	**32,622.8**
Investments in joint venture and associates	1,271.6	18.4	-	**1,290.0**

* This item also includes the acquisition of reception equipment.
** Includes non-current assets located outside of Poland in the amount of PLN 10.9 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the six-month periods ending June 30, 2020 and June 30, 2019 allocated to the services to individual and business customers segment are not fully comparable due to:

- the acquisition of additional 12 shares in TVO Sp. z o.o. on May 30, 2019, registration of share capital increase in TVO Sp. z o.o. on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22%) and registration of share capital increase on February 10, 2020 (as a result, the shareholding in TVO Sp. z o.o. increased to 75.96%),
- the acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%),
- the acquisition by Netia S.A. of 100% shares in ISTS Sp. z o.o. on November 27, 2019,
- the acquisition of a qualifying holding of shares in Asseco Poland S.A. on December 30, 2019 (as a result, the total shareholding in Asseco Poland amounted to 22.73% as at June 30, 2020),
- the acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020, and
- the acquisition by Netia S.A. of 100% of shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. on February 14, 2020.

It should be also noted that the financial data for the six-month periods ending June 30, 2020 and June 30, 2019 allocated to the Broadcasting and television production segment are not fully comparable due to the acquisition of additional 49.9775% of shares in Eleven Sports Network Sp. z o.o. on June 6, 2019.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the six-month period ended June 30, 2019:

Six-month period ended June 30, 2019 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,840.9	873.7	-	5,714.6
Inter-segment revenues	26.1	101.1	(127.2)	-
Revenues	**4,867.0**	**974.8**	**(127.2)**	**5,714.6**
EBITDA (unaudited)	**1,807.1**	**307.3**	**-**	**2,114.4**
Depreciation, amortization, impairment and liquidation	1,070.3	30.4	-	1,100.7
Profit from operating activities	**736.8**	**276.9**	**-**	**1,013.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	666.2*	19.4	-	685.6
Balance as at June 30, 2019 (unaudited)				
Assets, including:	25,984.4	5,624.8**	(250.0)	31,359.2
Investments in joint venture and share in associates	45.8	27.6	-	73.4

* This item also includes the acquisition of reception equipment for operating lease purposes.
** Includes non-current assets located outside of Poland in the amount of PLN 11.6 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the three-month period ended		for the six-month period ended	
	June 30, 2020 unaudted	June 30, 2019 unaudted	June 30, 2020 unaudted	June 30, 2019 unaudted
Adjusted EBITDA (unaudited)	**1,001.5**	**1,076.1**	**2,028.2**	**2,114.4**
One-time costs related to COVID-19 epidemic (incl. donations)	(41.5)	-	(41.5)	-
EBITDA (unaudited)	**960.0**	**1,076.1**	**1,986.7**	**2,114.4**
Depreciation, amortization, impairment and liquidation	(565.9)	(553.6)	(1,130.4)	(1,100.7)
Profit from operating activities	**394.1**	**522.5**	**856.3**	**1,013.7**
Other foreign exchange rate differences, net	19.3	16.6	(43.4)	14.7
Interest costs, net	(105.6)	(105.4)	(267.4)	(213.7)
Share of the profit/(loss) of associates accounted for using the equity method	17.8	(1.9)	34.1	(3.6)
Cumulative catch-up	44.8	-	44.8	-
Other	(7.4)	(76.4)	(10.9)	(81.1)
Gross profit for the period	**363.0**	**355.4**	**613.5**	**730.0**
Income tax	(72.3)	(86.5)	(139.0)	(163.8)
Net profit for the period	**290.7**	**268.9**	**474.5**	**566.2**

3.3.3. Balance sheet analysis

As at June 30, 2020 our balance sheet amounted to PLN 32,622.8 million and remained at a similar level as compared to PLN 32,589.6 million as at December 31, 2019.

Assets

[mPLN]	June 30, 2020	December 31, 2019	Change	
			[mPLN]	[%]
Reception equipment	277.0	262.7	14.3	5.4%
Other property, plant and equipment	5,041.8	4,976.9	64.9	1.3%
Goodwill	11,349.5	11,336.4	13.1	0.1%
Customer relationships	1,620.6	1,821.4	(200.8)	(11.0%)
Brands	2,048.2	2,063.2	(15.0)	(0.7%)
Other intangible assets	2,648.1	2,857.8	(209.7)	(7.3%)
Right-of-use assets	1,410.2	1,420.3	(10.1)	(0.7%)
Non-current programming assets	270.8	402.6	(131.8)	(32.7%)
Investment property	29.1	29.4	(0.3)	(1.0%)
Non-current deferred distribution fees	91.1	100.5	(9.4)	(9.4%)
Non-current trade receivables	747.8	776.5	(28.7)	(3.7%)
Other non-current assets	1,314.7	1,315.8	(1.1)	(0.1%)
shares in associates accounted for using the equity method	*1,284.1*	*1,282.4*	*1.7*	*0.1%*
derivative instruments	-	*1.2*	*(1.2)*	n/a
Deferred tax assets	260.7	241.2	19.5	8.1%
Total non-current assets	**27,109.6**	**27,604.7**	**(495.1)**	**(1.8%)**
Current programming assets	516.2	512.3	3.9	0.8%
Contract assets	592.5	638.7	(46.2)	(7.2%)
Inventories	502.8	306.8	196.0	63.9%
Trade and other receivables	2,298.1	2,511.6	(213.5)	(8.5%)
Income tax receivables	4.7	4.8	(0.1)	(2.1%)
Current deferred distribution fees	221.4	225.7	(4.3)	(1.9%)
Other current assets	57.0	31.9	25.1	78.7%
includes derivative instruments	*0.2*	*0.2*	-	-
Cash and cash equivalents	1,310.4	,743.5	566.9	76.2%
Restricted cash	10.1	9.6	0.5	5.2%
Total current assets	**5,513.2**	**4,984.9**	**528.3**	**10.6%**
Total assets	**32,622.8**	**32,589.6**	**33.2**	**0.1%**

As at June 30, 2020 and December 31, 2019, our non-current assets amounted to PLN 27,109.6 million and PLN 27,604.7 million, respectively, and accounted for 83.1% and 84.7% of total assets, respectively.

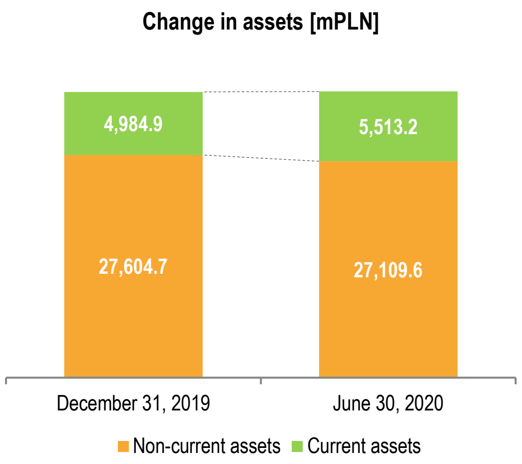
As at June 30, 2020 and December 31, 2019, our current assets amounted to PLN 5,513.2 million and PLN 4,984.9 million, respectively, and accounted for 16.9% and 15.3% of total assets, respectively.

The value of reception equipment amounted to PLN 277.0 million as at June 30, 2020 and increased by PLN 14.3 million, or 5.4% compared to PLN 262.7 million as at December 31, 2019.

The value of other property, plant and equipment increased by PLN 64.9 million, or 1.3% to PLN 5,041.8 million as at June 30, 2020 compared to PLN 4,976.9 million as at December 31, 2019.

The value of goodwill amounted to PLN 11,349.5 million as at June 30, 2020 and remained at a similar level compared to PLN 11,336.4 million as at December 31, 2019.

The value of customer relationships decreased by PLN 200.8 million, or 11.0%, to PLN 1,620.6 million as at June 30, 2020 compared to PLN 1,821.4 million as at December 31, 2019 due to recognized amortization for the six-month period ended June 30, 2020.



As at June 30, 2020, the value of brands was PLN 2,048.2 million and decreased by 15.0 million, or 0.7%, compared to PLN 2,063.2 million as at December 31, 2019 as a result of recognized amortization.

The value of other intangible assets amounted to PLN 2,648.1 million as at June 30, 2020 which constitutes a decrease by PLN 209.7 million, or 7.3%, compared to PLN 2,857.8 million as at December 31, 2019. The main reason behind this decrease is the recognition of amortization of telecommunication licenses for the six-month period ended June 30, 2020.

The value of right-of-use assets amounted to PLN 1,410.2 million as at June 30, 2020 and decreased by PLN 10.1 million, or 0.7% compared to PLN 1,420.3 million as at December 31, 2019, which mainly reflects the gradual settlement of agreements concerning locations leased for base stations and points of sale.

The value of non-current and current programming assets amounted to PLN 787.0 million and decreased by PLN 127.9 million, or 14.0% compared to PLN 914.9 million as at December 31, 2019 as a result of gradual debiting of costs of previously purchased film licenses and sports rights.

Investment property amounted to PLN 29.1 million as at June 30, 2020 and remained at a similar level compared to PLN 29.4 million as at December 31, 2019.

The value of non-current and current deferred distribution fees amounted to PLN 312.5 million as at June 30, 2020 and decreased by PLN 13.7 million, or 4.2%, compared to PLN 326.2 million as at December 31, 2019.

The value of non-current and current trade and other receivables amounted to PLN 3,045.9 million as at June 30, 2020 and decreased by PLN 242.2 million, or 7.4%, from PLN 3,288.1 million as at December 31, 2019 mainly due to lower receivables from advertising, caused by the settlement of receivables and lower revenue from advertising and sponsoring in association with the COVID-19 epidemic, as well as due to lower receivables from interconnection.

The value of other non-current assets amounted to PLN 1,314.7 million as at June 30, 2020 and remained at similar level compared to PLN 1,315.8 million as at December 31, 2019. This item includes, among others, the value of the 22.73% stake of shares in Asseco Poland S.A. acquired in 2019.

The value of deferred tax assets amounted to PLN 260.7 million as at June 30, 2020 and increased by PLN 19.5 million, or 8.1%, compared to PLN 241.2 million as at December 31, 2019.

The value of contract assets amounted to PLN 592.5 million as at June 30, 2020 and decreased by PLN 46.2 million, or 7.2%, compared to PLN 638.7 million as at December 31, 2019. This item represents the Group's right to future remuneration for the products and services already provided to customers.

The value of inventories increased by PLN 196.0 million, or 63.9%, to PLN 502.8 million as at June 30, 2020 from PLN 306.8 million as at December 31, 2019. Growth of this item was triggered mainly by a decision to increase inventories of end-user equipment, which was taken in order to secure the Group against a potential supply chain breakdown due to the COVID-19 epidemic which emerged initially in Asia. Furthermore, the increase in inventories reflects the consolidation and an increase in inventories of Alledo.

The value of income tax receivables amounted to PLN 4.7 million as at June 30, 2020 and remained at a similar level compared to PLN 4.8 million as at December 31, 2019.

The value of other current assets increased by PLN 25.1 million, or 78.7%, and amounted to PLN 57.0 million as at June 30, 2020 compared to PLN 31.9 million as at December 31, 2019, mainly as a result of an increase in the value of prepayments and accruals.

The value of cash and cash equivalents and restricted cash increased by PLN 567.4 million, or 75.3%, to PLN 1,320.5 million as at June 30, 2020 compared to PLN 753.1 million as at December 31, 2019, which was the net effect of the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million in the first quarter of 2020 and the repayment of loans and borrowings in the total net amount of PLN 822.9 million, and a stable stream of generated free cash flows.

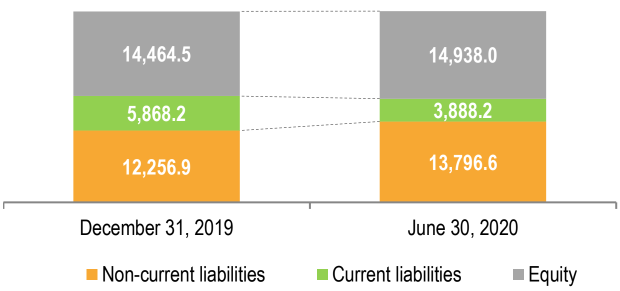
Equity and liabilities

[mPLN]	June 30, 2020	December 31, 2019	Change [mPLN]	Change [%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Share of other comprehensive income of associates	17.1	-	17.1	n/a
Other reserves	(7.2)	1.5	(8.7)	n/a
Retained earnings	7,081.0	6,610.2	470.8	7.1%
Equity attributable to equity holders of the Parent Company	**14,290.5**	**13,811.3**	**479.2**	**3.5%**
Non-controlling interests	647.5	653.2	(5.7)	(0.9%)
Total equity	**14,938.0**	**14,464.5**	**473.5**	**3.3%**
Loans and borrowings	9,258.3	8,617.0	641.3	7.4%
Issued bonds	1,957.7	969.2	988.5	>100%
Lease liabilities	1,021.2	1,023.8	(2.6)	(0.3%)
UMTS license liabilities	251.7	236.9	14.8	6.2%
Deferred tax liabilities	973.2	1,025.3	(52.1)	(5.1%)
Other non-current liabilities and provisions	334.5	384.7	(50.2)	(13.0%)
includes derivative instruments liabilities	*29.6*	*3.2*	*26.4*	>100%
Total non-current liabilities	**13,796.6**	**12,256.9**	**1,539.7**	**12.6%**
Loans and borrowings	364.6	1,892.5	(1,527.9)	(80.7%)
Issued bonds	48.9	34.8	14.1	40.5%
Lease liabilities	418.8	413.5	5.3	1.3%
UMTS license liabilities	124.2	116.9	7.3	6.2%
Contract liabilities	686.4	713.1	(26.7)	(3.7%)
Trade and other payables	2,119.2	2,420.8	(301.6)	(12.5%)
includes derivative instruments liabilities	*51.1*	*8.3*	*38.4*	>100%
Income tax liability	126.1	276.6	(150.5)	(54.4%)
Total current liabilities	**3,888.2**	**5,868.2**	**(1,980.0)**	**(33.7%)**
Total liabilities	**17,684.8**	**18,125.1**	**(440.3)**	**(2.4%)**
Total equity and liabilities	**32,622.8**	**32,589.6**	**33.2**	**0.1%**

Equity increased by PLN 473.5 million, or by 3.3%, to PLN 14,938.0 million as at June 30, 2020 from PLN 14,464.5 million as at December 31, 2019, mainly due to the profit generated in the six-month period ended June 30, 2020 in the amount of PLN 474.5 million.

As at June 30, 2020 and December 31, 2019 the value of our non-current liabilities amounted to PLN 13,796.6 million and PLN 12,256.9 million, which constituted 78.0% and 67.6% of the Group's total liabilities, respectively.

Change in liabilities [mPLN]



As at June 30, 2020 and December 31, 2019 the value of our current liabilities amounted to PLN 3,888.2 million and PLN 5,868.2 million, which constituted 22.0% and 32.4% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) decreased by PLN 886.6 million, or 8.4%, to PLN 9,622.9 million as at June 30, 2020 from PLN 10,509.5 million as at December 31, 2019, which was mainly the result of the scheduled repayment of installments under the SFA made in March 2020 and reduced use of the Revolving Facility Loan.

Bond liabilities (short- and long-term) increased by PLN 1,002.6 million, or 99.9%, to PLN 2,006.6 million as at June 30, 2020 from PLN 1,004.0 million as at December 31, 2019 as a result of the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million on February 14, 2020.

Lease liabilities (short- and long-term) amounted to PLN 1,440.0 million as at June 30, 2020 and remained stable compared to PLN 1,437.3 million as at December 31, 2019.

UMTS license liabilities (short- and long-term) increased by PLN 22.1 million, or 6.2%, to PLN 375.9 million as at June 30, 2020 from PLN 353.8 million as at December 31, 2019 due to the depreciation of PLN against EUR in which the UMTS license fee obligations are denominated.

Deferred income tax liabilities decreased by PLN 52.1 million, or 5.1%, to PLN 973.2 million as at June 30, 2020 from PLN 1,025.3 million as at December 31, 2019.

The value of other non-current liabilities and provisions amounted to PLN 334.5 million as at June 30, 2020 and decreased by PLN 50.2 million, or 13.0%, from PLN 384.7 million as at December 31, 2019. The decrease was due to the gradual shifting of a part of liabilities, in particular related to the purchases of programming assets, to current liabilities.

The value of contract liabilities amounted to PLN 686.4 million as at June 30, 2020 and decreased by PLN 26.7 million, or 3.7%, from PLN 713.1 million as at December 31, 2019.

The value of trade and other payables amounted to PLN 2,119.2 million as at June 30, 2020 which constitutes a decrease by PLN 301.6 million, or 12.5%, compared to PLN 2,420.8 million as at December 31, 2019. This decrease was driven primarily by a lower balance of trade liabilities and accruals, associated among others with the settlement of payments related to the investments made and costs incurred during 2019.

Income tax liabilities amounted to PLN 126.1 million as at June 30, 2020 as compared to PLN 276.6 million as at December 31, 2019. This decrease was mainly due to the settlement of the corporate income tax for 2019 during the second quarter of 2020, in accordance with the prolonged time limit which resulted from the changes introduced by Polish authorities in connection with the COVID-19 state of epidemic.

3.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the six-month periods ended June 30, 2020 and June 30, 2019.

[mPLN]	for six months ended June 30		change	
	2020	2019	[mPLN]	[%]
Net profit	474.5	566.2	(91.7)	*(16.2%)*
Net cash from operating activities	1,353.2	1,558.1	(204.9)	(13.2%)
Net cash used in investing activities	(544.1)	(732.0)	187.9	25.7%
Capital expenditures	*(535.7)*	*(636.3)*	*100.6*	*15.8%*
Net cash used in financing activities	(243.2)	(1,219.0)	975.8	80.0%
Net increase/(decrease) in cash and cash equivalents	565.9	(392.9)	958.8	244.0%
Cash and cash equivalents at the beginning of the period	753.1	1,178.7	(425.6)	(36.1%)
Cash and cash equivalents at the end of the period	1,320.5	783.8	536.7	68.5%

Net cash from operating activities

Net cash from operating activities amounted to PLN 1,353.2 million in the first half of 2020 and decreased by PLN 204.9 million, or 13.2%, compared to net cash from operating activities in the amount of PLN 1,558.1 million in the first half of 2019. The decrease in net cash from operating activities is mainly the effect of a higher amount of the income tax paid, which results from the retroactive settlement of the corporate income tax for 2019 paid initially in advance.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 544.1 million in the first half of 2020 and decreased by PLN 187.9 million, or 25.7% compared to PLN 732.0 million used in the first half of 2019.

In the first half of 2020, capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 535.7 million, which constitutes a decrease by PLN 100.6 million, or 15.8%, compared to PLN 636.3 million in the first half of 2019. In the first half of 2020 capital expenditures included the continued roll-out of our mobile access network based primarily on the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bands, expansion of the capacity of the telecommunications network based on LTE and LTE Advanced technologies, expansion of fiber optic cables, radio links and transmission nodes, expenditures related to the continued project of complex modernization and exchange of the IT environment within the Group as well as the costs related to the implementation of 5G technology. At the same time we also invested in the development of Internet projects, set-top boxes and the development of functionalities of applications and streaming platforms (IPLA, Cyfrowy Polsat GO), and we also successively exchanged our car fleet and the interior design of our points of sales.

On top of regular capital expenditures, in the first half of 2020 net cash used in investing activities included other expenditures, related among others to the acquisition of shares in Alledo Sp. z o.o., IST Sp. z o.o., BCAST Sp. z o.o. and Pluszak Sp. z o.o.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 243.2 million in the first half of 2020, which constitutes a decrease by PLN 975.8 million, or 80.0% compared to PLN 1,219.0 million in the first half of 2019. The decrease was driven mainly by the acquisition of new financing through the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million.

In parallel, based on the foregoing conditions of the credit facility, we executed the scheduled repayments of our debt from the SFA, totaling PLN 254.4 million as at June 30, 2020. Moreover, in the same period we reduced our indebtedness under the Revolving Credit Facility by PLN 565.0 million, net. Simultaneously, we incurred lower current debt-servicing costs and effected the repayment of liabilities and interest on leasing.

3.3.5. Liquidity and capital resources

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

We believe that our cash balances and cash generated from our current operations, as well as 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 Group's activity.

The table below presents a summary of the indebtedness of the Group as at June 30, 2020.

	Balance value as at June 30, 2020 [mPLN]	Coupon / interest / discount	Maturity date as at June 30, 2020
SFA (Tranche A and B)	9,282.5	WIBOR + margin	Tranche A - 2024 Tranche B - 2025
Revolving Credit Facility (RCF)	335.0	WIBOR + margin	-
Series B and C Bonds	2,006.6	Series B - WIBOR + 1.75% Series C - WIBOR + 1.65%	Series B – 2026 Series C – 2027
Leasing and other	1,445.4	-	-
Gross debt	**13,069.5**	-	-
Cash and cash equivalents[1]	(1,320.5)	-	-
Net debt	**11,749.0**	-	-
EBITDA LTM[2]	4,110.5	-	-
Total net debt / EBITDA LTM	**2.86x**	-	-
Weighted average interest cost	1.9% [3]	-	-

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

2 In accordance with the requirement of the SFA, the EBITDA LTM calculation includes the adjusted EBITDA amount in the second quarter of 2020, i.e., without the COVID-19 related costs, including donations.

3 Prospective average weighted interest cost of the SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at June 30, 2020 assuming WIBOR 1M of 0.23% and WIBOR 6M of 0.28%.

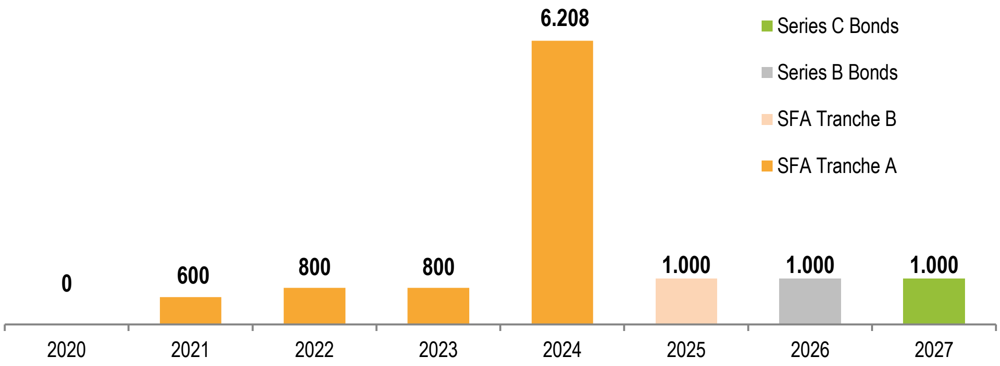
On February 14, 2020, the Company issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 1,000.0 million, maturing on February 12, 2027 ("Series C Bonds"). Series C Bonds constitute so called green bonds which entails that proceeds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

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

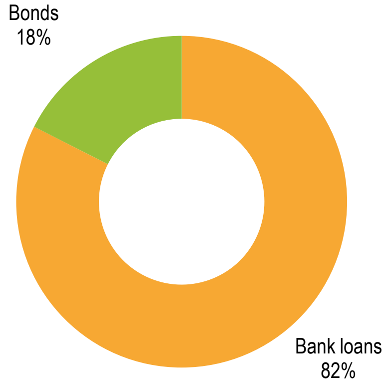
Simultaneously, the Group executed the Accession Deed, which resulted in the extension of the repayment date of Tranche B of the Term Loan (i.e., an additional term facility loan granted on November 27, 2019 within the framework of the SFA in the amount of PLN 1,000.0 million). Tranche B shall be repaid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

The graph below presents the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the RCF and leasing) as well as its structure according to instrument type and currency as at June 30, 2020.

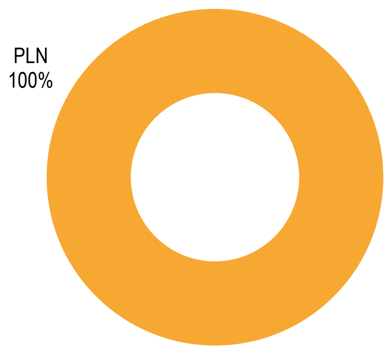
Debt maturing profile as at June 30, 2020 [mPLN]



Debt strucutre by instrument type as at June 30, 2020



Debt structure by currency as at June 30, 2020



In order to reduce exposure to interest rate risk related to interest payments on the SFA, as amended, based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular. As at June 30, 2020, transactions hedging the WIBOR interest rate changes, opened by companies from the Group and maturing in different periods in the years 2020-2023, amounted to a maximum of PLN 3,375.0 million.

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

Senior Facilities Agreement

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

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

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

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

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

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

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

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

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

Pursuant to the SFA the Company and its Group companies establish, in specified cases, certain collaterals for the credit facilities granted thereunder. In particular, these collaterals include registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of the Company and its selected subsidiaries, registered and financial pledges on shares in the Company's subsidiaries, registered and financial pledges on receivables related to bank accounts kept for the Company or its selected subsidiaries, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares or assets of the Company's subsidiaries, to be governed by foreign laws. A detailed description of established securities is presented in item 3.3.6. of this Report – *Operating and financial review of Polsat Group – Review of our financial situation - Information on guarantees granted by the Company or subsidiaries.*

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

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

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

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

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

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

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

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

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

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

Series B Bonds

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

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

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

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

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

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

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

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness and

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

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

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

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

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

Series C Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness, and

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

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

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

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

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

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

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

Contractual obligations

Contractual commitments to purchase programming assets

As at June 30, 2020 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	June 30, 2020 (unaudited)	December 31, 2019
within one year	400.0	294.1
between 1 to 5 years	230.9	266.2
more than 5 years	52.5	0.9
Total	**683.4**	**561.2**

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

[mPLN]	June 30, 2020 (unaudited)	December 31, 2019
within one year	39.3	1.9
Total	**39.3**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements for the production and purchases of the property, plant and equipment was PLN 277.4 million as at June 30, 2020 (PLN 247.8 million as at December 31, 2019). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 77.0 million as at June 30, 2020 (PLN 212.7 million as at December 31, 2019).

Future contractual obligations

As at June 30, 2020 and December 31, 2019 the Group had future liabilities due for transponder capacity agreements. The table below presents future payments (total):

[mPLN]	June 30, 2020 (unaudited)	December 31, 2019
within one year	116.3	105.6
between 1 to 5 years	487.7	465.0
more than 5 years	61.0	116.3
Total	**665.0**	**686.9**

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	08.07.2020 11.06.2019
S&P Global Ratings	BB+ / positive	BB+ / stable	18.12.2018

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

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) in 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 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 free operating cash flow 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 3.0x, 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.

3.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Senior Facilities Agreement

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

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

(ii) financial and registered pledges on shares in Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700) and Polkomtel (with a total nominal value of PLN 2,360,069,800), 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 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., 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 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).

4. Other significant information

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

Transactions concluded in the first half of 2020 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 19 of the interim condensed consolidated financial statements for the six-month period ended June 30, 2020.

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

Cyfrowy Polsat Group had not published any financial forecasts.

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

Management believes that the provisions as at June 30, 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

On February 24, 2011, the President of UOKiK imposed penalty on Polkomtel in the amount of PLN 130.7 million for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On June 18, 2014, the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 million (i.e. EUR 1.0 million). On October 20, 2015, SOKiK's verdict has been revoked and the case has been transferred for re-examination. On April 28, 2017, the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3 million. Polkomtel and President of UOKiK appealed against the verdict. On April 3, 2020 both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On April 20, 2020 Polkomtel made a payment in the amount of PLN 1.3 million. The parties are entitled to a cassation appeal.

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

On December 30, 2016, the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 5.3 million and PLN 18.4 million, respectively. The Group appealed to SOKiK against the decision. On June 18, 2019, SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On August 7, 2019, the court dismissed the appeal of Cyfrowy Polsat. The Company appealed against the decision.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases. Other significant proceedings described in the Annual Report of Polsat Group for the year ended December 31, 2019 remained unchanged.

Other proceedings

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

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases. Other significant proceedings described in the Annual Report of Polsat Group for the year ended December 31, 2019 remained unchanged.

Legal dispute in respect to the telecommunication concession

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

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

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

On October 4, 2018, T-Mobile Polska S.A. filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated September 5, 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On November 20, 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On July 4, 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated November 20, 2018, as a result of a cassation appeal filed by T-Mobile Polska S.A. On August 18, 2020, the announcement of the President of UKE dated September 5, 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. The judgment is not final and is subject to a cassation appeal to the NSA. The company will make a decision about cassation appeal after analyzing the written justification of the judgment.Factors that may impact our operating activities and financial results.

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

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

Due to the worldwide COVID-19 coronavirus pandemic, on March 20, 2020 a state of epidemic was introduced in Poland. In the fight against the spreading of the coronavirus, numerous measures were implemented by the Polish government. In particular, borders were closed for foreigners from mid-March to mid-June 2020 (since mid-June the border traffic has been restored within the internal borders of the European Union while its exernal borders are still monitored), restrictions on movement, organizing events and meetings were introduced from mid-March 2020, education and childcare establishments were closed, limitations were implemented with regard to catering, entertainment and functioning of shopping malls and, in certain cases, a two-week obligatory quarantine was imposed. Following an assessment that the epidemic situation has normalized, since June 2020 the lowest level of COVID-19 related restrictions are binding in Poland, enabling, among others, to resume, under certain conditions, sports and cultural events. Nevertheless, the epidemic situation is constantly monitored and one can expect that should the number of infections begin to grow again the restrictions could be restored.

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

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

The COVID-19 epidemic had a significant impact on our segment of broadcasting and television production. In the second quarter of 2020 the TV advertising market recorded a 35% decline year on year which translated into a decrease of the Group's advertising revenue by 34% year on year. In case of the resurgence of the epidemic (the occurrence of the so-called 'second wave'), it can reasonably be expected that the advertising market will be again adversely affected, however, as of the date of approval of this Report, it is not possible to assess to what extent.

Estimated impact of the COVID-19 epidemic on operations in the segment of services to individual and business customers

Data transmission and voice calls. Under the circumstances of the coronavirus threat and the resulting recommendations to stay at home and work or learn remotely, the significance of data transmission and voice services grew dramatically. Starting from mid-March 2020 the Group recorded a considerable increase in traffic in the telecommunications networks of its subsidiaries. During the epidemic, Plus mobile network observed on average a 30% increase of its voice traffic while the volume of data transmission grew by approximately 20%. Thanks to the efficient telecommunications infrastructure of Polkomtel and Netia as well as the implementation of modern technologies, we were able to provide our customers with full functionality and quality of operations in conditions of increased network traffic.

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

International roaming. In the second quarter of 2020 we recorded a significant decrease in retail revenue from individual and business customers from international roaming, which was related to closed borders and imposed restrictions in movement. The re-opening of the borders has not resulted in foreign tourism returning to the same scale as before the coronavirus epidemic. If international tourist traffic does not recover it can reasonably be expected that the impact of the epidemic on roaming revenue could continue to be negative, particularly in case of the holiday season falling to the third quarter.

Wholesale services. Owing to higher voice traffic levels, in the second quarter of 2020 the Group recorded a significant increase in the scale of interconnect settlements, which was positively reflected in the level of ARPU. On the other hand, materially higher voice traffic also translated into an increase in costs associated with the purchase of traffic from other operators.

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

In the second quarter of 2020 sales in remote channels were not able to fully compensate for the lower number of transactions concluded via the physical points of sale, which adversely impacted the levels of new services sold and customer adds as well as the number of mobile numbers ported by customers to our network from other operators' networks (MNP). On the other hand, the number of resignations from existing customers has fallen significantly, which had a positive influence on churn. In case of the occurrence of the so-called 'second wave' of the epidemic and related restrictions alike those imposed in March and April 2020, a similar impact on the Group's operating results can reasonably be expected.

End-user equipment. At the time of partial closure of the physical sales network we observed a temporary decrease of equipment sales, smartphones in particular, which was largely offset by high sales levels following the re-opening of the physical points of sales.

In case of the occurrence of the so-called 'second wave' of the epidemic and its accompanying restrictions similar to those implemented in March and April 2020 it can by justified to expect the similar impact on the Group's operations and financial results as it was observed in the second quarter of 2020.

Estimated impact of the COVID-19 epidemic on operations in the broadcasting and television production segment

The advertising market, including the TV advertising segment, has suffered severely from the coronavirus pandemic. In the second quarter of 2020 the TV advertising market shrunk by PLN over 425 million, i.e., by 35% year on year. As a result, we recorded a decrease in revenue from TV advertising by PLN 112 million or 34% year on year. In June and July an improving market sentiment could be observed, which translated into a slower pace of decline on the advertising market. According to the report of Publicis Group, if the epidemic situation stabilizes, in 2020 the advertising market in Poland will decrease by 7.3%. However, in case of a resurgence of the epidemic (the occurrence of the so-called 'second wave') and the return to restrictions, Publicis Group estimates the decline on the advertising market at 14%.

Since the beginning of the epidemic we have recorded an increase in viewership of certain of our television channels, especially our news station, as well as news programs and children programs. In parallel, the overall consumption of television content grew due to the search for pastime at home. According to the data of Nielsen Audience Measurement in the second quarter of 2020 the average daily time for watching television increased in Poland to as much as 5 hours during weekends while during week days it ranged between 4 and 5 hours.

In the second quarter of 2020 a number of sports events, to which the Group holds broadcasting rights, were postponed. Starting from mid-June 2020 the European football club competitions were gradually being restarted: Bundesliga in May while La Liga and Series A in June, F1™ races came back in July and the UEFA Champions League and the UEFA Europa League in August. As at the date of approval of this Report the sports events are taking place according to schedule, however with restrictions which result from regulations concerning the safety of sports events.

Taking into account the health and safety of artists and employees involved in TV production, in March 2020 Telewizja Polsat made the decision to withhold production of selected shows, which translated into lower than planned content costs during realization of the spring scheduling. At present, Telewizja Polsat is producing its content for the autumn scheduling while taking all necessary precautions with regard to personal safety of the staff involved.

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

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

As of the date of approval of this Report, the Group maintains a high level of liquidity and generates high positive cash flows. As a result, the Group is pursuing planned CAPEX projects without any hindrance, in particular Telewizja Polsat finalized the agreement to acquire Interia Group companies with the sole use of its own financial resources.

The Management Board would like to note that the above factors have been presented according to the Management Board's best knowledge as at the date of this Report. The impact that the COVID-19 coronavirus epidemic may have on the Company's, as well as the entire Group's operations and financial situation will depend on the duration of the pandemic and its further development, in particular the potential occurrence and the scale of a second wave of the epidemic, as well as further potential measures that the Polish government may adopt.

4.4.2. 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 Polsat Group, 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 changes, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

The dynamics of events related to the coronavirus pandemic makes forecasting of the economic situation in Poland and worldwide highly uncertain. The latest forecasts for 2020 envisage a global economic downturn and even a recession. In case of Poland, the predictions for the GDP decline range from 3.2% (Fitch) to 9.5% (OECD), while for 2021 it is forecasted that Polish GDP will return to the growth path.

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. High level of competition and the dynamically evolving market environment (including consolidation processes on the satellite and cable TV markets as well as the continued convergence of mobile and fixed-line services, 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, we offer a TV service in fixed-line IPTV technology (a closed network) and an OTT television service (an open network which enables access to television channels via Internet delivered by any service provider). 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. This gives us a chance to attract a significant portion of migrating customers to our platform. What is more, we offer pay TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate. In the second quarter of 2020 a number of sports events, to which the Group holds broadcasting rights, were postponed. Starting from mid-June 2020 the European football club competitions were gradually being restarted: Bundesliga in May while La Liga and Series A in June, F1™ races came back in July and the UEFA Champions League and the UEFA Europa League in August. As at the date of approval of this Report the sports events are taking place according to the schedule, however with restrictions which result from regulations concerning the safety of sports events.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix or Amazon Prime, is proof that Poland is considered an attractive market. During the coronavirus epidemic, due to the closing of cultural and entertainment establishments, part of film producers and distributors decided to modify their distribution plans with regard to film premieres and new titles by making them available in the Internet shortly following their movie debut. Therefore, the situation caused by the coronavirus has deepened the existing trend of consuming film content at leisure and on various devices. In our opinion, this trend may be sustained after the end of the epidemic. We consequently develop our services which consist in providing our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our Cyfrowy Polsat GO online service which allows access to content on mobile devices anytime and anywhere. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels. We also develop customer equipment for pay TV services, manufactured by us, in order to widen the distribution of our services beyond a traditional model of satellite TV access. Along with the implementation of pay TV services in IPTV technology (in March 2019) and in the OTT open network (in July 2019) we have introduced to the market our own set-top boxes which are dedicated to those services.

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation.

As s result of the world COVID-19 pandemic we expect a slowdown on the TV advertising market.

According to initial estimates of Starcom, in the second quarter of 2020 due the negative impact on the advertising market in Poland from the coronavirus epidemic the value of the market declined by over PLN 425 million, which means that the market decreased year on year by approximately 35%. In June and July an improving market sentiment could be observed, which translated into a slower pace of decline on the advertising market. According to the report of Publicis Group, if the epidemic situation stabilizes, in 2020 the advertising market in Poland will decrease by 7.3%. However, in case of a resurgence of the epidemic (the occurrence of the so-called 'second wave') and the return to restrictions, Publicis Group estimates the decline on the advertising market at 14%.

In our opinion, television will remain an effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still growth potential for TV advertising in Poland in the long term. It is worth noting that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime not only due to the current movement restrictions resulting from the coronavirus epidemic, but also thanks to new technical opportunities which include an increasing number of HD channels and VOD, as well as thanks to a growing number of smart-TVs.

In turn, the growth dynamics of the online advertising is influenced, among others, by expenditures in the video advertising segment, in which we generate part of our revenue. 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 this promising advertising market segment. Simultaneously, we intend to continue building the position of Polsat Group on the online advertising market, which is reflected by the acquisition by Telewizja Polsat of Interia Group companies in July 2020. We expect a favorable impact from this acquisition on our advertising revenue starting from the second half of 2020.

Growing importance of thematic channels

Main general entertainment channels (FTA) are experiencing a gradual decline in audience shares as a result of the high penetration level of the Polish market by pay TV which provides viewers with an increasingly greater selection of thematic channels, as well as a broader offer of channels available via digital terrestrial television (DTT). According to data published by Nielsen Audience Measurement, in the first half of 2020 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 31.9%, while in the first half of 2019 it was equal to 36.0%.

In turn, according to Nielsen Audience Measurement, the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience shares and advertising market shares, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers. From that point of view, the initiation of cooperation and acquisitions in the field of thematic TV channels, made by the Group in 2017 and 2019, are perfectly in line with the Group's long-term strategy to maintain a strong market presence, measured by viewership results, on an increasingly fragmented market. The channels Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV, acquired in December 2017, significantly strengthen the music programming in Telewizja Polsat while the establishment of cooperation in the scope of developing two other channels available via digital terrestrial television, Nowa TV and Fokus TV, attractively complements our comprehensive program range. All channels mentioned above have a strong market position and solid viewership. Moreover, in June 2018 we included Superstacja, a news channel, and in May 2019 TV Okazje, a telesales channel, into our thematic channels portfolio.

The next step in strengthening our position consisted in initiating strategic cooperation with Eleven Sports in Poland in May 2018. By taking control over its Polish company, Eleven Sports Network, we added world-class premium sport content to our retail and wholesale offerings. This represents yet another strategic investment aimed at consistent creation of the best programming offering for our viewers.

In July 2018, we introduced to our offering the TV package 'Polsat Sport Premium,' thanks to which football fans are able to enjoy live coverage of all the UEFA Champions League matches as well as watch the UEFA Europa League games. The package consists of two Super HD channels, i.e. Polsat Sport Premium 1 and Polsat Sport Premium 2, as well as 4 premium PPV services. Bearing in mind these football games in particular, Polsat opened the most advanced and the biggest sports studio in Poland, allowing football fans to enjoy full coverage of the matches, in the highest visual quality, hosted by an excellent team of Polsat Sport's journalists and sportscasters.

Due to the COVID-19 pandemic a number of sports events, to which the Group holds broadcasting rights, including the UEFA Champions League and the UEFA Europa League matches, have been postponed. Nevertheless, as at the date of approval of this Report the key sports events were resumed including, among others, the football club competitions of Bundesliga (starting from May 16, 2020), Polish speedway league PGE Ekstraklasa (from June 12, 2020), F1™ races (from July 3, 2020) and the UEFA Champions League and the UEFA Europa League (from August 5 and 7, respectively).

Growing importance of convergent services

Currently, convergence, understood 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, LTE-Advanced and 5G technologies, and modern fixed-line technologies (FTTH – Fiber to the Home FTTC - Fiber to the Cabinet, G.Fast, Vectoring) 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 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 Plus's and Cyfrowy Polsat's customers 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

Orange Polska

In August 2020 Orange Polska informed that it considers options concerning the establishment of a potential partnership for further development of its fiber optic network. A FTTH access network reaching approximately 1.7 million households would be constructed mainly in the areas without no existing infrastructure to fast Internet access by a new entity ('FiberCo), which would be controlled jointly by Orange Polska and an external investor. Orange Polska would contribute to FiberCo the telecommunications links to approximately 0.6 million households being at present within the coverage of its FTTH network, including around 0.15 million customers in wholesale access. FiberCo's network would be open to Orange Polska and other operators while Orange Polska would operate as FiberCo's main partner in the area of network construction and maintenance as well as service provisioning.

T-Mobile Polska

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

The operator has also signed agreements with Inea and Nexera and has announced the launch of convergent services relying on access to their networks in 2020.

Play

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

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.

Changes in pricing of mobile services

A significant change on the mobile telephony services market that commenced in 2019 was the introduction of modifications to the retail pricelists for postpaid services, which consisted in increasing monthly fees in exchange for higher data transmission packages (the *more-for-more* pricing strategy). Changes of such nature were introduced by Orange Polska and Play while T-Mobile Polska decided to increase fees for certain mobile voice and Internet tariff plans. In December 2019, in turn, Plus modified its offer by withdrawing the possibility of purchasing discounted additional SIM cards fees when signing contracts for low-end voice subscriptions. In June 2020, T-Mobile and Play modified their postpaid tariff plans again. In particular, T-Mobile increased the price for a 15 GB data package decreasing simultaneously the price of a 70 GB package while Play increased the prices of two high-end plans for mobile Internet enlarging at the same time data transmission packages. It should be noted that the changes presently implemented in postpaid tariff plans concern those customers who decide to sign a new contract or extend an existing contract with their operator on new terms, which actually delays the moment when the positive financial effects of these actions will be seen.

Price list modifications also take place in the prepaid segment. In particular, Orange Polska has expanded its unlimited tariff plan offer for prepaid while increasing the monthly fee. Alike the changes introduced in the pricelists for postpaid services, the increase concerns only new customers who activate a package for the first time. The similar offer was launched in the beginning of 2020 by Plus. Moreover, Orange has increased the fees for prolonging the validity of gratuity data packages, while Play increased the prices of calls not covered by the subscribed package.

Further pricelist modifications were introduced in June 2020 in connection with the adjustment of tariff plans by four largest mobile operators to include 5G mobile Internet offers. The changes were aimed at encouraging customers to use more expensive plans which offer significantly larger data transmission packages than the less expensive ones.

The above mentioned changes should trigger value growth of the Polish mobile telephony market in the medium term.

Demand for smartphones and data transmission

In Poland, the popularity of smartphones has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales mix. Concurrently, we estimate that among all handsets used by our customers at the end of June 2020 smartphones accounted for around 80% of handsets. This disproportion shows that the saturation of our mobile services customer base with smartphones still has a growth potential. Moreover, the development of 5G technology should lead, in our opinion, to the acceleration in replacing older types of equipment with smartphones.

The future demand for smartphones shall be to a large extent dependent on further development of the epidemic and its duration in time, as well as the impact the epidemic will ultimately have on disposable incomes of Polish consumers. Nevertheless, in the long term we expect that the growing popularity and availability of smartphones which, combined with improving quality parameters of data transmission over our mobile network and the constantly expanded offer of applications and content for customers, shall continue to be the driving factor behind growing demand for data transmission services.

Implementation of 5G networks by mobile operators

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

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

Due to the state of epidemic announced on March 20, 2020, the auction process was suspended, with effect from March 31, 2020 until the cancellation of the epidemic emergency status, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the 'Anti-Crisis Shield 3.0' act adopted by the Sejm, the lower house of the Polish parliament, on May 14, 2020 included the provisions that gave ground to cancellation of the 5G auction which had been announced by the President of UKE. As at the date of approval of this Report there are no binding decisions with regard to the form, date or conditions of distribution, including coverage parameters and price, for the frequencies from the 3.6 GHz band.

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

As far as 26 GHz spectrum is concerned, in July 2020 UKE started consultations with market representatives regarding the utilization of the spectrum from the 26 GHz band as well as of the spectrum from other millimeter frequency bands. The end of the consultations is planned for September 7, 2020.

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

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

In Plus's case the intention was to use the MIMO 4x4 and QAM256 technologies, enabling data transfer rates of 600 Mbps range. The network roll out covered major cities of Poland, including Warsaw, Gdańsk, Katowice, Łódź, Poznań, Szczecin and Wroclaw. The commercial start of Plus 5G network took place on May 11, 2020 (more detailed information is presented in item 2.3. – *Significant events – Business related events*).

Play and T-Mobile Polska informed about the introduction of 5G services to their offers in June 2020 and Orange Polska launched its 5G network in July 2020.

Information on seasonality

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer. In the year ended December 31, 2019, Telewizja Polsat Group generated approximately 22.1% of its advertising revenue in the first quarter, 26.5% in the second quarter, 20.4% in the third quarter and 31.0% in the fourth quarter.

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

Other revenues are not directly subject to substantial seasonal fluctuations.

4.4.3. Factors related to the operations of the Group

Growing importance of integrated services

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

Our bundled services offers, addressed both to our residential and businesses customers, 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 and mobile telephony services 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 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 over 2.7 million homes passed, out of which, as at the end of June 2020, over 1.6 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network covers approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed Internet services based on an access to Orange Polska's and Nexera's infrastructures.

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

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

Strengthening of our market position in online advertising thanks to the acquisition of Interia Group

Thanks to the acquisition of Interia Group we have significantly strengthened our position on the dynamically growing Internet and online advertising market. The acquisition is a long-term, strategic investment for Polsat Group, aimed at reaching by Polsat Group a significant position in the Internet.

Interia Group is a leading player on the Polish market of new generation media, reaching around 60% of Internet users in Poland. Its services are used by over 16 million users every month, and the number of page views of the Interia Group's websites exceeds 1.4 billion per month. The Internet portal 'Interia.pl,' which belongs to the Group, is one of the largest horizontal portals in Poland with e-mail system and news, thematic vortals, applications and mobile tools which generate income from many revenue streams.

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

Entering the photovoltaic market

Along with the awareness, which increases globally and in Poland, of a need to preserve natural environment, grows the importance of renewable energy sources which allow to obtain energy without CO_2 emissions. Solutions of this type are promoted, among others, by the European Union which set indicative energy targets for its Member States with respect to the share of green energy in its total consumption. Energy production from renewable energy sources is often subsidized by states and declining installation costs made it a real alternative for traditional energetics which uses the limited resources of fossil fuels.

Taking the above trend into consideration and meeting the demand for obtaining energy in an inexpensive way, in July 2020 Cyfrowy Polsat Group expanded its offer by photovoltaic installations, offered under a new brand 'ESOLEO'. The installations are sold by Alledo – a company belonging to Polsat Group, which has extensive experience on the photovoltaic market in Poland. The 'ESOLEO' offer is available across Poland in more than 1,000 points of sale and customer service points of Plus and Cyfrowy Polsat. It is promoted by an extensive marketing campaign aimed at raising awareness of benefits from owning a photovoltaic installation. The offer provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed under the "turn-key" model, including preparation of all required documents and a notification of the installation filed with the power grid on behalf of the customer. Under the cooperation with 'ESOLEO' the customer may receive a loan for the investment under special offers prepared by banks.

We believe that growing popularity and knowledge about photovoltaic installations among our customers, combined with the renowned solution we offer, could contribute to the generation of a new significant revenue stream for our Group in the coming years.

Investments in network roll-out and spectrum refarming

In the first half of 2020, residential customers of Cyfrowy Polsat and Polkomtel transferred ca. 727 PB of data as compared to ca. 530 PB transferred in the corresponding period of 2019, which represents a 37% growth. Striving to maintain a high quality of provided services, we continue to invest in our telecommunications network roll-out. In particular, upon having approached the level of coverage of nearly 100% of the population with our LTE network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of LTE Advanced, which already reaches 82% of Poles.

Investments in the development of our LTE network are based primarily on the currently owned and used frequencies from the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bandwidths. At present, we have several thousand eNodeB systems operating in the LTE/LTE Advanced technologies in various spectrum from our frequencies portfolio.

The crucial phase in the development of our network consisted in the refarming of the 900 MHz and 2100 MHz spectrum, resulting in the allocation of part of the bandwidth previously used for 2G and 3G services to LTE and LTE Advanced technologies. In particular, we have released the 900 MHz bandwidth, used so far for the provision of services in the 2G technology, on the entire territory of Poland, and migrated traffic provided in new and definitely more effective technologies to this frequency. By the end of 2019, we put into operation over 6.9 thousand transceivers operating in the 900 MHz band frequency and we are still rolling-out this network.

Simultaneously, work is in progress throughout Poland with a view to expanding the capacity of our transmission network to support the continuously increasing data transfer volumes. Transmission network roll-out enables us to use our existing towers and other network locations, which have so far operated in 2G and 3G technologies, for the provision of LTE and LTE Advanced services. We also consistently aggregate spectrum in the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bandwidths in successive cities, which – combined with the application of the 256 QAM modulation, MIMO4x4 – allows us to offer our customers increasingly higher service quality.

We expect that LTE network roll-out, relying mainly on continuous 20 MHz spectrum blocks in the 1800 MHz and 2600 MHz bands combined with increasing the density of the base station network, distinct growth of the number of operating transceivers as well as the use of the ODU-IDU (Outdoor Unit Indoor Unit) solution will enable us to maintain our competitive advantage in terms of the quality of provided mobile broadband access.

In parallel, at the turn of 2019 and 2020 we commenced the construction of Poland's first commercial 5G network in selected locations, based on a wide 50 MHz block of 2600 MHz spectrum using TDD technology. The launch is the first step en route to Plus's nationwide 5G network coverage in Poland. The network which was put into operation in May 2020 has a coverage of approximately 900 thousand inhabitants and is composed of 100 transceivers operating in 7 Polish cities - Warsaw, Gdansk, Katowice, Lodz, Poznan, Szczecin and Wroclaw. Simultaneously, work has commenced to put into operation more than 600 additional stations located in Warsaw and its surroundings, on an area inhabited by over 2 million people. Upon the completion of this project, Plus's 5G network will have extended its coverage to over 3 million inhabitants of the 7 cities and the Warsaw agglomeration. The majority of the planned additional 600 base stations should be constructed by the end of 2020, while the entire project is expected to be finalized in the early months of 2021.

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

A fully functional 5G network operates based on a Non-standalone (NSA) architecture, integrated with the LTE infrastructure. Polsat Group used existing masts and towers, where 5G transceivers have been installed, to build the next generation network.

Development of IPLA

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

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

Attractive content of our TV channels and monetization of sports rights

We offer the biggest and most versatile portfolio of TV channels on the Polish market, which places us in the leading position in terms of viewership among private television groups in Poland and translates into our share in the advertising market. TV Polsat Group channels' portfolio consists of 34 channels. Moreover, there is a group of 8 cooperating channels which are related with Polsat Group either by capital or joint broadcasting projects. The portfolio of our thematic channels includes general entertainment, music, sports, news, lifestyle, movie and children's channels. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as own concepts. Moreover, we have contracts with major film studios which provide access to a wide selection of the most attractive films and series.

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the FIFA World Championships 2022, the football Nations League 2020/21, big volleyball tournaments – the men's and women's World Volleyball Championships 2022, new, attractive games of the volleyball Nations League (2018-2024), the 2023 World Cup, the men's and women's Europe Volleyball Championships 2021, Plus Liga and Orlen Liga, boxing and mixed martial arts galas (KSW, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, we own rights to the most popular football club competitions – the UEFA Champions League and UEFA Europa League (for the years 2018 -2021). Thanks to taking control over the Polish company Eleven Sports Network in May 2018 we have gained access to attractive sports rights which are sold as program packages to pay TV operators active on the Polish market. The above mentioned premium sports content include Spanish LaLiga Santander, German Bundesliga, Italian Serie A TIM, English The Emirates FA Cup, F1™ races as well as Polish and foreign speedway. Unique content represents an important element that builds the value of our pay TV offering.

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

Due to the coronavirus epidemic we were forced to suspend part of the originally planned TV productions due to health and safety concerns of the staff engaged in internal production as well as the breakdown of the advertising market in the first half of 2020, which translated into reduced advertising revenue. Nevertheless, assuming that the situation on the advertising market normalizes, in the second half of 2020 we intend to increase expenses on content production and purchase, restoring their standard levels.

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

4.4.4. Factors related to the regulatory environment

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

The provisions of the European Code of Electronic Communication (Directive (EU) of the European Parliament and of the Council 2018/1972 of December 11, 2018) assume further regulation of MTRs and FTRs. According to the above mentioned directive, by the end of 2020 the European Comission is to issue a delegated act based on which the highest level of MTRs and FTRs that could be applied by operators in the European Union is to be specified. The final rates are not known yet and there are ongoing consultations with regard to both calculation models prepared by the European Commission and the results achived based on data from local markets. The completion of the process and the issuance of implementation acts are expected by the end of 2020.

Implementation of the European Code of Electronic Communication to national legislation

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

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

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

4.4.5. Financial factors

Exchange rates fluctuations

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

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

We have no control over how exchange rates 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 Group has in place a market risk management policy and uses, inter alia, natural hedging and hedging transactions.

One of the effects of the coronavirus epidemic was the depreciation of Polish zloty in March 2020 which persisted at a slightly lower lever during the whole second quarter of 2020. In case of prolonged duration of such situation over the next months, it may adversely impact our costs denominated in foreign currencies, in particular in EUR and USD.

Interest rate fluctuations

Market interest rate fluctuations do not impact the Group's revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through the Group's costs of servicing debt. In particular, our liabilities under the Senior Facilities Agreement dated September 21, 2015 and our liabilities under the Series B NBonds Terms and the Series C Bonds Terms are calculated based on variable WIBOR, EURIBOR or LIBOR interest rates subject to periodical changes, increased by a relevant margin.

Despite the fact that 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 positive or adverse effect on our business, financial condition, results of operations or prospects.

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

5. Risk factors

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

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

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

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

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

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

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

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

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

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

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programs in a cost-effective manner. While costs of in-house productions of television content are usually higher than the costs of purchasing third-party programs, we believe that a larger number of Polish programs broadcast on our channels will increase viewers' demand and consequently increase demand from advertisers. However, there can be no assurance that financial outlays we have made or will make in the future on Polish programming production will be fully recovered or that we will be able to generate revenue high enough to offset those costs. In paricular, we are not able to foresee the ultimate impact of the COVID-19 pandemic on the pace and costs of our internal production and on the return period with respect to outlays made for the purchase of broadcasting rights.

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

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

Our performance depends on our ability to acquire attractive television programs. Our pay TV customers' access to television channels depends entirely on our purchase of licenses from TV broadcasters. In the TV production and broadcasting segment, we independently produce certain TV programs, while other TV programs and content are broadcast under license agreements. Our license agreements are usually concluded for definite periods, usually two to three years for films and TV series, and three to seven years for sports programs. Under certain circumstances, a licensor may terminate a license agreement before it expires without our consent. This is particularly likely if we fail to fulfil our obligations, including the obligation to pay license fees. In order to acquire and retain customers and advertisers, it is necessary to maintain an attractive selection of TV programs. There can be no assurance that our license agreements will be extended on equally favorable terms or that they will be extended at all, nor can we exclude the possibility that a licensor will terminate the license agreement before its agreed expiry date. Moreover, we have no influence on delays in exercising our rights from certain license agreements, which have occurred in connection with the present COVID-19 pandemic, as well as on potential future delays in their exercising which may appear in connection with any extraordinary event of a similar nature. Our inability to obtain, maintain, or extend important program licenses as well as delays in execution of our license rights, may make it difficult for us to provide and offer new attractive channels and programs, which may result in losing our ability to acquire and retain customers and advertisers. This in turn may have a material adverse effect on the results of our operations, financial condition and prospects.

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

We operate an organized and specialized nationwide sales network, which distributes the products and services offered by us. Because of strong competition with other pay TV providers and telecommunications services providers, as well as rapid increase in wages observed on the domestic labor market we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase on fees paid to distributors in our sales and distribution network may result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganization or reconstruction, we may face the need to incur substantial financial outlays. Furthermore, our sales network may be exposed to downtime in case of an occurrence of extraordinary events, which may result in the reduction of our revenue. For example, as an effect of the imposure of the state of epidemic in connection with the SARS-CoV-2 infections, the Polish government implemented restrictions which resulted in the closure of a significant part of our sales network from mid-March to the beginning of May 2020, which adversely impacted our levels of sales during that period. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

The provision of our services may be disrupted or interrupted if any of our partners is unable to, or refuses to, perform their contracted services or provide access to infrastructure or equipment in a timely manner, on acceptable terms or at all.

These and other disruptions or interruptions may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

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

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

We also rely on agreements with external suppliers of handsets and modems (including Samsung, Huawei, Sony, LG, Lenovo, Motorola, Xiaomi and Microsoft Mobile), external suppliers of components necessary for the manufacturing of end-user devices in our plant in Mielec, and providers of IT services (including Huawei, Intec Billing, CGI, Infovide Matrix, Asseco, Oracle). We do not have any control over our key suppliers and have limited influence on the manner in which these key suppliers perform their obligations under concluded contracts. There can be no assurance that these providers will not terminate their contracts with us, extend them upon expiry, extend them on the same or more favorable terms, or that we will be able to acquire the necessary equipment and services in the future from these or other suppliers, in required amounts and at the right time, or at all. Accordingly, due to dependence on third-party suppliers, we are exposed to the risk of delayed provision of necessary services or equipment or lack of such provision.

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

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

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

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

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

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

Furthermore, fixed-line broadband services are associated with a need for investments in modernization of access networks. Some market players are currently conducting large investments programs which allow to significantly increase throughput provided to end-users. In particular, Orange Polska 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 upon completion of the modernization of our access network the demand for our fixed-line broadband services will be sufficient to reach our revenue targets. Neither can we guarantee that the growing coverage of the less developed areas of Poland with fiber optic technologies giving the end users broader access to video content, will not adversely affect the demand for our pay TV satellite access services.

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

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

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

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

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

We are exposed to the risk of fraudulent activities by customers

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

We might be unable to maintain good name of the major brands in our portfolio, including Cyfrowy Polsat, Plus, Telewizja Polsat, IPLA, Netia, Interia.pl, TV4 and TV6 brands

The good name of the major brands in our portfolio, including 'Cyfrowy Polsat,' 'Plus,' 'Telewizja Polsat,' 'IPLA,' 'Netia,' 'Interia.pl,' 'TV4' and 'TV6' brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. Our reputation may suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of our most important brands, will not materialize in the future. Any damage to our good name may have a material adverse effect on the results of our operations, financial condition and prospects.

Goodwill and brand values may be impaired

Following the acquisitions made in the past, in particular of Telewizja Polsat, Polkomtel, Netia and Aero 2, we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on the results of operations.

We may lose our management staff and key employees

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

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

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

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

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

Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation 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.

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

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

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

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

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

In order to provide pay TV services to our customers, we rely primarily on our satellite center, as well as satellite transponders, customer management system, reporting systems, sales support system, and customer relationship management system. Any failure of the individual components of our satellite center, including failure of satellite transponders or any intermediate link, may result in serious disruption or even suspension of our activities for a certain period. In the TV production and broadcasting segment, the IT systems are used primarily for management of advertising scheduling, program broadcasting, and maintaining relations with advertisers. Failure of any of our IT systems may prevent us from carrying out our operations successfully, while restoring them to full working condition may require significant financial outlays.

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

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

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

The necessity to limit expansion of our network infrastructure due to its failure to obtain the required building permits, delays in infrastructure development or − when a building permit is revoked − the obligation to discontinue operation or to disassemble an infrastructure component, may have 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 in one or many of our companies. Each of the above events could prevent our ability to satisfy customer needs or lead to growth of labor costs which would reduce our profitability. In addition, any employee-related problems affecting external companies providing services or technologies to us could also have adverse impact on us if they hinder our ability to obtain the required services or technologies on time or the ability to offer the expected quality. All disruptions of this type may have a material adverse effect on the results of our operations, financial condition and prospects.

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions), with the latter active also in Polkomtel Infrastruktura as the intercompany organization. As at June 30, 2020, ca. 3% of the total workforce of Polkomtel Group were trade union members. Trade union organizations are also active in Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018. As at the date of approval of this Report we have no knowledge of any disputes with trade unions or any other collective disputes at Polkomtel. However, involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimize the employment level or labor costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or the Netia Group, or increase in employment costs may disrupt Polkomtel's or the Netia Group's operations, preventing it from timely or cost-effective provision of services to its customers, which can have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

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

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

Our broadcasting licenses may be revoked or may not be renewed

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

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

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

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

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

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

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

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

In this respect, no assurance can be given that as a result of the pending proceedings or proceedings the instigation of which cannot be excluded, as events lying outside the control of reservation decisions beneficiaries, our 1800 MHz band reservation decision could be contested, which could have a material effect on the Group's ability to provide LTE services. Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile, Orange and Inquam Broadband GmbH. Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above-mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation.' UKE also stated that the "reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies.' In correspondence dated December 23, 2016, the President of UKE informed the parties involved that proceedings to invalidate the tender for the 1800 MHz frequency band have been opened. The instigation of the abovementioned proceedings by UKE remains without direct effect on the final and legally binding character of the reservation decision, which constitutes the basis for Polsat Group to use capacity in the 1800 MHz spectrum. On August 4, 2017, the President of UKE issued a decision annulling the tender dated 2007. Polsat Group companies decided to exercise their rights and filed motions for reconsideration of the case. On January 31, 2018 the President of UKE issued a decision of second instance, upholding the decision of August 4, 2017, by which he annulled the 2007 tender. On March 7, 2018, Aero 2 filed a complaint against the decision of the President of UKE of January 31, 2018. With the Provincial Administrative Court in Warsaw, on October 4, 2018 the complaint was dismissed. Aero 2 has filed for a cassation from the above mentioned ruling, which is pending on the date of this Report. The issued decision does not affect reservation decisions issued in a procedure separate from the tender. In accordance with the press release published by the President of UKE, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions.

In proceedings initiated upon request of T-Mobile Polska S.A. the President of UKE reopened proceedings concluded earlier on April 23, 2009 with a final decision issued by the President of UKE upholding the decision of the President of UKE dated November 30, 2007 awarding frequency reservation in the bands 1710-1730 MHz i 1805-1825 MHz. In these proceedings, in its decision of November 28, 2017 the President of UKE refused to repeal – after the reopening of the proceedings – of the reservation decision of the President of UKE dated April 23, 2009. This decision was upheld in the decision of the President of UKE dated June 4, 2018. In a judgment issued March 11, 2019 the Provincial Administrative Court in Warsaw repealed the decision dated June 4, 2018. The Company filed a cassation appeal against this judgment with the Supreme Administrative Court. As at the date of approval of this Report its appeal is pending to be reviewed.

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

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

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

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

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

In July 2020 UKE started consultations with market representatives regarding the utilization of the spectrum from the 26 GHz band as well as of the spectrum from other millimeter frequency bands. The end of the consultations is planned for September 7, 2020.

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

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

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

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

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

Risks related to the implementation of a project to modernize access network of the Netia Group companies

On March 1, 2016 the Supervisory Board of Netia S.A., which is currently part of the Group, approved a project to modernize access network of Netia Group companies in the years 2016-2020, aimed at bringing it up to the next-generation access (NGA) standard, supporting bitrates above 100 Mbps. In the period 2016-2020 Netia expects to spend a total of approximately PLN 417 million for the network modernization under the program. The program launched in the end of 2016 and is implemented in phases. The implementation of the program may involve certain technical, cost-related and commercial risks. In the commercial aspect, a failure to achieve the anticipated service penetration level of the modernized network, especially given the strong competition on the telecommunication market, may affect the expected rates of return in the anticipated timeline.

Additionally, the financial plan for the program assumes certain savings/efficiencies for subsequent years of its implementation which partly depend on prices from external providers. There is a number of risks attached to this assumption. For instance, as demand for fiber optics is strong, it cannot be ruled out that the price of this component will raise. Simultaneously, the growing payroll expenses in Poland combined with a low unemployment rate may translate into problems with recruitment of employees needed for the implementation of the program. If the price or payroll expenses turn out to be higher than assumed, it will have a negative impact on the rates of return.

In the technical aspect, one challenge under the program is obtaining approvals for modernization works from cooperatives and homeowners' associations. With the tight schedule of technical works and the need to coordinate external providers as well as partial dependence on weather conditions - this brings about a risk of delays in some areas of individual projects and the whole program. In the face of major investment programs pursued by majority of the market participants, e.g.

the modernization of Orange Polska network, consolidation and modernization of the cable operators market or the wide-spread adoption of the LTE technology by mobile operators, the program is a prerequisite for the Company to keep the competitive edge of the fixed broadband Internet access services offered by Netia.

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

5.2. Risk factors associated with the Group’s financial profile

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

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the effects of the regional or global economic slowdown being felt on the Polish advertising market and affecting consumer spending in Poland

We derive almost all our revenues from telecommunication services customers, pay-TV customers and TV advertisers in Poland. Our revenue depends on the amount of cash our existing and potential customers can spend on entertainment, recreation 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.

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

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

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

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

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

The deterioration of the national and global economic situation in consequence of an epidemic or pandemic may adversely impact the advertising market and thus our advertising revenue and the development prospects of our broadcasting and television production segment. Moreover, restrictions may be imposed limiting or preventing the execution of part or the whole of our internal production, which may further translate into lower attractiveness of our program scheduling for advertisers. In addition, as a result of the global implementation of restrictions in functioning, as it was the case with the COVID-19 pandemic, sports events to which we own broadcasting rights may be suspended, which may lead to postponement, until the sports events are restarted, of budgeted revenue or their loss in case of the cancellation of these events.

In the event of the government issuing a recommendation to stay at home and work and learn online, traffic in the telecommunications networks of our subsidiaries may increase significantly. We cannot guarantee in the future that the telecommunications infrastructure of our subsidiaries and implemented technologies will be able to ensure to our customers complete functionality and quality of network performance in terms of increased traffic. Furthermore, a potential surge in voice traffic in terms of the announcement of the state of epidemic may result in higher costs associated with purchasing traffic from other operators while border closures and restrictions on movement of individuals may lead to lower traffic volumes for international roaming services. Both factors mentioned above may result in a decrease of the margin on our telecommunications activities.

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

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

The Polish mobile telecommunications industry is highly competitive

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

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

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

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

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

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

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

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

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

In 2019, ca. 65% of the revenue generated by our TV production and broadcasting segment came from sale of advertising time and sponsored time slots on our TV channels. The Polish advertising market sees television competing with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. There can be no guarantee that TV commercials will maintain their position on the Polish advertising market, or that changes in the regulatory regime will not favor other advertising media or other broadcasters. The growing competitive pressure among advertising media, driven by the increasing prominence of Internet advertising in Poland, significantly higher spending on thematic channels, and the development of new forms of advertising may have an adverse effect on advertising revenue generated by our TV production and broadcasting segment, and thus on our operations, financial condition, performance, and cash flows.

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

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

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

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

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

Following completion of the terrestrial television digital switchover process in Poland in July 2013, there are currently 28 TV channels broadcasted terrestrially. According to Nielsen Audience Measurement, in 2019 the audience shares of all DTT channels in the 16-49 age group reached 66.4% (compared to 66.6% in 2018). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 35.6% in 2019 compared to 37.2% in 2018. The aggregate audience share of the other DTT channels was 30.8% in 2019 vs. 29.3% in 2018, which reflects the growing market fragmentation, to a large extent at the expense of the leading TV channels, including POLSAT.

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

5.4. Factors relating to market risks

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

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

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

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

Note 41 to the Company's consolidated financial statements for the financial year ended December 31, 2019 presents information about the Group's exposure to each of the above risk factors and the Group's objectives, policies and processes for measuring and managing risk.

Market risk management

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

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

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

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

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

Currency risk

One of the main risks to which we are exposed is the currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues we generate are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity agreements (EUR), fees for conditional access system (EUR and USD) and purchases of reception equipment and accessories for reception equipment (USD and EUR). After the acquisition of Telewizja Polsat currency risk exposure is also associated to purchases of foreign programming licences (EUR and USD). After the acquisition of Polkomtel currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR), roaming and interconnect agreements and some agreements concerning rental of space required for network locations and rental of office space (various currencies).

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

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

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

Interest rate risk

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

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

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

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

Detailed information concerning the Group's exposure to each of the above mentioned risk factors, the Group's objectives, policies and processes for measuring and managing risk are presented in Note 41 to the Company's consolidated financial statements for the financial year ended December 31, 2019.

5.5. Risk factors associated with the legal and regulatory environment

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

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

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

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

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

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

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

The current composition of the Group is a result of consolidation and other transactions involving assets of considerable value, implemented over the recent years by and between the Group's companies. Those activities had an effect on the tax settlements not only of the companies directly involved in such consolidation and other transactions involving assets of considerable value, but also of their respective members or shareholders.

Despite monitoring the risk in individual business areas, with respect to completed and planned structure changes, no assurance can be given that the Polish tax authorities will not have a different assessment of tax effects of individual events, both completed and planned, in particular with respect to the possibility, manner, and timing of the recognition of income and tax-deductible expenses by entities participating in such events and transactions, or that financial terms of such activities will not be questioned, which may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

Property tax laws give rise to numerous interpretation uncertainties

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

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

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

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

Therefore, no assurance can be given that there will be no disputes with tax authorities in countries where the Group conducted, conducts and will conduct its business, and consequently that the tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities, and will not determine the existence of tax arrears of such Group companies, which may have an adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

The regulations relevant to the determination of the level of remunerations and labor costs have been recently undergoing profound changes which will affect the level of our costs of employment as well as our ability to employ employees in the future. In particular, on 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. As at the date of approval of this Report no information is available weather the COVID-19 epidemic may influence, and to what extent, the revision of the above mentioned plans.

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

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

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

Our operations are reviewed by institutions of competition and consumer protection: the President of the Polish Office of Competition and Consumer Protection (UOKiK) and, with respect to any anti-competitive practices which may affect trade among Member States – the European Commission, to ensure that we comply with Polish and European laws prohibiting practices that limit competition or Polish regulations prohibiting infringements of collective interests of consumers, such as for example providing inaccurate information to customers, dishonest market practices or use of abusive contract clauses. As a general rule, our operations are subject to the assessment of the President of the Polish Office of Competition and Consumer Protection (UOKiK). If the regulator finds any of our practices or contract clauses to be in conflict with Polish or European competition and consumer protection laws, we may be subject to fines and our reputation could be harmed.

In addition, if such practices or clauses are considered abusive, the President of UOKiK prohibits their application, may impose a fine and define the measures to remedy the subsisting effects of breaching the prohibition and compel us to take actions in order to amend the contracts already concluded with consumers.

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

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

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

We may be adversely affected by changes in Polish and European Union regulation of the levels of MTR and FTR

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

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

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

The President of UKE supervises our telecommunications operations, as well as TV broadcasting and production. As part of our telecommunications services, we mainly provide mobile voice services, broadband Internet access as well as certain wholesale services to other operators. Telecommunications enterprises operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business, both in relations with individual and business customers (for instance, by specifying the scope of customers' rights or the content of standard terms and conditions for the provision of telecommunications services, setting rules for settlements in international roaming services, caps for pricing of international services or restricting the maximum time for which contracts can be concluded with customers) and wholesale customers (for instance, by imposing MTR and FTR caps or defining caps for rates used in roaming traffic settlements). Our TV production and broadcasting segment is in turn overseen by the President of UKE for compliance with the terms of licenses and frequency allocations assigned by the President of UKE for the purposes of TV broadcasting services. We cannot give any assurance that we will be able to meet the numerous requirements imposed on us by the Polish Telecommunications Law. In the event of our non-compliance with any provisions of the Telecommunications Law, companies from the Group may face a fine from the President of UKE of up to 3% of revenue generated in the year preceding the year in which such fine is imposed.

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

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

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

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

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

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

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

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

The Minister of Digital Affairs also exercises regulatory authority over the telecommunications market in Poland. The powers of the Minister of Digital Affairs include the power to issue general rules and requirements concerning procedures for the allocation of frequencies, charges for using the domestic numbering resources, the telecommunications charge, specific requirements for the provision of telecommunications access and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the complaint process. Polkomtel's operations are also supervised by the President of the Office of Competition and Consumer Protection, The Personal Data Protection Office, and other agencies.

No assurance can be given that Polkomtel will be able to meet all the requirements that have been or might be imposed on it under the Polish or EU laws or regulations, or all the terms and conditions of the frequency allocations granted to Polkomtel, or that it will be able to comply with all the laws or terms of frequency allocations applicable to its business, and that it will not be exposed to costs, penalties, sanctions or claims as a result of potential violation of such requirements or laws that, in turn, could have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

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

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, August 26, 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
Aero 2	Aero 2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Polkomtel.
Alledo	Alledo spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000541114.
Asseco	Asseco Poland Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000033391.
Act of Public Offering	Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies (Journal of Laws of 2019 Item 623)
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of June 30, 2024.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
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).
Interia, Interia Group	Grupa Interia.pl Sp. z o.o. spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000324955 and Grupa Interia.pl Media Sp. z o.o. SK. spółka z ograniczoną odpowiedzialnością spółka komandytowa entered in the register of entrepreneurs of the National Court Register under entry No. 0000392344 jointly with their subsidiaries.
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel 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.
Senior Facilities Agreement, SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015, the Second Amendment and Restatement Deed of March 2, 2018 and the Third Amendment and Restatement Deed of April 27, 2020.
Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion 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 B Bonds	Dematerialized, interest-bearing, senior and unsecured Series B bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/29/01/2020 dated January 29, 2020.
Series C Bonds	Dematerialized, interest-bearing, senior and unsecured Series C bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 1/25/03/2019 dated March 25, 2019.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
Third Amendment and Restatement Deed	Agreement concluded on April 27, 2020 between the Company and UniCredit Bank AG, London Branch, amending the SFA along with the Amendment, Restatement and Consolidation Deed and the Second Amendment, Restatement and Consolidation Deed.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
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).

Term	Definition
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Commercial group	Viewership group comprising viewers aged 16-49, including time-shifted viewership Live+2, i.e. for two consecutive days after the original airing date).
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue).
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
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.

Term	Definition
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mbps for download and up to 5.7 Mbps for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mbps (downlink, using MIMO 2x2 antennas).
LTE Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gbps (downlink, using MIMO 8x8 antennas).
Mbps	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Group based on a set comprising an external LTE modem (ODU) and an indoor WiFi router (IDU), which increases effective coverage and improve the quality of the LTE signal.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue).
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.

Term	Definition
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kbps (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

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

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

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2020 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board's report on the activities contains a true image of the Group's development, achievements, and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2020 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, 26 August 2020

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital Group (the 'Group'), for which the holding company is Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A street, containing: the interim consolidated balance sheet as at 30 June 2020, the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020 and notes to the interim condensed consolidated financial statements (the 'interim condensed consolidated financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory Auditors. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

Warsaw, 26 August 2020

Key certified auditor

Podpisany certyfikatem wystawionym dla
Jarosław Dac (Certyfikat kwalifikowany).
Utworzony w dniu: 2020-08-26 18:17:29 +0200

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 audit firms list: 130

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2020

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 26 August 2020, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2020 to 30 June 2020 showing a net profit for the period of:	PLN 474.5
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2020 to 30 June 2020 showing a total comprehensive income for the period of:	PLN 482.9
Interim Consolidated Balance Sheet as at 30 June 2020 showing total assets and total equity and liabilities of:	PLN 32,622.8
Interim Consolidated Cash Flow Statement for the period from 1 January 2020 to 30 June 2020 showing a net increase in cash and cash equivalents amounting to:	PLN 565.9
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2020 to 30 June 2020 showing an increase in equity of:	PLN 473.5

Notes to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in million of Polish zloty ('PLN') except where otherwise indicated.

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

Warsaw, 26 August 2020

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 30 June 2020 unaudited	for the 3 months ended 30 June 2019 unaudited	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Continuing operations					
Revenue	8	2,862.7	2,923.0	5,711.2	5,714.6
Operating costs	9	(2,455.6)	(2,407.2)	(4,847.7)	(4,724.2)
Other operating income/(cost), net		(13.0)	6.7	(7.2)	23.3
Profit from operating activities		**394.1**	**522.5**	**856.3**	**1,013.7**
Gain/(loss) on investment activities, net	10	(1.2)	4.8	(75.4)	(7.4)
Finance costs, net	11	(47.7)	(170.0)	(201.5)	(272.7)
Share of the profit/(loss) of associates accounted for using the equity method		17.8	(1.9)	34.1	(3.6)
Gross profit for the period		**363.0**	**355.4**	**613.5**	**730.0**
Income tax		(72.3)	(86.5)	(139.0)	(163.8)
Net profit for the period		**290.7**	**268.9**	**474.5**	**566.2**
Net profit attributable to equity holders of the Parent		288.4	263.6	470.8	555.5
Net profit attributable to non-controlling interest		2.3	5.3	3.7	10.7
Basic and diluted earnings per share (in PLN)		**0.45**	**0.43**	**0.74**	**0.89**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 30 June 2020 unaudited	for the 3 months ended 30 June 2019 unaudited	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Net profit for the period		**290.7**	**268.9**	**474.5**	**566.2**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	13	(3.0)	0.2	(10.7)	0.3
Income tax relating to hedge valuation	13	0.6	0.0	2.0	0.0
Share of other comprehensive income of associates		17.1	-	17.1	-
Items that may be reclassified subsequently to profit or loss		***14.7***	***0.2***	***8.4***	***0.3***
Other comprehensive income, net of tax		**14.7**	**0.2**	**8.4**	**0.3**
Total comprehensive income for the period		**305.4**	**269.1**	**482.9**	**566.5**
Total comprehensive income attributable to equity holders of the Parent		303.1	263.8	479.2	555.8
Total comprehensive income attributable to non-controlling interest		2.3	5.3	3.7	10.7

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2020 unaudited	31 December 2019
Reception equipment		277.0	262.7
Other property, plant and equipment		5,041.8	4,976.9
Goodwill	16	11,349.5	11,336.4
Customer relationships		1,620.6	1,821.4
Brands		2,048.2	2,063.2
Other intangible assets		2,648.1	2,857.8
Right-of-use assets		1,410.2	1,420.3
Non-current programming assets		270.8	402.6
Investment property		29.1	29.4
Non-current deferred distribution fees		91.1	100.5
Non-current trade receivables		747.8	776.5
Other non-current assets, includes:		1,314.7	1,315.8
shares in associates accounted for using the equity method		*1,284.1*	*1,282.4*
derivative instruments		*-*	*1.2*
Deferred tax assets		260.7	241.2
Total non-current assets		**27,109.6**	**27,604.7**
Current programming assets		516.2	512.3
Contract assets		592.5	638.7
Inventories		502.8	306.8
Trade and other receivables		2,298.1	2,511.6
Income tax receivable		4.7	4.8
Current deferred distribution fees		221.4	225.7
Other current assets		57.0	31.9
includes derivative instruments		*0.2*	*0.2*
Cash and cash equivalents		1,310.4	743.5
Restricted cash		10.1	9.6
Total current assets		**5,513.2**	**4,984.9**
Total assets		**32,622.8**	**32,589.6**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2020 unaudited	31 December 2019
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Share of other comprehensive income of associates		17.1	-
Other reserves		(7.2)	1.5
Retained earnings		7,081.0	6,610.2
Equity attributable to equity holders of the Parent		**14,290.5**	**13,811.3**
Non-controlling interests		647.5	653.2
Total equity		**14,938.0**	**14,464.5**
Loans and borrowings	14	9,258.3	8,617.0
Issued bonds	15	1,957.7	969.2
Lease liabilities		1,021.2	1,023.8
UMTS license liabilities		251.7	236.9
Deferred tax liabilities		973.2	1,025.3
Other non-current liabilities and provisions		334.5	384.7
includes derivative instruments		*29.6*	*3.2*
Total non-current liabilities		**13,796.6**	**12,256.9**
Loans and borrowings	14	364.6	1,892.5
Issued bonds	15	48.9	34.8
Lease liabilities		418.8	413.5
UMTS license liabilities		124.2	116.9
Contract liabilities		686.4	713.1
Trade and other payables		2,119.2	2,420.8
includes derivative instruments		*51.1*	*8.3*
Income tax liability		126.1	276.6
Total current liabilities		**3,888.2**	**5,868.2**
Total liabilities		**17,684.8**	**18,125.1**
Total equity and liabilities		**32,622.8**	**32,589.6**

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

Interim Consolidated Cash Flow Statement

	Note	for the 6 months ended 30 June 2020 unaudited	30 June 2019 unaudited
Net profit		**474.5**	**566.2**
Adjustments for:		**1,232.3**	**1,143.1**
Depreciation, amortization, impairment and liquidation	9	1,130.4	1,100.7
Payments for film licenses and sports rights		(223.3)	(343.1)
Amortization of film licenses and sports rights		246.4	262.4
Interest expense		206.1	214.3
Change in inventories		(190.2)	51.4
Change in receivables and other assets		293.7	12.4
Change in liabilities and provisions		(265.5)	(264.7)
Change in contract assets		46.2	(3.3)
Change in contract liabilities		(26.7)	7.0
Foreign exchange (gains)/losses, net		29.4	(6.3)
Income tax		139.0	163.8
Net additions of reception equipment		(71.0)	(48.8)
Share of the (profit)/loss of associates accounted for using the equity method		(34.1)	3.6
Cumulative catch-up resulting from modification of the loan agreement		(44.8)	-
Other adjustments		(3.3)	(6.3)
Cash from operating activities		**1,706.8**	**1,709.3**
Income tax paid		(360.4)	(163.0)
Interest received from operating activities		6.8	11.8
Net cash from operating activities		**1,353.2**	**1,558.1**
Acquisition of property, plant and equipment		(441.3)	(433.6)
Acquisition of intangible assets		(94.4)	(202.7)
Acquisition of subsidiaries, net of cash acquired	16	(48.8)	(63.8)
Acquisition of shares in associates		(7.4)	(14.7)
Share capital increase		-	(16.3)
Proceeds from sale of property, plant and equipment		4.4	4.2
Investment funds outflows		(30.0)	(60.0)
Investment funds inflows		30.0	60.3
Loans granted		(8.3)	(14.6)
Acquisition of bonds		(8.3)	-
Bonds redemption with interest		1.4	8.7
Dividends received from associate		56.8	-
Other inflows/(outflows)		1.8	0.5
Net cash used in investing activities		**(544.1)**	**(732.0)**

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

Bonds issue (Series C Bonds)		1,000.0	-
Bonds issue (Series B Bonds)		-	893.0
Bonds redemption (Series A Bonds)		-	(893.0)
Loans and borrowings inflows		35.0	-
Repayment of loans and borrowings	14	(857.9)	(851.6)
Payment of interest on loans, borrowings, bonds, and commissions*		(193.4)	(205.5)
Payment of lease liabilities		(185.7)	(142.7)
Payment of interest on lease liabilities		(21.1)	(18.8)
Dividend payment		(7.4)	-
Other outflows		(12.7)	(0.4)
Net cash used in financing activities		**(243.2)**	**(1,219.0)**
Net increase/(decrease) in cash and cash equivalents		**565.9**	**(392.9)**
Cash and cash equivalents at the beginning of the period		**753.1****	**1,178.7*****
Effect of exchange rate fluctuations on cash and cash equivalents		1.5	(2.0)
Cash and cash equivalents at the end of the period		**1,320.5*******	**783.8*********

* Includes impact of hedging instruments, amount paid for costs related to the new financing and costs related to the modification of the loan agreement
** Includes restricted cash amounting to PLN 9.6
*** Includes restricted cash amounting to PLN 11.7
**** Includes restricted cash amounting to PLN 10.1
***** Includes restricted cash amounting to PLN 8.9

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2020

	Share capital	Share premium	Share of other comprehensive income of associates	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2020	**25.6**	**7,174.0**	**-**	**1.5**	**6,610.2**	**13,811.3**	**653.2**	**14,464.5**
Dividend approved	-	-	-	-	-	-	(7.4)	**(7.4)**
Acquisition of subsidiary	-	-	-	-	-	-	(2.0)	**(2.0)**
Total comprehensive income	-	-	17.1	(8.7)	470.8	479.2	3.7	**482.9**
Hedge valuation reserve	-	-	-	*(8.7)*	-	*(8.7)*	-	***(8.7)***
Share of other comprehensive income of associates		-	*17.1*	-	-	*17.1*	-	***17.1***
Net profit for the period	-	-	-	-	*470.8*	*470.8*	*3.7*	***474.5***
Balance as at 30 June 2020 unaudited	**25.6**	**7,174.0**	**17.1**	**(7.2)**	**7,081.0**	**14,290.5**	**647.5**	**14,938.0**

*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 30 June 2020 the capital excluded from distribution amounts to PLN 8.5

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2019

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2019	**25.6**	**7,174.0**	**(162.5)**	**6,189.9**	**13,227.0**	**648.2**	**13,875.2**
Dividend approved	-	-	-	(594.8)	(594.8)	-	**(594.8)**
Acquisition of subsidiaries	-	-	165.5	(85.5)	80.0	(8.4)	**71.6**
Total comprehensive income	-	-	0.3	555.5	555.8	10.7	**566.5**
Hedge valuation reserve	-	-	*0.3*	-	*0.3*	-	***0.3***
Net profit for the period	-	-	-	*555.5*	*555.5*	*10.7*	***566.2***
Balance as at 30 June 2019 unaudited	**25.6**	**7,174.0**	**3.3**	**6,065.1**	**13,268.0**	**650.5**	**13,918.5**

* In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. As at 30 June 2019 the capital excluded from distribution amounts to PLN 8.5.

Notes to the Interim Condensed Consolidated Financial Statements

General information

1. The Parent Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat', 'the Parent Company', 'the Parent') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Parent Company's registered office is located at 4a, Łubinowa Street in Warsaw.

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The consolidated financial statements comprise the Parent and its subsidiaries ('the Group') and joint ventures. The Group operates in two segments: (1) services to individual and business customers which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- Marek Grzybowski	Member of the Supervisory Board (from 23 July 2020),
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board,
- Paweł Ziółkowski	Member of the Supervisory Board (from 23 July 2020),
- Piotr Żak	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed consolidated financial statements

Statement of compliance

These interim condensed consolidated financial statements for the 6 months ended 30 June 2020 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS EU"). These interim condensed consolidated financial statements have been prepared on a going concern basis.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2020.

During the six-month period ended 30 June 2020 the following become effective:

a) Amendments to IFRS 3: Business Combinations – a definition of a business
b) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
c) Amendments to IAS 1 and IAS 8: Definition of Material
d) Amendments to References to the Conceptual Framework in IFRS Standards.

Amendments and interpretations that apply for the first time in 2020 do not have a material impact on the interim condensed consolidated financial statements of the Group.

Published standards and interpretations but not yet approved by European Union:

a) Amendments to IFRS 16: Leases *Covid 19-Related Rent Concessions*.

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

5. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2020 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2020	31 December 2019
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polkomtel Infrastruktura Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	media	100%	100%
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2020	31 December 2019
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	ul. Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium rate services	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	financial activities	*	*
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%

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	Entity's registered office	Activity	Share in voting rights (%) 30 June 2020	31 December 2019
Subsidiaries accounted for using full method (cont.)				
Music TV Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o. [(a)]	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	65.98%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
TVO Sp. z o.o.[(b)]	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Pure Omni Wework Sp. z o.o. Sp.k. [(b)]	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Wework Sp. z o.o. [(b)]	Stefana Batorego 28-32, 81-366 Gdynia	administrative services	75.96%	51.22%
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	100%	100%
ISTS Sp. z o.o.	Bociana 4a/68a, 31-231 Cracow	wired communication	65.98%	65.98%
Plus Finanse Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	monetary intermediation	100%	100%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2020	31 December 2019
Subsidiaries accounted for using full method (cont.)				
Alledo Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Express Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	-
Alledo Parts Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	-
Alledo Parts Sp. z o.o. Sp.k. (c)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	-
Alledo Setup Sp. z o.o. (c)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Setup Sp. z o.o. Sp.k. (c)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
IST Sp. z o.o. (formerly IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o. o.) (d)	Księcia Janusza 13, 18-400 Łomża	wired communication	65.98%	-

* Cyfrowy Polsat S.A. indirectly holds 100% of certificates.

(a) On 19 May 2020 Netia has merged with its subsidiary, Internetia.

(b) On 10 February 2020 court registered an increase in the TVO Sp. z o. o. share capital. Consequently, the Group holds 75.96% shares of TVO Sp. z o. o.

(c) On 13 January 2020 Cyfrowy Polsat acquired 51.25% shares of Alledo Sp. z o.o. thus acquiring control over Alledo Sp. z o.o and its subsidiaries (see note 16).

(d) On 14 February 2020 Netia acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. On 27 February 2020 company's name change to IST Sp. z o.o. was registered.

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Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2020	Share in voting rights (%) 31 December 2019
Polsat JimJam Ltd.	111 Salusbury Road London NW6 6RG UK	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	media	49.48%	49.48%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.73%	22.73%
BCAST Sp. z o.o. [(a)]	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	69.13%	-

(a) On 25 March 2020 Cyfrowy Polsat acquired 69.13% shares in BCAST Sp. z o.o.

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2020:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2020	Share in voting rights (%) 31 December 2019
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79 lok. 11.31, 00-697 Warsaw	web portals activities	4.76%	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, 10-686 Olsztyn	infrastructure projects advisory	1.5%**	1.5%**
Pluszak Sp. z o.o. [(a)]	Domaniewska 47, 02-672 Warsaw	retail sales	9%	-

* Investment accounted for at cost less any accumulated impairment losses.

** Altalog Sp. z o.o. holds 2.3% share in voting rights in InPlus Sp. z o.o.

(a) On 24 April 2020 Polkomtel acquired 9% shares in Pluszak Sp. z o.o.

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

6. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 26 August 2020.

Explanatory notes

7. Information on seasonality in the Group's operations

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer.

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

8. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	**30 June 2019 unaudited**	**30 June 2020 unaudited**	**30 June 2019 unaudited**
Retail revenue	1,592.0	1,616.1	3,196.5	3,222.1
Wholesale revenue	802.5	861.6	1,626.2	1,634.3
Sale of equipment	392.9	379.3	738.6	726.7
Other revenue	75.3	66.0	149.9	131.5
Total	**2,862.7**	**2,923.0**	**5,711.2**	**5,714.6**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

Other revenue mainly consists of revenue from interest on installment plan purchases, revenue from the lease of premises and facilities, revenue from the sale of electric energy and revenue from the sale of photovoltaic installations.

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9. Operating costs

	Note	for the 3 months ended 30 June 2020 unaudited	for the 3 months ended 30 June 2019 unaudited	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Technical costs and cost of settlements with telecommunication operators		636.1	591.4	1,236.9	1,155.2
Depreciation, amortization, impairment and liquidation		565.9	553.6	1,130.4	1,100.7
Cost of equipment sold		334.8	321.7	617.1	611.1
Content costs		368.9	415.8	757.7	782.7
Distribution, marketing, customer relation management and retention costs		232.0	241.8	456.4	486.6
Salaries and employee-related costs	a)	210.2	205.6	432.1	418.2
Cost of debt collection services and bad debt allowance and receivables written off		36.6	16.9	80.9	51.5
Other costs		71.1	60.4	136.2	118.2
Total		**2,455.6**	**2,407.2**	**4,847.7**	**4,724.2**

a) Salaries and employee-related costs

	for the 3 months ended 30 June 2020 unaudited	for the 3 months ended 30 June 2019 unaudited	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Salaries	172.1	169.1	353.7	341.9
Social security contributions	29.3	29.3	62.2	61.5
Other employee-related costs	8.8	7.2	16.2	14.8
Total	**210.2**	**205.6**	**432.1**	**418.2**

10. Gain/(loss) on investment activities, net

	for the 3 months ended 30 June 2020 unaudited	for the 3 months ended 30 June 2019 unaudited	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Interest on lease liabilities	(13.6)	(12.8)	(25.6)	(26.0)
Interest, net	(1.5)	6.0	1.9	12.6
Other foreign exchange gains/(losses), net	19.3	16.6	(43.4)	14.7
Other income/costs	(5.4)	(5.0)	(8.3)	(8.7)
Total	**(1.2)**	**4.8**	**(75.4)**	**(7.4)**

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

11. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Interest expense on loans and borrowings	64.1	84.6	152.8	171.2
Interest expense on issued bonds	11.1	12.3	23.2	22.9
Cumulative catch-up	(44.8)	-	(44.8)	-
Valuation and realization of hedging instruments	0.2	-	0.3	0.3
Valuation and realization of derivatives not used in hedge accounting – relating to interest	15.1	1.7	67.4	5.9
Guarantee fees, bank and other charges	2.0	71.4	2.6	72.4
Total	**47.7**	**170.0**	**201.5**	**272.7**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2020 and 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

The shareholders' structure as at 30 June 2020 and 31 December 2019 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
TiVi Foundation [2] , incl. through	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.

[2] Entity is controlled by Mr. Zygmunt Solorz.

[3] Entity is under the presumption of the existence of an agreement referred to in article 87 section 1 item 5 Act of the Public Offering Act

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(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.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2020	2019
Balance as at 1 January	**(0.2)**	**(0.6)**
Valuation of cash flow hedges	(10.7)	0.3
Deferred tax	2.0	0.0
Change for the period	**(8.7)**	**0.3**
Balance as at 30 June unaudited	**(8.9)**	**(0.3)**

14. Loans and borrowings

Loans and borrowings	30 June 2020 unaudited	31 December 2019
Short-term liabilities	364.6	1,892.5
Long-term liabilities	9,258.3	8,617.0
Total	**9,622.9**	**10,509.5**

Change in loans and borrowings liabilities:

	2020	2019
Loans and borrowings as at 1 January	**10,509.5**	**10,216.6**
Loans and borrowings on acquisition of Alledo Sp. z o.o. (see note 16)	3.0	-
Loans and borrowings on acquisition of TVO Sp. z o.o. (see note 16)	-	10.7
Effect of obtaining control over TVO Sp. z o. o. and consolidation	-	(8.4)
Revolving facility loan	35.0	-
Repayment of capital	(857.9)	(851.6)
Repayment of interest and commissions	(171.7)	(160.5)
Cumulative catch-up	(44.8)	-
Interest accrued and commissions	149.8	172.4
Loans and borrowings as at 30 June unaudited	**9,622.9**	**9,379.2**

Amendment and restatement deeds to the Group's Senior Facilities Agreement

On 27 April 2020, the Company, acting as the agent for the Obligors, and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the Third Amendment and Restatement Deed (the "Third Amendment and Restatement Deed") to the Senior Facilities Agreement dated 21 September 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed dated 21 September 2015 and the Second Amendment and Restatement

Deed dated 2 March 2018, originally entered into between the Company, Polkomtel Sp. z o.o. and selected companies from the Cyfrowy Polsat Group and a consortium of Polish and foreign financial institutions (the "Senior Facilities Agreement"). The Senior Facilities Agreement provided for the granting of a term facility loan (the "Term Facility Loan") up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") up to the maximum amount of PLN 1,000,000,000 (not in million).

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

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

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel Sp. z o.o. jointly make quarterly repayments of equal amounts, amounting to PLN 200,000,000 (not in million) each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants.

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

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

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

The Group recognized an amendment to the conditions of the loan agreements as a modification of a financial liability which does not result in derecognition. The Group recognized an adjustment to the carrying amount of the financial liability in the amount of PLN 44.8 as at the date of the modification.

15. Issued bonds

	30 June 2020 unaudited	**31 December 2019**
Short-term liabilities	48.9	34.8
Long-term liabilities	1,957.7	969.2
Total	**2,006.6**	**1,004.0**

Change in issued bonds:

	2020	2019
Issued bonds as at 1 January	**1,004.0**	**1,018.3**
Bonds issue (Series C Bonds)	**1,000.0**	-
Bonds issue (Series B Bonds)	-	1,000.0
Bonds redemption (Series A Bonds)	-	(1,000.0)
Repayment of interest and commissions	(19.6)	(36.5)
Interest and commissions accrued	22.2	21.9
Issued bonds liabilities as at 30 June unaudited	**2,006.6**	**1,003.7**

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. The amounts of interest are payable in arrears, every six months, with the first interest payment made on 14 August 2020.

The Series C Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market on 24 February 2020.

Other notes

16. Acquisition of subsidiaries

Acquisition of shares in TVO Sp. z o.o. – final purchase price allocation

On 29 May 2018 Cyfrowy Polsat Trade Marks Sp. z o.o. (Company's subsidiary) acquired 92 newly issued shares in TVO Sp. z o.o. representing 45.1% shares in profits and voting rights (after registration of share capital increase). On 30 November 2018 the Company merged with Cyfrowy Polsat Trade Marks Sp. z o.o., thus acquiring the shares in TVO Sp. z o.o. On 30 May 2019 the Company acquired additional 12 shares in TVO Sp. z o.o. for the purchase price of PLN 0.6 thus increasing the number of shares held to 104 shares (i.e. 50.98%). On 9 August 2019 court registered share capital increase in TVO Sp. z o.o. – after registration Cyfrowy Polsat held 51.22% shares of TVO Sp. z o.o. On 10 February 2020 court registered an increase in the TVO Sp. z o. o. share capital. Consequently, the Group holds 75.96% shares of TVO Sp. z o. o.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over TVO on 30 May 2019.

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

a) Consideration transferred

	Final value of consideration transferred
Consideration	3.6
Final value as at 30 May 2019	**3.6**

b) Reconciliation of transactional cash flow

Cash transferred	(0.6)
Cash and cash equivalents received	0.2
Cash decrease in the period of 12 months ended 31 December 2019	**(0.4)**

c) Final fair value valuation of net assets as at the acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair values of assets and liabilities acquired as at 30 May 2019:

	Fair value as at the acquisition date (30 May 2019)
Net assets:	
Other non-current assets	0.1
Inventories	1.9
Trade and other receivables	3.5
Cash and cash equivalents	0.2
Loans and borrowings	(10.7)
Trade and other payables	(1.7)
Value of net assets (100%)	**(6.7)**
Value of net assets attributable to non-controlling interest	**(3.3)**
Value of net assets attributable to Cyfrowy Polsat Capital Group	**(3.4)**
Consideration transferred	**3.6**
Goodwill	**7.0**

Goodwill is allocated to the “Services to individual and business customers” operating segment.

Restatement of the comparative data was not required following the final determination of the fair value of the acquired assets and liabilities.

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

The revenue and net loss included in the consolidated income statement for the reporting period since 30 May 2019 to 31 December 2019 contributed by TVO amounted to PLN 9.9 and PLN 1.4, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to 11,682.3 and PLN 1,113.4, respectively.

Acquisition of shares in ISTS Sp. z o.o. – provisional purchase price allocation

On 27 November 2019 Netia S.A. (Company's subsidiary) acquired 100% shares of ISTS Sp. z o.o.

The consideration for 100% shares of ISTS Sp. z o.o. amounted to PLN 35.0.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 100% shares of ISTS	33.0
Liability to pay in accordance with purchase agreement	2.0
Provisional value as at 27 November 2019	**35.0**

b) Reconciliation of transactional cash flow

Cash transferred	(33.0)
Cash and cash equivalents received	0.5
Cash decrease in the period of 12 months ended 31 December 2019	**(32.5)**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

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

Provisional fair value of assets and liabilities as at 27 November 2019:

	Provisional fair value as at the acquisition date (27 November 2019)
Net assets:	
Customer relationships	17.4
Other property, plant and equipment	1.7
Trade and other receivables	0.1
Cash and cash equivalents	0.5
Loans and borrowings	(0.5)
Trade and other payables	(1.0)
Deferred tax liabilities	(3.2)
Provisional value of net assets	**15.0**
Provisional consideration transferred	**35.0**
Provisional goodwill	**20.0**

Goodwill is allocated to the “Services to individual and business customers” operating segment.

The revenue and net profit included in the consolidated income statement for the reporting period since 27 November 2019 to 31 December 2019 contributed by ISTS amounted to PLN 0.7 and PLN 0.0, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to PLN 11,683.6 and PLN 1,115.4, respectively.

Acquisition of shares in Alledo Sp. z o.o. – provisional purchase price allocation

On 13 January 2020 the Company acquired 51.25% shares of Alledo Sp. z o.o.

The consideration for 51.25% shares of Alledo Sp. z o.o. amounted to PLN 6.9.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 51.25% shares of Alledo	6.9
Provisional value as at 13 January 2020	**6.9**

b) Reconciliation of transactional cash flow

Cash transferred	(6.9)
Cash and cash equivalents received	0.4
Cash decrease in the period of 6 months ended 30 June 2020	**(6.5)**

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

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair values of assets and liabilities acquired as at 13 January 2020:

	Provisional fair value as at the acquisition date (13 January 2020)
Net assets:	
Other property, plant and equipment	0.9
Other intangible assets	0.4
Inventories	5.3
Trade and other receivables	0.5
Cash and cash equivalents	0.4
Loans and borrowings	(3.0)
Trade and other payables	(8.6)
Provisional value of net assets (100%)	**(4.1)**
Provisional value of net assets attributable to non-controlling interest	**(2.0)**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**(2.1)**
Provisional consideration transferred	**6.9**
Provisional goodwill	**9.0**

Goodwill is allocated to the “Services to individual and business customers” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 13 January 2020 contributed by Alledo amounted to PLN 9.2 and PLN 1.6, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 6 months ended 30 June 2020 would have amounted to 5,711.2 and PLN 453.0, respectively.

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

Acquisition of shares in IST Sp. z o.o. (formerly IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) – provisional purchase price allocation

On 14 February 2020 Netia S.A. (Company's subsidiary) acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. („IST"). On 27 February 2020 the change of the company's name to IST Sp. z o.o. was registered.

The consideration for 100% shares of IST amounted to PLN 8.9.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 100% shares of IST	8.6
Liability to pay in accordance with purchase agreement	0.3
Provisional value as at 14 February 2020	**8.9**

b) Reconciliation of transactional cash flow

Cash transferred	(8.6)
Cash and cash equivalents received	0.4
Cash decrease in the period of 6 months ended 30 June 2020	**(8.2)**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair value of assets and liabilities as at 14 February 2020:

	Provisional fair value as at the acquisition date (14 February 2020)
Net assets:	
Customer relationships	3.0
Other property, plant and equipment	3.2
Cash and cash equivalents	0.4
Trade and other payables	(0.2)
Deferred tax liabilities	(1.2)
Provisional value of net assets	**5.2**
Provisional consideration transferred	**8.9**
Provisional goodwill	**3.7**

Goodwill is allocated to the "Services to individual and business customers" operating segment.

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

The revenue and net profit included in the consolidated income statement for the reporting period since 14 February 2020 contributed by IST amounted to PLN 0.8 and PLN 0.0, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 6 months ended 30 June 2020 would have amounted to 5,711.4 and PLN 453.1, respectively.

Acquisition of data center in the form of an organised part of the enterprise – provisional purchase price allocation

On 14 January 2020 Netia S.A. (Company's subsidiary) acquired data center in the form of an organised part of the enterprise for the consideration in the amount of PLN 34.1.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the organised part of the enterprise	34.1
Provisional value as at 14 February 2020	**34.1**

b) Reconciliation of transactional cash flow

Cash transferred	(34.1)
Cash decrease in the period of 6 months ended 30 June 2020	**(34.1)**

c) Provisional fair value valuation of net assets as at the acquisition date

The table below presents provisional fair value of identified assets and liabilities of the acquired organised part of the enterprise, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair value of assets and liabilities as at 14 January 2020:

	Provisional fair value as at the acquisition date (14 January 2020)
Net assets:	
Customer relationships	1.9
Other property, plant and equipment	31.7
Inventories	0.5
Deferred tax liabilities	(0.4)
Provisional value of net assets	**33.7**
Provisional consideration transferred	**34.1**
Provisional goodwill	**0.4**

Goodwill is allocated to the "Services to individual and business customers" operating segment.

17. Investment in associates

Acquisition of shares in Asseco Poland S.A. – provisional purchase price allocation

On 18 December 2019 the Company decided to initiate action aimed at acquiring a significant stake of shares in Asseco Poland S.A. (Asseco), in the amount not exceeding 18,221,000 (not in milion) and with aggregate value not exceeding PLN 1,184,365,000 (not in milion), with a potential participation of other entities controlled by Mr. Zygmunt Solorz (the “Acquisition”).

In order to complete the Acquisition, the Company announced an invitation to submit offers for the sale of shares in Asseco („Invitation”). The Invitation concerned no more than 18,221,000 (not in milion) shares of Asseco, representing 21.95% of the share capital of Asseco and vesting the right to exercise 21.95% of the total number of votes at the general meeting of Asseco. The proposed price for the Asseco shares to be purchased on the basis of the Invitation was PLN 65.00 (not in milion) per share.

On 27 December 2019 the Company decided to acquire under the Invitation a total of 18,178,386 (not in milion) 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 milion) 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 milion) Asseco shares, representing 0.22% of the Asseco share capital and carrying the right to exercise 0.22% of the total number of votes at the general meeting of Asseco were acquired by Reddev Investments Limited („Reddev”), an entity controlled by Mr. Zygmunt Solorz.

On 27 December 2019 Cyfrowy Polsat concluded with Reddev an agreement in order to enable Reddev to acquire 184,127 (not in million) Asseco shares under the Invitation. The agreement governs the joint acquisition of the Asseco shares under the Invitation and Reddev’s exercising of the voting rights attached to the Asseco shares acquired under the Invitation as instructed by the Company (the „Agreement”). Under the Agreement, Reddev is obliged to resell to the Company the above Asseco shares for the price paid by Reddev for the acquired shares under the Invitation. Reddev shall also receive an additional remuneration for the period between the date on which Reddev acquired Asseco shares and the date on which the shares acquired by Reddev under the Invitation will be resold to the Company („Interim Period”) in an amount equivalent to the average weighted cost of financing of the Group provided by financial institutions, prorated to the specific portion of the price paid by Reddev for the shares under the Invitation for each day of the Interim Period.

The transfer of ownership of the Purchase Shares was settled through the depositary and settlement system operated by Krajowy Depozyt Papierów Wartościowych S.A. on 30 December 2019.

After settlement of the above acquisition, the Company holds a total of 22.73% Asseco shares as at 30 December 2019.

(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 summary of Asseco's financial data (these are the most current consolidated financial data of Asseco's capital group published before the date of the approval of these Group's interim condensed consolidated financial statements):

	for the period ended 31 March 2020
Revenue	2,919.5
Profit from operating activities	250.1
Net profit	176.5
Other comprehensive income, net	258.0
Total comprehensive income	434.5

	31 March 2020
Non-current assets	9,264.1
Current assets	6,348.6
Assets held for sale	1.3
Total assets	15,614.0
Non-current liabilities	3,095.2
Current liabilities	4,176.2
Total liabilities	7,271.4

As at the date of approval of these interim condensed consolidated financial statements, the Group is still in the process of estimating the initial and preliminary fair values of assets, liabilities and goodwill.

18. Operating segments

The Group operates in the following two segments:

1. 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, the online TV services, production of set-top boxes, and assembly of photovoltaic installations,
2. broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments. The operating segments also represent reportable segments of the Group.

Services to individual and business customers segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services, where revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;

- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- fixed telecommunication services, which generate revenues mainly from subscription fees, interconnection and settlements with operators;
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- lease of optical fibers and infrastructure;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet;
- Premium Rate services based on SMS/IVR/MMS/WAP technology;
- production of set-top boxes;
- sale of telecommunication equipment;
- sale of electric energy and other media to retail customers;
- sale of photovoltaic installations.

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

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

(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 a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2020:

The 6 months ended 30 June 2020 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	**Total**
Revenues from sales to third parties	4,942.3	768.9	-	**5,711.2**
Inter-segment revenues	29.6	103.9	(133.5)	**-**
Revenues	**4,971.9**	**872.8**	**(133.5)**	**5,711.2**
EBITDA adjusted (unaudited)	**1,758.8**	**269.4**	**-**	**2,028.2**
Costs related to COVID (including donations)	37.8	3.7	-	**41.5**
EBITDA (unaudited)	**1,721.0**	**265.7**	**-**	**1,986.7**
Depreciation, amortization, impairment and liquidation	1,100.1	30.3	-	**1,130.4**
Profit from operating activities	**620.9**	**235.4**	**-**	**856.3**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	568.9*	37.9	-	**606.8**
Balance as at 30 June 2020 (unaudited)				
Assets, including:	27,210.3	5,482.2**	(69.7)	**32,622.8**
Investments in joint venture and shares in associates	1,271.6	18.4	-	**1,290.0**

* This item also includes the acquisition of reception equipment

** Includes non-current assets located outside of Poland in the amount of PLN 10.9.

All material revenues are generated in Poland.

It should be noted that the data for 6 months ended 30 June 2020 allocated to the "Services to individual and business customers" segment are not comparable to the 6 months ended 30 June 2019 as additional 12 shares in TVO were acquired on 30 May 2019, on 9 August 2019 share capital increase was registered (consequently, the Group held 51.22% shares) and on 10 February 2020 share capital increase was registered (consequently, the Group holds 75.96% shares), 100% shares in ISTS Sp. z o. o. were acquired by Netia S.A. (Company's subsidiary) on 27 November 2019, 40.76% shares in Vindix S.A. were acquired on 13 June 2019 and on 1 July 2019 share capital increase was registered (thus increasing shares held to 46.27%) and significant stake of Asseco Poland S.A. was acquired on 30 December 2019 (consequently, the Company holds 22.73% shares), 51.25% shares in Alledo Sp. z o.o. were acquired on 13 January 2020, 100% shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. were acquired by Netia S.A. (Company's subsidiary) on 14 February 2020.

It should be noted also that the data for 6 months ended 30 June 2020 allocated to the "Broadcasting and television production" segment are not comparable to the 6 months ended 30 June 2019 as additional 49.9775% shares in Eleven Sports Network Sp. z o.o. were acquired on 6 June 2019.

(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 a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2019:

The 6 months ended 30 June 2019 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	**Total**
Revenues from sales to third parties	4,840.9	873.7	-	**5,714.6**
Inter-segment revenues	26.1	101.1	(127.2)	**-**
Revenues	**4,867.0**	**974.8**	**(127.2)**	**5,714.6**
EBITDA (unaudited)	**1,807.1**	**307.3**	**-**	**2,114.4**
Depreciation, amortization, impairment and liquidation	1,070.3	30.4	-	**1,100.7**
Profit from operating activities	**736.8**	**276.9**	**-**	**1,013.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	666.2*	19.4	-	**685.6**
Balance as at 30 June 2019 (unaudited)				
Assets, including:	25,984.4	5,624.8**	(250.0)	**31,359.2**
Investments in joint venture	45.8	27.6	-	**73.4**

* This item also includes the acquisition of reception equipment

** Includes non-current assets located outside of Poland in the amount of PLN 11.6.

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2020 unaudited	**30 June 2019 unaudited**
EBITDA adjusted (unaudited)	**2,028.2**	**2,114.4**
Costs related to COVID (including donations)	(41.5)	**-**
EBITDA (unaudited)	**1,986.7**	**2,114.4**
Depreciation, amortization, impairment and liquidation (note 9)	(1,130.4)	(1,100.7)
Profit from operating activities	**856.3**	**1,013.7**
Other foreign exchange rate differences, net (note 10)	(43.4)	14.7
Interest costs, net (note 10 and 11)	(267.4)	(213.7)
Share of the profit/(loss) of associates accounted for using the equity method	34.1	(3.6)
Cumulative catch-up (note 11)	44.8	-
Other	(10.9)	(81.1)
Gross profit for the period	**613.5**	**730.0**
Income tax	(139.0)	(163.8)
Net profit for the period	**474.5**	**566.2**

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

19. Transactions with related parties

Receivables

	30 June 2020 unaudited	31 December 2019
Joint ventures and associates	16.7	4.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	6.8	10.1
Total*	**23.5**	**14.8**

*Amounts presented above do not include deposits paid (30 June 2020 – PLN 3.5, 31 December 2019 – PLN 3.5)

Receivables due from related parties have not been pledged as security.

Other assets

	30 June 2020 unaudited	31 December 2019
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.8	0.3
Total	**0.8**	**0.3**

Liabilities

	30 June 2020 unaudited	31 December 2019
Joint ventures and associates	8.6	17.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	216.5	148.4
Total	**225.1**	**166.3**

A significant portion of liabilities relates to liabilities for lease of premises and facilities.

Loans granted

	30 June 2020 unaudited	31 December 2019
Joint ventures and associates	32.8	26.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	6.4	3.3
Total	**39.2**	**30.1**

Loans received

	30 June 2020 unaudited	31 December 2019
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	5.3	5.1
Total	**5.3**	**5.1**

(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 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	-	0.8*
Joint ventures and associates	14.1	11.5
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	12.2	14.8
Total	**26.3**	**27.1**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Joint ventures and associates	15.2	17.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	119.3	114.1
Total	**134.5**	**131.8**

In the period of 6 months ended 30 June 2020 and 30 June 2019 the most significant transactions include cost of electrical energy, advertising services and property rental.

Gain/(loss) on investment activities, net

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	-	0.2*
Joint ventures and associates	1.0	0.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(5.4)	(1.1)
Total	**(4.4)**	**(0.5)**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Finance costs, net

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
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.	0.2	0.1
Total	**0.2**	**0.1**

20. Contingent liabilities

Management believes that the provisions as at 30 June 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer („UOKiK")

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 (i.e. EUR 1.0). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. On 28 April 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3. Polkomtel and President of UOKiK appealed against the verdict. On 3 April 2020 both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On 20 April 2020 Polkomtel made a payment in the amount of PLN 1.3. The parties are entitled to a cassation appeal.

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

On 30 December 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 5.3 and PLN 18.4, respectively. The Group appealed to SOKiK against the decision. On 18 June 2019 SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On 7 August 2019 the court dismissed the appeal of Cyfrowy Polsat. The Company appealed against the decision.

Other proceedings

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

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

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

Group's Management, such disclosure could prejudice the outcome of the pending cases. Other significant proceedings described in the consolidated financial statements for the year ended 31 December 2019 remained unchanged.

21. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2019. There have been no significant changes in any risk management policies since the end of year 2019.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.
Presented below are fair values and carrying amounts of financial instruments not measured in fair value.

			30 June 2020 unaudited		31 December 2019	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	39.9	39.8	30.5	30.5
Trade and other receivables	A	*	2,901.4	2,901.4	3,132.0	3,132.0
Cash and cash equivalents and short-term deposits	A	*	1,310.4	1,310.4	743.5	743.5
Restricted cash	A	*	10.1	10.1	9.6	9.6
Loans and borrowings	B	2	(9,776.3)	(9,622.9)	(10,600.1)	(10,509.5)
Issued bonds	B	1	(2,023.3)	(2,006.6)	(1,025.7)	(1,004.0)
UMTS licence liabilities	B	2	(390.2)	(375.9)	(372.3)	(353.8)
Lease liabilities	B	2	(1,440.0)	(1,440.0)	(1,437.3)	(1,437.3)
Accruals	B	*	(777.7)	(777.7)	(994.2)	(994.2)
Trade and other payables and deposits	B	*	(1,088.7)	(1,088.7)	(1,289.7)	(1,289.7)
Total			**(11,234.4)**	**(11,050.1)**	**(11,803.7)**	**(11,672.9)**
Unrecognized loss				(184.3)		(130.8)

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

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When determining the fair value of lease liabilities, forecasted cash flows from the reporting date to assumed dates of lease agreements termination were analyzed. The discount rate for each payment was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking into account the time value of money, would approximately be equal to their nominal value.

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the credit risk.

As at 30 June 2020 and 31 December 2019 loans and borrowings comprised bank loans and other loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the credit risk. When determining the fair value of bank loans as at 30 June 2020, forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loans obtained in 2015, changed in 2018 and changed in 2020) and to 31 March 2025 (assumed date of repayment of the additional loan obtained in 2019 and changed in 2020) were analyzed. When determining the fair value of bank loans as at 31 December 2019, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loans obtained in 2015 and changed in 2018 as at 31 December 2019) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019 as at 31 December 2019) were analyzed.

The fair value of issued bonds as at 30 June 2020 and 31 December 2019 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations for bonds issued by Cyfrowy Polsat S.A.

As at 30 June 2020, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

30 June 2020 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments	**-**	**0.2**	**-**
Forward transactions	*-*	*0.2*	*-*
Investments in equity instruments	**-**	**0.3**	**-**
Total	**-**	**0.5**	**-**

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

Liabilities measured at fair value

	30 June 2020 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(69.9)**	**-**
Interest rate swaps		-	*(69.9)*	-
Hedging derivative instruments		**-**	**(10.8)**	**-**
Interest rate swaps		-	*(10.8)*	-
Total		**-**	**(80.7)**	**-**

As at 31 December 2019, the Group 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
Derivative instruments not designated as hedging instruments		**-**	**1.0**	**-**
Interest rate swaps		-	*1.0*	-
Hedging derivative instruments		**-**	**0.4**	**-**
Interest rate swaps		-	*0.4*	-
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**1.6**	**-**

Liabilities measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(11.3)**	**-**
Forward transactions		-	*(0.2)*	-
Interest rate swaps		-	*(11.1)*	-
Hedging derivative instruments		**-**	**(0.2)**	**-**
Interest rate swaps		-	*(0.2)*	-
Total		**-**	**(11.5)**	**-**

The fair value of forwards and interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

22. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Voivodship Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filled 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 Office control activities in the aforesaid matter were in progress in relation to 2013 and 2014.

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court. The date of the hearing is scheduled for September 2020. 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 appealed against the decision of the Tax Authority. In a second instance decision issued on 8 June 2020, the Tax Authority fully maintained its position. The Company filed a complaint against the decision to the Administrative Court. The date of hearing has not been set. The Company does not agree with The Head of the Małopolska Tax Office decision and has not created any provisions encumbering its financial results.

The legal dispute in respect to the telecommunication concession

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

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

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

On 4 October 2018, T-Mobile Polska S.A. filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated 5 September 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On 20 November 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On 4 July 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated 20 November 2018, as a result of a cassation appeal filed by T-Mobile Polska S.A. On 18 August 2020, the announcement of the President of UKE dated 5 September 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. The judgment is not final and is subject to a cassation appeal to the NSA. The company will make a decision about cassation appeal after analyzing the written justification of the judgment.

Acquisition of Interia Group

On 30 April 2020 Telewizja Polsat (Company's subsidiary) executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH (the "Sellers") the Preliminary Share and Rights Purchase Agreement concerning: (i) an acquisition from Bauer Media Invest GmbH of 100 shares in Grupa Interia.pl Sp. z o.o. ("GIGO"), representing 100% of the share capital of GIGO and carrying the right to exercise 100% of the total number of votes at the shareholders' meeting of GIGO ("GIGO Shares"); and (ii) an acquisition from Bauer Polen Invest GmbH of all rights and obligations of a limited partner of Grupa Interia.pl Media

Sp. z o.o. Sp.k. ("GIKO") ("Rights and Obligations of GIKO Limited Partner") (the "Preliminary Agreement") (the "Transaction").

The closing of the Transaction depended on the satisfaction of a condition precedent that Telewizja Polsat obtains consent of the President of the Office for Competition and Consumer Protection (UOKiK) (the "UOKiK President") for the concentration (the "Antimonopoly Consent").

On 2 July 2020 Telewizja Polsat received a decision of the UOKiK President granting the unconditional consent for the concentration consisting of the acquisition by Telewizja Polsat the exclusive control over the Interia Group companies: GIGO, GIKO, Grupa Interia.pl spółka z ograniczoną odpowiedzialnością sp.k., Mobiem Polska sp. z o.o. and Mobiem Polska spółka z ograniczoną odpowiedzialnością sp.k. The above consent concludes the satisfaction of the condition precedent set forth in the Preliminary Agreement.

On 8 July 2020 Telewizja Polsat executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH (the "Sellers") Final Share and Rights Purchase Agreement for the amount of PLN 420.

The above acquisition resulted in Telewizja Polsat acquiring exclusive control over Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp z o.o. Sp.k. (jointly the "Interia Group"), and an indirect acquisition of shares representing 16.67% of the share capital of Polskie Badania Internetu Sp. z o.o.

Auction for spectrum reservation from the 3.6 GHz band

On 6 March 2020, the Office of Electronic Communications (UKE) announced an auction for the reservation of spectrum of the 3.6-3.8 GHz band, which represents Poland's first spectrum allocation process for the purposes of the 5G network. The auctioned spectrum consists of four 80MHz blocks of the 3.6 GHz band. The asking price was set at PLN 450 per one block. In accordance with the auction's documentation, each winner shall be obligated to meet the same network requirements consisting of a roll out in specified areas of at least 700 (not in million) base stations operating in the granted spectrum by 31 December 2025.

Initially, the deadline for submitting preliminary bids in the auction was to expire on 23 April 2020, and it was the regulator's intention to issue spectrum reservations to the auction winners by the end of August 2020 at the latest. Accordingly, spectrum reservations resulting from the auction were to be valid until the end of June 2035.

Due to the state of the epidemic announced on 20 March 2020 and pursuant to the provision 15 zzs par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19 the above deadline was suspended with effect from 31 March 2020 until the termination of the epidemic emergency status. On 10 June 2020 the President of UKE annulled the auction for the reservation of frequencies in the 3.6-3.8 GHz band announced on 6 March 2020 based on provisions of "Anti-Crisis Shield 3.0" Act of 14 May 2020. The date of the re-auction for the reservation of frequencies in the 3.6-3.8 GHz band is unknown yet.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon introducing by the Polish government the state of emergency due to an epidemic, in effect from 13 March 2020, the Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities mainly included ensuring safety of the employees as well as guaranteeing high quality of services provided to the customers of the Group's companies.

In the Management Board's view, the Company and Group's core business is relatively resistant to the adverse impact of the pandemic, maintains a high level of liquidity and generates positive cash flows. Accordingly, no factors indicating impairment of the Group's assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 2.1 and 4.4.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire Group's operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group's control and which include, among others, the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

23. Events subsequent to the reporting date

Distribution of profit and dividend payment

On 23 July 2020 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2019 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 639.5. The dividend day was scheduled for 15 October 2020 and the dividend payout shall be made in two tranches as follows:
1) Tranche I: PLN 223.8 on 22 October 2020
2) Tranche II: PLN 415.7 on 11 January 2021.

Acquisition of shares

On 31 July 2020 Cyfrowy Polsat purchased from Reddev Investments Limited 184,127 (not in millions) shares of Asseco Poland S.A. for the price of PLN 11.4. Following the transaction, the Company holds a total of 22.95% of Asseco shares.

24. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the loan agreements. Detailed information in respect to the agreements is presented in the Management Report in note 3.3.6.

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

Commitments to purchase programming assets

As at 30 June 2020 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2020 unaudited	31 December 2019
within one year	400.0	294.1
between 1 to 5 years	230.9	266.2
more than 5 years	52.5	0.9
Total	**683.4**	**561.2**

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

	30 June 2020 unaudited	31 December 2019
within one year	39.3	1.9
Total	**39.3**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 277.4 as at 30 June 2020 (PLN 247.8 as at 31 December 2019). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 June 2020 was PLN 77.0 (PLN 212.7 as at 31 December 2019).

Future contractual obligations

As at 30 June 2020 and 31 December 2019 the Group had future liabilities due to transponder capacity agreements. The table below presents future payments (total):

	30 June 2020 unaudited	31 December 2019
within one year	116.3	105.6
between 1 to 5 years	487.7	465.0
more than 5 years	61.0	116.3
Total	**665.0**	**686.9**

25. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Detailed description of the accounting estimates is presented in the annual consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the interim condensed financial statements of Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A street, containing: the interim balance sheet as at 30 June 2020, the interim income statement, the interim statement of comprehensive income, the interim cash flow statement, the interim statement of changes in equity for the period from 1 January 2020 to 30 June 2020 and notes to the interim condensed financial statements (the 'interim condensed financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory Auditors. A review of the interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 26 August 2020

Key certified auditor

Podpisany certyfikatem wystawionym dla
Jarosław Dac (Certyfikat kwalifikowany).
Utworzony w dniu: 2020-08-26 18:17:59 +0200

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 audit firms list: 130

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2020

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 26 August 2020, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period
from 1 January 2020 to 30 June 2020 showing a net profit for the period of: PLN 207.7

Interim Statement of Comprehensive Income for the period
from 1 January 2020 to 30 June 2020 showing a total comprehensive income for the period of: PLN 199.0

Interim Balance Sheet as at
30 June 2020 showing total assets and total equity and liabilities of: PLN 15,653.6

Interim Cash Flow Statement for the period
from 1 January 2020 to 30 June 2020 showing a net increase in cash and cash equivalents amounting to: PLN 642.7

Interim Statement of Changes in Equity for the period
from 1 January 2020 to 30 June 2020 showing an increase in equity of: PLN 199.0

Notes to the Interim Condensed Financial Statements

The interim condensed 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, 26 August 2020

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

Interim Income Statement

	Note	for the 3 months ended		for the 6 months ended	
		30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Revenue	7	587.8	591.8	1,177.3	1,188.0
Operating costs	8	(486.2)	(467.1)	(965.9)	(948.3)
Other operating income/(costs), net		0.6	(0.1)	0.6	0.4
Profit from operating activities		**102.2**	**124.6**	**212.0**	**240.1**
Gain on investment activities, net	9	68.5	318.8	81.1	333.3
Finance costs, net	10	(15.3)	(28.5)	(45.3)	(48.6)
Gross profit for the period		**155.4**	**414.9**	**247.8**	**524.8**
Income tax		(18.3)	(25.0)	(40.1)	(48.4)
Net profit for the period		**137.1**	**389.9**	**207.7**	**476.4**
Basic and diluted earnings per share (in PLN)		**0.21**	**0.60**	**0.32**	**0.74**

Interim Statement of Comprehensive Income

	Note	for the 3 months ended		for the 6 months ended	
		30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Net profit for the period		**137.1**	**389.9**	**207.7**	**476.4**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	12	(3.0)	0.2	(10.7)	0.3
Income tax relating to hedge valuation	12	0.6	-	2.0	-
Items that may be reclassified subsequently to profit or loss		**(2.4)**	**0.2**	**(8.7)**	**0.3**
Other comprehensive income/(loss), net of tax		**(2.4)**	**0.2**	**(8.7)**	**0.3**
Total comprehensive income for the period		**134.7**	**390.1**	**199.0**	**476.7**

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

Interim Balance Sheet - Assets

	Note	30 June 2020 unaudited	31 December 2019
Reception equipment		325.4	306.4
Other property, plant and equipment		118.2	113.3
Goodwill		197.0	197.0
Brands		7.8	7.8
Other intangible assets		64.6	63.4
Right-of-use assets		24.7	26.4
Investment property		37.5	38.5
Shares in subsidiaries and associates		13,417.3	13,404.5
includes shares in associates		*1,256.2*	*1,248.8*
Non-current deferred distribution fees		27.5	32.4
Other non-current assets		62.3	21.5
includes derivative instruments		-	0.3
Total non-current assets		**14,282.3**	**14,211.2**
Contract assets		188.5	200.8
Inventories		73.8	80.5
Trade and other receivables		148.6	137.0
Income tax receivables		-	0.3
Current deferred distribution fees		66.4	66.0
Other current assets		109.2	103.4
includes derivative instruments		-	*0.1*
Cash and cash equivalents		784.8	142.1
Total current assets		**1,371.3**	**730.1**
Total assets		**15,653.6**	**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)

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2020 unaudited	31 December 2019
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(8.9)	(0.2)
Retained earnings		4,161.8	3,954.1
Total equity		**11,352.5**	**11,153.5**
Loans and borrowings	13	1,459.0	1,330.4
Issued bonds	14	1,957.7	969.2
Lease liabilities		21.5	22.8
Deferred tax liabilities		84.4	81.2
Other non-current liabilities and provisions		7.7	1.3
includes derivative instruments		*6.4*	-
Total non-current liabilities		**3,530.3**	**2,404.9**
Loans and borrowings	13	65.5	662.9
Issued bonds	14	48.9	34.8
Lease liabilities		3.6	3.8
Contract liabilities		250.5	247.2
Trade and other payables		390.6	384.4
includes derivative instruments		*4,4*	*0.2*
Income tax liability		8.4	46.6
Deposits for equipment		3.3	3.2
Total current liabilities		**770.8**	**1,382.9**
Total liabilities		**4,301.1**	**3,787.8**
Total equity and liabilities		**15,653.6**	**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)

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2019 unaudited
Net profit		**207.7**	**476.4**
Adjustments for:		**32.8**	**(213.2)**
Depreciation, amortization, impairment and liquidation	8	84.1	88.6
Interest expense		45.4	36.5
Change in inventories		6.7	3.4
Change in receivables and other assets		3.1	40.2
Change in liabilities and provisions		15.7	(33.3)
Change in contract assets		12.3	(19.3)
Change in contract liabilities		3.3	9.0
Income tax		40.1	48.4
Net increase in reception equipment		(83.8)	(57.7)
Dividends income and share in the profits of partnerships	9	(79.5)	(328.4)
Cumulative catch-up resulting from modification of the loan agreement		(7.4)	-
Other adjustments		(7.2)	(0.6)
Cash from operating activities		**240.5**	**263.2**
Income tax paid		(72.7)	(68.4)
Interest received from operating activities		1.9	2.0
Net cash from operating activities		**169.7**	**196.8**
Received dividends and shares in the profits of partnerships		72.0	135.4
Acquisition of shares in subsidiary and associates		(14.3)	(15.3)
Share capital increase in subsidiary and associates		-	(16.4)
Acquisition of property, plant and equipment		(16.8)	(5.5)
Acquisition of intangible assets		(11.8)	(8.8)
Proceeds from sale of property, plant and equipment		0.2	-
Loans granted		(50.8)	(3.6)
Other inflows		3.2	4.0
Net cash (used in)/from investing activities		**(18.3)**	**89.8**
Bonds issue	14	1,000.0	893.0
Bonds redemption	14	-	(893.0)
Repayment of loans and borrowings	13	(454.4)	(258.8)
Payment of interest on loans, borrowings, bonds and commissions*		(50.6)	(49.9)
Other outflows		(3.7)	(4.5)
Net cash (used in)/from financing activities		**491.3**	**(313.2)**
Net increase/(decrease) in cash and cash equivalents		**642.7**	**(26.6)**
Cash and cash equivalents at the beginning of period		**142.1**	**258.3**
Effect of exchange rate fluctuations on cash and cash equivalents		-	(0.1)
Cash and cash equivalents at the end of period		**784.8**	**231.6**

* Includes impact of hedging instruments, amount paid for costs related to the new financing and costs related to the modification of the loan agreement.

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

Interim Statement of Changes in Equity for the 6 months ended 30 June 2020

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2020	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**
Total comprehensive income	-	-	(8.7)	207.7	**199.0**
Hedge valuation reserve	-	-	*(8.7)*	-	***(8.7)***
Net profit for the period	-	-	-	*207.7*	***207.7***
Balance as at 30 June 2020 unaudited	**25.6**	**7,174.0**	**(8.9)**	**4,161.8**	**11,352.5**

* In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. The capital excluded from distribution amounts to PLN 8.5 as at 30 June 2020.

Interim Statement of Changes in Equity for the 6 months ended 30 June 2019

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2019	**25.6**	**7,174.0**	**(0.6)**	**3,962.1**	**11,161.1**
Dividend approved	-	-	-	(594.8)	**(594.8)**
Total comprehensive income	-	-	0.3	476.4	**476.7**
Hedge valuation reserve	-	-	*0.3*	-	***0.3***
Net profit for the period	-	-	-	*476.4*	***476.4***
Balance as at 30 June 2019 unaudited	**25.6**	**7,174.0**	**(0.3)**	**3,843.7**	**11,043.0**

* 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. The capital excluded from distribution amounts to PLN 8.5 as at 30 June 2019.

Notes to the Interim Condensed 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 30 June 2020 the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Polkomtel Infrastruktura Sp. z o.o., Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, INFO-TV-FM Sp. z o.o., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k., Netshare Media Group Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Orsen Holding Limited and its subsidiaries, TVO Sp. z o.o. and its subsidiaries, Mese Sp. z o.o and Alledo Sp. z o. o. and its subsidiaries.

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- Marek Grzybowski	Member of the Supervisory Board (from 23 July 2020),
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member 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)

- Tomasz Szeląg	Member of the Supervisory Board,
- Paweł Ziółkowski	Member of the Supervisory Board (from 23 July 2020),
- Piotr Żak	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 6 months ended 30 June 2020 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU). These interim condensed financial statements have been prepared on a going concern basis.

The Company as the Parent company prepared the interim condensed consolidated financial statements (approved on 26 August 2020). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2020.

During the six-month period ended 30 June 2020 the following became effective:

a) Amendments to IFRS 3: Business Combinations – a definition of a business
b) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
c) Amendments to IAS 1 and IAS 8: Definition of Material
d) Amendments to References to the Conceptual Framework in IFRS Standards.

Amendments and interpretations that apply for the first time in 2020 do not have a material impact on the interim condensed financial statements of the Company.

Published standards and interpretations but not yet approved by European Union:

a) Amendments to IFRS 16: Leases Covid 19-Related Rent Concessions.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 26 August 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

6. Information on seasonality in the Company's operations

Revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Retail revenue	538.2	546.7	1,083.7	1,094.9
Wholesale revenue	25.9	24.2	50.6	48.9
Sale of equipment	6.9	4.7	9.4	12.5
Other revenue	16.8	16.2	33.6	31.7
Total	**587.8**	**591.8**	**1,177.3**	**1,188.0**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

8. Operating costs

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Content costs		189.2	174.8	377.1	344.9
Technical costs and costs of settlements with telecommunication operators		120.6	128.8	241.9	260.3
Distribution, marketing, customer relation management and retention costs		77.8	71.8	153.7	151.9
Depreciation, amortization, impairment and liquidation		42.4	44.4	84.1	88.6
Salaries and employee-related costs	a)	27.1	28.0	56.1	57.7
Cost of equipment sold		6.2	4.5	8.6	12.2
Cost of debt collection services and bad debt allowance and receivables written off		4.5	1.1	8.1	5.6
Other costs		18.4	13.7	36.3	27.1
Total		**486.2**	**467.1**	**965.9**	**948.3**

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

a) Salaries and employee-related costs

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Salaries	22.2	23.6	46.3	47.7
Social security contributions	3.8	3.7	8.0	8.1
Other employee-related costs	1.1	0.7	1.8	1.9
Total	**27.1**	**28.0**	**56.1**	**57.7**

9. Gain on investment activities, net

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Dividends	56.8	299.5	56.8	299.5
Share in the profits of partnerships	10.3	16.5	22.7	28.9
Other	1.4	2.8	1.6	4.9
Total	**68.5**	**318.8**	**81.1**	**333.3**

10. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited	30 June 2020 unaudited	30 June 2019 unaudited
Interest expense on loans and borrowings	9.1	7.0	24.4	14.8
Interest expense on issued bonds	11.1	12.3	23.2	22.9
Cumulative catch-up	(7.4)	-	(7.4)	-
Valuation and realization of hedging instruments	0.2	-	0.3	0.3
Guarantee fees	1.9	1.1	4.2	2.2
Bank and other charges	0.4	8.1	0.6	8.4
Total	**15.3**	**28.5**	**45.3**	**48.6**

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

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2020 and 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

The shareholders' structure as at 30 June 2020 and 31 December 2019 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
TiVi Foundation [2], including through:	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.

[2] Entity is controlled by Mr. Zygmunt Solorz.

[3] the Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2020	2019
Balance as at 1 January	**(0.2)**	**(0.6)**
Valuation of cash flow hedges	(10.7)	0.3
Deferred tax	2.0	-
Change for the period	**(8.7)**	**0.3**
Balance as at 30 June unaudited	**(8.9)**	**(0.3)**

13. Loans and borrowings

Loans and borrowings	**30 June 2020 unaudited**	**31 December 2019**
Short-term liabilities	65.5	662.9
Long-term liabilities	1,459.0	1,330.4
Total	**1,524.5**	**1,993.3**

Change in loans and borrowings liabilities:

	2020	2019
Loans and borrowings as at 1 January	**1,993.3**	**958.6**
Repayment of capital	(454.4)	(258.8)
Repayment of interest and commissions	(30.5)	(13.1)
Cumulative catch-up	(7.4)	-
Interest accrued	23.5	14.8
Loans and borrowings as at 30 June unaudited	**1,524.5**	**701.5**

Amendment and restatement deeds to the Group's Senior Facilities Agreement

On 27 April 2020, the Company, acting as the agent for the Obligors, and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the Third Amendment and Restatement Deed (the "Third Amendment and Restatement Deed") to the Senior Facilities Agreement dated 21 September 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed dated 21 September 2015 and the Second Amendment and Restatement Deed dated 2 March 2018, originally entered into between the Company, Polkomtel Sp. z o.o. and selected companies from the Cyfrowy Polsat Group and a consortium of Polish and foreign financial institutions (the "Senior Facilities Agreement"). The Senior Facilities Agreement provided a term facility loan (the "Term Facility Loan") of up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") of up to the maximum amount of PLN 1,000,000,000 (not in million).

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

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

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel Sp. z o.o. jointly shall make quarterly repayments of equal amounts, amounting to PLN 200,000,000 (not in million) each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants.

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

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

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

The Company recognized an amendment to the conditions of the loan agreements as a modification of a financial liability which does not result in derecognition. The Company recognized an adjustment to the carrying amount of the financial liability in the amount of PLN 7.4 as at the date of the modification.

14. Issued Bonds

	30 June 2020 unaudited	31 December 2019
Short-term liabilities	48.9	34.8
Long-term liabilities	1,957.7	969.2
Total	**2,006.6**	**1,004.0**

Change in issued bonds:

	2020	2019
Issued bonds payable as at 1 January	**1,004.0**	**1,018.3**
Bonds issue	1,000.0	1,000.0
Bonds redemption (Series A Bonds)	-	(1,000.0)
Repayment of interest and commissions	(19.6)	(36.5)
Interest and commissions accrued	22.2	21.9
Issued bonds payable as at 30 June unaudited	**2,006.6**	**1,003.7**

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. The amounts of interest are payable in arrears, every six months, with the first interest payment made on 14 August 2020.

The Series C Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market on 24 February 2020.

15. Transactions with related parties

Receivables

	30 June 2020 unaudited	31 December 2019
Subsidiaries	56.4	46.8
Joint ventures and associates	1.4	1.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.4	0.9
Total	**58.2**	**48.7**

A significant portion of receivables is represented by receivables from share of the profits of partnerships and receivables related to sale of Polkomtel Sp. z o.o. (‘Polkomtel’) services.

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

Other assets

	30 June 2020 unaudited	31 December 2019
Subsidiaries	107.2	98.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.1	0.1
Total	**107.3**	**98.5**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilites

	30 June 2020 unaudited	31 December 2019
Subsidiaries	114.7	109.2
Joint ventures and associates	2.2	3.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	19.9	22.9
Total	**136.8**	**135.4**

A significant portion of liabilities is represented by programming licence fees, Polkomtel services and lease liabilities.

Loans granted

	30 June 2020 unaudited	31 December 2019
Subsidiaries	59.4	10.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	3.0	-
Total	**62.4**	**10.7**

Revenues

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	65.2	53.3
Joint ventures and associates	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.	1.3	0.6
Total	**68.0**	**54.5**

The most significant transactions include revenues from subsidiaries from signal broadcast, accounting services, programming fees, advertising and property rental services.

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

Expenses

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	355.6	378.3
Joint ventures and associates	3.6	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.	9.3	6.4
Total	**368.5**	**384.8**

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 IT services, rental of properties, advertising production and telecommunication services with respect to the Company's customer call center.

Gain/(loss) on investment activities, net

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	27.5	331.8
Joint ventures and associates	56.8	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(2.0)	(0.5)
Total	**82.3**	**331.3**

Gains and losses on investment activities comprises of dividend, income from share of the profits of partnerships and guarantees granted by the Company in respect to Polkomtel's and Netia's term facilities.

Finance costs

	for the 6 months ended	
	30 June 2020 unaudited	30 June 2019 unaudited
Subsidiaries	4.2	2.2
Total	**4.2**	**2.2**

Finance costs comprise mostly of guarantee fees in respect to the term facilities.

Other notes

16. Litigations

Management believes that the provisions for litigations as at 30 June 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed. as in the opinion of the Company's Management. such disclosure could prejudice the outcome of the pending cases.

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

Significant proceedings described in the financial statements for the year ended 31 December 2019 remained unchanged.

17. Risk and fair value

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, the risk of changes in cash flows related to interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2019. There have been no significant changes in any risk management policies since the end of year 2019.

Fair value

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,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

Presented below are fair values and carrying amounts of financial instruments not measured in fair value.

			30 June 2020 unaudited		31 December 2019	
	Category according to IFRS 9	Level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	61.8	62.7	10.9	10.9
Trade and other receivables	A	*	123.0	123.0	130.4	130.4
Cash and cash equivalents	A	*	784.8	784.8	142.1	142.1
Loans and borrowings	B	2	(1,541.7)	(1,524.5)	(1,994.7)	(1,993.3)
Issued bonds	B	1	(2,023.3)	(2,006.6)	(1,025.7)	(1,004.0)
Lease liabilities	B	2	(25.1)	(25.1)	(26.6)	(26.6)
Accruals	B	*	(153.9)	(153.9)	(197.0)	(197.0)
Trade and other payables and deposits	B	*	(208.3)	(208.3)	(164.9)	(164.9)
Total			**(2,982.7)**	**(2,947.9)**	**(3,125.5)**	**(3,102.4)**
Unrecognized loss				**(34.8)**		**(23.1)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 30 June 2020 loans and borrowings comprised term facility loan. As at 31 December 2019 loans and borrowings comprised term facility loan and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 June 2020 forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loan obtained in 2015, changed in 2018 and changed in 2020) and to 31 March 2025 (assumed date of repayment of the additional loan obtained in 2019 and changed in 2020). When determining the fair value of senior facility as at 31 December 2019 forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan obtained in 2015 and changed in 2018 as at 31 December 2019) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019 as at 31 December 2019) were analyzed.

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The fair value of bonds as at 30 June 2020 and 31 December 2019 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 30 June 2020 the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	30 June 2020 unaudited	Level 1	Level 2	Level 3
IRS		-	(10.8)	-
Total		**-**	**(10.8)**	**-**

As at 31 December 2019 the Company held the following financial instruments measured at fair value:

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.

18. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Voivodship

Administrative Court in Cracow dismissed the 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 carried out control activities in the aforesaid matter in relation to 2013 and 2014.

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court. The date of the hearing is scheduled for September 2020. 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 appealed against the decision of the Tax Authority. In a second instance decision issued on 8 June 2020, the Tax Authority fully maintained its position. The Company filed a complaint against the decision to the Administrative Court. The date of hearing has not been set. The Company does not agree with The Head of the Małopolska Tax Office decision and has not created any provisions encumbering its financial results.

Acquisition of shares

On 13 January 2020 the Company acquired 51.25% shares in Alledo Sp. z o.o. for the purchase price of PLN 6.9.

Additionally, on 25 March 2020 the Company acquired shares in BCAST Sp. z o.o. for the purchase price of PLN 7.4.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon the introduction by the Polish government of the state of emergency due to an epidemics, in effect from 13 March 2020, Cyfrowy Polsat Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities mainly included ensuring safety of the employees as well as guaranteeing high quality of services provided to the customers of the Group's companies.

In the Management Board's view, the Company and Group's core business is relatively resistant to the adverse impact of the pandemic, maintains a high level of liquidity and generates positive cash flows. Accordingly, no factors indicating impairment of the Company's assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 2.1 and 4.4.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire Cyfrowy Polsat Group's operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group's control and which include, among others, the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

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19. 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 SFA. Detailed information in respect to the agreements is presented in the Management Report in note 3.3.6.

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 Group'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 on property construction and improvements was PLN 0.4 as at 30 June 2020 (PLN 1.2 as at 31 December 2019). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2020 was PLN 0.3 (PLN 0.3 as at 31 December 2019).

Future contractual obligations

As at 30 June 2020 and 31 December 2019 the Company had future liabilities due to transponder capacity agreements. The table below presents future payments (total):

	30 June 2020 unaudited	**31 December 2019**
within one year	112.9	102.4
between 1 to 5 years	474.1	452.1
more than 5 years	59.3	113.0
Total	**646.3**	**667.5**

20. Events subsequent to the reporting date

Distribution of profit and dividend payment

On 23 July 2020 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2019 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 639.5. The dividend day was scheduled for 15 October 2020 and the dividend payout shall be made in two tranches as follows:
1) Tranche I: PLN 223.8 on 22 October 2020
2) Tranche II: PLN 415.7 on 11 January 2021.

Acquisition of shares

On 31 July 2020 Cyfrowy Polsat purchased from Reddev Investments Limited 184,127 (not in millions) shares of Asseco Poland S.A. for the price of PLN 11.4. Following this transaction, the Company holds a total of 22.95% of Asseco shares.

21. Judgments, financial estimates and assumptions

The preparation of interim condensed 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.

Detailed description of the accounting estimates is presented in the annual financial statements.