CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the six month period ended
June 30, 2019

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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, 2019

POLSAT GROUP AT A GLANCE

Polsat Group is Poland's leading media and telecommunication group. 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 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 and LTE Advanced technologies. We offer the largest LTE coverage in Poland and our customers attain the highest data transmission speed among offers provided by national mobile network operators;

- fixed-line broadband Internet, offered under Netia and Plus brands based on the infrastructure of our subsidiary Netia whose own access networks reach over 2.5 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on the access to the infrastructure of Orange Polska;

- 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;

- wholesale services to other operators, including, i.a., network interconnection, IP and voice traffic transit, lease of lines and national and international roaming services.

The Group operates mainly on the territory of Poland in two business segments: the segment of services to individual and business customers which relates to the provision of services to the general public 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 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 the 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,
- growth of revenue from produced and purchased content by expanding its distribution, 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 quarterly report of Cyfrowy Polsat Capital Group S.A. (the "Report") prepared as required by Article 60 section 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 interim condensed consolidated financial statements for the six-month period ended June 30, 2019 and interim condensed financial statements for the three-month period ended June 30, 2019. The financial statements for the six-month period ended June 30, 2019 attached to this Report have been prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements were not audited, however, the interim condensed consolidated financial statements for the six-month period ended June 30, 2019 and the interim condensed financial statements for the six-month period ended June 30, 2019 were reviewed by an independent auditor.

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

The Group has decided to apply IFRS 16 retrospectively without restating the comparative figures for 2018. More details on the introduction of IFRS 16 can be found in Note 4 to the interim condensed consolidated financial statements for the six-month period ended June 30, 2019 and in chapter 5.4.5. – *Factors that may impact our operating activities and financial results at least in the subsequent quarter – Influence of changes in financial reporting standards* of this Report.

Bearing in mind the legibility and comparability of this Report with historical data as well as with provisions of the Combined SFA which excludes the application of IFRS 16 from the calculation of the Group's indebtedness level, the Company decided to present selected financial data for 2019 both including and excluding IFRS 16, describing accordingly the methodology applied in this Report, as required. The detailed comparison of financial data according to the newly introduced IFRS 16 and the previously binding IAS 17 can be found in Note 4 to the interim condensed consolidated financial statements for the six-month period ended June 30, 2019.

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

Currency presentation IFRS

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

Forward looking statements

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

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of publication of this Report.

Industry and market data

In this Report, we set out information relating to our business and the markets in which we and our competitors operate. The information regarding the market, its size, the market share, the market position, the growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities and our internal estimates. We obtain market and industry data relating to our business primarily from industry data providers listed below:

- Eurostat, for data relating to the Polish economy and GDP growth;
- the Polish Chamber of Electronic Communication;
- the Office of Electronic Communications (UKE);
- the Central Statistical Office of Poland (GUS);
- the Body of European Regulators for Electronic Communications (BEREC);
- the European Commission (Digital Agenda Scoreboard);
- Nielsen Audience Measurement;
- Starcom media house;
- IAB AdEX;
- PwC;
- Zenith media house;
- Gemius/PBI;
- PMR;
- GfK Polonia;
- Ericsson Mobility Report;
- IQS;
- Fibre to the Home Council Europe; and
- operators functioning on the Polish market.

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for three- and six-month periods ended June 30, 2019 and June 30, 2018. The selected financial data presented in the tables below is expressed in millions PLN, unless otherwise stated. This information should be read in conjunction with the interim condensed consolidated financial statements for the six-month period ended June 30, 2019 (including notes thereto) and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement for the three-month periods ended June 30, 2019 and June 30, 2018 have been converted into euro at a rate of PLN 4.2843 per EUR 1, being the average of daily average exchange rates announced by the NBP in the reporting period i.e. from April 1, 2019 to June 30, 2019;
- from the consolidated income statement and the consolidated cash flow statement for the six-month periods ended June 30, 2019 and June 30, 2018 have been converted into euro at a rate of PLN 4.2940 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, 2019 to June 30, 2019;
- from the consolidated balance sheet data as at June 30, 2019 and December 31, 2018 have been converted into euro at a rate of PLN 4.2520 per EUR 1 (average exchange rate published by NBP on June 28, 2019).

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

It should be noted that the financial data for the three- and six-month periods ending June 30, 2019 and June 30, 2018 are not fully comparable due to the acquisition of 15.46% of additional shares in TV Spektrum Sp. z o.o. on February 2, 2018, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018, the acquisition of additional shares of Netia S.A. on May 22, 2018, July 3, 2018 and October 2, 2018, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018 and the acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019, the acquisition of 45.1% of shares in TVO Sp. z o.o. on May 29, 2018 and the acquisition of 12 additional shares in TVO Sp. z o.o. on May 30, 2019, the acquisition of 100% of shares in Superstacja Sp. z o.o. on June 4, 2018, the acquisition of 100% of shares in Netshare Media Group Sp. z o.o. on June 25, 2018, taking up 24.47% of votes in Premium Mobile S.A. in 2018 and the acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2019 of IFRS 16 without the restatement of the comparative figures.

Consolidated balance sheet

	June 30, 2019 *data in accordance with IFRS 16*		December 31, 2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	783.8	184.3	1,178.7	277.2
Assets	31,359.2	7,375.2	30,696.8	7,219.4
Non-current liabilities	12,039.3	2,831.4	11,803.0	2,775.9
Non-current financial liabilities	10,066.7	2,367.5	9,597.1	2,257.1
Current liabilities	5,401.4	1,270.3	5,018.6	1,180.3
Current financial liabilities	1,724.9	405.7	1,661.8	390.8
Equity	13,918.5	3,273.4	13,875.2	3,263.2
Share capital	25.6	6.0	25.6	6.0

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

Consolidated cash flow statement

	for the six-month period ended			
	June 30, 2019 *data in accordance with IFRS 16*		June 30, 2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	1,558.1	362.9	1,220.2	284.2
Net cash used in investing activities	(732.0)	(170.5)	(637.7)	(148.5)
Net cash used in financing activities	(1,219.0)	(283.9)	(868.2)	(202.2)
Net increase/(decrease) in cash and cash equivalents	(392.9)	(91.5)	(285.7)	(66.5)

Consolidated income statement

	for the three-month period ended June 30				for the six-month period ended June 30			
	2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*		2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	2,923.0	682.2	2,603.2	607.6	5,714.6	1,330.8	4,949.1	1,152.6
Retail revenue	1,616.1	377.2	1,482.1	345.9	3,222.1	750.4	2,834.3	660.1
Wholesale revenue	861.6	201.1	738.5	172.4	1,634.3	380.6	1,374.4	320.1
Sale of equipment	379.3	88.5	341.7	79.8	726.7	169.2	659.2	153.5
Other sales revenue	66.0	15.4	40.9	9.5	131.5	30.6	81.2	18.9
Total operating cost	(2,407.2)	(561.8)	(2,127.0)	(496.5)	(4,724.2)	(1,100.1)	(4,044.1)	(941.9)
Technical costs and cost of settlements with mobile network operators	(591.4)	(138.0)	(578.5)	(135.1)	(1,155.2)	(269.0)	(1,083.0)	(252.2)
Depreciation, amortization, impairment and liquidation	(553.6)	(129.2)	(470.8)	(109.9)	(1,100.7)	(256.3)	(925.3)	(215.5)
Cost of equipment sold	(321.7)	(75.1)	(282.5)	(65.9)	(611.1)	(142.3)	(555.0)	(129.3)
Content costs	(415.8)	(97.1)	(323.0)	(75.4)	(782.7)	(182.3)	(592.4)	(138.0)
Distribution, marketing, customer relation management and retention costs	(241.8)	(56.4)	(223.5)	(52.2)	(486.6)	(113.3)	(428.7)	(99.8)
Salaries and employee-related costs	(205.6)	(48.0)	(169.3)	(39.5)	(418.2)	(97.4)	(313.1)	(72.9)
Cost of debt collection services and bad debt allowance and receivables written off	(16.9)	(3.9)	(17.6)	(4.1)	(51.5)	(12.0)	(29.5)	(6.9)
Other costs	(60.4)	(14.1)	(61.8)	(14.4)	(118.2)	(27.5)	(117.1)	(27.3)
Other operating income/(cost), net	6.7	1.6	(0.6)	(0.1)	23.3	5.4	6.1	1.4
Profit from operating activities	522.5	122.0	475.6	111.0	1,013.7	236.1	911.1	212.1
Gain/(loss) on investment activities, net	4.8	1.1	(45.9)	(10.7)	(7.4)	(1.7)	(49.3)	(11.5)
Financial costs, net	(170.0)	(39.7)	(98.9)	(23.1)	(272.7)	(63.6)	(171.5)	(39.9)
Share of the profit/(loss) of associates accounted for using the equity method	(1.9)	(0.4)	(0.1)	(0.0)	(3.6)	(0.8)	5.1	1.2
Gross profit for the period	355.4	83.0	330.7	77.2	730.0	170.0	695.4	161.9
Income tax	(86.5)	(20.2)	(99.3)	(23.2)	(163.8)	(38.1)	(171.8)	(40.0)
Net profit for the period	268.9	62.8	231.4	54.0	566.2	131.9	523.6	121.9
Net profit attributable to equity holders of the Parent	263.6	61.6	235.8	55.0	555.5	129.4	536.6	124.9
Net profit/(loss) attributable to non-controlling interest	5.3	1.2	(4.4)	(1.0)	10.7	2.5	(13.0)	(3.0)
Basic and diluted earnings per share in PLN (not in millions)	0.43	0.10	0.36	0.08	0.89	0.21	0.82	0.19
Weighted number of issued shares	639,546,016		639,546,016		639,546,016		639,546,016	

Other consolidated financial data

	for the three-month period ended June 30				for the six-month period ended June 30			
	2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*		2019 *data in accordance with IFRS 16*		2018 *data in accordance with IAS 17*	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
EBITDA(1)	1,076.1	251.2	946.4	220.9	2,114.4	492.4	1,836.4	427.7
EBITDA margin	36.8%	36.8%	36.4%	36.4%	37.0%	37.0%	37.1%	37.1%
Operating margin	17.9%	17.9%	18.3%	18.3%	17.7%	17.7%	18.4%	18.4%
Capital expenditures(2)	276.4	64.5	176.2	41.1	636.3	148.2	350.6	81.6

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

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

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

1. Characteristics of Polsat Group

1.1. Composition and structure of Polsat Group

The following table presents the organizational structure of Polsat Group as at June 30, 2019 and December 31, 2018, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2019	December 31, 2018
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	advertising activities	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	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	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	TV broadcasting	100%	100%
Muzo.fm Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	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%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Katowicka 47, 41-500 Chorzów	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%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2019	December 31, 2018
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	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	finance activities	(1)	(1)
Litenite Ltd.(2)	Kostaki Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	-	100%
Aero2 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.) (3)	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	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.(4)	Plac Europejski 2, 00-844 Warsaw	television broadcasting	99.99%	50% plus 1 share
Superstacja Sp. z o.o.	Al. Stanów Zjednoczonych 53, 04-028 Warsaw	television broadcasting and production	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising	100%	100%
TVO Sp. z o.o.(5)	Batorego 28-32, 81-366 Gdynia	retail sales	51.0%	-
Pure Omni Wework Sp. z o.o. S.k.(5)	Batorego 28-32, 81-366 Gdynia	retail sales	51.0%	-
Wework Sp. z o.o.(5)	Batorego 28-32, 81-366 Gdynia	administrative services	51.0%	-

(1) Cyfrowy Polsat owns indirectly 100% of certificates.
(2) The company was merged with Polkomtel Sp. z o.o. on May 31, 2019.
(3) 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.
(4) On June 6, 2019 the Group/Telewizja Polsat Sp. z o.o. acquired 49.9775% shares in Eleven Sports Network Sp. z o.o.
(5) 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.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2019	December 31, 2018
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG Great Britain	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49.48%	49.48%
TVO Sp. z o.o.(1)	Batorego 28-32, 81-366 Gdynia	retail sales	-	45.1%
Premium Mobile S.A.	Gintrowskiego 31, 02-697 Warszawa	telecommunication activities	24.47%	24.47%
Vindix S.A.(2)	Wincentego Rzymowskiego 53, 02-697 Warsaw	other financial services	40,76%	-

(1) On May 30, 2019 Cyfrowy Polsat S.A. took control over TVO Sp. z o.o..
(2) On June 13, 2019 Cyfrowy Polsat S.A.acquired 40.76% shares in Vindix S.A.

Additionally, the following entities were included in the consolidated financial statements for the six-month period ended June 30, 2019:

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2019	December 31, 2018
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, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25e/216 10-686 Olsztyn	infrastructure project advisory	1.5%(2)	1.5%(2)

(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, 2019 until the date of approval of this Report, i.e. August 28, 2019, 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
May 30, 2019	Acquisition of 5.88% of shares in TVO Sp. z o.o. (total shareholding increased to 50.98%).
May 31, 2019	Registration of the cross-border merger by acquisition of Polkomtel with Litenite Ltd.
June 6, 2019	Acquisition of 49.98% of shares in Eleven Sports Network Sp. z o.o. (total shareholding increased to 99.985%; (1 share is still held by Eleven Sports Network Ltd.).
June 13, 2019	Acquisition of 40.76% of shares in Vindix S.A.
July 1, 2019	Registration by court of share capital increase in Vindix S.A. (following the registration of share capital increase the shareholding in Vindix S.A. amounts to 46.27%).
August 9, 2019	Registration by court of share capital increase in TVO Sp. z o.o. (following the registration of share capital increase the shareholding in TVO Sp. z o.o. amounts to 51.22%).

1.2. 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 28, 2019. Data included in the table is based on the information received from shareholders on January 30, January 31 and April 27, 2018 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 2018, item 512, as amended).

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	366,720,780	57.34%	540,267,031	65.97%
Reddev Investments Limited(1)	298,656,832	46.70%	472,203,083	57.66%
Embud2 Sp. z o.o. Sp. K.A.	58,000,000	9.07%	58,000,000	7.08%
Karswell Limited	10,000,000	1.56%	10,000,000	1.22%
Argumenol Investment Company Limited	63,948	0.01%	63,948	0.01%
Others	272,825,236	42.66%	278,696,486	34.03%
Total	639,546,016	100.00%	818,963,517	100.00%

(1) An entity controlled indirectly by Mr. Zygmunt Solorz through TiVi Foundation.

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, 2019 (quarterly report for the first quarter of 2019), until the date of approval of this Report, i.e. August 28, 2019, the Company's did not receive notices concerning changes in the structure of ownership of significant packages of the issuer's shares.

1.3. Shares of Cyfrowy Polsat held by members of the Management Board and the Supervisory Board

To the Company's best knowledge members of the Management Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. August 28, 2019 as well as at the date of publication of the previous interim report, i.e. May 14, 2019 (quarterly report for the first quarter of 2019).

To the Company's best knowledge as at the date of approval of this Report, i.e. August 28, 2019, Mr. Aleksander Myszka, Member of the Supervisory Board, held directly 50.000 shares of the Company with the nominal value of PLN 2,000.00. 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 28, 2019, as well as at the date of publication of the previous interim report, i.e. May 14, 2019 (quarterly report for the first quarter of 2019).

2. Business review of Polsat Group

Polsat Group is the largest provider of integrated media and telecommunication 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 and also through the fixed-line network. We also provide a wide array of wholesale services to other telecommunication operators, television operators and broadcasters.

Our mission is to create and deliver the most attractive TV content, telecommunication products and other services for home as well as for individual and business customers, using state-of-the-art technologies, to provide top quality multiplay services that match the changing needs of our customers while maintaining the highest possible level of their satisfaction. We aim at satisfying every customer's needs with our products and services, accessed at 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: segment of services to individual and business customers, and broadcasting and television production.

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, mobile TV, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunication equipment and production of set-top boxes. At the end of June 2019 we had nearly 5.7 million contract customers and companies from our Group provided a total of over 17.0 million active services, including nearly 14.5 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 in Poland.

2.1. Segment of services to individual and business customers

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services, as well as market share. We actively expand our pay TV offer by adding both new forms of service provisioning (IPTV and OTT) and additional services which build the customer value, such as Multiroom or paid video online subscriptions, providing over 5.1 million pay TV services as at June 30, 2019.

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite and Internet through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to about 170 TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports and esports, music, lifestyle, news/information, children's, education and movie channels. In addition, we offer our customers access to over 80 HD channels and also 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. We systematically develop the software of our set-top boxes and improve their functionality, so as to better address the changing consumer preferences and video consumption trends. We also dynamically expand next generations of our set-top boxes to offer, in particular, new devices which allow to receive our content via Internet links; both in IPTV technology and as OTT.

Furthermore, Netia from Cyfrowy Polsat Group provides IPTV service under the brand of 'Personal Television' ('Telewizja Osobista'). The product includes 'Netia Player', a set-top-box which allows access to digital pay TV over IP, fast and easy access to popular Internet services or own multimedia resources through a screen of a TV set, as well as access to VOD services such as IPLA, TVN Player or HBO GO. Currently Netia's Personal Television offering includes over 220 channels, with over 130 channels in HD or super HD technology, and a number or TV services as at June 30, 2019 reached near 226 thousand.

Online video

The entertainment website IPLA offers the largest database of legal video content and live broadcasts in Poland and over 100 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. In 2018 IPLA's sports content offering was expanded with the Polsat Sport Premium package which provides access to live football matches of the UEFA Champions League and the UEFA Europa League. Next, in 2019, the IPLA's content library was expanded with the service offering of Paramount Play from the Viacom International Media Network (VIMN) American media group and movies from the film studios of Sony Pictures Entertainment (SPE). At present, IPLA offers over 500 hours of live coverage per month from the largest sports events nationwide and worldwide. IPLA provides its users access to content in the free of charge model accompanied by advertisements and the paid model, as well as the possibility to download selected content and view it offline. Nearly 90% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

Access to video materials and channels via the Internet is based on one of three models. The first is a pay model, where a customer makes a fixed payment for the right to access a given video material. The second model consists in access to a package of video materials and channels in exchange for a periodic monthly fee. The third model is based on free access in exchange for viewing advertisements. Approximately 60% of IPLA's total revenue is generated by the advertisement-based model, while about 40% is derived from the purchase of access to content made by users.

Thanks to the www.ipla.tv website and dedicated applications the content of IPLA service is available on a wide array of consumer devices: in the most popular web browsers on computers and mobile devices as well as in native mobile apps powered by iOS, Android, on TV sets with Internet connections (e.g., Android TV, Samsung, LG, Sony, Panasonic, Philips) and on set-top boxes (cable TV TOYA, Netia). Since its inception IPLA's mobile app has been already downloaded more than 10 million times.

Moreover, we offer to our satellite TV customers the video on demand (VOD) “Home Film Rental” service which allows paid access to the latest novelties and film hits through a decoder. 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, 2019 we provided 10 million mobile telephony services under 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 of companies belonging to Aero2 Group and under “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 telecommunication services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support LTE and LTE Advanced 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 “Netia” and “Plus” brands based on the infrastructure of our subsidiary Netia, which operates based on both own telecommunications infrastructure and an access to the infrastructure of Orange Polska. The dedicated retail offering of fixed-line telephony offered under “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, offering technical features and quality parameters which allow to compete effectively with fixed-line Internet services, thus meeting the increasing demand of consumers. In addition, LTE-based broadband access offers mobility, which is a significant feature for a significant group of consumers. Our LTE Internet and HSPA/HSPA+ Internet cover nearly 100% of Poland's population. Since 2016 we have been offering our customers services in the LTE Advanced technology. This technology is being successively developed, as demonstrated by our launch of the 256 QAM and MIMO 4x4 modulation, which allows for increased transmission speed by 33% 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, in May 2018 the speed of out LTE Advanced Internet ranged from 300 Mb/s to 500 Mb/s in over 300 locations. Furthermore, the tests of download transmission speed conducted in Białystok on aggregated four bands along with modulation allowed us to achieve data transfer speed above 600 Mb/s. As at June 30, 2019, we provided 1.9 million mobile broadband Internet access services, mostly in the contract model.

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 the contract and 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 2.6 GHz TDD band, our subsidiary Aero2 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 and LTE Advanced technologies. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Fixed-line broadband Internet

Through our subsidiaries Netia and Polkomtel we also provide fixed-line broadband Internet services, among others in fiber optic technologies. Fixed-line fiber optic services are being rendered via own access networks with over 2.5 million homes passed, out of which as at end of June 2019 nearly 1.2 million were within the reach of broadband Internet with transmission speed of 1 Gb/s. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed-line Internet services based on access to Orange Polska's network.

Netia provides fixed-line broadband Internet services to both residential and business customers.

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

In December 2018 Polkomtel launched, based on Netia's infrastructure, a new fixed-line broadband Internet offering "Plus Internet Stacjonarny". The service is addressed to residential customers living in both single- and multi-family housing as well as to small companies from the SOHO segment. "Plus Internet Stacjonarny" service is provided in four technologies depending on available infrastructure: copper (CU), Ethernet (ETTH), cable (HFC) and fiber optic (PON). Under the offering, a customer receives an additional SIM card for LTE Plus Advanced mobile Internet service. The offering is also available within the smartDOM and smartFIRMA programs.

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 (NGN – Next Generation Network 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

Currently, 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, complemented by additional services, such as financial, banking and insurance services or sale of electric energy and gas. These services can be combined freely on an as-needed basis. Our broad range of bundled services is offered through a diverse array of digital entertainment and communication platforms, such as television sets, mobile handsets, computers and tablets.

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

In the fourth quarter of 2018 we extended the range of our bundled services with fixed Internet access, offered under Plus brand based on Netia's infrastructure, and in 2019 we added to our offering of integrated services 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, national and international roaming, services to MVNOs, shared access to network assets and lease of network infrastructure.

Network interconnection

Our telecommunication infrastructure used in interconnection cooperation enables us to effectively manage telecommunication 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 in the past our Group has an extensive telecommunications infrastructure, which allows handling constantly increasing usage of telecommunication 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 telecommunication providers on the Polish market.

International roaming

Within our wholesale business we provide international roaming services to foreign mobile operators that allow the customers of foreign mobile telecommunications network operators to use mobile telecommunications services when logged to Polkomtel mobile 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 based on our network, international roaming services in the networks of our roaming partners.

Cooperation with roaming partners represents a major part of sales in Polkomtel's 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 abroad. This translates into reduction of costs of wholesale international roaming services incurred by Polkomtel and therefore enables us to provide competitively priced international roaming services to both our own customers and customers of MVNOs who operate based on our telecommunications network.

National roaming and virtual operators (MVNOs)

We provide local operators with wholesale access to Polkomtel's mobile telecommunications network based on different models of cooperation.

Mobile Virtual Network Operators (MVNOs) are operators that 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 an access to its mobile network, an 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 all technical infrastructure required to provide telecommunications services (including frequency allocations). The parties to such cooperation use strengths of each party, high quality nationwide network of Polkomtel, Polkomtel's support in servicing telecommunications aspects of MVNOs operations as well as dedicated offering, marketing and own-brand sales of MVNOs 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.

We also offer voice calls, text messaging and packet data transmission services to P4.

2.2. Broadcasting and television production segment

Production and sale of television channels

Our portfolio comprises 34 channels including our flagship channel POLSAT, available in SD and HD formats. Moreover, there is a group of 7 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 the nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of share in the commercial audience group, totaling 11.4% in the second quarter of 2019 and 11.3% in the first half of 2019. 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 within the 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 commentary in Polish.
Eleven Sports 2 HD	International television that broadcasts from large sports events and offers sports fans entertainment of the premium quality. The channel broadcasts 24 hours a day, in HD quality and with commentary in Polish.
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.

Channel	Description
Eleven Sports 4 HD	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.
Polsat Sport Premium 1	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 adverts, in Super HD quality. Available in Cyfrowy Polsat, NC+, 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 adverts, in Super HD quality. Available in Cyfrowy Polsat, NC+, UPC and IPLA.
Movie	
Polsat Film HD	Movie channel broadcasting movie hits, top box office productions and non-mainstream movies from a library of major US movie studios.
Polsat Romans	Channel created for and dedicated to women. The programming offer includes both 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 on time and the greatest pop music hits from the recent 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 the DTT technology.
Polsat Music (formerly MUZO.TV)	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 includes also 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. The channel broadcasts 24 hours a day, including over 12 hours of new programs. It offers journalism in light edition. The channel's programming offer includes also sensational news from the showbiz and sports world.
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 documentary.
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.

Channel	Description
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.
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 the insight to 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 realizing extraordinary dreams. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature HD	Nature channel targeted at 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 the world's history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Fokus TV	Thematic channel of an educational and cognitive character, addressed to an entire family, broadcasted 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. Starting February 2, 2018 Telewizja Polsat owns a 49% share in TV Spectrum which broadcasts the 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. Starting February 2, 2018 Telewizja Polsat owns a 49% share in TV Spectrum which broadcasts the Nowa TV channel

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 data from Starcom we estimate that in the first half of 2019 Polsat Group channels captured 27.6% of the Polish TV advertising market worth approximately PLN 2.2 billion in that period while in the second quarter alone the share of the Group's channels reached 27.2% in the market valued at PLN 1.2 billion in that period.

A key factor with a bearing on our revenue from advertising and sponsoring time sale is our share in the 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 (Orange Polska S.A., Netia S.A.). 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.

3. Significant events

3.1. Corporate events

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

At the meeting of the Supervisory Board of the Company held on January 17, 2019 Mr. Tobias Solorz resigned from the position of President of the Management Board of the Company, effective March 31, 2019. Subsequently, the Supervisory Board of the Company adopted resolutions on changes in the Management Board of the Company concerning:

(i) the appointment of Mr. Mirosław Błaszczyk, the former President of the Management Board of Telewizja Polsat Sp. z o.o., a subsidiary of the Company, to the position of President of the Management Board of Cyfrowy Polsat S.A., effective April 1, 2019;

(ii) the appointment of Mr. Maciej Stec, the former Member of the Management Board of Cyfrowy Polsat S.A., to the position of Vice-President of the Management Board, effective April 1, 2019.

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

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

Adoption of a new dividend policy

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

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

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

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

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

1. the amount of a dividend paid out every year shall guarantee the Company's shareholders an attractive return from invested capital;
2. the level of the obtained return shall be shaped in relation to the commonly available on the Polish market forms of safe investing of funds, in particular in relation to the level of bank deposits rates, while taking into account a risk premium associated with floating of Cyfrowy Polsat's share prices on the Warsaw Stock Exchange;
3. in parallel, a yearly submitted proposal for distribution of the Group's net profit for the previous financial year should allow for the continuation of gradual reduction of Cyfrowy Polsat Group's net debt in order to achieve the desired ratio of net debt to EBITDA at the level below 1.75x.

Simultaneously, the Management Board of Cyfrowy Polsat S.A. reviewed the plans of Cyfrowy Polsat Capital Group and evaluated possibilities of allocating the expected cash resources of the Group with an aim to pay out a stable and predictable dividend stream to its shareholders in medium term. Based on the conducted analysis, the Management Board intends to recommend for 2019-2021 the dividend payout in the total amount of not less than PLN 2.79 per share in three installments as follows:

1. at least PLN 0.93 per share to be paid out in 2019;
2. at least PLN 0.93 per share to be paid out in 2020;
3. at least PLN 0.93 per share to be paid out in 2021.

In parallel, the Management Board notes that every time when presenting a proposal for distribution of the profit for the previous year it will take into account the Group's net profit, financial standing and liquidity, existing and future liabilities (including potential restrictions related to facility agreements and other financial documents), the assessment of the Group's prospects in specific market and macroeconomic conditions, potential necessity of spending funds for the Group's development, in particular through acquisitions and embarking on new projects, one-off items, as well as valid legal regulations.

The dividend policy will be subject to regular verification by the Company's Management Board. In particular, the Management Board expects modification to the aforementioned dividend policy following the refinancing of Polsat Group's debt which is expected in 2022.

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

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

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

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

A new bond issue program

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

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

The offering, addressed solely to professional clients within the meaning of the Act on Trading in Financial Instruments of July 29, 2005 (including the eligible counterparties at the same time qualifying as professional clients), was conducted between April 17, 2019 and April 19, 2019. As a result, 1,000,000 Series B Bonds with a nominal value of PLN 1,000 each and an aggregated nominal value of PLN 1,000 million were allotted to a total number of 59 investors on April 19, 2019. The issuance of the Series B Bonds took place on April 26, 2019. The final redemption date of the Series B Bonds is on April 24, 2026. The interest rate on the Series B Bonds is variable, based on 6M WIBOR reference rate plus 175 bps margin, with semi-annual interest periods.

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

Early redemption of Series A Bonds

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

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

Moody’s upgraded Cyfrowy Polsat Group’s rating

On June 16, 2019 Moody’s Investors Service upgraded the corporate family rating of Cyfrowy Polsat Group from Ba2 to Ba1, changing the rating outlook from positive to stable. Details regarding the rationale of the revision is presented in this Report in item 4.3.5 – *Operating and financial review of Polsat Group – Review of our financial situation – Liquidity and capital resources – Ratings*.

Distribution of the profit for 2018

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

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

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

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

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

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

Decisions of the Head of the Małopolska Tax Office in Cracow

On February 15, 2018, the Head of the Małopolska Tax Office in Cracow issued a decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 million increased by interest on tax arrears. The Company informed of the decision of the tax office issued at the first instance in its current report No.11/2018 of March 5, 2018. In the issued decision the tax authority contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the tax authority. The Company has not created any provisions encumbering its financial results. On July 10, 2018 the tax office upheld the previous decision dated February 15, 2018. The Company informed of the decision of the tax authority issued at the second instance in its current report No.27/2018 of July 16, 2018.The Company does not agree with the decision of the tax office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Provincial Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of February 21, 2019. The Company does not agree with this decision and intends filed a cassation complaint in this respect with the Supreme Administrative Court in Warsaw. The date of the hearing has not been set yet.

Moreover, the tax authority control activities in the aforesaid matter were conducted in relation to 2013 and 2014. With respect to 2013, the Head of the Tax Office in Cracow issued a decision dated July 19, 2019 which assessed the Company's tax liability from uncollected withholding corporate income tax in the amount of PLN 25.1 million. The above mentioned amount does not include interest on tax arrears. The Company intends to appeal against the decision and did not establish any provisions encumbering its financial result.

With respect to 2014, the proceedings are still ongoing. The Company assumes that the actions of the Head of the Tax Office in Cracow in this respect should take into account that the Company, in accordance with the possibility resulting from the act of October 23, 2018 on amendments to the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Ordinance Act and certain other acts (Journal of Laws, 2018, item 2193), has chosen a flat-rate tax on the interest and discount and paid on July 31, 2019 the 3% tax on the interest and discount due on bonds issued by the Company on May 20, 2011 and repurchased in 2014 with a total nominal value of EUR 350.0 million.

In parallel, the Management Board of Polkomtel Sp. z o.o., the Company's subsidiary, resolved to choose a flat-rate tax on the interest and discount and paid on July 31, 2019 the 3% tax due on:

- bonds issued by Spartan Capital Holding sp. z o.o. („Spartan"), a company whose legal successor, following the merger conducted in 2013, is Polkomtel, on January 26, 2012 and repurchased in 2016 with a total nominal value of EUR 542.5 million;
- bonds issued by Spartan on January 26, 2012 and repurchased in 2016 with a total nominal value of USD 500.0 million;
- bonds issued by Spartan on January 26, 2012 and repurchased in 2016 with a total nominal value of USD 201.0 million.

The decisions made by the Management Boards of the Company and Polkomtel resulted in the PLN 70.1 million increase of the finance costs, net item in the consolidated financial statements of Cyfrowy Polsat Group for the first half of 2019 while the settlement of the above mentioned amount was effected after the report's date.

Decision of the Head of the Mazovian Tax Office in Warsaw

On April 30, 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw of May 25, 2017. The tax office's decision dated May 25, 2017 determines the value of a tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 million plus accrued penalty. The Company informed about the decision in its current report no. 12/2017 dated May 29, 2017 and in its financial statements for the year 2017.

The Company did not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw in question and appealed against it to the Voivodship Administrative Court in Warsaw. On May 14, 2019 the Voivodship Administrative Court in Warsaw announced its judgement which took into account the allegations presented in the appeal and annulled the decision of the Head of the Mazovian Tax Office in Warsaw as well as discontinued the proceedings. As of the date of approval of the Report the above mentioned ruling is not final.

3.2. Business related events

Plus's fixed-line Internet offer

In December 2018 we introduced under the "Plus" brand a new offering of fixed-line Internet which is provided based on Netia's access infrastructure. The offering "Plus Internet Stacjonarny" is addressed to residential customers and small companies from the SOHO segment. It enables an access to fast Internet, provided in four technologies depending on available infrastructure: copper (CU), Ethernet (ETTH), cable (HFC) and fiber optic (PON). At present, Plus offers its customers from the above segments all types of Internet access: in a smartphone, via LTE Internet at home and through a fixed-line link in fiber optic technologies.

Introduction of the new cable TV service in IPTV technology

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

The new service is available with subscription under the same package offering as on Cyfrowy Polsat satellite platform and covers various offers priced from PLN 20 to PLN 130, including even more than 150 TV channels and packages with premium channels: HBO, Eleven Sports, Polsat Sport Premium with UEFA Champions League and UEFA Europa League matches or Canal+ Sport 3 and 4 channels, added in July 2019, with PKO Ekstraklasa Polish football premiership. In addition, it provides access to Cyfrowy Polsat GO service without any additional fees on 3 devices simultaneously (when the ON THE GO option is activated), access to Multiroom service, a possibility to combine IPTV offer under the smartDOM Program with other services and a possibility to try the offer for 14 days under the "TV trial" promotion.

Besides ensuring access to the rich content offer of Cyfrowy Polsat's platform, the launch of the new service gives the customers a possibility to choose an optimum technology of TV signal delivery – via satellite or cable in IPTV technology. Thanks to this, everyone is able to adapt the television services provided by Cyfrowy Polsat to the home infrastructure or local conditions. To use the new solution, the customer needs a new EVOBOX IP set-top box and the fixed broadband Internet access from the operators of Plus, Netia or Orange networks with a minimum downlink speed of 8 Mbps.

Introduction of the new offer based on the IPTV technology is our response to the changing needs and expectations of our customers. Since December 2018, Plus network has offered the fixed Internet access based on the Netia's infrastructure, which can be combined with the IPTV service from Cyfrowy Polsat.

Introduction of the new OTT Internet television service

The next step in development of Cyfrowy Polsat Group was the launch of OTT Internet television service in July 2019 along with a new set-top box EVOBOX STREAM, which can be accessed via the Internet delivered by any service provider. The programming offer of the new OTT service is available on very flexible terms and without long-term commitments; the programing packages (9 to choose from) can be activated at any time directly through the set-top-box and paid conveniently with electronic payment methods via a bank transfer, Blik system or credit card (see *Chapter 3.3 – Significant events – Events after the balance sheet date* below).

Development of the smartDOM program

In February 2018, we launched a refreshed edition of our strategic bundled offer, the smartDOM program, which comprises a portfolio of products and services for each home. Apart from our basic, core products and services: telephony from Plus, broadband LTE Plus and Plus Advances and Cyfrowy Polsat satellite television, smartDOM customers can also buy cable TV in IPTV technology, electric energy and gas, banking, insurance and home security services as well as telecommunication devices.

One of the main, invariable principles of the smartDOM program is the simple relation – the more products and services a customer has, the more he can save thanks to the obtained discounts. However, an important modification we introduced consisted in eliminating the entry threshold. Currently, every customer can join the smartDOM program irrespectively of the value of his or her monthly subscription fee. The discount system was also changed – for every additional service from the pay TV (including DTT and IPTV), mobile telephony (subscriptions and MIX), fixed-line telephony and broadband Internet (mobile and fixed-line) offer the customer receives a discount of PLN 10 each month.

In February 2018, we also decided to modify the smartFIRMA program, which currently functions according to similar principles as the smartDOM program.

At the end of 2018 we launched fixed-line Internet offered under the “Plus” brand which is provided based on Netia’s infrastructure. As a next step, in March 2019 we extended the smartDOM program by the new IPTV service.

Implementation of LTE TDD in the 2600 MHz frequency band

In December 2018 we implemented, as the first operator in Poland, in our LTE Plus Advanced network, the TDD technology which operates in the 2600 MHz frequency band. This means that we offer Internet access to our customers while using a total of 95 MHz of radio spectrum in various LTE carrier frequencies. The implementation of the TDD technology is primarily intended to increase network capacity in specific locations as well as to offer even better Internet access to customers. Several dozen LTE TDD stations are currently on-air all over the country.

TDD (Time Division Duplex) and FDD (Frequency Division Duplex) are the two different methods of implementation of LTE data transmission. The difference consists in the way the spectrum is used for transmitting data to and from a customer: the FDD technology uses two, permanently separated, parts of the bandwidth to transmit data in both directions simultaneously, while the TDD technology uses one, common chunk of the bandwidth for alternating, in time, the transmission of the data in the uplink and downlink directions. Also, slightly different parts of the frequency bands are used for the needs of the TDD and FDD technologies, which has enabled Cyfrowy Polsat Group to offer access to the Internet based on the 60 MHz of spectrum that it holds in the 2600 MHz band (while using the 20 MHz FDD carrier and the 2x20 MHz TDD carriers). Similarly as in the case of other LTE carrier frequencies, the new resources can be also aggregated with other FDD carriers.

Introduction of new models of set-top boxes

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

The above mentioned implementations represent a next stage in execution of our long-term strategy aimed at providing our customers with free and flexible access to content that they like and expect, regardless of the technology of their delivery. The latest device gives a possibility to purchase packages and events in PPV system directly via the set-top-box and is available both under a contract and in a prepaid option. Both set-top boxes are equipped with embedded Wi-Fi module (additionally EVOBOX STREAM has an embedded DVB-T module which enables access to 28 channels of free digital terrestrial television upon connecting to a DVB-T antenna; in the IPTV offering the majority of free-to-air channels are provided under the IPTV programming packages) and with modern functions, including reStart (allows to watch the selected programs from linear TV channels from the beginning), TimeShift (allows to pause and rewind the selected programs up to 3 hours) or CatchUP (allows to watch selected programs even up to 7 days back from the date of their original broadcast), thanks to which a customer is able to personalize TV watching experience even more. Thanks to access to Cyfrowy Polsat GO and HBO GO online services, they allow users to watch thousands of movies, TV services and on-demand programs – whenever the viewer decides to, also before their broadcasting in TV and their software ensures intuitive and simple operation.

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

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

3.3. Events after the balance sheet date

Introduction of the new OTT Internet TV service

In July 2019 we offered our customers an OTT Internet television service, which enables access to television channels via the Internet delivered by any service provider. The service is supported by a dedicated set-top box EVOBOX STREAM, which is available both under a contract and in a prepaid option.

Along with the set-top-box, for a start a customer receives a full programming offer of Cyfrowy Polsat – over 100 TV channels (including HBO, Eleven Sports or Polsat Sport Premium) for 3 months free of charge. Later on, the customer has a full freedom in activating individual packages in the periods selected by him/her. Activation and changes of packages are possible directly on the set-top-box in a one-off option (for 30 days) or in a renewal option (every 30 days) with the use of instant, electronic methods of payments.

For the needs of the new OTT television service we have created completely new, attractive packages. The offer includes 3 basic packages: Convenient (25 channels priced at PLN 20 per month), Comfortable (42 channels priced at PLN 30 per month) and Rich (92 channels priced at PLN 60 per month) and 6 additional packages (3 Premium packages and 3 thematic packages), including most popular and well known sport, movie or kids channels. Furthermore, thanks to the embedded DVB-T module, after connecting a DVB-T antenna to the set-top-box, free digital terrestrial television channels are also available.

Expansion of the premium sports content

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

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

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

4. Operating and financial review of Polsat Group

4.1. 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 Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.

Please note that the operational indicators (KPIs) for the second quarter and first half of 2019 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 / %
	2019	2018		2019	2018	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS						
Total number of RGUs (EOP) (contract + prepaid)	17,058,921	16,698,622	2.2%	17,058,921	16,698,622	2.2%
Contract services						
Total number of RGUs (EOP), incl.	14,451,610	13,929,804	3.7%	14,451,610	13,929,804	3.7%
Pay TV, incl.	5,058,740	5,027,520	0.6%	5,058,740	5,027,520	0.6%
Multiroom	*1,173,866*	*1,127,285*	*4.1%*	*1,173,866*	*1,127,285*	*4.1%*
Mobile telephony	7,597,611	7,098,239	7.0%	7,597,611	7,098,239	7.0%
Internet	1,795,259	1,804,045	(0.5%)	1,795,259	1,804,045	(0.5%)
Number of customers (EOP)	5,652,912	5,724,492	(1.3%)	5,652,912	5,724,492	(1.3%)
ARPU per customer	83.4	82.9	0.6%	83.2	82.4	1.0%
Churn per customer	7.0%	8.3%	(1.3 pp)	7.0%	8.3%	(1.3 pp)
RGU saturation per one customer	2.56	2.43	5.3%	2.56	2.43	5.3%
Average number of RGUs, incl.	14,381,445	13,858,205	3.8%	14,332,635	13,800,008	3.9%
Pay TV, including:	5,066,146	5,013,604	1.0%	5,078,435	4,988,717	1.8%
Multiroom	*1,171,425*	*1,121,333*	*4.5%*	*1,168,008*	*1,114,824*	*4.8%*
Mobile telephony	7,519,107	7,036,346	6.9%	7,451,927	6,999,965	6.5%
Internet	1,796,192	1,808,255	(0.7%)	1,802,273	1,811,326	(0.5%)
Average number of customers	5,662,168	5,732,091	(1.2%)	5,675,119	5,746,215	(1.2%)
Prepaid services						
Total number of RGUs (EOP), including:	2,607,311	2,768,818	(5.8%)	2,607,311	2,768,818	(5.8%)
Pay TV	87,176	59,722	46.0%	87,176	59,722	46.0%
Mobile telephony	2,418,370	2,545,749	(5.0%)	2,418,370	2,545,749	(5.0%)
Internet	101,765	163,347	(37.7%)	101,765	163,347	(37.7%)
ARPU per total prepaid RGU [PLN]	20.8	20.4	2.0%	20.4	20.2	1.0%
Average number of RGUs, including:	2,616,887	2,771,707	(5.6%)	2,615,250	2,780,700	(5.9%)
Pay TV	113,249	69,503	62.9%	102,594	63,862	60.6%
Mobile telephony	2,398,016	2,536,844	(5.5%)	2,400,576	2,547,509	(5.8%)
Internet	105,622	165,360	(36.1%)	112,080	169,329	(33.8%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT						
Audience share	24.9%	24.2%	0.7 pp	24.1%	24.0%	0.1 pp
Advertising market share	27.2%	26.7%	0.5 pp	27.6%	26.9%	0.7 pp

4.1.1. Segment of services to individual and business customers

As at June 30, 2019, in the segment of services to individual and business customers our Group provided a total of 17,058,921 services in the contract and prepaid models, which represents 2.2% growth YoY. It is worth emphasis that the share of contract services in the total number of services that we provide is growing consistently, and has reached the level of 84.7% at the end of the second quarter of 2019, as compared to 83.4% recorded at the end of the first second of 2018.

Contract services

As at June 30, 2019, we provided contract services to a total of 5,652,912 customers, i.e. 1.3% less compared to 5,724,492 customers the Group had as at June 30, 2018. The main reason behind the decline of the contract customer base was the merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.3% 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 521,806 in the last 12 months, that is by 3.7%, to 14,451,610 as at June 30, 2019, from 13,929,804 as at June 30, 2018. The number of pay TV services provided in the contract model amounted to 5,058,740 as at June 30, 2019, which constitutes an increase by 31,220, or 0.6%, compared to 5,027,520 as at June 30, 2018. This increase is mainly due to the growing popularity of our Multiroom service (YoY increase by over 46 thousand, to approximately 1.2 million RGUs) and to dynamically increasing sales of paid OTT services. The number of provided mobile telephony services in the contract model increased by 499,372, or 7.0%, reaching the level of 7,597,611 as at June 30, 2019, up from 7,098,239 as at June 30, 2018. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of new, attractive tariff plans addressed to contract customers, as well as by high demand among business customers for m2m services. In terms of mobile broadband, as at June 30, 2019, we provided 1,795,259 RGUs in the contract model, that is by 8,786, or 0.5%, less than as at June 30, 2018, when we provided 1,804,045 such services. The decrease is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing popularity of data transmission in mobile telephony tariff plans (smartphones), which competes with dedicated mobile Internet access services. As at June 30, 2019, every customer in our base had on average 2.56 contract services, which constitutes an increase of 5.3% compared to 2.43 contract services per customer as at June 30, 2018. We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we consistently add new products, will positively influence the growth of the number of contract RGUs provided by us in the future.

In line with the assumptions of our long-term strategy we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In the first half of 2019, average revenue per contract customer increased by 1.0% to PLN 83.2, from PLN 82.4 in the first half of 2018. In the second quarter of 2019 the average revenue per contract customer increased by 0.6% to PLN 83.4 as compared to PLN 82.9 in the second quarter of 2018.

Our churn rate amounted to 7.0% in the twelve-month period ended June 30, 2019, decreasing by 1.3 p.p. as compared to 8.3% in the twelve-month period ended June 30, 2018. This is primarily the effect of the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy as well as our actions aimed at growing high satisfaction and loyalty among our customers. In addition, more conservative than in the past offering policy of mobile operators translates into a steady decrease of the number of customers migrating between the networks, which also contributes to our churn rate.

Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. It is also the best recognized convergent offering on the Polish market (according to the GFK survey from January 2018). At the end of June 2019, already 1,897,899 customers were using our bundled services, which constitutes an increase of 242,787 customers, or 14.7%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 33.6% at the end of June 2019. This group of customers had a total of 5,712,698 RGUs, that is by 773,585, or 15.7%, more than in the second quarter of 2018. In the first quarter of 2018, we lifted entry thresholds for the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the dynamics of growth of our multiplay services customer base and blended ARPU level for the total customer base. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us as at June 30, 2019 decreased by 161,507, that is by 5.8%, to 2,607,311 from 2,768,818 as at June 30, 2018. We strive to grow the number of customers using our contract services by, among others, encouraging the customers of prepaid services to choose our contract tariff plans. Furthermore, in the fourth quarter of 2018 we decided to join the customers using the prepaid services provided by our subsidiary Aero 2 under the "a2mobile" brand to Premium Mobile, a company in which we hold a minority stake. Due to that, starting from the fourth quarter of 2018 the services used by customers using the "a2mobile" brand are not included into the above provided data while we obtain additional wholesale revenue from servicing the traffic generated by these customers. In parallel, thanks to the continuous unification of prices between tariff plans for the contract and prepaid customers, a portion of prepaid customers decides to use the contract services offering.

In the first half of 2019, average revenue per prepaid RGU (prepaid ARPU) increased by 1.0%, to PLN 20.4 from PLN 20.2 in the first half of 2018. In the second quarter of 2019, average revenue per prepaid RGU (prepaid ARPU) increased by 2.0% to PLN 20.8 from PLN 20.4.

4.1.2. 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 [pp]*	6 months ended June 30		*change [pp]*
	2019	2018		2019	2018	
Audience share[(1) (2)], including:	24.94%	24.16%	**0.78**	24.10%	24.03%	**0.07**
POLSAT (main channel)	***11.38%***	***11.14%***	**0.24**	***11.29%***	***11.54%***	**(0.25)**
Other channels	***13.55%***	***13.01%***	**0.54**	***12.82%***	***12.49%***	**0.33**
TV4	3.67%	4.11%	*(0.44)*	3.51%	3.94%	*(0.43)*
TV6	1.62%	1.41%	*0.21*	1.61%	1.41%	*0.20*
Polsat 2	1.29%	1.37%	*(0.08)*	1.20%	1.33%	*(0.13)*
Super Polsat[(3)]	1.11%	1.02%	*0.09*	1.02%	0.97%	*0.05*
Polo TV	1.01%	0.93%	*0.08*	0.98%	0.87%	*0.11*
Eska TV	0.86%	0.87%	*(0.01)*	0.83%	0.82%	*0.01*
Polsat Film	0.72%	0.62%	*0.10*	0.68%	0.66%	*0.02*
Polsat News	0.71%	0.72%	*(0.01)*	0.65%	0.68%	*(0.03)*
Polsat Play	0.53%	0.52%	*0.01*	0.57%	0.50%	*0.07*
Polsat Cafe	0.39%	0.29%	*0.10*	0.35%	0.30%	*0.05*
Polsat Sport	0.37%	0.31%	*0.06*	0.26%	0.23%	*0.03*
Disco Polo Music	0.21%	0.21%	*n/a*	0.20%	0.19%	*0.01*
Polsat Romans	0.13%	0.12%	*(0.08)*	0.12%	0.12%	-
Polsat Doku	0.12%	0.04%	*0.08*	0.10%	0.04%	*0.06*
Vox Music TV	0.11%	0.09%	*0.02*	0.10%	0.08%	*0.02*
Polsat Sport Extra	0.08%	0.08%	*(0.04)*	0.07%	0.06%	*0.01*
Eska TV Extra	0.07%	0.09%	*(0.02)*	0.07%	0.09%	*(0.02)*
Polsat News 2	0.05%	0.05%	-	0.04%	0.04%	-
Polsat Sport News HD[(4)]	0.05%	0.04%	*0.01*	0.04%	0.04%	-
Polsat Games[(5)]	0.05%	n/a	*n/a*	0.04%	n/a	*n/a*
Polsat Music HD[(6)]	0.04%	0.05%	*(0.04)*	0.04%	0.05%	*(0.01)*
Polsat Sport Fight	0.04%	0.03%	*0.01*	0.05%	0.03%	*0.02*
Eska Rock TV	0.04%	0.01%	*0.03*	0.05%	0.01%	*0.04*
Polsat Rodzina[(5)]	0.02%	n/a	*n/a*	0.02%	n/a	*n/a*
Polsat 1[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 1[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Channels acquired in 2018[(8)]						
Superstacja	0.08%	0.06%	*0.02*	0.08%	0.07%	*0.01*
Eleven Sports 1	0.28%	0.14%	*0.14*	0.25%	0.13%	*0.12*
Eleven Sports 2	0.05%	0.04%	*0.01*	0.05%	0.06%	*(0.01)*
Eleven Sports 3[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share[(10)]	27.20%	26.70%	***0.5 pp***	27.60%	26.90%	***0.7 pp***

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
	3 months ended June 30		*change [pp]*	6 months ended June 30		*change [pp]*
	2019	2018		2019	2018	
Fokus TV	0.80%	0.90%	*(0.10)*	0.84%	0.93%	*(0.09)*
Nowa TV	0.22%	0.30%	*(0.08)*	0.29%	0.29%	-
Polsat Viasat History	0.18%	0.11%	*0.07*	0.17%	0.11%	*0.06*
CI Polsat	0.17%	0.16%	*0.01*	0.14%	0.13%	*0.01*
Polsat JimJam	0.17%	0.07%	*0.10*	0.18%	0.08%	*0.10*
Polsat Viasat Explore	0.09%	0.12%	*(0.03)*	0.10%	0.10%	-
Polsat Viasat Nature	0.04%	0.04%	-	0.03%	0.03%	-

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 broadcasting in DTT since January 2, 2017, replaced Polsat Sport News.
4) Channel available only in cable and satellite networks since January 2, 2017 under the name "Polsat Sport News HD".
5) Channel launched in October 2018.
6) Until May 26, 2017, channel broadcast under the name "MUZO.TV".
7) Channel not included in the telemetric panel.
8) Channels included in Polsat Group's portfolio in June 2018.
9) Our estimates based on Starcom data.

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 over 24.9% in the second quarter of 2019 and increased by approximately 0.8 p.p. on a year-on-year basis while in the first half of 2019 amounted to 24.1% and increased by 0.1 p.p. versus the prior year period. On the Polish market, a continuous market fragmentation can be observed which results in decreasing audience shares of the main TV channels (Polsat, TVN, TVP1 and TVP2) in favor of and the steadily growing audience shares of thematic channels.

Channels other than our main channel recorded jointly a year-on-year increase in the second quarter of 2019 (by over 0.5 p.p. to the level of approximately 13.5%) and in the first half of 2019 (by 0.3 p.p. to over 12.8%). Comparing the first quarter of 2018 with the corresponding period of 2017, it can be seen that the channels acquired in June 2018 – i.e., the channels from the Eleven Sports group and Superstacja – strongly support the viewership results of our thematic channels.

Both in the second quarter and the first half of 2019, viewers in the commercial group were attracted by the fixed slots on our main channel's schedule. Premier episodes of the TV series *First Love* turned out to be very popular, gaining an audience share of 15.8% in the second quarter and 15.6% in the first half of 2019. Monday's film slot *Mega Hit* had an audience share of 13.1% in the second quarter and 13.3% in the first half of 2019 while Friday's movie aired at 8 p.m. attracted 12.8% of viewers in the second quarter and 13.2% in the first half of 2019.

The news program broadcast daily at 6.50 p.m., *The News*, maintained high viewership figures with an audience share of 17.4% in the second quarter and 17.2% in the first half of 2019. The morning block of news and information programs, *New Day with Polsat News*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 15.5% in the second quarter and 14.7% in the first half of 2019.

The results of the second quarter and the first half of 2019 were significantly influenced by programs from the season programming. A large audience was gathered by the show *Your Face Sounds Familiar.* The Saturday slots dedicated to this show had an audience share of 14.3% in the second quarter and 14.9% in the first half of 2019. Another position in our scheduling, the show *Our New House*, gathered on average 12.6% and 12.3% of viewers in the second quarter and the first half of 2019, respectively. The broadcasted in spring show *Dancing with the Stars* was watched by 10.8% of audience in the second quarter and 12.0% in the first half of 2019. *Live Cabaret* entertainment series, broadcast on Sunday evenings, had an audience share of 12.0% in the second quarter and 11.9% in the first half of 2019. The show *All Together Now,* aired in spring, was watched by 8.3% of audience in the second quarter and 8.9% in the first half of 2019.

Moreover, it is worth noticing the results of broadcast series. The series *World According to the Kiepski Family* was popular with an audience share of 10.9% both in the second quarter and the first half of 2019. The series *Girlfriends* gained 14.4% of audience share in the second quarter and 13.9% in the first half of 2019. Another popular series was *In the Heart's Rhythm* with an 8.3% share in the second quarter and 8.4% share in the first half of 2019.

Cabaret and entertainment shows were highly popular in the second quarter of 2019. In particular, it is worth pointing out *Polsat Superhot Festival 2019* of May 26, 2019 which had a 22.3% audience share. Other programs worth mentioning include the *FFF Free Fight Federation Gala* of June 8, 2019 which gathered 20.6% of audience and the *XIII Płocka Noc Kabaretowa "Poland, the Champion of Poland"* of May 19, 2019 with an audience share at a level of 18.0%. The similar viewership result was achieved by another program *The Capital of Polish Cabaret Zielona Góra 2019* of June 23, 2019 which had an 18.3% share.

In the first half of 2019 a significant audience, at the level of 14.0%, was also gained by the *XI Płocka Noc Kabaretowa* of January 27, 2019. T*he cabaret Kabaret Ani Mru Mru Ostatnie Takie Trio of March 10, 2019* gained a 13.4% share while the cabaret *Kabaret Neo-Nówka Kazik Sam w Domu* of February 24, 2019 had a 13.2% share.

Advertising and sponsoring market share

According to estimates of Starcom media house, expenditures on TV advertising and sponsoring in the first half of 2019 amounted to approximately PLN 2.2 billion, decreasing year-on-year by 1.8%. Based on these data, we estimate that in the first half of 2019 our TV advertising market share amounted to 27.6% and increased by 0.7 percentage points as compared to 26.9% for the first half of 2018. When analyzing the second quarter of 2019, expenditures on TV advertising and sponsoring amounted to PLN 1.2 billion, decreasing year-on-year by 0.7%. Our advertising market share amounted to 27.2% in the second quarter of 2019 and increased by 0.5 percentage points as compared to 26.7% for the corresponding period of 2018, which was due to, among others, the inclusion of additional channels to the Group's portfolio.

If we compare the current portfolio of Polsat Group's channels, we generated 2.1% less GRPs in the first half of 2019 compared to the corresponding period of 2018.

Distribution and technical reach

Technical reach[1]	3 months ended June 30		*change [pp]*	6 months ended June 30		*change [pp]*
	2019	2018		2019	2018	
Polsat	100.0%	100.0%	-	100.0%	100.0%	-
TV4	99.9%	100.0%	*(0.10)*	99.9%	100.0%	*(0.10)*
Polo TV	98.8%	98.2%	*0.60*	98.7%	98.0%	*0.70*
Eska TV	98.6%	98.1%	*0.50*	98.5%	98.0%	*0.50*
Super Polsat	97.8%	97.4%	*0.40*	97.8%	97.3%	*0.50*
TV6	95.4%	96.0%	*(0.60)*	95.5%	95.9%	*(0.40)*
Polsat 2	64.1%	61.7%	*2.40*	64.2%	62.0%	*2.20*
Eska TV Extra	62.9%	58.4%	*4.50*	62.7%	58.6%	*4.10*
Superstacja[5]	58.6%	56.6%	*2.00*	58.7%	56.8%	*1.90*
Polsat News	58.5%	55.5%	*3.00*	58.0%	55.7%	*2.30*
Polsat News 2	58.4%	59.5%	*(1.10)*	58.6%	59.8%	*(1.20)*
Vox Music TV	58.3%	55.0%	*3.30*	58.3%	51.9%	*6.40*
Polsat Cafe	56.8%	54.9%	*1.90*	57.1%	55.0%	*2.10*
Polsat Film	55.9%	53.9%	*2.00*	56.1%	54.3%	*1.80*
Polsat Play	52.9%	52.8%	*0.10*	53.2%	53.0%	*0.20*
Disco Polo Music	50.9%	48.8%	*2.10*	50.8%	48.8%	*2.00*
Polsat Romans	49.6%	49.7%	*(0.10)*	49.6%	49.7%	*(0.10)*
Polsat Music HD	49.2%	48.4%	*0.80*	48.7%	48.4%	*0.30*
Eska Rock TV	48.6%	45.6%	*3.00*	48.5%	42.5%	*6.00*
Polsat Sport	48.2%	46.1%	*2.10*	48.2%	46.1%	*2.10*
Polsat Sport Extra	38.2%	35.8%	*2.40*	38.2%	35.9%	*2.30*
Polsat Doku	35.6%	27.4%	*8.20*	36.0%	26.9%	*9.10*
Polsat Sport News HD	31.7%	29.0%	*2.70*	31.4%	29.8%	*1.60*
Polsat Games[4]	31.3%	n/a	*n/a*	30.7%	n/a	*n/a*
Polsat Rodzina[4]	27.5%	n/a	*n/a*	27.3%	n/a	*n/a*
Polsat Sport Fight	20.1%	17.7%	*2.40*	19.9%	18.0%	*1.90*
Eleven Sports 2[5]	15.4%	12.2%	*3.20*	14.8%	14.2%	*0.60*
Eleven Sports 1[5]	15.3%	12.2%	*3.10*	14.6%	13.9%	*0.70*
Polsat 1[2]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[3][5]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[3][5]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 1[3]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[3]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[3]	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 [pp]*	6 months ended June 30		*change [pp]*
	2019	2018		2019	2018	
Fokus TV	98.3%	97.7%	*0.60*	98.2%	97.5%	*0.70*
Nowa TV	84.3%	77.4%	*6.90*	84.0%	76.5%	*7.50*
Polsat Viasat History	51.1%	50.1%	*1.00*	51.1%	49.0%	*2.10*
Polsat JimJam	46.7%	44.8%	*1.90*	46.6%	45.0%	*1.60*
Polsat Viasat Nature	45.1%	45.0%	*0.10*	45.1%	43.9%	*1.20*
Polsat Viasat Explore	45.0%	45.8%	*(0.80)*	44.8%	44.2%	*0.60*
CI Polsat	44.8%	40.0%	*4.80*	43.5%	40.2%	*3.30*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel. arithmetical average of monthly technical reach.
2) Channel broadcast outside of Poland, not included in the telemetric survey.
3) Channel not included in the telemetric survey.
4) Channel included into Polsat Group's portfolio in October 2018.
5) Channels included into Polsat Group's portfolio in June 2018

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The largest increase in technical reach was observed in case of Vox Music TV, Eska TV Extra and Eska Rock TV (through adding them to the program offerings of further TV operators following their inclusion to the Group's portfolio). Moreover, when comparing data for the analyzed periods of 2019 with the corresponding periods of 2018 it is worth noticing the increases in reach of other stations, such as Polsat Doku, Polsat Sport, Polsat Sport Extra, Polsat News, Polsat Café and Polsat 2.

4.2. 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.

The total revenue from pay television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Revenues from prepaid mobile telephone services are recognized in profit or loss 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, accessories and other equipment.

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 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) payments for the lease of satellite transponder capacity,

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

4.3. Review of the Group's financial situation

The following review of results for the three- and six-month periods ended June 30, 2019 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2019, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analysis.

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

Starting from January 1, 2019, the Group is obligated to apply IFRS 16 *Leases*. The implementation of IFRS 16 results in a decrease of rental costs (included previously mainly in the "Technical costs and cost of settlements with telecommunication operators" and "Other costs" categories), which leads to increases of EBITDA and depreciation, change in profit/(loss) from investment activities, net, as well as an increase of total assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) and an increase of net debt ratio. The Group has decided to apply IFRS 16 retrospectively without restating the comparative figures for 2018. In order to ensure full comparability of the data for the three- and six-month periods ended June 30, 2019 and June 30, 2018, financial figures in the income statement for the three- and six-month periods ended June 30, 2019 have been presented in two ways: in accordance with IAS 17 binding until December 31, 2018 and in accordance with IFRS 16 applicable from January 1, 2019.

It should be noted that the financial data for the three- and six-month periods ending June 30, 2019 and June 30, 2018 are not fully comparable due to the acquisition of 15.46% of additional shares in TV Spektrum Sp. z o.o. on February 2, 2018, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018, the acquisition of additional shares of Netia S.A. on May 22, 2018, July 3, 2018 and October 2, 2018, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018 and the acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019, the acquisition of 45.1% of shares in TVO Sp. z o.o. on May 29, 2018 and the acquisition of 12 additional shares in TVO Sp. z o.o. on May 30, 2019, the acquisition of 100% of shares in Superstacja Sp. z o.o. on June 4, 2018, the acquisition of 100% of shares in Netshare Media Group Sp. z o.o. on June 25, 2018, taking up 24.47% of votes in Premium Mobile S.A. in 2018 and the acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2019 of IFRS 16 without the restatement of the comparative figures.

Due to the fact that the results of the above mentioned companies, excluding Netia S.A., do not have a material impact on the results of the Group, we do not eliminate them when analyzing the Group's financial situation.

4.3.1. Income statement analysis

Review of financial results for the second quarter of 2019 and 2018

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 3 month period ended June 30, 2019	for the 3 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Revenue	2,923.0	2,913.0	2,603.2	309.8	11.9%
Operating costs	(2,407.2)	(2,404.4)	(2,127.0)	(277.4)	13.0%
Other operating income, net	6.7	6.7	(0.6)	7.3	n/a
Profit from operating activities	522.5	515.3	475.6	39.7	8.3%
Gain/(loss) on investment activities, net	4.8	13.6	(45.9)	59.5	n/a
Finance costs, net	(170.0)	(170.0)	(98.9)	(71.1)	71.9%
Share of the profit/(loss) of associates accounted for using the equity method	(1.9)	(1.9)	(0.1)	(1.8)	>100%
Gross profit for the period	355.4	357.0	330.7	26.3	8.0%
Income tax	(86.5)	(86.9)	(99.3)	12.4	(12.5%)
Net profit for the period	268.9	270.1	231.4	38.7	16.7%
EBITDA	***1,076.1***	***959.9***	***946.4***	***13.5***	***1.4%***
EBITDA margin	***36.8%***	***33.0%***	***36.4%***	***-***	***-***

Revenue

In accordance with IAS 17 binding until the end of 2018, our total revenue increased by PLN 309.8 million, or 11.9%, to PLN 2,913.0 million in the second quarter of 2019 from PLN 2,603.2 million in the second quarter of 2018. The increase in revenue was triggered by factors described below.

In accordance with IFRS 16, our total revenue amounted to PLN 2,923.0 million in the second quarter of 2019.

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 3 month period ended June 30, 2019	for the 3 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Retail revenue	1,616.1	1,616.1	1,482.1	134.0	9.0%
Wholesale revenue	861.6	861.6	738.5	123.1	16.7%
Sale of equipment	379.3	379.3	341.7	37.6	11.0%
Other revenue	66.0	56.0	40.9	15.1	36.9%
Revenue	2,923.0	2,913.0	2,603.2	309.8	11.9%

Retail revenue

Retail revenue increased by PLN. 134.0 million, or 9.0%, to PLN 1,616.1 million in the second quarter of 2019, from PLN 1,482.1 million in the second quarter of 2018, primarily due to the consolidation of Netia Group's results, effective May 22, 2018. Excluding the impact from the above mentioned factor, retail revenue decreased year on year by approximately 1% as lower revenue from voice services was partly compensated by higher revenue from pay TV and data transmission services.

Wholesale revenue

Wholesale revenue increased by PLN 123.1 million, or 16.7%, to PLN 861.6 million in the second quarter of 2019 from PLN 738.5 million in the second quarter of 2018, with contribution from the consolidated results of Netia Group. Excluding the increase resulting from the consolidation of Netia Group, wholesale revenue grew by approximately 16% and the increase was triggered primarily by the inclusion of new TV channels to our wholesale offering, in particular the Eleven Sports Network and Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators.

Furthermore, we recorded higher revenue from the sale of programming sublicenses, the resale of the capacity of our mobile network to MVNO customers and advertising and sponsoring. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to P4.

Sale of equipment

Revenue from the sale of equipment increased by PLN 37.6 million, or 11.0%, to PLN 379.3 million in the second quarter of 2019 from PLN 341.7 million in the second quarter of 2018, which was primarily due to a higher share of more expensive models among the end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes for end-user devices decreased year on year.

Other revenue

In accordance with IAS 17 binding until the end of 2018, other revenue increased by PLN 15.1 million, or 36.9%, to PLN 56.0 million in the second quarter of 2019 from PLN 40.9 million in the second quarter of 2018. This increase was due to, among others, higher revenue from interest on installment plan sales of equipment to residential customers, as well as improved margin on sale of electricity.

In accordance with IFRS 16, other revenue amounted to PLN 66.0 million in the second quarter of 2019.

Operating costs

In accordance with IAS 17 binding until the end of 2018, our operating costs increased by PLN 277.4 million, or 13.0%, to PLN 2,404.4 million in the second quarter of 2019 from PLN 2,127.0 million in the second quarter of 2018. Operating costs increased for the reasons set forth below.

In accordance with IFRS 16, operating costs amounted to PLN 2,407.2 million in the second quarter of 2019.

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 3 month period ended June 30, 2019	for the 3 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	591.4	678.4	578.5	99.9	17.3%
Depreciation, amortization, impairment and liquidation	553.6	444.6	470.8	(26.2)	(5.6%)
Cost of equipment sold	321.7	321.7	282.5	39.2	13.9%
Content costs	415.8	418.0	323.0	95.0	29.4%
Distribution, marketing, customer relation management and retention costs	241.8	245.6	223.5	22.1	9.9%
Salaries and employee-related costs	205.6	205.6	169.3	36.3	21.4%
Cost of debt collection services and bad debt allowance and receivables written off	16.9	16.9	17.6	(0.7)	(4.0%)
Other costs	60.4	73.6	61.8	11.8	19.1%
Operating costs	2.407.2	2.404.4	2.127.0	277.4	13.0%

Technical costs and cost of settlements with telecommunication operators

In accordance with IAS 17 binding until the end of 2018, technical costs and cost of settlements with telecommunication operators increased by PLN 99.9 million, or 17.3%, to PLN 678.4 million in the second quarter of 2019 from PLN 578.5 million in the second quarter of 2018, mainly due to the consolidation of Netia Group's results. After excluding this factor, cost of settlements with telecommunication operators increased by approximately 7%. This increase resulted mainly from higher interconnection costs, higher cost of purchasing traffic in international roaming and higher provisions for the cost of electricity.

In accordance with IFRS 16, technical costs and cost of settlements with telecommunication operators amounted to PLN 591.4 million in the second quarter of 2019.

Depreciation, amortization, impairment and liquidation

In accordance with IAS 17 binding until the end of 2018, depreciation, amortization, impairment and liquidation costs decreased by PLN 26.2 million, or 5.6%, to PLN 444.6 million in the second quarter of 2019 from PLN 470.8 million in the second quarter of 2018. Excluding the impact from the consolidation of Netia Group, depreciation, amortization, impairment and liquidation costs decreased by approximately 17%, due to, among others, the termination of a depreciation period related to the 800 MHz bandwidth license and the extension of amortization periods of certain elements of the mobile network.

In accordance with IFRS 16, depreciation, amortization, impairment and liquidation costs amounted to PLN 553.6 million in the second quarter of 2019.

Cost of equipment sold

The cost of equipment sold increased by PLN 39.2 million, or 13.9%, to PLN 321.7 million in the second quarter of 2019 from PLN 282.5 million in the second quarter of 2018, as a consequence of a higher share of more expensive models among the end-user devices sold while sales volumes for end-user devices decreased year on year.

The implementation of IFRS 16 had no impact on this cost category.

Content costs

In accordance with IAS 17 binding until the end of 2018, content costs increased by PLN 95.0 million, or 29.4%, to PLN 418.0 million in the second quarter of 2019 from PLN 323.0 million in the second quarter of 2018. This increase was mostly the result of higher cost of internal and external production and amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in the second half of 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League and the Eleven Sports Network channels bought in May 2018. The consolidation of Netia Group's results and higher cost of amortization of film licenses were additional factors contributing to the increase of content costs.

In accordance with IFRS 16, content costs amounted to PLN 415.8 million in the second quarter of 2019.

Distribution, marketing, customer relation management and retention costs

In accordance with IAS 17 binding until the end of 2018, distribution, marketing, customer relation management and retention costs increased by PLN 22.1 million, or 9.9%, to PLN 245.6 million in the second quarter of 2019 as compared to PLN 223.5 million in the second quarter of 2018. This increase was mainly due to higher marketing costs, the consolidation of Netia Group's results and the inclusion of marketing campaign costs of Eleven Sports Network channels as well as higher cost of sales commissions.

In accordance with IFRS 16, distribution, marketing, customer relation management and retention costs amounted to PLN 241.8 million in the second quarter of 2019.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 36.3 million, or 21.4%, to PLN 205.6 million in the second quarter of 2019 from PLN 169.3 million in the second quarter of 2018, mainly due to the consolidation of results of: Netia Group from May 22, 2018, Coltex from March 1, 2018 and Eleven Sports Network from May 25, 2018, as well as due to the conversion of employment status of part of temporary employees into permanent jobs.

The implementation of IFRS 16 had no impact on this cost category.

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 decreased by PLN 0.7 million, or 4.0%, to PLN 16.9 million in the second quarter of 2019 from PLN 17.6 million in the second quarter of 2018.

The implementation of IFRS 16 had no impact on this cost category.

Other costs

In accordance with IAS 17 binding until the end of 2018, other costs increased by PLN 11.8 million, or 19.1%, to PLN 73.6 million in the second quarter of 2019 from PLN 61.8 million in the second quarter of 2018, contributed by the consolidation of Netia Group results. After excluding the above mentioned factor, other costs increased by approximately 11%, mainly as a result of higher legal, advisory and consulting costs and higher costs of property maintenance.

In accordance with IFRS 16, other costs amounted to PLN 60.4 million in the second quarter of 2019.

Other operating income and costs, net

Other operating income, net amounted to PLN 6.7 million in the second quarter of 2019 as compared to other operating costs, net of PLN 0.6 million in the second quarter of 2018.

The implementation of IFRS 16 had no impact on this cost category.

Gains/(losses) on investment activities, net

In accordance with IAS 17 binding until the end of 2018, gains on investment activities, net amounted to PLN 13.6 million in the second quarter of 2019, compared to losses on investment activities, net of PLN 45.9 million in the second quarter of 2018. This was mainly the effect of a favorable change on unrealized foreign exchange differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of certain sports content, which were caused by appreciation of the PLN versus the EUR in the second quarter of 2019 versus its depreciation in the comparative period.

In accordance with IFRS 16, losses on investment activities, net amounted to PLN 4.8 million in the second quarter of 2019.

Finance costs, net

Finance costs, net amounted to PLN 170.0 million in the second quarter of 2019 and increased by PLN 71.1 million, or 71,9%, compared to PLN 98.9 million in the second quarter of 2018. Higher finance costs, net in the second quarter of 2019 were impacted by a one-time item 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.

The implementation of IFRS 16 had no impact on this cost category.

Income tax

In accordance with IAS 17 binding until the end of 2018, income tax amounted to PLN 86.9 million in the second quarter of 2019 and decreased by PLN 12.4 million, or 12.4%, compared to PLN 99.3 million in the second quarter of 2018.

In accordance with IFRS 16, income tax amounted to PLN 86.5 million in the second quarter of 2019.

Net profit

In accordance with IAS 17 binding until the end of 2018, as a result of changes mentioned above net profit increased by PLN 38.7 million, or 16.7%, to PLN 270.1 million in the second quarter of 2019 from PLN 231.4 million in the second quarter of 2018.

In accordance with IFRS 16, net profit amounted to PLN 268.9 million in the second quarter of 2019.

EBITDA & EBITDA margin

In accordance with IAS 17 binding until the end of 2018, EBITDA was PLN 959.9 million and EBITDA margin was 33.0% in the second quarter of 2019. It represents a higher result than EBITDA recorded for the second quarter of 2018 which amounted to PLN 946.4 million while EBITDA margin amounted to 36.4%. The increase in EBITDA results from the consolidation of Netia Group results.

In accordance with IFRS 16, EBITDA was PLN 1,076.1 million and EBITDA margin was 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 7,302 full-time equivalents (FTE) in the second quarter of 2019, i.e., increased by 1,708 FTE or 30.5%, compared to 5,594 FTE in the corresponding period of 2018.

This increase was mainly attributable to concluded acquisitions and an inclusion of Netia Group's headcount in particular, as well as to the conversion of employment status of part of temporary employees into permanent jobs.

Comparison of financial results for the first half of 2019 and 2018

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 6 month period ended June 30, 2019	for the 3 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Revenue	5,714.6	5,695.4	4,949.1	746.3	15.1%
Operating costs	(4,724.2)	(4,721.5)	(4,044.1)	(677.4)	16.8%
Other operating income, net	23.3	23.3	6.1	17.2	>100%
Profit from operating activities	1,013.7	997.2	911.1	86.1	9.5%
Gain/(loss) on investment activities, net	(7.4)	14.9	(49.3)	64.2	n/a
Finance costs, net	(272.7)	(272.7)	(171.5)	(101.2)	59.0%
Share of the profit/(loss) of associates accounted for using the equity method	(3.6)	(3.6)	5.1	(8.7)	n/a
Gross profit for the period	730.0	735.8	695.4	40.4	5.8%
Income tax	(163.8)	(164.9)	(171.8)	6.9	(4.0%)
Net profit for the period	566.2	570.9	523.6	47.3	9.0%
EBITDA	***2,114.4***	***1,881.9***	***1,836.4***	***45.5***	***2.5%***
EBITDA margin	***37.0%***	***33.0%***	***37.1%***	***-***	***-***

Revenue

In accordance with IAS 17 binding until the end of 2018, our total revenue increased by PLN 746.3 million, or 15.1%, to PLN 5,695.4 million in the first half of 2019 from PLN 4,949.1 million in the first half of 2018. The increase in revenue was triggered by factors described below.

In accordance with IFRS 16, our total revenue amounted to PLN 5,714.6 million in the first half of 2019.

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 6 month period ended June 30, 2019	for the 6 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Retail revenue	3,222.1	3,222.1	2,834.3	387.8	13.7%
Wholesale revenue	1,634.3	1,634.3	1,374.4	259.9	18.9%
Sale of equipment	726.7	726.7	659.2	67.5	10.2%
Other revenue	131.5	112.3	81.2	31.1	38.3%
Revenue	5,714.6	5,695.4	4,949.1	746.3	15.1%

Retail revenue

Retail revenue increased by PLN. 387.8 million, or 13.7%, to PLN 3,222.1 million in the first half of 2019, from PLN 2,834.3 million in the first half of 2018, primarily due to the consolidation of Netia Group's results, effective May 22, 2018. Excluding the impact from the above mentioned factor, retail revenue decreased year on year by approximately 1% as lower revenue from voice services was partially compensated by higher revenue from pay TV and data transmission services.

Wholesale revenue

Wholesale revenue increased by PLN 259.9 million, or 18.9%, to PLN 1,634.3 million in the first half of 2019 from PLN 1,374.4 million in the first half of 2018, with contribution from the consolidated results of Netia Group. Excluding the increase resulting from the consolidation of Netia Group, wholesale revenue grew by approximately 15% and the increase was triggered primarily by the inclusion of new TV channels to our wholesale offering, in particular the Eleven

Sports Network and Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from advertising and sponsoring, and higher revenue from the sale of programming sublicenses and from the resale of the capacity of our mobile network to MVNO customers. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to P4.

Sale of equipment

Revenue from the sale of equipment increased by PLN 67.5 million, or 10.2%, to PLN 726.7 million in the first half of 2019 from PLN 659,2 million in the first half of 2018, which was primarily due to a higher share of more expensive models among the end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes for end-user devices decreased year on year.

Other revenue

In accordance with IAS 17 binding until the end of 2018, other revenue increased by PLN 31.1 million, or 38.3%, to PLN 112.3 million in the first half of 2019 from PLN 81.2 million in the first half of 2018. This increase was due to, among others, higher revenue from interest on installment plan sales of equipment to residential customers, as well as improved margin on sale of electricity.

In accordance with IFRS 16, other revenue amounted to PLN 131.5 million in the first half of 2019.

Operating costs

In accordance with IAS 17 binding until the end of 2018, our operating costs increased by PLN 677.4 million, or 16.8%, to PLN 4,721.5 million in the first half of 2019 from PLN 4,044.1 million in the first half of 2018. Operating costs increased for the reasons set forth below.

In accordance with IFRS 16, operating costs amounted to PLN 4,724.2 million in the first half of 2019.

[mPLN]	Results in accordance with IFRS 16 binding from January 1, 2019	Results in accordance with IAS 17 binding until December 31, 2018			
	for the 6 month period ended June 30, 2019	for the 6 month period ended June 30		change	
		2019	2018	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	1,155.2	1,329.7	1,083.0	246.7	22.8%
Depreciation, amortization, impairment and liquidation	1,100.7	884.7	925.3	(40.6)	(4.4%)
Cost of equipment sold	611.1	611.1	555.0	56.1	10.1%
Content costs	782.7	787.0	592.4	194.6	32.8%
Distribution, marketing, customer relation management and retention costs	486.6	495.1	428.7	66.4	15.5%
Salaries and employee-related costs	418.2	418.2	313.1	105.1	33.6%
Cost of debt collection services and bad debt allowance and receivables written off	51.5	51.5	29.5	22.0	74.6%
Other costs	118.2	144.2	117.1	27.1	23.1%
Operating costs	4,724.2	4,721.5	4,044.1	677.4	16.8%

Technical costs and cost of settlements with telecommunication operators

In accordance with IAS 17 binding until the end of 2018, technical costs and cost of settlements with telecommunication operators increased by PLN 246.7 million, or 22.8%, to PLN 1,329.7 million in the first half of 2019 from PLN 1,083.0 million in the first half of 2018, mainly due to the consolidation of Netia Group's results. After excluding this factor, cost of settlements with telecommunication operators increased by approximately 6%. This increase resulted mainly from higher interconnection costs and higher provisions for the cost of electricity.

In accordance with IFRS 16, technical costs and cost of settlements with telecommunication operators amounted to PLN 1,155.2 million in the first half of 2019.

Depreciation, amortization, impairment and liquidation

In accordance with IAS 17 binding until the end of 2018, depreciation, amortization, impairment and liquidation costs decreased by PLN 40.6 million, or 4.4%, to PLN 884.7 million in the first half of 2019 from PLN 925.3 million in the first half of 2018, due to, among others, the termination of a depreciation period related to the 800 MHz bandwidth license and the extension of amortization periods of certain elements of the mobile network, which was partially compensated by the consolidation of Netia Group's results since May 22, 2018.

In accordance with IFRS 16, depreciation, amortization, impairment and liquidation costs amounted to PLN 1,100.7 million in the first half of 2019.

Cost of equipment sold

The cost of equipment sold increased by PLN 56.1 million, or 10.1%, to PLN 611.1 million in the first half of 2019 from PLN 555.0 million in the first half of 2018, as a consequence of a higher share of more expensive models among the end-user devices sold while sales volumes for end-user devices decreased year on year.

The implementation of IFRS 16 had no impact on this cost category.

Content costs

In accordance with IAS 17 binding until the end of 2018, content costs increased by PLN 194.6 million, or 32.8%, to PLN 787.0 million in the first half of 2019 from PLN 592.4 million in the first half of 2018. This increase was mostly the result of higher cost of internal and external production and amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in the second half of 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League and the Eleven Sports Network channels bought in May 2018. The consolidation of Netia Group's results and higher cost of amortization of film licenses were additional factors contributing to the increase of content costs.

In accordance with IFRS 16, content costs amounted to PLN 782.7 million in the first half of 2019.

Distribution, marketing, customer relation management and retention costs

In accordance with IAS 17 binding until the end of 2018, distribution, marketing, customer relation management and retention costs increased by PLN 66.4 million, or 15.5%, to PLN 495.1 million in the first half of 2019 as compared to PLN 428.7 million in the first half of 2018. This increase was mainly due to higher marketing costs as well as the consolidation of Netia Group's results and the inclusion of marketing campaign costs of Eleven Sports Network channels.

In accordance with IFRS 16, distribution, marketing, customer relation management and retention costs amounted to PLN 486.6 million in the first half of 2019.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 105.1 million, or 33.6%, to PLN 418.2 million in the first half of 2019 from PLN 313.1 million in the first half of 2018, mainly due to the consolidation of results of: Netia Group from May 22, 2018, Coltex from March 1, 2018 and Eleven Sports Network from May 25, 2018, as well as due to the conversion of employment status of part of temporary employees into permanent jobs.

The implementation of IFRS 16 had no impact on this cost category.

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 22.0 million, or 74.6%, to PLN 51.5 million in the first half of 2019 from PLN 29.5 million in the first half of 2018, mainly resulting from the revaluation adjustment of certain overdue receivables made in the first quarter of 2019 to reflect the then current market conditions. An additional factor contributing to the increase was the consolidation of Netia Group's results.

The implementation of IFRS 16 had no impact on this cost category.

Other costs

In accordance with IAS 17 binding until the end of 2018, other costs increased by PLN 27.1 million, or 23.1%, to PLN 144.2 million in the first half of 2019 from PLN 117.1 million in the first half of 2018, contributed by the consolidation of Netia Group results. After excluding the above mentioned factor, other costs increased by approximately 9%, mainly as a result of higher legal, advisory and consulting costs and higher costs of property maintenance.

In accordance with IFRS 16, other costs amounted to PLN 118.2 million in the first half of 2019.

Other operating income and costs, net

Other operating income, net amounted to PLN 23.3 million in the first half of 2019 as compared to other operating income, net of PLN 6.1 million in the first half of 2018. The increase resulted from consolidating the Netia Group results and obtaining favorable administrative decisions with respect to partial waiver of fees paid in the past for using certain frequencies.

The implementation of IFRS 16 had no impact on this item.

Gains/(losses) on investment activities, net

In accordance with IAS 17 binding until the end of 2018, gains on investment activities, net amounted to PLN 14.9 million in the first half of 2019, compared to losses on investment activities, net of PLN 49.3 million in the first half of 2018. This was mainly the effect of a favorable change on unrealized foreign exchange differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of certain sports content, which were caused by appreciation of the PLN versus the EUR in the first half of 2019 versus its depreciation in the comparative period.

In accordance with IFRS 16, losses on investment activities, net amounted to PLN 7.4 million in the first half of 2019.

Finance costs, net

Finance costs, net amounted to PLN 272.7 million in the first half of 2019 and increased by PLN 101.2 million, or 59.0%, compared to PLN 171.5 million in the first half of 2018. Higher finance costs, net in the first half of 2019 were impacted by a one-time item 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. In turn, lower finance costs, net in the corresponding period, i.e., in the first half of 2018, was due to a one-time non-cash item related to the renegotiations of the terms and conditions of the Combined SFA in the first quarter of 2018 which resulted, among others, in extending both the agreement's term and the amortization period of costs of acquired financing.

The implementation of IFRS 16 had no impact on this cost category.

Income tax

In accordance with IAS 17 binding until the end of 2018, income tax amounted to PLN 164.9 million in the first half of 2019 and decreased by PLN 6.9 million, or 4.0%, compared to PLN 171.8 million in the first half of 2018.

In accordance with IFRS 16, income tax amounted to PLN 163.8 million in the first half of 2019.

Net profit

In accordance with IAS 17 binding until the end of 2018, as a result of changes mentioned above net profit increased by PLN 47.3 million, or 9,0%, to PLN 570.9 million in the first half of 2019 from PLN 523.6 million in the first half of 2018.

In accordance with IFRS 16, net profit amounted to PLN 566.2 million in the first half of 2019.

EBITDA & EBITDA margin

In accordance with IAS 17 binding until the end of 2018, EBITDA was PLN 1,881.9 million and EBITDA margin was 33.0% in the first half of 2019. It represents a higher result than EBITDA recorded for the first half of 2018 which amounted to PLN 1,836.4 million while EBITDA margin amounted to 37.1%. The increase in EBITDA results from the consolidation of Netia Group results.

In accordance with IFRS 16, EBITDA was PLN 2,114.4 million and EBITDA margin was 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 7,279 full-time equivalents (FTE) in the first half of 2019, i.e., increased by 2,067 FTE or 39.7%, compared to 5,212 FTE in the corresponding period of 2018. This increase was mainly attributable to concluded acquisitions and an inclusion of Netia Group's headcount in particular.

4.3.2. 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 as well as production of set-top boxes, and
- 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 include:

- satellite and Internet pay television services which primarily relate to direct distribution of technologically advanced pay TV services and revenues are generated mainly by pay TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees,
- mobile telecommunication prepaid services which generate revenues mainly from interconnection 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 technologies,
- production of set-top boxes,
- sale of telecommunication equipment,
- sale of electric energy and other media to retail customers.

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 broadcasted 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. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

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

6 months ended June 30, 2019 (unaudited) *IFRS 16 basis* [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	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 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the six-month periods ending June 30, 2019 and June 30, 2018 allocated to the "Services to individual and business customers" segment are not fully comparable due to the acquisition of additional shares of Netia S.A. on May 22, 2018, July 3, 2018 and October 2, 2018, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018, the acquisition of 45.1% of shares in TVO Sp. z o.o. on May 29, 2018 and the acquisition of additional 12 shares in TVO Sp. z o.o. on May 30, 2019, the acquisition of 100% of shares in Netshare Media Group Sp. z o.o. on June 25, 2018, taking up 24.47% of votes in Premium Mobile S.A. in 2018 and the acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019.

It should be also noted that the financial data for six-month periods ending June 30, 2019 and June 30, 2018 allocated to the "Broadcasting and television production" segment are not fully comparable due to the acquisition of additional 15.46% of shares in TV Spektrum Sp. z o.o. on February 2, 2018, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018 and the acquisition of additional 49.9775% of shares in Eleven Sports Network Sp. z o.o. on June 6, 2019, and the acquisition of 100% shares in Superstacja Sp. z o.o. on June 4, 2018.

Furthermore, it should be also noted that the financial data for six-month periods ending June 30, 2019 and June 30, 2018 allocated to both segments are not fully comparable due to the implementation of new IFRS 16 Leasing from January 1, 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, 2018:

6 months ended June 30, 2018 (unaudited) *IAS 17 basis* [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,269.2	679.9	-	4,949.1
Inter-segment revenues	27.7	82.4	(110.1)	-
Revenues	4,296.9	762.3	(110.1)	4,949.1
EBITDA (unaudited)	1,550.2	286.2	-	1,836.4
Depreciation, amortization, impairment and liquidation	904.8	20.5	-	925.3
Profit from operating activities	645.4	265.7	-	911.1
Acquisition of property, plant and equipment, reception equipment and other intangible assets	373.9*	20.0	-	393.9
Balance as at June 30, 2018 (unaudited)				
Assets, including:	24,937.5	5,024.5**	(210.4)	29,751.6
Investments in joint venture	4.3	36.1	-	40.4

* 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 10.6 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the six-month period ended	
	June 30, 2019 unaudited *(data in accordance with IFRS 16)*	June 30, 2018 unaudited *(data in accordance with IAS 17)*
EBITDA (unaudited)	2,114.4	1,836.4
Depreciation, amortization, impairment and liquidation	(1,100.7)	(925.3)
Profit from operating activities	1,013.7	911.1
Other foreign exchange rate differences, net	14.7	(35.2)
Interest costs, net	(213.7)	(194.6)
Cumulative catch-up	-	34.7
Share of the profit/(loss) of associates accounted for using the equity method	(3.6)	5.1
Other	(81.1)	(25.7)
Gross profit for the period	730.0	695.4
Income tax	(163.8)	(171.8)
Net profit for the period	566.2	523.6

4.3.3. Balance sheet analysis

As at June 30, 2019 our balance sheet amounted to PLN 31,359.2 million and increased by PLN 662.4 million, or 2.2%, from PLN 30,696.8 million as at December 31, 2018.

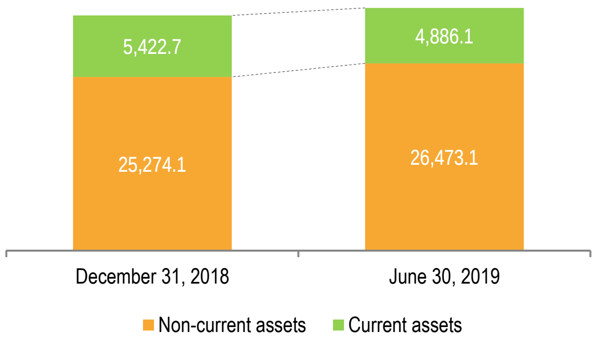
Assets

[mPLN]	June 30, 2019 *data in accordance with IFRS 16*	December 31, 2018 *data in accordance with IAS 17*	Change	
			[mPLN]	[%]
Reception equipment	249.4	264.5	(15.1)	(5.7%)
Other property, plant and equipment	4,782.7	4,792.2	(9.5)	(0.2%)
Goodwill	11,316.4	11,309.4	7.0	0.1%
Customer relationships	2,009.9	2,212.2	(202.3)	(9.1%)
Brands	2,079.7	2,096.1	(16.4)	(0.8%)
Other intangible assets	2,943.7	3,005.5	(61.8)	(2.1%)
Right-of-use assets	1,408.2	-	1,408.2	n/a
Non-current programming assets	517.5	503.8	13.7	2.7%
Investment property	29.6	29.9	(0.3)	(1.0%)
Non-current deferred distribution fees	93.9	99.7	(5.8)	(5.8%)
Other non-current assets	781.6	701.1	80.5	11.5%
Deferred tax assets	260.5	259.7	0.8	0.3%
Total non-current assets	26,473.1	25,274.1	1,199.0	4.7%
Current programming assets	538.9	543.2	(4.3)	(0.8%)
Contract assets	651.7	648.4	3.3	0.5%
Inventories	344.5	394.0	(49.5)	(12.6%)
Trade and other receivables	2,284.4	2,370.4	(86.0)	(3.6%)
Income tax receivables	5.6	34.6	(29.0)	(83.8%)
Current deferred distribution fees	221.7	218.5	3.2	1.5%
Other current assets	55.5	34.9	20.6	59.0%
Cash and cash equivalents	774.9	1,167.0	(392.1)	(33.6%)
Restricted cash	8.9	11.7	(2.8)	(23.9%)
Total current assets	4,886.1	5,422.7	(536.6)	(9.9%)
Total assets	31,359.2	30,696.8	662.4	2.2%

As at June 30, 2019 and December 31, 2018, our non-current assets amounted to PLN 26,473.1 million and PLN 25,274.1 million, respectively, and accounted for 84.4% and 82.3% of total assets, respectively.

As at June 30, 2019 and December 31, 2018, our current assets amounted to PLN 4,886.1 million and PLN 5,422.7 million, respectively, and accounted for 15.6% and 17.7% of the total assets, respectively.

Change in assets [mPLN]



The value of reception equipment amounted to PLN 249.4 million as at June 30, 2019 and decreased by PLN 15.1 million, or 5.7%, compared to PLN 264.5 million as at December 31, 2018.

The value of other property, plant and equipment decreased by PLN 9.5 million, or 0.2%, to PLN 4,782.7 million as at June 30, 2019 from PLN 4,792.2 million as at December 31, 2018. The decrease was resulting from the implementation of IFRS 16.

The value of goodwill remained at similar level and amounted to PLN 11,316.4 million as at June 30, 2019 compared to PLN 11,309.4 million as at December 31, 2018.

The value of customer relationships decreased by PLN 202.3 million, or 9.1%, to PLN 2,009.9 million as at June 30, 2019 compared to PLN 2,212.2 million as at December 31, 2018 due to recognized amortization for the six-month period ended June 30, 2019.

As at June 30, 2019, the value of brands was PLN 2,079.7 million and decreased by PLN 16.4 million, or 0.8%, compared to PLN 2,096.1 million as at December 31, 2018 as a result of recognized amortization.

The value of other intangible assets amounted to PLN 2,943.7 million as at June 30, 2019 which constitutes a decrease by PLN 61.8 million, or 2.1%, compared to PLN 3,005.5 million as at December 31, 2018. The main reason behind this decrease is the recognition of amortization of telecommunication licenses for the six-month period ended June 30, 2019.

The value of right-of-use assets amounted to PLN 1,408.2 million as at June 30, 2019. This item was recognized for the first time as at January 1, 2019 as a result of applying IFRS 16 which introduced a single, on-balance sheet lease accounting model for lessees.

The value of non-current and current programming assets amounted to PLN 1,056.4 million and remained on a similar level versus PLN 1,047.0 million as at December 31, 2018.

Investment property amounted to PLN 29.6 million as at June 30, 2019 and remained on a similar level as compared to PLN 29.9 million as at December 31, 2018.

The value of non-current and current deferred distribution fees amounted to PLN 315.6 million as at June 30, 2019 and remained on a similar level as compared to PLN 318.2 million as at December 31, 2018.

The value of other non-current assets amounted to PLN 781.6 million as at June 30, 2019 and increased by PLN 80.5 million, or 11.5%, compared to PLN 701.1 million as at December 31, 2018 as a result of the recognition of a higher value of receivables from installment plan sales of equipment and the acquisitions of shares/stocks in entities accounted for using the equity method.

The value of deferred tax assets amounted to PLN 260.5 million as at June 30, 2019 and remained on a similar level as compared to PLN 259.7 million as at December 31, 2018.

The value of contract assets amounted to PLN 651.7 million as at June 30, 2019 and remained on a similar level versus PLN 648.4 million as at December 31, 2018. This item represents the Group's right to future remuneration for the products and services provided to the customer.

The value of inventories decreased by PLN 49.5 million, or 12.6%, to PLN 344.5 million as at June 30, 2019 from PLN 394.0 million as at December 31, 2018.

The value of trade and other receivables amounted to PLN 2,284.4 million as at June 30, 2019 and decreased by PLN 86.0 million, or 3.6%, from PLN 2,370.4 million as at December 31, 2018.

The value of income tax receivables amounted to PLN 5.6 million as at June 30, 2019 and decreased by PLN 29.0 million, or 83.8%, from PLN 34.6 million as at December 31, 2018.

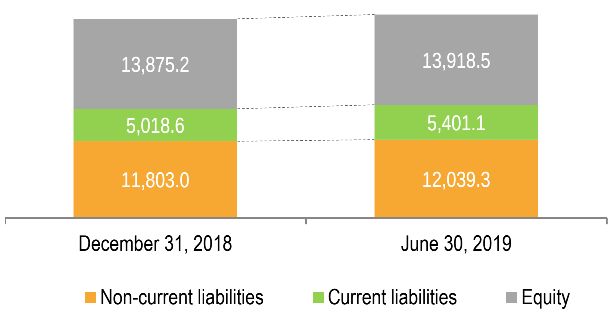
The value of other current assets amounted to PLN 55.5 million as at June 30, 2019, which constitutes an increase by PLN 20.6 million, or 59.0%, compared to PLN 34.9 million as at December 31, 2018, mainly as a result of an increase in the value of prepayments.

The value of cash and cash equivalents and restricted cash decreased by PLN 394.9 million, or 33.5% to PLN 783.8 million as at June 30, 2019 as compared to PLN 1,178.7 million as at December 31, 2018, mainly due to the partial repayment of the Revolving Facility Loan in the amount of PLN 330.0 million and scheduled repayments under the Combined SFA in the total amount of PLN 508.8 million.

Equity and liabilities

[mPLN]	June 30, 2019 *data in accordance with IFRS 16*	December 31, 2018 *data in accordance with IAS 17*	Change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	3.3	(162.5)	165.8	n/a
Retained earnings	6,065.1	6,189.9	(124.8)	(2.0%)
Equity attributable to equity holders of the Parent	13,268.0	13,227.0	41.0	0.3%
Non-controlling interests	650.5	648.2	2.3	0.4%
Total equity	13,918.5	13,875.2	43.3	0.3%
Loans and borrowings	8,100.2	8,605.3	(505.1)	(5.9%)
Issued bonds	968.9	976.0	(7.1)	(0.7%)
Lease liabilities	997.6	15.8	981.8	>100%
UMTS license liabilities	348.8	348.2	0.6	0.2%
Deferred tax liabilities	1,129.8	1,160.1	(30.3)	(2.6%)
Other non-current liabilities and provisions	494.0	697.6	(203.6)	(29.2%)
Total non-current liabilities	12,039.3	11,803.0	236.3	2.0%
Loans and borrowings	1,279.0	1,611.3	(332.3)	(20.6%)
Issued bonds	34.8	42.3	(7.5)	(17.7%)
Lease liabilities	411.1	8.2	402.9	>100%
UMTS license liabilities	118.3	118.1	0.2	0.2%
Contract liabilities	712.2	705.2	7.0	1.0%
Trade and other payables	2,691.7	2,382.4	309.3	13.0%
Income tax liability	154.3	151.1	3.2	2.1%
Total current liabilities	5,401.4	5,018.6	382.8	7.6%
Total liabilities	17,440.7	16,821.6	619.1	3.7%
Total equity and liabilities	31,359.2	30,696.8	662.4	2.2%

Change in liabilities [mPLN]



Equity increased by PLN 43.3 million, or by 0.3%, to PLN 13,918.5 million as at June 30, 2019 from PLN 13,875.2 million as at December 31, 2018, mainly due to the profit generated in the six-month period ended June 30, 2019 in the amount of PLN 566.2 million and the reversal of the valuation of a *put* option following the acquisition of 49.9775% of shares in Eleven Sports Network Sp. z o.o., which was off-set by the decision to pay dividend for 2018 in the amount of PLN 594.8 million.

As at June 30, 2019 and December 31, 2018 the value of our non-current liabilities amounted to PLN 12,039.3 million and PLN 11,803.0 million, which constituted 69.0% and 70.2% of the Group's total liabilities, respectively.

As at June 30, 2019 and December 31, 2018 the value of our current liabilities amounted to PLN 5,401.4 million and PLN 5,018.6 million, which constituted 31.0% and 29.8% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) decreased by PLN 837.4 million, or 8.2%, to PLN 9,379.2 million as at June 30, 2019 from PLN 10,216.6 million as at December 31, 2018, which was mainly the effect of the partial repayment of the Revolving Facility Loan and the repayment of installments under the Combined SFA.

Senior Notes liabilities (short- and long-term) decreased by PLN 14.6 million, or 1.4%, to PLN 1,003.7 million as at June 30, 2019 from PLN 1,018.3 million as at December 31, 2018 following the refinancing of bonds performed in 2019.

Lease liabilities (short- and long-term) amounted to PLN 1,408.7 million as at June 30, 2019 as compared to PLN 24.0 million as at December 31, 2018. The increase was mainly due to the implementation of the new IFRS 16.

UMTS license liabilities (short- and long-term) amounted to PLN 467.1 million as at June 30, 2019 and remained on a similar level compared to PLN 466.3 million as at December 31, 2018.

Deferred income tax liabilities decreased by PLN 30.3 million, or 2.6%, to PLN 1,129.8 million as at June 30, 2019 from PLN 1,160.1 million as at December 31, 2018.

The value of other non-current liabilities and provisions amounted to PLN 494.0 million as at June 30, 2019 and decreased by PLN 203.6 million, or 29.2%, from PLN 697.6 million as at December 31, 2018. The decrease was due to the reversal of the valuation of the *put* option and the gradual shifting of part of liabilities, in particular the liabilities related to the purchases of programming assets, to current liabilities.

The value of contract liabilities amounted to PLN 712.2 million as at June 30, 2019 and increased by PLN 7.0 million, or 1.0%, from PLN 705.2 million as at December 31, 2018.

The value of trade and other payables amounted to PLN 2,691.7 million as at June 30, 2019 which constitutes an increase by PLN 309.3 million, or 13.0%, compared to PLN 2,382.4 million as at December 31, 2018. This increase was driven primarily by the recognition of a liability against shareholders in connection with the dividend payout for 2018, planned for the second half of 2019, and a lower balance of trade liabilities and accruals, associated among others with the settlement of payments related to the investments make during 2018. Furthermore, the decrease in this item was a result of the implementation of IFRS 16.

Income tax liabilities amounted to PLN 154.3 million as at June 30, 2019 as compared to PLN 151.1 million as at December 31, 2018.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the six-month periods ended June 30, 2019 and June 30, 2018.

[mPLN]	for six months ended June 30		change	
	2019 *(data in accordance with IFRS 16)*	2018 *(data in accordance with IAS 17)*	[mPLN]	[%]
Net profit	566.2	523.6	42.6	*8.1%*
Net cash from operating activities	1,558.1	1,220.2	337.9	27.7%
Net cash used in investing activities	(732.0)	(637.7)	(94.3)	(14.8%)
Capital expenditures	*(636.3)*	*(350.6)*	*(285.7)*	*(81.5%)*
Net cash used in financing activities	(1,219.0)	(868.2)	(350.8)	(40.4%)
Net increase/(decrease) in cash and cash equivalents	(392.9)	(285.7)	(107.2)	(37.5%)
Cash and cash equivalents at the beginning of the period	1,178.7	1,172.0	6.7	0.6%
Cash and cash equivalents at the end of the period	783.8	887.8	(104.0)	(11.7%)

Net cash from operating activities

Net cash from operating activities amounted to PLN 1,558.1 million in the first half of 2019 and increased by PLN 337.9 million, or 27.7%, compared to net cash from operating activities in the amount of PLN 1,220.2 million in the corresponding period of 2018.

A higher level of generated EBITDA and a decrease in inventories allowed compensating for lower liabilities and provisions and higher payments for film licenses and sports rights.

Furthermore, an increase in net cash from operating activities was supported by the implementation of IFSR 16.

In parallel, during the first half of 2019 the Group continued to record a significant scale of engagement of its working capital in the financing of sales of equipment for residential customers in the installment plan model, which was related to the high popularity of this form of sales among our customers.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 732.0 million in the first half of 2019 which constitutes an increase by PLN 94.3 million, or 14.8%, from PLN 637.7 million in the first half of 2018.

In the first half of 2019, capital expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 636.3 million, which constitutes an increase by PLN 285.7 million, or 81.5%, compared to PLN 350.6 million in the first half of 2018. This increase resulted from, among others, the consolidation of capital expenditures of Netia Group effective May 22, 2018 and the settlement of payments related to the investments made during 2018. Furthermore, the expenditures included the continued roll-out of our 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 and costs of renewal of certain TV licenses. At the same time we also invested in the development of IPTV service, the expansion of space used for television production, the replacement of equipment used for TV recordings, the purchase of broadcast vans, upgrade and development of routers, the expansion of servers used to develop the IPLA service, and we also successively exchanged the interior design of our points of sales.

On top of regular capital expenditures, in the first half of 2019 net cash used in investing activities included other expenditures, related among others to the acquisition of shares/stocks in TVO Sp. z o.o., Eleven Sports Network Sp. z o.o. and Vindix S.A.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 1,219.0 million in the first half of 2019, which constitutes an increase by PLN 350.8 million, or 40.4% compared to PLN 868.2 million in in the first half of 2018. The increase was driven mainly by the implementation of IFRS 16, which was reflected in recognizing significantly higher payment of interests on lease liabilities and payment of lease liabilities (with both items decreasing the amount of net cash flows from operating activities under the previous reporting standard).

In 2019 we began the scheduled repayments of our debt from the Combined SFA, with total payments totaling to PLN 508.8 million as at June 30, 2019. Moreover, in the same period we reduced or debt from the Revolving Facility Loan by PLN 330.0 million. In parallel, we incurred current debt-servicing costs.

4.3.5. 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, 2019.

	Balance value as at June 30, 2019 [mPLN] *(excluding IFRS 16, in accordance with the requirements of the Combined SFA)*	Balance value as at June 30, 2019 [mPLN] *(including IFRS 16)*	Coupon / interest / discount	Maturity date
Combined SFA	9,104.1	9,104.1	WIBOR + margin	2022
Revolving Facility Loan	270.0	270.0	*WIBOR + margin*	
Series B Notes	1,003.7	1,003.7	WIBOR + 1.75%	2026
Leasing and other	27.2	1,413.8	-	-
Gross debt	10,405.0	11,791.6	-	-
Cash and cash equivalents[1]	(783.8)	(783.8)	-	-
Net debt	9,621.2	11,007.8	-	-
EBITDA LTM	3,743.2 [2]	3,975.7	-	-
Total net debt / EBITDA LTM	2.57x	2.77x	-	-
Weighted average interest cost[3]	3.3%			

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

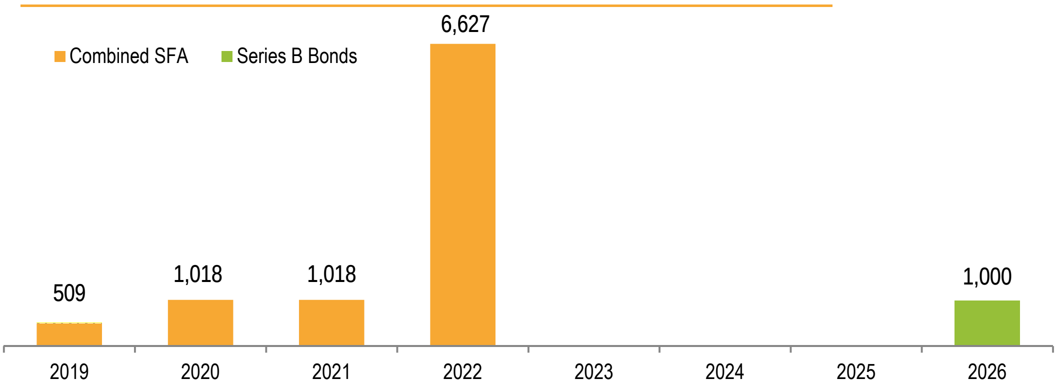
2 In accordance with the requirements of the Combined SFA, the calculation excludes the impact from the implementation of IFRS 16 binding from January 1, 2019. The exclusion concerns both the calculation of EBITDA LTM and the calculation of debt.

3 Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series B Notes, excluding hedging instruments, as at June 30, 2019 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.79%.

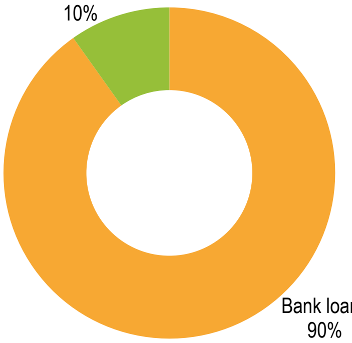
As a result of the conclusion on March 2, 2018 of the second amendment and restatement deed to the Combined SFA, the termination date of the Term Loan and consequently the repayment schedule have changed. The extended repayment schedule resulted, i.a., in the freezing of repayments of capital installments in 2018. In turn, the repayment schedule provides for making equal periodic installments in years 2019-2021 in the amount of PLN 254.4 million per quarter (PLN 1,017.6 million per year).

The graphs below present the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the revolving facility loans and leasing) as well as its structure according to instrument type and currency as at June 30, 2019.

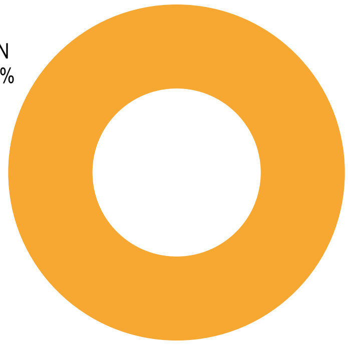
Debt maturing profile as at June 30, 2019 [mPLN]



Debt strucutre by instrument type
as at June 30, 2019



Debt structure by currency
as at June 30, 2019



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

Material financing agreements executed by the Group

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

Combined Senior Facilities Agreement

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

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

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

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

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

Moreover, on March 2, 2018 the Group concluded the Second Amendment, Restatement and Consolidation Deed incorporating further changes in the CP SFA. The modification related, among others, to the extension of the term of repayment of the Term Loan until September 30, 2022, which entailed a modification of the repayment schedule (details described in the item above) 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 to from 1.75:1 up to 3.00:1.

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

The Term Facility and the Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Term Facility and the Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1, whereby the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the Combined SFA, does not include debt instruments under which capital is repaid not sooner than 6 months after the term of repayment of the Term Facility and Revolving Facility and interest is not paid in cash on a current basis. Pursuant to the provisions of the amended Combined SFA the final repayment date for the Term Facility and the Revolving Facility is September 30, 2022. Starting from 2019, the Term Facility is repaid in quarterly installments of variable value according to an established schedule.

Pursuant to the Combined SFA the Company and its Group companies establish, in specified cases, certain collaterals for the credit facilities granted thereunder. In particular, these collaterals include registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of the Company and its selected subsidiaries, registered and financial pledges on shares in the Company's subsidiaries, registered and financial pledges on receivables related to bank accounts kept for the Company or its selected subsidiaries, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares or assets of the Company's subsidiaries, to be governed by foreign laws. A detailed description of established securities is presented in item 4.6.7. 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 Combined SFA when the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 3.00:1, the Company will have a right to demand that the collaterals for the Combined Senior Facilities Agreement be released (save for guarantees granted on the basis of the Combined SFA). However, such released collateral will need to be re-established if the net consolidated indebtedness to consolidated EBITDA ratio again rises above 3.00:1. Additionally, if certain members of the Company's Group incur secured indebtedness, a pari passu collateral will need to be established in favor of the Security Agent (acting for, among others, the lenders under the Combined Senior Facilities Agreement).

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

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

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

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

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

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

On July 19, 2018, the Combined CFA was entered into by Netia as an additional borrower and an additional guarantor. Netia's entering into the Combined CFA was based on the resolution of the Management Board of Netia dated June 13, 2018 of which Netia informed in its current report No. 35/2018 dated June 13, 2018.

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

Series B Bonds issued by Cyfrowy Polsat

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 decrease costs of servicing the indebtedness due to the Series A Bonds issued by the Company and maturing on July 21, 2021, which were fully repurchased from investors and earlier redeemed in April and May 2019 from the resources obtained under 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 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.

Contractual obligations

Contractual commitments to purchase programming assets

As at June 30, 2019 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, 2019 *(unaudited)*	December 31, 2018
within one year	243.4	317.4
between 1 to 5 years	414.9	418.9
more than 5 years	5.3	19.4
Total	663.6	755.7

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

[mPLN]	June 30, 2019 *(unaudited)*	December 31, 2018
within one year	2.9	-
Total	2.9	-

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 279.1 million as at June 30, 2019 (PLN 171.5 million as at December 31, 2018). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at June 30, 2019 was PLN 306.7 million (PLN 212.6 million as at December 31, 2018).

Ratings

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

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

On June 11, 2019 Moody's Investors Service ("Moody's") upgraded the corporate family rating ("CFR") of the Group from Ba2 to Ba1, changing the rating outlook from positive to stable. In its justification Moody's stated that the rating upgrade reflects in particular: (1) the strengthening of the Group's key credit metrics over the last two years; (2) its market leading positions in pay TV, online video, and fixed and mobile telephony and broadband services; (3) the benefits of being an integrated media and telecommunications group with a fully convergent commercial proposition; (4) its public commitment to reach a net debt/EBITDA leverage of 1.75x over the medium term; and (5) strong and stable free cash flow generation. Moreover, the Group's credit rating also reflects: (1) a stable operational performance despite strong GDP growth in Poland amid market dynamics that are more challenging in the mobile telecom segment than in the pay TV market; (2) the expectation of a resumption in dividends this year; (3) the Group's concentration in Poland, a very competitive market; and (4) Moody's expectation of a slowdown in GDP growth in 2019 and 2020 coupled with rising cost inflation. In Moody's opinion, positive rating pressure is unlikely in the medium term given the Group's small scale relative to similarly-rated peers, its concentration in Poland, and its current financial policy that targets net debt/EBITDA of 1.75x. However, overtime, positive pressure could emerge if the Group demonstrates sustained revenue, EBITDA and margin improvement, and continues reducing debt. On the other hand, negative rating pressure could be exerted as a result of a material weakening of its operating performance or increased debt levels above certain levels of indicators defined by Moody's.

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

4.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Combined Senior Facilities Agreement

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

(i) registered pledges over variable collections of movable property and rights comprised in the enterprises of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Aero2, Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) and Plus Flota Sp. z o.o., governed by Polish law.

(ii) financial and registered pledges on shares in Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700), Polkomtel (with a total nominal value of PLN 2,360,069,800) and Aero2 (with a total nominal value of

PLN 91,958,700), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies. the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment.

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

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

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

(vi) financial and registered pledges on receivables under bank account agreements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Aero2 and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o)., governed by Polish law.

(vii) powers of attorney to bank accounts of the Company, Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Dwa Sp. z o.o., Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Sp. k., Polsat Media Biuro Reklamy Sp. z o.o., Interphone Service Sp. z o.o., Muzo.fm Sp. z o.o., INFO-TV-FM Sp. z o.o., Polkomtel Business Development Sp. z o.o., Nordisk Polska Sp. z o.o., TM Rental Sp. z o.o., Liberty Poland S.A., Aero2, Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) and Plus Flota Sp. z o.o., governed by Polish law.

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

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

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

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

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

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

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

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

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

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

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

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

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

(xxi) statements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel, Aero2 and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.) on the submission to enforcement on the basis of a notarial deed, governed by Polish law, and

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

5. OTHER SIGNIFICANT INFORMATION

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

Transactions concluded in the first half of 2019 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 18 of the interim condensed consolidated financial statements for the six-month period ended June 30, 2019.

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

Cyfrowy Polsat Group had not published any financial forecasts.

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

Management believes that the provisions for litigations as at June 30, 2019 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 December 23, 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8 million. The company appealed to SOKiK against the decision. On October 24, 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On August 30, 2018 Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5 million. On November 20, 2018 Polkomtel made a payment in the amount of PLN 1.5 million. On March 13, 2019 SOKiK dismissed the appeal in remaining scope. The verdict is not binding.

On December 30, 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 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. On January 22, 2019 proceedings before the Court of Appeal were suspended.

On December 30, 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 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. On August 7, 2019 the court dismissed the appeal of Cyfrowy Polsat. The Company has right to appeal to the Court of Appeal in Warsaw.

On December 30, 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 4.4 million and PLN 12.3 million, respectively. The Group appealed to SOKiK against the decision. The Company's hearing date is scheduled on October 14, 2019.

On April 29, 2019 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by charging for activating the services to consumers, despite not obtaining an explicit approval of the additional payment associated with these services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39 million. Polkomtel appealed to SOKiK against the decision.

Legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication license for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (currently Aero2 Sp. z o.o.) and Centernet S.A. (currently Aero2 Sp. z o.o.).

Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. The 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, the 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 the President of UKE notified the parties that the tender dated 2007 has been annulled. On October 13, 2017 Aero2 Sp. z o.o. (legal successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated August 4, 2017 concerning the annulment of the tender procedure. On January 31, 2018, the President of UKE upheld its decision dated August 4, 2017. On March 7, 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw, on October 4, 2018 complaint was dismissed. On December 27, 2018 Aero2 filed a cassation appeal against judgment. The case is awaiting the appointment by the NSA.

The decision issued by the President of UKE 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 granting 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 from April 23, 2009. This decision was upheld by the decision of the President of UKE of June 4, 2018. In connection with complaints filed against this decision, in the ruling of March 11, 2019 the Provincial Administrative Court in Warsaw annulled the decision of the President of UKE dated June 4, 2018. The Company filed a cassation appeal against judgment which is awaiting the consideration by the NSA.

Other proceedings

In September 2015, Polkomtel (Company’s subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316.0 million (including interest of PLN 85.0 million), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On December 27, 2018 Court dismissed entire claim. P4 Sp. z o.o. appealed against the decision. Management believes that the claim is unfounded, as Polkomtel’s conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management’s opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

On April 28, 2017, 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 entirety. On January 10, 2018 the court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on May 8, 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline.

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 consolidated financial statements for the year ended December 31, 2018 remained unchanged.

5.4. Factors that may impact our operating activities and financial results at least in the subsequent quarter

5.4.1. Factors related to social-economic environment

Economic situation in Poland

Macroeconomic trends in the Polish economy and the economic situation on global markets have thus far affected the operations and operating results of 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 growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

Based on data published by the European Commission, a noticeable recovery of economies both of Poland and other EU countries took place in the years 2015-2018. GDP growth for Poland in this period was 3.8%, 2.9%, 4.6% and 5.1%, respectively, and for 2019 it is estimated at over 4%. Current forecasts, published by domestic and international institutions, regarding growth prospects of the Polish economy assume that despite the slower growth, the high rate of growth of Poland's GDP, outperforming corresponding indices for the whole European Union nearly twice fold, will be sustained in 2019 and 2020.

We believe that average consumer spending, including spending on pay TV, mobile telephony, video online, broadband access, bundled services and end-user devices generally will grow in line with the overall GDP growth and further growth of the level of wages in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2019-2020 will also have a positive impact on the advertising expenditures in Poland.

Situation on the pay TV market in Poland

Our revenue from subscription fees is dependent upon the number of our customers and their loyalty, the pricing of our services and the penetration rate of pay TV in Poland, which we consider saturated.

The market on which we operate is very dynamic and competitive. Strong competition and the dynamically evolving market environment (including consolidation processes on the satellite and cable TV markets as well as the continued convergence of mobile and fixed-line services which allows for bundling the Internet, TV and voice offerings and using them everywhere and on any device) impact promotional offerings addressed to our new customers. In addition, due to high competition, we continuously invest in customer retention programs and loyalty building.

Taking into consideration changes in our market environment and growing importance of convergence, in the first quarter of 2019 we offered a TV service in fixed-line IPTV technology (a closed network). Next, in July 2019 we launched our OTT television service, which enables access to television channels via the Internet delivered by any service provider (an open network). Thus, our customers may now use Cyfrowy Polsat's pay TV services through an optimum from their point of view technology of TV signal delivery: via satellite or cable. In case of the OTT television, they also have a possibility of flexible activation and/or changes of programming packages selected by them.

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content, as demonstrated, e.g. by the purchase of broadcasting rights to the UEFA Champions League and Europa League for the seasons 2018-2021. This gives us a chance to attract a significant portion of migrating customers to our platform. Moreover, we offer pay TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix or Amazon Prime, is proof that Poland is considered an attractive market. In parallel, Naspers' withdrawal of its Showmax service from Poland is, in our opinion, an evidence of large challenges faced by this segment. We consequently develop our services which consist in providing our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our online service Cyfrowy Polsat GO which allows access to content on mobile devices anytime and anywhere. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels. We are also developing 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 introduced to the market our own set-top boxes which are dedicated to them.

Development of 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. In the past, given the increasing GDP of Poland, the TV advertising market was characterized by a regular single-digit (in percentage terms) growth rate and in 2018 it recorded high growth dynamics of 6.3%. Assuming further positive GDP growth dynamics in the years 2019-2020 (forecasted by European Commission at 4.2% and 3.6%, respectively), we expect continued growth of the Polish advertising market.

In our opinion, television remains 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. What is more, the expected high rate of economic growth in 2019-2020 should have a positive influence on the level of advertising expenditures in Poland. It is worth noticing that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily 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. According to the estimates of media house Zenith from June 2019, the dynamics of advertising spending in 2019 will be around 3%.

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in 2018 online advertising expenditures increased at a rate of 14.2% YoY and reached the value of PLN 3.14 billion. The growth dynamics of this form of advertising is influenced to a significant extent by expenditures in the video advertising segment, in which we generate part of our revenue. In 2018, those expenditures increased by 30% and represented 14% of the total expenditures on online advertising. We believe that thanks to the leading position on the online video market, through IPLA internet television and other services of Cyfrowy Polsat Group, we will benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with an increasingly greater selection of thematic channels, as well as a broader offer of channels available via digital terrestrial television (DTT), main general entertainment channels (FTA) are experiencing a gradual decline in audience shares. According to data published by Nielsen Audience Measurement, in the first half of 2019 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 36.0%, while in the first half of 2018 it was equal to 38.1%.

In turn, according to Nielsen Audience Measurement's data, the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience share and advertising market share, 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 2018, 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 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.

Next step in strengthening our position was starting in May 2018 the strategic cooperation with Eleven Sports in Poland. By taking control over its Polish company, Eleven Sports Network, we included into our retail and wholesale offerings the premium sports content of the highest quality. This represents yet another strategic investment aimed at consistent creating of the best programming offering for our viewers.

In July 2018 we introduced to our offering the TV package "Polsat Sport Premium", thanks to which for the next three seasons 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. With a view of these football games in particular, Polsat launched the most advanced and the biggest sports studio in Poland, allowing football fans to receive complete setting for the matches, in the highest visual quality and with an excellent journalist and reporter team of Polsat Sport.

In October 2018 we launched two thematic channels “Polsat Games” and “Polsat Rodzina” (“Polsat Family”). Polsat Games is addressed to gamers and s-sports as well as to new technologies and animation. The channel broadcasts, among others, live e-sports tournaments, reviews of newest productions and equipment. The station is a 360^0 project, and its programs are available everywhere where games fans consume content, also in the Internet. Polsat Rodzina is a family-oriented station. Its offer includes programs providing guidance and advice, educational cartoons for kids as well as programs covering Christian topics.

Growing importance of convergent services

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

I 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 being a combination of mobile and fixed services. Operators pay a lot of attention to high quality broadband access for households, which results in wide-scale investments in the modernization and expansion of the footprint of both mobile LTE and LTE-Advance technologies, and modern fixed-line technologies (NGA – Next Generation Network, FTTH – Fiber to the Home) as well as acquisitions of entities owning broadband infrastructure.

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

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

The acquisition transaction of a controlling stake in the fixed-line operator Netia, finalized by Cyfrowy Polsat in May 2018, can serve as the first example of such consolidation in Poland. Thanks to this transaction Polsat Group possessed all assets necessary to provide fully convergent services which shall facilitate better adjustment of the offering to customers’ needs and more effective cost management. Already in June 2018 we offered our customers, under a pilot project, Netia’s fixed-line broadband Internet, complemented by TV services based on the Internet and voice telephony. At the end of 2018 we introduced the service “Plus Internet Stacjonarny”, a fixed-line Internet access provided to our customers based on Netia’s infrastructure. Later, in the first quarter of 2019 we launched cable TV in IPTV technology, which is available to fixed Internet access customers of Plus, Netia and Orange networks. The next phase in the Group’s development was the implementation of the OTT television service in July 2019, which can be accessed via the Internet delivered by any service provider. The introduction of the new Internet television services to our offering represents another stage of development of our Group as well as our response to the ever changing needs and expectations of our customers, who can now decide themselves about the most suitable for them form of content delivery.

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

T-Mobile Polska

In July 2018 T-Mobile Polska and Orange Polska signed an agreement based on which T-Mobile shall provide its customers the bitstream access (BSA) services through part of Orange’s FTTH backbone network. In accordance with Orange’s press release, the agreement covers a 10-year period, with a possibility of an extension for further 5 years, and concerns multifamily houses in the areas not covered by the regulated BSA access with ca. 1.7 million homes passed. The transaction has not been entered into on exclusivity basis which, on the one hand, allows other operators to start cooperation related to wholesale access to Orange’s infrastructure and, on the other hand, does not preclude T-Mobile from entering into an agreement with other wholesale providers of fixed-line infrastructure. Next, in September 2018 T-Mobile Polska concluded an agreement with another operator, Nexera, who is at present constructing its fiber optic network in four voivodships under the POPC program (*Program Operacyjny Polska Cyfrowa – Operating Program Digital Poland).* According to T-Mobile, based on both agreements signed, by 2020 the operator will increase the reach of available fiber optic networks to 4.5 million households. At the end of 2019 T-Mobile launched its offering of convergent services for residential customers which comprises voice service, OTT television servces of Netflix and IPLA, and fiberoptic Internet. The convergent package is available to customers located within the reach of fiber infrastructure of one of T-Mobile's partners, i.e., approximatley 2.7 million households in Poland.

Play

In July 2019 Play informed about signing an agrement with Vectra, a cable TV operator, which shall enable Play to offer fxed-line broadband Internet (at present Vectra's network reach is approximately 2.7 million households). The operators plan to launch the service in the first quarter of 2020. Moreover, Play informed about the acquisiiton of 3S S.A., an operator of a fiber optic network spanning approximately 3.8 thousand km in the region of Upper Silesia and six data center clasters. The transaction supports the development of Play's transmission network to its base stations to the technology based on fiber optic communications which, acocrding to the operator, is related to the planned impementation of the 5G standard.

UPC Polska

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

Changes in pricing of mobile services

A significant change on the mobile telephony services market which took place in the second quarter of 2019 was the introduction of modifications to the retail pricelists for postpaid services by competing operators, which consisted in increasing monthly fees in exchange for higher data transmission packages (the *more-for-more* pricing strategy). The 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. It should be noted that the changes being presently implemented in postpaid tariff plans concern those customers who decide to sign a new contract or to extend an existing contract with their operator on new terms. The above mentioned change should translate favorably into the value of the Polish mobile telephony market.

Growing demand for smartphones and data transmission

In Poland the popularity and sales of smartphones has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales structure. Concurrently, we estimate that among all handsets used by our customers at the end of June 2019 only approximately 76% constituted smartphones. This disproportion shows that the saturation of our mobile services customer base with smartphones will continue to grow in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to estimates presented in the Ericsson Mobility Report dated June 2019, the volume of transmitted data in the Central and Eastern Europe region, to which Poland belongs, will grow six-fold in the years 2018-2024.

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

Roll-out of competing LTE networks

Following the resolution in 2015 of the LTE auction of 5 blocks in the 800 MHz bandwidth and 14 blocks in the 2600 MHz bandwidth, Polsat Group's competitors gained the possibility of providing high quality services in LTE based on the 800 MHz frequency band. Since 2017 our competitors invested heavily in the roll-out of their mobile networks based on the 800 MHz spectrum, thus consistently increasing the coverage of their respective LTE networks.

Cooperation between certain telecommunication operators in the scope of network sharing may have a significant effect on the shape of the Polish telecoms market. In December 2016 T-Mobile Polska and Orange Polska signed an agreement, pursuant to which they develop their own LTE networks based on the 800 MHz bandwidth using jointly the network of transmitters of the joint venture NetWorks!, however, without sharing the radio resources owned. In May 2018 both operators signed an annex to this agreement, based on which they terminated cooperation relating to co-using the frequency resources in 900 MHz and 1800 MHz bandwidths. In parallel, T-Mobile and Orange plan to increase capacity of LTE network in their respective bandwidths while simultaneously limiting the resources used for the purposes of providing services in 2G technology. Moreover, the operators pursue refarming of their own 2100 MHz bandwidths for the needs of LTE technology and at the expense of limiting 3G technology.

In turn, in August 2019 the operator of Play network informed that as of June 30, 2019 it reached the level of 7,382 own sites which are being rolled-out under the investment program aimed at reaching nationwide coverage footprint by the year 2021 and constructing in total 9,500 own sites. The expansion of Play's network is intended to remove the operator's reliance on national roaming services, presently still used by Play, to ensure nationwide coverage for its customers starting from 2022.

In our opinion the significant improvement of the quality of LTE mobile broadband services provided by our competitors, pursued to a large extent by optimization of the possessed frequency resources (refarming), and the systematic expansion of the coverage footprints of their networks resulting from infrastructural investments will influence, in coming periods, the competition model functioning on the Polish mobile broadband market.

Preparations of competitors to the implementation of 5G networks

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 speed of over 1 Gb/s while simultaneously significantly reducing latency to as much as below 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, the member states should have wide network coverage in 5G technology by 2025.

For the purposes of development of 5G networks in Europe, the frequencies from the 700 MHz, 3.4-3.8 GHz and 26 GHz bandwidths have been designed. At present, the processes of bandwidth allocation, depending on their availability, are ongoing in respective European states. As far as Poland is concerned, as of the date of approval of this Report no binding decisions with respect to frequency allocation for the needs of the 5G network construction were taken. Currently, UKE is preparing to arrange for the first allocation process which concerns the frequencies from the 3.4-3.8 GHz band. At this stage of works it is expected that the decision with regard to the above mentioned bandwidth shall be made in 2020, whereby as of today no detailed formula for conducting the sale process nor the size of bandwidth to be made available to operators in the first phase were specified. In parallel, the legislative works are ongoing to open, among others, the path to mitigate the Polish electromagnetic field norms (PEM) which are among the most stringent in Europe.

In Poland, our mobile competitors have started tests of 5G technology based on the local bandwidths leased for this purpose from the Office for Electronic Communications (UKE). In September 2018 Orange Polska launched (in cooperation with Huawei) the first 5G station in Gliwice and the second one was put into operation in Zakopane (based on the equipment from Ericsson). The tests of the next stations (in Warsaw and Lublin, in partnerships with Ericsson and Nokia, respectively) were announced in July 2019. In December 2018 T-Mobile Polska launched under a pilot the 5G stations in Warsaw and for several months was also conducting a Smart City project in cooperation with the town of Kazimierz Dolny. In turn, Play announced in mid-2019 the construction of a pilot 5G network on the campus of Technical University in Łódź (in cooperation with, among others, Ericsson), the start of 5G tests in the city of Toruń (using the equipment from Huawei) and the planned setting-up of a 5G zone on the Legia Warszawa stadium (jointly with Ericsson). A bit earlier, in March 2019, Play introduced to its marketing communication a phrase “5G Ready”.

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, 2018, TV Polsat Group generated approximately 22.4% of advertising revenue in the first quarter, 26.8% in the second quarter, 20.0% in the third quarter and 30.8% in the fourth quarter.

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.

Other revenues are not directly subject to substantial seasonal fluctuations.

5.4.2. 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 a 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 or gas and electric energy supply. 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 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 satellite and Internet technologies – 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, financial 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 2.5 million homes passed, out of which, as at end of June 2019, nearly 1.2 million were within the reach of broadband Internet with transmission speed of 1 Gb/s. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure.

Netia's fiber-optic, nationwide backbone infrastructure perfectly complements our own infrastructure. It will allow for quick and efficient expansion of the capacity of our mobile network, thus strengthening our competitive advantage and will improve flexibility in planning the development of our joint telecommunication network in the future. 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 also substantially improved our position in the business customers segment. We anticipate that 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, will enable us to significantly improve our current competitive position on this market of convergent services for business customers. In particular, by working together we will 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 will offer us an opportunity to compete more effectively with other telecommunication operators.

Investments in network roll-out and spectrum refarming

In the first half of 2019, residential customers of Cyfrowy Polsat and Polkomtel transferred ca. 530 PB of data. Striving to maintain a high quality of provided services, we continue to invest in our telecommunication network roll-out. In particular, upon having approached the level of coverage of over 99% 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 73% of Poles, as well as expanding our territory coverage in Poland.

Investments in the development of our LTE network are mainly conducted using own spectrum in the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands. As of now we own over a dozen thousand eNodeB systems operating in LTE/LTE Advanced technology on various bands from our frequency 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 are currently migrating traffic provided in new and definitely more effective technologies to this frequency. By the end of 2018 we have put into operation for our customers over 6.2 thousand transceivers operating based on the 900 MHz band frequency.

Simultaneously, work is in progress throughout Poland with a view of 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 800 MHz, 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, in selected locations we are testing the possibilities and technical parameters of a network based on a wide 50 MHz block of 2600 MHz TDD spectrum, which, if applied according to our expectations, could significantly increase the capacity of out mobile 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. According to estimates presented in the Ericsson Mobility Report dated June 2019 in the years 2014-2024 data consumption of video content will increase at an average annual rate of 34%, reaching ca. 74% of the entire data traffic in 2024. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future. Starting from August 2018 a dedicated sports package "IPLA Polsat Sport Premium" is available in IPLA web service. The package offers live broadcasts, without ads, of all the UEFA Champions League matches as well as the UEFA Europa League games to which Polsat Group has acquired exclusive broadcast rights. The package will be offered both to the Group's current customers as well as other operators' customers.

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. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as solely created 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 the most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA EURO 2020, FIFA World Championships 2022, two editions of the football Nations League 2018/19 and 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 2019 and 2023 World Cup, the men's and women's Europe Volleyball Championships 2019 and 2021, Plus Liga and Orlen Liga, boxing and mixed martial arts galas (KSW, FEN and UFC), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, in 2017 we acquired 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 in May 2018 over the Polish company Eleven Sports Network, 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.

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

5.4.3. Factors related to the regulatory environment

International roaming in mobile networks

The level of wholesale and retail roaming rates for voice services (reception and execution of voice connections), short text messages, MMS and data transmission on the territory of the European Economic Area (EEA) is subject to regulations.

Pursuant to the Resolution of the European Parliament and Council of November 25, 2015, as of June 15, 2017 retail charges for regulated roaming services were levelled with domestic charges (the *Roam Like at Home* regulation). The majority of tariff plans used on the Polish market include the so-called unlimited tariffs which enable making unlimited domestic calls and sending an unlimited number of short text messages against a fixed monthly subscription fee, and incoming voice calls on the Polish market are free-of-charge, as a general rule. In view of the above, the implementation of the *Roam Like at Home* regulation translated into the reduction of the stream of telecommunication retail revenue of all operators who have fully implemented this regulation, including Polsat Group.

When our customers generate traffic while roaming abroad, we incur costs of purchasing that traffic attributable to foreign telecommunication networks. Wholesale settlement rates for the purchase of roaming traffic on the territory of the EEA are also subject to regulatory reductions. In particular, the implementation of the *Roam Like at Home* regulation starting from June 15, 2017 was preceded by the implementation of an interim plan of a reduction of wholesale charges for international roaming services valid on the territory of the EEA:

[EUR]	Maximum average wholesale prices (settlements between operators) on the territory of the EEA from:						
	July 1, 2014 to June 14 ,2017	June 15, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
Data transmission (per 1 GB)	51.2	7.7	6.0	4.5	3.5	3.0	2.5
Outbound voice calls (per minute)	0.05	0.032	0.032	0.032	0.032	0.032	0.032
SMS (per 1 SMS)	0.02	0.01	0.01	0.01	0.01	0.01	0.01

Despite the considerable reduction of the maximum settlement rates introduced in parallel with the implementation of the *Roam Like at Home* regulation, the hike in the traffic volume generated by our customers roaming abroad translated into a significant growth of costs related to the purchase of roaming traffic, which in the case of services provided on the territory of the EEA, generated losses on selected roaming services. In order to mitigate this negative effect we have been actively renegotiating our wholesale agreements with the view of reducing costs related to the purchase of roaming traffic, which leads to a reduction of the rate of growth of these costs.

Cap prices for international calls and text messages

In the Regulation of the European Parliament and of the Council establishing the Body of European Regulators for Electronic Communications (BEREC) and the Agency for Support for BEREC (BEREC Office), provisions regulating prices for international voice calls and text messages within the EEA were included. The law provides for the introduction of the maximum retail prices that operators will be able to charge for these services. The price caps are 19 eurocents per minute of an outgoing international voice call and 6 eurocents for an international text message sent (prices excluding VAT). The provisions are effective as of May 15, 2019.

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

UKE is currently conducting administrative proceedings to determine FTRs at a level significantly lower than the current market practice. Further regulation of MTRs and FTRs is also provided for by the provisions of the European Code of Electronic Communication. According to them, 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 in the second half of 2019.

5.4.4. Financial factors

Exchange rates fluctuations

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

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

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

Despite the fact that the Group intends to maintain certain hedging positions the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such a 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 the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result.

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

5.4.5. Influence of changes in financial reporting standards

On January 1, 2019, the new standard IFRS 16 *Leases* came into force.

In accordance with the IAS 17 *Leases* applied until 31 December 2018, the Group classified lease agreements as either financial or operational lease. Assets used under contracts that were classified as finance lease were recognized as non-current assets and measured at the lower of the fair value of the asset and the present value of the minimum lease payments. Payments for operating lease were recognized on a straight-line basis over the lease term in the profit or loss of the current period.

IAS 17 was superseded by IFRS 16 *Leases* as of January 1, 2019, thus the Group was required to adopt IFRS 16 *Leases* from January 1, 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessee separately recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 includes recognition exemptions for short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low-value items (e.g. personal computers). The Group decided to apply the abovementioned exemptions provided for by the standard and recognized the payments on a straight-line basis over the lease term in the profit or loss of the current period.

IFRS 16 does not introduce substantial changes in respect of requirements for lessors. Lessors will continue to classify and distinguish agreements between operating and finance leases.

The new principles for recognizing lease agreements required an amendment to the accounting policy of the Group. Changes in the accounting policy were made in accordance with the transitional provisions included in IFRS 16.

Implementation of IFRS 16 decreases rental costs, increases depreciation and financial costs which results in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio.

As set out in IFRS 16 the lessee is permitted two transition approaches:

a) full retrospective approach (application of the new standard to all prior periods)

b) modified retrospective approach (no requirement to restate its prior-period financial information)

The Group decided to adopt the new standard using the modified retrospective approach. Cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance as at January 1, 2019, with no restatement of the comparative information.

While using the modified retrospective approach, the Group decided to apply the following practical expedients in respect to the agreements previously classified as operating lease under IAS 17:

- the Group applies a single discount rate to a portfolio of leases with similar characteristics (such as leasing agreements with similar remaining lease term, operating in a similar economic environment),
- the Group accounts for leases which end within 12 months of the date of initial application as short-term leases (such leases are recognized in the same way as short-term lease contracts and payments are disclosed together with the incurred costs of short-term lease agreements),
- excluding initial direct costs from the measurement of the right-of-use asset.

For leases previously classified as operating leases under IAS 17, a lessee measures the lease liability at the date of initial application as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date. The Group measured the right-of-use asset on a lease-by-lease basis at an amount equal to the lease liability (adjusted by prepaid/accrued payments if applicable).

Agreements that have been recognized as right-of-use assets include:

- technical infrastructure - premises for telecommunications equipment installations,
- telecommunications infrastructure, including links ("dark fibers"),
- office space and other premises,
- points of sale premises,
- vehicles.

As at January 1, 2019 the value of right-of-use assets and lease liabilities is equal and thus no adjustments to equity are recognized. The impact of IFRS 16 implementation as at January 1, 2019 amounts to approximately PLN 1.5 billion (not in million) due to recognition of right-of-use assets and lease liabilities.

For leases that were previously classified as finance leases under IAS 17, the Group recognizes a right-of-use asset and a lease liability measured at the previous carrying amount under IAS 17. On January 1, 2019, the above lease agreements were presented as right-of-use assets (previously included in Other property, plant and equipment).

Significant estimates and assumptions that affect measurement of the lease liabilities and the right-of-use assets include:

- lease term: the Group determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term,

- discount rate: understood as the interest rate implicit in the lease (if that rate can be readily determined) or the incremental borrowing rate of the Group, determined as the cost of interest on the loan, which the Group would have to incur when taking a loan to purchase a given asset with adequate security. The incremental borrowing rate can be defined as the sum of the risk free rate and the Group's credit risk premium. Discount rates applied by the Group take into account the maturity and the currency of lease contracts.

In June 2019, the IFRS Interpretation Committee "the Committee" issued a summary of decisions reached in its public meetings to clarify interpretations in respect to IFRS 16 on the following issues: subsurface rights, lessee's incremental borrowing rate, lease term and useful life of leasehold improvements.

The Group is currently analyzing the potential impact of the decision on its accounting principles, which may affect the value of right-of-use assets and lease liabilities presented in the consolidated balance sheet. As at the date of this Report, the Group has not completed the analysis of the above issues.

6. Risk Factors

6.1. Risks 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 the Group to maintain the current churn rate. If we are unable to effective 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.

Our performance 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 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.

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. Our inability to obtain, maintain, or extend important program licenses may make it difficult for us to provide and offer new attractive channels and programs, which may result in losing our ability to acquire and retain customers 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 Poland-wide sales network, which distributes the products and services offered by our Group. Because of growing competition with other pay TV providers and telecommunications services providers, as well as rapid increase in wages observed on the domestic labor market we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase on fees paid to distributors in our sales and distribution network will result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganization or reconstruction, we may face the need to incur substantial financial outlays. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

We collaborate with a number of third parties in providing our pay TV, 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, we lease transponders from Eutelsat S.A. to deliver digital signal via satellite to our customers in Poland. Our customers' antennas are usually adapted to receiving signals delivered through transponders leased from 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.

A possibility of provision of telecommunications services depend 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 Huawei. Continued cooperation with some of them is important for us to maintain our operations without disruption. In particual, 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 the Polsat Group as well as to provide a single, consistent and effective tool which will enable management of sales and customer relations in all possible spheres. The project is being implemented in cooperation with Huawei who acts as the main integrator of the system and who is responsible for effecting the implementation. IT architecture shall be simplified and made more flexible, which shall lead to reduction of the time and the cost of new business implementations. We cannot excude that the process of replacing the above mentioned IT systems will have no temporarily adverse effect on sales levels executed by the Group.

We also rely on agreements with external suppliers of handsets and modems (including Samsung, Sony, LG, Lenovo, Huawei and Microsoft Mobile) and providers of IT services (including Huawei, Intec Billing, CGI, Infovide Matrix, 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 optics technology allowing for faster data transmission at lower unit costs, to become increasingly important in the markets in which we operate. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict how emerging and future technological changes will affect the Group's operations, nor can we predict whether new technologies required to support our planned services will be available when expected, if at all.

Furthermore, fixed-line broadband services are associated with a need for investments in modernization of access networks. Some market players are currently conducting large investments programs which allow to significantly increase throughput provided to end-users. In particular, Orange Polska plans to cover with its FTTH (Fiber To The Home) network ca. 5 million households by year 2020 and, moreover, a governmental program of construction of broadband fiber optic networks using subsidies from the European Union funds (POPC – Operating Program Digital Poland) is underway. We are not able to guarantee that 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.

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. This phenomenon may intensify in particular as a byproduct of the implementation of roaming regulations (Roam like at home). 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 Cyfrowy Polsat, Plus, Telewizja Polsat, IPLA, Netia, TV4 and TV6 brands

The good name of the "Cyfrowy Polsat", "Plus", "Telewizja Polsat", "IPLA", "Netia", "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 Aero2, we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on the results of operations.

We may lose our management staff and key employees

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

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

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV customers the option to or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer to our customers at our manufacturing plant in Mielec. Set-top boxes manufactured by us accounted for a majority of all the set-top boxes leased by us. 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. 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 December 31, 2018, 121 employees (expressed as full-time equivalents), or ca. 3.3% 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. At the date of approval of this Report, we had 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 licences 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 DTH 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 or the Group's frequency allocation 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.

Polsat Group's 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 have been issued to companies belonging to Polsat Group 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, Polsat Group's frequency allocations may not be extended or may be revoked by the President of UKE in case of a substantial breach of the terms of its use, 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 Aero2 Group, including the 1800 MHz band frequency allocations.

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 beneficiaries of 1800 MHz spectrum reservation decisions, our reservation decisions could be contested, which could have a material effect on our 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, Aero2 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. Aero2 has filed for a cassation from the above mentioned ruling, which is pending. 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.

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) is to be provided to telecommunication operators for the purpose of wireless communications by June 30, 2020 at the latest. In justified cases it will be possible to postpone this deadline by two years. 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. As at the date of approval of this Report, the final terms and dates of the distribution of the 700 MHz spectrum in Poland remain unknown.

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 speed of over 1 Gb/s while simultaneously significantly reducing latency to as much as below 1 millisecond. Currently, UKE is preparing to arrange for the first allocation process which concerns the frequencies from the 3.4-3.8 GHz band. At this stage of works it is expected that the decision with regard to the above mentioned bandwidth shall be made in 2020, whereby as of today no detailed formula for conducting the sale process nor the size of bandwidth to be made available to operators in the first phase were specified. As of the date of approval of this Report no final decision concerning the method of frequency allocation for the needs of the 5G network construction in Poland was taken.

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 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 (including the acquisition of control over the Netia Group) 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's 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 optic fibers 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.

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

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

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat, Polkomtel, Aero2 Group and Netia , and completion of the related financial transactions.

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

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

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

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

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

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

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

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

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

6.3. Risks 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

The Group derives almost all of its revenue 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.

The Polish mobile telecommunications industry is highly competitive

The Group faces 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. 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 2018, ca. 75% 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 the direct-to-home (DTH) TV market is 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 the first half 2019 the audience shares of all DTT channels in the 16-49 age group reached 66.7% (compared to 67.2% in the first half of 2018). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 36.0% in the first half of 2019 compared to 38.1% in the first half of 2018. The aggregate audience share of the other DTT channels was 30.7% in the first half of 2019 vs. 29.1% in the corresponding period of 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 DTH, cable TV, Internet TV 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.

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR). After the purchase of Telewizja Polsat Sp. z o.o. currency risk exposure is also associated to purchases of foreign programming licences (USD). After the purchase of Metelem Holding Company Ltd. currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR), 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 leases, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

The Group does not hold any assets held for trading denominated in foreign currencies.

Interest rate risk

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

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimizing scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss. In order to reduce interest rate risk exposure resulting from Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted.

In order to reduce interest rate risk exposure resulting from Metelem Holding Company Ltd. group (currently Polkomtel Sp. z o.o. group) interest payments on floating rate senior facilities the Group also uses interest rate swaps and for them hedge accounting was not adopted.

6.4. 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. Polish tax laws include the so-called General Anti-Avoidance Rule (GAAR) as well as a number of specific provisions, intended to prevent establishing and using artificial legal arrangements with tax savings as its principal purpose as well as undertaking and using for this purpose artificial actions which are not justified economic- or businesswise. 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.

Given that Polish tax laws are frequently amended, and that such amendments can be retroactively applied in practice, are inconsistent and lack uniform interpretation, and considering 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, 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, tax comments, 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 and tax inspection bodies 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 structure changes by Polish tax authorities may differ from the assessment made 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 changes to the structure, no assurance can be given that 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. 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 or 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 character 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 country's tax authorities. 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 operate.

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

There can be no assurance that in the future the President of the Polish Office of Competition and Consumer Protection (UOKiK) 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 to ensure that we comply with Polish and European laws prohibiting practices that limit competition or violate the 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 terms to be misleading or 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 any clauses in our standard consumer contracts are considered abusive, the President of UOKiK prohibits their application (which will require amendments to our standard contracts), may impose a fine and define the measures to remedy the subsisting effects of breaching the prohibition from applying the abusive clauses.

If the President of UOKiK determines that any of our practices had the effect of limiting competition or violating consumer rights, we could be required to discontinue the unlawful practice. In addition, 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 and additionally, pursuant to the provisions of the amended Act on Protection of Competition and Consumers, can, for example, impose on us the obligation to pay 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 misleading or in conflict with Polish consumer protection laws, we may be subject to fines and our reputation could be harmed, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, expansion of consumer protection legislation 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. As a result of decisions of the President of UKE, voice MTRs were reduced by 74% in the period from January 2010 to July 2013. There can be no assurance that there will not be any further MTR reductions in the future. At present, the regulator is conducting administrative proceedings to determine FTRs at a level significantly lower than the current market practice. Further regulation of MTRs and FTRs is also provided for by the provisions of the European Code of Electronic Communication. According to them, 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 implementation of further regulations of MTRs or FTRs may directly affect our financial performance.

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, introducing caps for pricing of services provided under international roaming and for international calls, or restricting the maximum time for which contracts can be concluded with customers) and wholesale customers (for instance, by imposing MTR 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 a given frequency.

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 DTH 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 DTH 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 Administration and Digital Technology, responsible for telecommunications, also exercises broad regulatory authority over the telecommunications market in Poland. The powers of the Minister of Administration and Digital Technology include the power to issue regulations concerning, among other things, tenders and contests 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, these 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”).

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 requirements of the President of the Polish Personal Data Protection Office may result in imposing pecuniary penalties on us, as well as a loss of customer confidence and thus have a material adverse effect on our business, financial condition or development prospects.

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

6.5. Risk factors associated with the Series B Bonds

Risk factors associated with the Series B Bonds have been described in detail in the Information Note on the issuance of Series B Bonds dated May 24, 2019 (the Note is available on the Company's corporate website at the address: grupapolsat.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 28, 2019

Glossary

Capitalized terms used herein and not defined in this Report shall have the meaning assigned to them below, unless the context requires otherwise.

Glossary of general terms

Term	Definition
Aero2	Aero2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Polkomtel.
Aero2 Group	Aero2 and its indirect and direct subsidiaries.
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Aero2.
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015 and the Second Amendment and Restatement Deed of March 2, 2018.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 30, 2022.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668. Merged with Cyfrowy Polsat S.A. on April 28, 2018.
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.
Eleven Sports Network	Eleven Sports Network spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000558277, a producer and distributor of sports content on the territory of Poland.

the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel. Merged with Cyfrowy Polsat on April 7, 2017.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
NDS	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, KDPW).
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000378997.
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000377416.

Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
Roaming Regulation	Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union
Second Amendment and Restatement Deed	Agreement concluded on March 2, 2018 between the Company and UniCredit Bank AG, London Branch, amending and consolidating the CP SFA and the PLK SFA and amending the Amendment, Restatement and Consolidation Deed.
Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/02/07/2015 dated July 2, 2015.
Series A Bonds A Bond Terms	Terms and conditions of Series A Bonds issuance together with the supplement.
Series B Bonds	Dematerialized, interest-bearing, senior and unsecured Series B bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 1/25/03/2019 dated March 25, 2019.
Series B Bonds B Bond Terms	Terms and conditions of Series B Bonds issuance.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Spartan	Spartan Capital Holding spółka z ograniczoną odpowiedzialnością, a company whose legal successor, as a result of the merger conducted in 2013, is Polkomtel; an issuer of bonds dated January 26, 2012 and repurchased in 2016 with total nominal value of EUR 542.5 million and USD 701.0 million.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000567976.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to SMG Poland (previously SMG).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{\mathrm{W_{rk}}}{\mathrm{W_{rp}}}\right)^{\left(\frac{1}{\mathrm{rk-rp}}\right)} - 1$$ 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).

Term	Definition
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s 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 Mb/s (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 Gb/s (downlink, using MIMO 8x8 antennas).
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Group based on a set comprising an external LTE modem (ODU) and an indoor WiFi router (IDU), which increases effective coverage and improve the quality of the LTE signal.
PPV	Services providing paid access to selected TV content (pay-per-view).
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).

Term	Definition
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kb/s (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

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

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

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2019 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 2019 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, 28 August 2019

The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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 2019, the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement for the period from 1 January 2019 to 30 June 2019 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.

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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, 28 August 2019

Key certified auditor

Podpisany certyfikatem wystawionym dla Jarosław Dac (Certyfikat kwalifikowany). Utworzony w dniu: 2019-08-28 14:05:36 +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 2019

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 28 August 2019, 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 2019 to 30 June 2019 showing a net profit for the period of:	PLN 566.2
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2019 to 30 June 2019 showing a total comprehensive income for the period of:	PLN 566.5
Interim Consolidated Balance Sheet as at 30 June 2019 showing total assets and total equity and liabilities of:	PLN 31,359.2
Interim Consolidated Cash Flow Statement for the period from 1 January 2019 to 30 June 2019 showing a net decrease in cash and cash equivalents amounting to:	PLN 392.9
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2019 to 30 June 2019 showing an increase in equity of:	PLN 43.3

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, 28 August 2019

(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

		for the 3 months ended		for the 6 months ended	
	Note	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Continuing operations					
Revenue	8	2,923.0	2,603.2	5,714.6	4,949.1
Operating costs	9	(2,407.2)	(2,127.0)	(4,724.2)	(4,044.1)
Other operating income/(cost), net		6.7	(0.6)	23.3	6.1
Profit from operating activities		**522.5**	**475.6**	**1,013.7**	**911.1**
Gain/(loss) on investment activities, net	10	4.8	(45.9)	(7.4)	(49.3)
Finance costs, net	11	(170.0)	(98.9)	(272.7)	(171.5)
Share of the profit/(loss) of associates accounted for using the equity method		(1.9)	(0.1)	(3.6)	5.1
Gross profit for the period		**355.4**	**330.7**	**730.0**	**695.4**
Income tax		(86.5)	(99.3)	(163.8)	(171.8)
Net profit for the period		**268.9**	**231.4**	**566.2**	**523.6**
Net profit attributable to equity holders of the Parent		263.6	235.8	555.5	536.6
Net profit/(loss) attributable to non-controlling interest		5.3	(4.4)	10.7	(13.0)
Basic and diluted earnings per share (in PLN)		**0.43**	**0.36**	**0.89**	**0.82**

Interim Consolidated Statement of Comprehensive Income

		for the 3 months ended		for the 6 months ended	
	Note	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Net profit for the period		**268.9**	**231.4**	**566.2**	**523.6**
Items that may be reclassified subsequently to profit or loss		***0.2***	***0.0***	***0.3***	***(0.4)***
Valuation of hedging instruments	13	0.2	0.0	0.3	(0.5)
Income tax relating to hedge valuation	13	0.0	0.0	0.0	0.1
Other comprehensive income/(loss), net of tax		**0.2**	**0.0**	**0.3**	**(0.4)**
Total comprehensive income for the period		**269.1**	**231.4**	**566.5**	**523.2**
Total comprehensive income attributable to equity holders of the Parent		263.8	235.8	555.8	536.2
Total comprehensive income/(loss) attributable to non-controlling interest		5.3	(4.4)	10.7	(13.0)

(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 2019 unaudited** *(IFRS 16 basis)*	**31 December 2018** *(IAS 17 basis)*
Reception equipment		249.4	264.5
Other property, plant and equipment		4,782.7	4,792.2
Goodwill	16	11,316.4	11,309.4
Customer relationships		2,009.9	2,212.2
Brands		2,079.7	2,096.1
Other intangible assets		2,943.7	3,005.5
Right-of-use assets	4	1,408.2	-
Non-current programming assets		517.5	503.8
Investment property		29.6	29.9
Non-current deferred distribution fees		93.9	99.7
Other non-current assets, includes:		781.6	701.1
shares in associates accounted for using the equity method		*67.5*	*43.0*
Deferred tax assets		260.5	259.7
Total non-current assets		**26,473.1**	**25,274.1**
Current programming assets		538.9	543.2
Contract assets		651.7	648.4
Inventories		344.5	394.0
Trade and other receivables		2,284.4	2,370.4
Income tax receivable		5.6	34.6
Current deferred distribution fees		221.7	218.5
Other current assets		55.5	34.9
Cash and cash equivalents		774.9	1,167.0
Restricted cash		8.9	11.7
Total current assets		**4,886.1**	**5,422.7**
Total assets		**31,359.2**	**30,696.8**

(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 2019 unaudited *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves		3.3	(162.5)
Retained earnings		6,065.1	6,189.9
Equity attributable to equity holders of the Parent		**13,268.0**	**13,227.0**
Non-controlling interests		650.5	648.2
Total equity		**13,918.5**	**13,875.2**
Loans and borrowings	14	8,100.2	8,605.3
Issued bonds	15	968.9	976.0
Lease liabilities	4	997.6	15.8
UMTS license liabilities		348.8	348.2
Deferred tax liabilities		1,129.8	1,160.1
Other non-current liabilities and provisions		494.0	697.6
includes derivative instruments		*5.4*	*165.2*
Total non-current liabilities		**12,039.3**	**11,803.0**
Loans and borrowings	14	1,279.0	1,611.3
Issued bonds	15	34.8	42.3
Lease liabilities	4	411.1	8.2
UMTS license liabilities		118.3	118.1
Contract liabilities		712.2	705.2
Trade and other payables		2,691.7	2,382.4
includes derivative instruments		*9.0*	*8.8*
Income tax liability		154.3	151.1
Total current liabilities		**5,401.4**	**5,018.6**
Total liabilities		**17,440.7**	**16,821.6**
Total equity and liabilities		**31,359.2**	**30,696.8**

(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

		for the 6 months ended	
	Note	30 June 2019 unaudited *(IFRS 16 basis)*	30 June 2018 unaudited *(IAS 17 basis)*
Net profit		**566.2**	**523.6**
Adjustments for:		**1,143.1**	**873.3**
Depreciation, amortization, impairment and liquidation	9	1,100.7	925.3
Payments for film licenses and sports rights		(343.1)	(124.7)
Amortization of film licenses and sports rights		262.4	103.8
Interest expense		214.3	166.7
Change in inventories		51.4	(45.1)
Change in receivables and other assets		12.4	(516.5)
Change in liabilities and provisions		(264.7)	125.8
Change in contract assets		(3.3)	48.1
Change in contract liabilities		7.0	39.5
Foreign exchange (gains)/losses, net		(6.3)	24.1
Income tax		163.8	171.8
Net additions of reception equipment		(48.8)	(42.9)
Share of the (profit)/loss of associates accounted for using the equity method		3.6	(5.1)
Other adjustments		(6.3)	2.5
Cash from operating activities		**1,709.3**	**1,396.9**
Income tax paid		(163.0)	(191.3)
Interest received from operating activities		11.8	14.6
Net cash from operating activities		**1,558.1**	**1,220.2**
Acquisition of property, plant and equipment		(433.6)	(266.7)
Acquisition of intangible assets		(202.7)	(83.9)
Acquisition of subsidiaries, net of cash acquired	16	(63.8)	(276.8)
Acquisition of shares in associates and other entities	21	(14.7)	(15.7)
Share capital increase		(16.3)	-
Proceeds from sale of property, plant and equipment		4.2	10.6
Investment funds outflows		(60.0)	(50.0)
Investment funds inflows		60.3	50.3
Loans granted		(14.6)	(11.0)
Repayment of loans granted		-	6.4
Bonds redemption with interest		8.7	-
Other inflows/(outflows)		0.5	(0.9)
Net cash used in investing activities		**(732.0)**	**(637.7)**

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

Loans and borrowings inflows		-	18.1
Bonds issue (Series B Bonds)		893.0	-
Bonds redemption (Series A Bonds)		(893.0)	-
Repayment of loans and borrowings	14	(851.6)	(652.0)
Payment of interest on loans, borrowings, bonds, and commissions*		(205.5)	(230.4)
Payment of interest on lease liabilities		(18.8)	(0.5)
Payment of lease liabilities		(142.7)	(3.2)
Other outflows		(0.4)	(0.2)
Net cash used in financing activities		**(1,219.0)**	**(868.2)**
Net decrease in cash and cash equivalents		**(392.9)**	**(285.7)**
Cash and cash equivalents at the beginning of the period		**1,178.7****	**1,172.0*****
Effect of exchange rate fluctuations on cash and cash equivalents		(2.0)	1.5
Cash and cash equivalents at the end of the period		**783.8******	**887.8*******

* Includes impact of hedging instruments and amount paid for costs related to the new financing
** Includes restricted cash amounting to PLN 11.7
*** Includes restricted cash amounting to PLN 10.5
**** Includes restricted cash amounting to PLN 8.9
***** Includes restricted cash amounting to PLN 11.7

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

Interim Consolidated 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 Eleven Sports Network Sp. z o.o.	-	-	165.5	(85.5)	80.0	(5.1)	**74.9**
Acquisition of TVO Sp. z o.o.	-	-	-	-	-	(3.3)	**(3.3)**
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**

* The capital excluded from distribution amounts to PLN 8.5. 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.

(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 2018

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 31 December 2017	**25.6**	**7,174.0**	**3.2**	**4,871.4**	**12,074.2**	**42.6**	**12,116.8**
Impact of the implementation of IFRS 15	-	-	-	484.9	484.9	-	**484.9**
Balance as at 1 January 2018	**25.6**	**7,174.0**	**3.2**	**5,356.3**	**12,559.1**	**42.6**	**12,601.7**
Acquisition of Netia S.A.	-	-	-	-	-	525.0	**525.0**
Acquisition of Eleven Sports Network Sp. z o.o.	-	-	-	-	-	(2.9)	**(2.9)**
Put option valuation	-	-	(207.1)	-	(207.1)	2.6	**(204.5)**
Total comprehensive income	-	-	(0.4)	536.6	536.2	(13.0)	**523.2**
Hedge valuation reserve	-	-	*(0.4)*	-	*(0.4)*	-	***(0.4)***
Net profit for the period	-	-	-	*536.6*	*536.6*	*(13.0)*	***523.6***
Balance as at 30 June 2018 unaudited	**25.6**	**7,174.0**	**(204.3)**	**5,892.9**	**12,888.2**	**554.3**	**13,442.5**

* The capital excluded from distribution amounts to PLN 8.5. 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.

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

Notes to the 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 (from 1 April 2019),
- Tobias Solorz	President of the Management Board (to 31 March 2019),
- Maciej Stec	Vice-President of the Management Board (from 1 April 2019), Member of the Management Board (to 31 March 2019),
- Dariusz Działkowski	Member of the Management Board (to 31 March 2019),
- Jacek Felczykowski	Member of the Management Board (from 1 April 2019),
- Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019),
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board,
- Katarzyna Ostap-Tomann	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

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 2019 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 2018, 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 2018, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2019.

During the six-month period ended 30 June 2019 the following become effective:

a) IFRS 16 *Leases*
b) IFRIC 23 *Uncertainty over Income Tax Treatments*
c) Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*
e) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
f) Annual Improvements to IFRS Standards 2015-2017 Cycle.

The Group applies, for the first time, IFRS 16 *Leases* ("IFRS 16"). As required in IAS 34 *Interim Financial Reporting*, the nature and effect of changes in accounting policies are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have material impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

Changes in the accounting policy

In accordance with the IAS 17 *Leases* applied until 31 December 2018, the Group classified lease agreements as either financial or operational lease. Assets used under contracts that were classified as finance lease were recognized as non-current assets and measured at the lower of the fair value of the asset and the present value of the minimum lease payments. Payments for operating lease were recognized on a straight-line basis over the lease term in the profit or loss of the current period.

IAS 17 was superseded by IFRS 16 *Leases* as of 1 January 2019, thus the Group was required to adopt IFRS 16 *Leases* from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessee separately recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 includes recognition exemptions for short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low-value items (e.g. personal computers). The Group decided to apply the abovementioned exemptions provided for by the standard and recognized the payments on a straight-line basis over the lease term in the profit or loss of the current period.

IFRS 16 does not introduce substantial changes in respect of requirements for lessors. Lessors will continue to classify and distinguish agreements between operating and finance leases.

The new principles for recognizing lease agreements required an amendment to the accounting policy of the Group. Changes in the accounting policy were made in accordance with the transitional provisions included in IFRS 16.

Implementation of IFRS 16 decreases rental costs, increases depreciation and financial costs which results in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio.

Transition to IFRS 16

As set out in IFRS 16 the lessee is permitted two transition approaches:
a) full retrospective approach (application of the new standard to all prior periods)
b) modified retrospective approach (no requirement to restate its prior-period financial information).

The Group decided to adopt the new standard using the modified retrospective approach. Cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance as at 1 January 2019, with no restatement of the comparative information.

While using the modified retrospective approach, the Group decided to apply the following practical expedients in respect to the agreements previously classified as operating lease under IAS 17:

- the Group applies a single discount rate to a portfolio of leases with similar characteristics (such as leasing agreements with similar remaining lease term, operating in a similar economic environment),
- the Group accounts for leases which end within 12 months of the date of initial application as short-term leases (such leases are recognized in the same way as short-term lease contracts and payments are disclosed together with the incurred costs of short-term lease agreements),
- excluding initial direct costs from the measurement of the right-of-use asset.

The Group as a lessee

For leases previously classified as operating leases under IAS 17, a lessee measures the lease liability at the date of initial application as the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at that date. The Group measured the right-of-use asset on a lease-by-lease basis at an amount equal to the lease liability (adjusted by prepaid/accrued payments if applicable).

Agreements that have been recognized as right-of-use assets include:
- technical infrastructure - premises for telecommunications equipment installations;
- telecommunications infrastructure, including links ("dark fibers");
- office space and other premises;
- points of sale premises;
- vehicles.

As at 1 January 2019 the value of right-of-use assets and lease liabilities is equal and thus no adjustments to equity are recognized. The impact of IFRS 16 implementation as at 1 January 2019 amounts to approximately PLN 1.5 billion (not in million) due to recognition of right-of-use assets and lease liabilities.

The table below presents reconciliation between future lease payments presented in the financial statements for the year ended 31 December 2018, discounted using the Group's incremental borrowing rate effective as at 1 January 2019 to the value of the lease liabilities recognized as at 1 January 2019.

Operating lease commitments as at 31 December 2018 (disclosure under IAS 17)	**1,444.4**
Exemptions for short-term leases and leases of low-value items	(8.2)
Adjustments as a result of a different treatment of lease term under IFRS 16	167.8
Future operating lease payments as at 1 January 2019	1,604.0
Discount	(126.0)
Additional lease liabilities recognised as at 1 January 2019	**1,478.0**
Finance lease liabilities recognised under IAS 17 as at 31 December 2018	24.0
Lease liabilities as at 1 January 2019	**1,502.0**

For leases that were previously classified as finance leases under IAS 17, the Group recognises a right-of-use asset and a lease liability measured at the previous carrying amount under IAS 17. On 1 January 2019, the above lease agreements were presented as right-of-use assets (previously included in Other property, plant and equipment).

Significant estimates and assumptions that affect measurement of the lease liabilities and the right-of-use assets include:

- lease term: the Group determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term,
- discount rate: understood as the interest rate implicit in the lease (if that rate can be readily determined) or the incremental borrowing rate of the Group, determined as the cost of interest on the loan, which the Group would have to incur when taking a loan to purchase a given asset with adequate security. The incremental borrowing rate can be defined as the sum of the risk free rate and the Group's credit risk premium. Discount rates applied by the Group take into account the maturity and the currency of lease contracts.

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In June 2019, the IFRS Interpretation Committee "the Committee" issued a summary of decisions reached in its public meetings to clarify interpretations in respect to IFRS 16 on the following issues: subsurface rights, lessee's incremental borrowing rate, lease term and useful life of leasehold improvements.
The Group is currently analysing the potential impact of the decision on its accounting principles, which may affect the value of right-of-use assets and lease liabilities presented in the consolidated balance sheet. As at the date of these interim condensed consolidated financial statements, the Group has not completed the analysis of the above issues.

The implementation of IFRS 16 had following impact on the consolidated balance sheet as at 1 January 2019:

	1 January 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**1 January 2019 unaudited prepared in accordance with IFRS 16**
Reception equipment	264.5	-	264.5
Other property, plant and equipment	4,792.2	(35.0)	4,757.2
Goodwill	11,309.4	-	11,309.4
Customer relationships	2,212.2	-	2,212.2
Brands	2,096.1	-	2,096.1
Other intangible assets	3,005.5	-	3,005.5
Right-of-use assets	-	1,515.6	1,515.6
Non-current programming assets	503.8	-	503.8
Investment property	29.9	-	29.9
Non-current deferred distribution fees	99.7	-	99.7
Other non-current assets, includes:	701.1	-	701.1
shares in associates accounted for using the equity method	*43.0*	-	*43.0*
Deferred tax assets	259.7	-	259.7
Total non-current assets	**25,274.1**	**1,480.6**	**26,754.7**
Current programming assets	543.2	-	543.2
Contract assets	648.4	-	648.4
Inventories	394.0	-	394.0
Trade and other receivables	2,370.4	-	2,370.4
Income tax receivable	34.6	-	34.6
Current deferred distribution fees	218.5	-	218.5
Other current assets	34.9	(2.6)	32.3
Cash and cash equivalents	1,167.0	-	1,167.0
Restricted cash	11.7	-	11.7
Total current assets	**5,422.7**	**(2.6)**	**5,420.1**
Total assets	**30,696.8**	**1,478.0**	**32,174.8**

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

	1 January 2019 unaudited prepared in accordance with IAS 17	Adjustments	1 January 2019 unaudited prepared in accordance with IFRS 16
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	(162.5)	-	(162.5)
Retained earnings	6,189.9	-	6,189.9
Equity attributable to equity holders of the Parent	**13,227.0**	**-**	**13,227.0**
Non-controlling interests	648.2	-	648.2
Total equity	**13,875.2**	**-**	**13,875.2**
Loans and borrowings	8,605.3	-	8,605.3
Issued bonds	976.0	-	976.0
Lease liabilities	15.8	1,070.1	1,085.9
UMTS license liabilities	348.2	-	348.2
Deferred tax liabilities	1,160.1	-	1,160.1
Other non-current liabilities and provisions	697.6	-	697.6
includes derivative instruments	*165.2*	-	*165.2*
Total non-current liabilities	**11,803.0**	**1,070.1**	**12,873.1**
Loans and borrowings	1,611.3	-	1,611.3
Issued bonds	42.3	-	42.3
Lease liabilities	8.2	407.9	416.1
UMTS license liabilities	118.1	-	118.1
Contract liabilities	705.2	-	705.2
Trade and other payables	2,382.4	-	2,382.4
includes derivative instruments	*8.8*	-	*8.8*
Income tax liability	151.1	-	151.1
Total current liabilities	**5,018.6**	**407.9**	**5,426.5**
Total liabilities	**16,821.6**	**1,478.0**	**18,299.6**
Total equity and liabilities	**30,696.8**	**1,478.0**	**32,174.8**

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

To facilitate comparability between periods, the tables below present how the adoption of IFRS 16 affected the Interim Condensed Consolidated Financial Statements in the current period.

	for the 6 months ended		
	30 June 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited prepared in accordance with IFRS 16**
Revenue	**5,695.4**	**19.2**	**5,714.6**
Retail revenue	3,222.1	-	3,222.1
Wholesale revenue	1,634.3	-	1,634.3
Sale of equipment	726.7	-	726.7
Other revenue	112.3	19.2	131.5
Operating cost	**(4,721.5)**	**(2.7)**	**(4,724.2)**
Technical costs and cost of settlements with telecommunication operators	(1,329.7)	174.5	(1,155.2)
Depreciation, amortization, impairment and liquidation	(884.7)	(216.0)	(1,100.7)
Cost of equipment sold	(611.1)	-	(611.1)
Content costs	(787.0)	4.3	(782.7)
Distribution, marketing, customer relation management and retention costs	(495.1)	8.5	(486.6)
Salaries and employee-related costs	(418.2)	-	(418.2)
Cost of debt collection services, bad debt allowance and receivables written off	(51.5)	-	(51.5)
Other costs	(144.2)	26.0	(118.2)
Other operating income, net	**23.3**	**-**	**23.3**
Profit from operating activities	**997.2**	**16.5**	**1,013.7**
Gain/(loss) on investment activities, net	14.9	(22.3)	(7.4)
Finance costs, net	(272.7)	-	(272.7)
Share of the loss of associates accounted for using the equity method	(3.6)	-	(3.6)
Gross profit for the period	**735.8**	**(5.8)**	**730.0**
Income tax	(164.9)	1.1	(163.8)
Net profit for the period	**570.9**	**(4.7)**	**566.2**

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

	30 June 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited prepared in accordance with IFRS 16**
Reception equipment	249.4	-	249.4
Other property, plant and equipment	4,830.6	(47.9)	4,782.7
Goodwill	11,316.4	-	11,316.4
Customer relationships	2,009.9	-	2,009.9
Brands	2,079.7	-	2,079.7
Other intangible assets	2,943.7	-	2,943.7
Right-of-use assets	-	1,408.2	1,408.2
Non-current programming assets	517.5	-	517.5
Investment property	29.6	-	29.6
Non-current deferred distribution fees	93.9	-	93.9
Other non-current assets, includes:	781.6	-	781.6
shares in associates accounted for using the equity method	*67.5*	-	*67.5*
Deferred tax assets	259.3	1.2	260.5
Total non-current assets	**25,111.6**	**1,361.5**	**26,473.1**
Current programming assets	538.9	-	538.9
Contract assets	651.7	-	651.7
Inventories	344.5	-	344.5
Trade and other receivables	2,284.4	-	2,284.4
Income tax receivable	5.6	-	5.6
Current deferred distribution fees	221.7	-	221.7
Other current assets	60.3	(4.8)	55.5
Cash and cash equivalents	774.9	-	774.9
Restricted cash	8.9	-	8.9
Total current assets	**4,890.9**	**(4.8)**	**4,886.1**
Total assets	**30,002.5**	**1,356.7**	**31,359.2**

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

	30 June 2019 unaudited prepared in accordance with IAS 17	Adjustments	30 June 2019 unaudited prepared in accordance with IFRS 16
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	3.3	-	3.3
Retained earnings	6,069.2	(4.1)	6,065.1
Equity attributable to equity holders of the Parent	**13,272.1**	**(4.1)**	**13,268.0**
Non-controlling interests	651.1	(0.6)	650.5
Total equity	**13,923.2**	**(4.7)**	**13,918.5**
Loans and borrowings	8,100.2	-	8,100.2
Issued bonds	968.9	-	968.9
Lease liabilities	16.1	981.5	997.6
UMTS license liabilities	348.8	-	348.8
Deferred tax liabilities	1,129.8	-	1,129.8
Other non-current liabilities and provisions	494.0	-	494.0
includes derivative instruments	*5.4*	-	*5.4*
Total non-current liabilities	**11,057.8**	**981.5**	**12,039.3**
Loans and borrowings	1,279.0	-	1,279.0
Issued bonds	34.8	-	34.8
Lease liabilities	6.0	405.1	411.1
UMTS license liabilities	118.3	-	118.3
Contract liabilities	712.2	-	712.2
Trade and other payables	2,716.9	(25.2)	2,691.7
includes derivative instruments	*9.0*	-	*9.0*
Income tax liability	154.3	-	154.3
Total current liabilities	**5,021.5**	**379.9**	**5,401.4**
Total liabilities	**16,079.3**	**1,361.4**	**17,440.7**
Total equity and liabilities	**30,002.5**	**1,356.7**	**31,359.2**

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

	for the 6 months ended		
	30 June 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited prepared in accordance with IFRS 16**
Net profit	**570.9**	**(4.7)**	**566.2**
Adjustments for:	**983.4**	**159.7**	**1,143.1**
Depreciation, amortization, impairment and liquidation	884.7	216.0	1,100.7
Payments for film licenses and sports rights	(343.1)	-	(343.1)
Amortization of film licenses and sports rights	262.4	-	262.4
Interest expense	189.2	25.1	214.3
Change in inventories	51.4	-	51.4
Change in receivables and other assets	8.1	4.3	12.4
Change in liabilities and provisions	(183.1)	(81.6)	(264.7)
Change in contract assets	(3.3)	-	(3.3)
Change in contract liabilities	7.0	-	7.0
Foreign exchange gain, net	(3.3)	(3.0)	(6.3)
Income tax	164.9	(1.1)	163.8
Net additions of reception equipment	(48.8)	-	(48.8)
Share of the loss of associates accounted for using the equity method	3.6	-	3.6
Other adjustments	(6.3)	-	(6.3)
Cash from operating activities	**1,554.3**	**155.0**	**1,709.3**
Income tax paid	(163.0)	-	(163.0)
Interest received from operating activities	11.8	-	11.8
Net cash from operating activities	**1,403.1**	**155.0**	**1,558.1**
Acquisition of property, plant and equipment	(433.6)	-	(433.6)
Acquisition of intangible assets	(202.7)	-	(202.7)
Acquisition of subsidiaries, net of cash acquired	(63.8)	-	(63.8)
Acquisition of shares in associates and other entities	(14.7)	-	(14.7)
Share capital increase	(16.3)	-	(16.3)
Proceeds from sale of property, plant and equipment	4.2	-	4.2
Investment funds outflows	(60.0)	-	(60.0)
Investment funds inflows	60.3	-	60.3
Loans granted	(14.6)	-	(14.6)
Bonds redemption with interest	8.7	-	8.7
Other inflows	0.5	-	0.5
Net cash used in investing activities	**(732.0)**	**-**	**(732.0)**
Bonds issue (Series B Bonds)	893.0	-	893.0
Bonds redemption (Series A Bonds)	(893.0)	-	(893.0)
Repayment of loans and borrowings	(851.6)	-	(851.6)
Payment of interest on loans, borrowings, bonds and commissions*	(205.5)	-	(205.5)
Payment of interest on lease liabilities	(0.4)	(18.4)	(18.8)
Payment of lease liabilities	(6.1)	(136.6)	(142.7)
Other outflows	(0.4)	-	(0.4)
Net cash used in financing activities	**(1,064.0)**	**(155.0)**	**(1,219.0)**
Net decrease in cash and cash equivalents	**(392.9)**	**-**	**(392.9)**

Cash and cash equivalents at the beginning of the period	**1,178.7****	**-**	**1,178.7****
Effect of exchange rate fluctuations on cash and cash equivalents	(2.0)	-	(2.0)
Cash and cash equivalents at the end of the period	**783.8*****	**-**	**783.8*****

* includes impact of derivative instruments
** Includes restricted cash amounting to PLN 11.7
*** 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)

5. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2019 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2019**	**31 December 2018**
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	advertising activities	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	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	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	television broadcasting	100%	100%
Muzo.fm Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	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 2019	31 December 2018
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów	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. Jerozolimskie 81, 02-001 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	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	*	*
Litenite Ltd. (a)	Kostaki Pantelidi 1 1010, Nicosia, Cyprus	holding activities	-	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%

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

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2019	31 December 2018
Subsidiaries accounted for using full method (cont.)				
Music TV Sp. z o.o. (formerly Eska TV S.A.) (b)	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	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. (c)	Plac Europejski 2, 00-844 Warsaw	television broadcasting	99.99%	50% plus 1 share
Superstacja Sp. z o.o.	Al. Stanów Zjednoczonych 53, 04-028 Warsaw	television broadcasting and production	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
TVO Sp. z o.o.(d)	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	51%	-
Pure Omni Wework Sp. z o.o. Sp.k. (d)	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	51%	-
Wework Sp. z o.o. (d)	Stefana Batorego 28-32, 81-366 Gdynia	administrative services	51%	-

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

(a) On 31 May 2019 a merger of Polkomtel Sp. z o.o. and Litenite Ltd. was registered. The company remaining is Polkomtel Sp. z o.o.

(b) On 28 May 2019 a legal form and the name were changed from Eska TV S.A. to Music TV Sp. z o.o.

(c) On 6 June 2019 Telewizja Polsat Sp. z o.o. acquired 49.9775% shares in Eleven Sports Network Sp. z o.o. Consequently, the Group holds 99.985% shares in Eleven Sports Network Sp. z o.o.

(d) On 30 May 2019 the Company acquired additional shares in TVO Sp. z o.o. thus gaining control over TVO Sp. z o.o. and its subsidiaries (note 16).

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Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2019**	**31 December 2018**
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49.48%	49.48%
TVO Sp. z o.o. (a)	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	-	45.1%
Premium Mobile Sp. z o.o.	Gintrowskiego 31, 02-697 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A. (b)	Rzymowskiego 53, 02-697 Warsaw	other financial services	40.76%	-

(a) On 30 May 2019 Cyfrowy Polsat S.A. gained control over TVO Sp. z o.o.

(b) On 13 June 2019 Cyfrowy Polsat S.A. acquired 40,76% shares of Vindix S.A.

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2019:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2019**	**31 December 2018**
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, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, 10-686 Olsztyn	infrastructure projects advisory	1.5%**	1.5%**

* 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.

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 28 August 2019.

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

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 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Retail revenue	1,616.1	1,482.1	3,222.1	2,834.3
Wholesale revenue	861.6	738.5	1,634.3	1,374.4
Sale of equipment	379.3	341.7	726.7	659.2
Other revenue	66.0	40.9	131.5	81.2
Total	**2,923.0**	**2,603.2**	**5,714.6**	**4,949.1**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

Other revenue mainly consists of revenue from interest on installment plan purchases, revenue from the lease of premises and facilities and revenue from the sale of electric energy.

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9. Operating costs

		for the 3 months ended		for the 6 months ended	
	Note	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Technical costs and cost of settlements with telecommunication operators		591.4	578.5	1,155.2	1,083.0
Depreciation, amortization, impairment and liquidation		553.6	470.8	1,100.7	925.3
Cost of equipment sold		321.7	282.5	611.1	555.0
Content costs		415.8	323.0	782.7	592.4
Distribution, marketing, customer relation management and retention costs		241.8	223.5	486.6	428.7
Salaries and employee-related costs	a)	205.6	169.3	418.2	313.1
Cost of debt collection services and bad debt allowance and receivables written off		16.9	17.6	51.5	29.5
Other costs		60.4	61.8	118.2	117.1
Total		**2,407.2**	**2,127.0**	**4,724.2**	**4,044.1**

a) Salaries and employee-related costs

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited	**30 June 2018 unaudited**	**30 June 2019 unaudited**	**30 June 2018 unaudited**
Salaries	169.1	139.5	341.9	257.4
Social security contributions	29.3	22.9	61.5	44.5
Other employee-related costs	7.2	6.9	14.8	11.2
Total	**205.6**	**169.3**	**418.2**	**313.1**

10. Gain/(loss) on investment activities, net

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Interest on lease liabilities	(12.8)	(0.3)	(26.0)	(0.5)
Interest, net	6.0	4.8	12.6	10.2
Other foreign exchange gains/(losses), net	16.6	(31.0)	14.7	(35.2)
Other costs	(5.0)	(19.4)	(8.7)	(23.8)
Total	**4.8**	**(45.9)**	**(7.4)**	**(49.3)**

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11. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited	30 June 2018 unaudited	30 June 2019 unaudited	30 June 2018 unaudited
Interest expense on loans and borrowings	84.6	88.3	171.2	177.6
Interest expense on issued bonds	12.3	10.8	22.9	21.4
Cumulative catch-up	-	(0.8)	-	(34.7)
Valuation and realization of hedging instruments	-	-	0.3	-
Valuation and realization of derivatives not used in hedge accounting	1.7	(0.7)	5.9	5.3
Guarantee fees, bank and other charges	71.4	1.3	72.4	1.9
Total	**170.0**	**98.9**	**272.7**	**171.5**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2019 and 31 December 2018:

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 2019 and 31 December 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	298,656,832	12.0	46.70%	472,203,083	57.66%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Karswell Ltd. [2]	10,000,000	0.4	1.56%	10,000,000	1.22%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.

[2] Entity is controlled by Mr. Zygmunt Solorz.

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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

	2019	2018
Balance as at 1 January	**(0.6)**	**0.1**
Valuation of cash flow hedges	0.3	(0.5)
Deferred tax	0.0	0.1
Change for the period	**0.3**	**(0.4)**
Balance as at 30 June unaudited	**(0.3)**	**(0.3)**

14. Loans and borrowings

Loans and borrowings	**30 June 2019 unaudited**	**31 December 2018**
Short-term liabilities	1,279.0	1,611.3
Long-term liabilities	8,100.2	8,605.3
Total	**9,379.2**	**10,216.6**

Change in loans and borrowings liabilities:

	2019	2018
Loans and borrowings as at 1 January	**10,216.6**	**10,633.3**
Loans and borrowings on acquisition of Netia S.A. (see note 16)	-	259.8
Loans and borrowings on acquisition of Superstacja Sp. z o.o. (see note 16)	-	7.7
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)	-
Facilities agreement	-	18.1
Repayment of capital	(851.6)	(652.0)
Repayment of interest and commissions	(160.5)	(195.7)
Cumulative catch-up	-	(34.7)
Interest accrued	172.4	177.6
Loans and borrowings as at 30 June unaudited	**9,379.2**	**10,214.1**

15. Issued bonds

	30 June 2019 unaudited	31 December 2018
Short-term liabilities	34.8	42.3
Long-term liabilities	968.9	976.0
Total	**1,003.7**	**1,018.3**

Change in issued bonds:

	2019	2018
Issued bonds as at 1 January	**1,018.3**	**1,018.2**
Bonds issue (Series B Bonds)	1,000.0	-
Bonds redemption (Series A Bonds)	(1,000.0)	-
Repayment of interest and commissions	(36.5)	(21.7)
Interest and commissions accrued	21.9	21.4
Issued bonds payable as at 30 June unaudited	**1,003.7**	**1,017.9**

Issuance of bonds

On 16 April 2019 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series B Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series B Bonds.

On 26 April 2019 the Company issued 1,000,000 Series B Bonds, with the nominal value of PLN 1,000 (not in million) each and the aggregate nominal value of PLN 1,000,000,000 (not in million). The Series B Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange ("WSE") within the Catalyst market on 31 May 2019.

Repurchase of bonds

On 26 April 2019 the Company purchased (repurchased) to redeem 107,000 A series bearer bonds with the aggregate nominal value of PLN 107,000,000 (not in million) issued by the Company on 21 July 2015 with the redemption date specified in the terms and conditions of the issuance (warunki emisji) of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the Warsaw Stock Exchange ("WSE") within the Catalyst market ("Series A Bonds Repurchased to Redeem"), from the investors entitled under the Series A Bonds Repurchased to Redeem, who paid the issue price of the Series B Bonds, being registered on 26 April 2019 in the depository kept by National Depositary for Securities ("NDS") pursuant to settlement orders as defined in § 11 of the Detailed Rules of Operation of the NDS, by a set-off of the Company's receivables in relation to the Series B Bonds issuance with the investor's receivables in relation to the disposal to the Company of the Company's Series A Bonds Repurchased to Redeem. On 26 April 2019 the Management Board of the Company adopted a resolution to redeem Series A Bonds Repurchased to Redeem ("Resolution on Redemption").

On 26 April 2019 the Company's Management Board adopted a resolution on conducting an early redemption of all of series A bearer bonds with the redemption date specified in the terms and conditions of the issuance of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the WSE within the

Catalyst market ("Series A Bonds"), which will not be redeemed until the early redemption date pursuant to the Resolution on Redemption.

Early redemption of the Series A Bonds and payment of the benefits occurred on 17 May 2019.

Other notes

16. Acquisition of shares

Acquisition of shares in Netia S.A. – final purchase price allocation

On 22 May 2018 purchase transactions of shares of Netia S.A. ("Netia") were concluded. As a result of the tender offer settlement on 22 May 2018:
(i) Cyfrowy Polsat acquired 34,662,045 shares constituting in total 10.33% of the share capital of Netia and carrying the right to 34,662,045 votes at the general meeting of Netia as well as representing 10.33% of the total number of votes at Netia's general meeting;
(ii) Karswell Limited, with its registered office in Nicosia, Cyprus ("Karswell") acquired 76,040,399 shares constituting in total 22.67% of the share capital of Netia and carrying the right to 76,040,399 votes at the general meeting of Netia as well as representing 22.67% of the total number of votes at Netia's general meeting.

Directly prior to the tender offer settlement, Cyfrowy Polsat held directly 110,702,441 shares in Netia (shares acquired on 5 December 2017) constituting in total 33% of the share capital of Netia and carrying the right to 110,702,441 votes at the general meeting of Netia as well as representing 33% of the total number of votes at Netia's general meeting.

On 5 December 2017 the Company and Karswell concluded the agreement on the joint acquisition of Netia's shares in a tender offer and preliminary share purchase agreement - Karswell shall sell all the shares to the Company acquired for the price paid by Karswell for shares under the tender offer. Karswell shall receive an additional premium for the period between the settlement date on which Karswell acquired the last share under the tender offer and a date on which the shares acquired by Karswell under the tender offer will be sold to the Company (the "Interim Period") in an amount equivalent to the average weighted cost of financing of the Company's capital group provided by financial institutions, prorated to the specific portion of the price paid by Karswell for shares under the tender offer for each day of the Interim Period. Additionally, during the Interim Period Karswell shall exercise the voting rights attached to the Netia shares acquired in the Tender Offer as instructed by the Company.

On 2 July 2018 an amendment to the agreement on the joint acquisition of shares in a tender offer and preliminary share purchase agreement of 5 December 2017 was entered into with Karswell Ltd., which amends the acquirers' agreement in such way that the obligation of Cyfrowy Polsat to effect one-off acquisition of all the shares in Netia S.A. acquired by Karswell Ltd. under the tender offer was replaced by the obligation of Cyfrowy Polsat to acquire said shares in subsequent instalments.

On 3 July 2018 the Company purchased from Karswell Ltd. 17,331,023 shares in Netia S.A. for the total amount of PLN 100.0 and on 2 October 2018 the Company purchased from Karswell Ltd. 58,709,376 shares in Netia S.A. for the total amount of PLN 338.8.

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Taking into account the above mentioned circumstances on 22 May 2018 the Company obtained control over Netia.

As at 31 December 2018 and 30 June 2019 Cyfrowy Polsat held 221,404,885 shares of Netia constituting in total 65.98% of the share capital of Netia and carrying the right to 221,404,885 votes at the general meeting of Netia as well as representing 65.98% of the total number of votes at Netia's general meeting.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 65.98% shares of Netia	1,277.5
Final value of 65.98% shares of Netia	**1,277.5**

b) Reconciliation of transactional cash flow

Cash transferred by Cyfrowy Polsat	(638.7)
Cash and cash equivalents received	32.2
Cash decrease in the period of 12 months ended 31 December 2018	**(606.5)**

c) Final fair value valuation of net assets as at acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

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

Final fair values of assets and liabilities acquired as at 22 May 2018:

	Final fair value as at the acquisition date (22 May 2018)
Net assets:	
Other property, plant and equipment	1,920.4
Customer relationships	60.1
Brands	88.5
Other intangible assets	68.2
Investment property	25.0
Other non-current assets	19.3
Deferred tax assets	63.1
Contract assets	19.2
Inventories	3.9
Trade and other receivables	154.7
Income tax receivable	3.4
Other current assets	10.3
Cash and cash equivalents	32.2
Loans and borrowings	(259.8)
Deferred tax liabilities	(75.9)
Other non-current liabilities and provisions	(13.7)
Contract liabilities	(51.4)
Trade and other payables	(231.5)
Income tax liability	(7.3)
Value of net assets (100%)	**1,828.7**
Value of net assets attributable to non-controlling interest	**622.2**
Value of net assets attributable to Cyfrowy Polsat Capital Group and Karswell	**1,206.5**
Consideration transferred for 65.98% of shares as at 22 May 2018	**1,277.5**
Goodwill	**71.0**

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 22 May 2018 to 31 December 2018 contributed by Netia capital group amounted to PLN 838.3 and PLN 45.9, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2018 would have amounted to PLN 11,199.5 and PLN 844.9, respectively.

Acquisition of shares in Eleven Sports Network Sp. z o.o. – final purchase price allocation

On 25 May 2018 the Company’s subsidiary - Telewizja Polsat Sp. z o.o. (”Telewizja Polsat”) acquired 50% plus one share of Eleven Sports Network Sp. z o.o. („Eleven”) from Eleven Sports Network Ltd. („ESN LTD”).

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

The total price for the shares acquired under the agreement has been set at EUR 38, subject to net debt adjustment. The share price was payable in two tranches. The first tranche in the amount of EUR 18 was paid on 25 May 2018. The second tranche was adjusted for the net debt of Eleven and paid on 31 July 2018 in the amount of EUR 17.9.

The privileged position of Telewizja Polsat in Eleven's Management Board, ownership of more than 50% of votes at the general meeting of shareholders of Eleven, combined with the asymmetry of the call and put options provided on the acquisition date, constitute the basis for consolidating Eleven on the basis of control over the company. This control is not temporary, due to the long-term nature of investments in Eleven by Telewizja Polsat.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 50% plus one share of Eleven	154.4
Final value	**154.4**

b) Reconciliation of transactional cash flow

Cash transferred	(154.4)
Cash and cash equivalents received	0.3
Cash decrease in the period of 12 months ended 31 December 2018	**(154.1)**

c) Final fair value valuation of net assets as at acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

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

Final fair values of assets and liabilities acquired as at 25 May 2018:

	Final fair value as at the acquisition date (25 May 2018)
Net assets:	
Other property, plant and equipment	2.7
Other intangible assets	0.1
Programming assets	144.2
Trade receivables and other receivables	56.8
Other current assets	1.2
Cash and cash equivalents	0.3
Other liabilities and provisions	(6.0)
Contract liabilities	(38.1)
Trade liabilities and other liabilities	(166.6)
Value of net assets (100%)	**(5.4)**
Value of net assets attributable to non-controlling interest	**(2.7)**
Value of net assets attributable to Cyfrowy Polsat Capital Group	**(2.7)**
Consideration transferred	**154.4**
Provisional goodwill	**157.1**

Goodwill is allocated to the “Broadcasting and television production” operating segment.

The revenue and net profit included in the consolidated income statement for the reporting period since 25 May 2018 to 31 December 2018 contributed by Eleven amounted to PLN 83.5 and PLN 1.9, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the consolidated income statement for the 12 months ended 30 December 2018 would have amounted to PLN 10,723.4 and PLN 799.0, respectively.

Additionally, on 6 June 2019 Telewizja Polsat acquired non-controlling interests in Eleven – see note 21.

Acquisition of shares in Superstacja Sp. z o.o. – final purchase price allocation

On 4 June 2018 Telewizja Polsat Sp. z o.o. (Company’s subsidiary) acquired 100% shares of Superstacja Sp. z o.o. („Superstacja”) from Ster Sp. z o.o., Karswell Limited and Sensor Overseas Limited.

The consideration for the 100% shares of Superstacja amounted to PLN 13.0.

a) Consideration transferred

	Final value of consideration transferred
Cash transferred for the 100% shares of Superstacja	13.0
Final value as at 4 June 2018	**13.0**

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

b) Reconciliation of transactional cash flow

Cash transferred	(13.0)
Cash and cash equivalents received	3.8
Cash decrease in the period of 12 months ended 31 December 2018	**(9.2)**

c) Final fair value valuation of net assets as at acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair values of assets and liabilities acquired as at 4 June 2018:

	Final fair value as at the acquisition date (4 June 2018)
Net assets:	
Other property, plant and equipment	0.7
Trade receivables and other receivables	2.8
Cash and cash equivalents	3.8
Loans and borrowings	(7.7)
Trade liabilities and other liabilities	(1.6)
Value of net assets	**(2.0)**
Consideration transferred as at 4 June 2018	**13.0**
Goodwill	**15.0**

Goodwill is allocated to the “Broadcasting and television production” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 4 June 2018 to 31 December 2018 contributed by Superstacja amounted to PLN 6.0 and PLN 2.1, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2018 would have amounted to PLN 10,689.7 and PLN 816.3, respectively.

Acquisition of shares in TVO Sp. z o.o. – provisional 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%).

Taking into account the above mentioned circumstances on 30 May 2019 the Company obtained control over TVO.

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

a) Provisional consideration transferred

	Provisional value of consideration transferred
Provisional consideration	3.6
Provisional 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 6 months ended 30 June 2019	**(0.4)**

c) Provisional fair value valuation of net assets as at 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 30 May 2019:

	Provisional fair value as at the acquisition date (30 May 2019)
Net assets:	
Other long-term assets	0.1
Inventories	1.9
Trade receivables and other receivables	3.5
Cash and cash equivalents	0.2
Loans and borrowings	(10.7)
Trade liabilities and other liabilities	(1.7)
Provisional value of net assets	**(6.7)**
Provisional value of net assets attributable to non-controlling interest	**(3.3)**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**(3.4)**
Provisional consideration transferred as at 30 May 2019	**3.6**
Provisional goodwill	**7.0**

Goodwill is allocated to the “Services to individual and business customers” operating segment.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 30 May 2019 contributed by TVO amounted to PLN 7.4 and PLN 1.3, respectively. Had it been acquired on 1 January 2019 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2019 would have amounted to PLN 5,720.8 and PLN 564.9, respectively.

17. 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 and production of set-top boxes,
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 and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- fixed telecommunication services, which generate revenues mainly from subscription fees, interconnection and settlements with operators;
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- lease of optical fibers and infrastructure;
- 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.

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 2019:

The 6 months ended 30 June 2019 (unaudited) – *IFRS 16 basis*	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.

All material revenues are generated in Poland.

It should be noted that the data for 6 months ended 30 June 2019 allocated to the "Services to individual and business customers" segment are not comparable to the 6 months ended 30 June 2018 as additional shares in Netia S.A. were acquired on 22 May 2018, 3 July 2018 and 2 October 2018, 100% shares in Coltex ST Sp. z o.o. were acquired on 1 March 2018, 45.1% shares in TVO Sp. z o.o. were acquired on 29 May 2018 and additional 12 shares in TVO Sp. z o.o. were acquired on 30 May 2019, 100% shares in Netshare Media Group Sp. z o.o. were acquired on 25 June 2018, 24.47% votes in Premium Mobile S.A. were taken up in 2018 and 40.76% of shares in Vindix S.A. were acquired on 13 June 2019.

It should be noted also that the data for 6 months ended 30 June 2019 allocated to the "Broadcasting and television production" are not comparable to the 6 months ended 30 June 2018 as additional 15.46% shares in TV Spectrum Sp. z o.o. on 2 February 2018, 50% plus one share in Eleven Sports Network Sp. z o.o. were acquired on 25 May 2018 and additional 49.9775% shares in Eleven Sports Network Sp. z o.o. were acquired on 6 June 2019 as well as 100% shares in Superstacja Sp. z o.o. were acquired on 4 June 2018.

In addition, it should also be noted that the data for 6 months ended 30 June 2019 allocated to both segments respectively are not fully comparable to the data for the 6 months ended 30 June 2018 due to the implementation of the new IFRS 16 *Lease* standard as of 1 January 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 2018:

The 6 months ended 30 June 2018 (unaudited) – *IAS 17 basis*	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,269.2	679.9	-	4,949.1
Inter-segment revenues	27.7	82.4	(110.1)	-
Revenues	**4,296.9**	**762.3**	**(110.1)**	**4,949.1**
EBITDA (unaudited)	**1,550.2**	**286.2**	**-**	**1,836.4**
Depreciation, amortization, impairment and liquidation	904.8	20.5	-	925.3
Profit from operating activities	**645.4**	**265.7**	**-**	**911.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	373.9*	20.0	-	393.9
Balance as at 30 June 2018 (unaudited)				
Assets, including:	24,937.5	5,024.5**	(210.4)	29,751.6
Investments in joint venture	4.3	36.1	-	40.4

* 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 10.6.

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
EBITDA (unaudited)	**2,114.4**	**1,836.4**
Depreciation, amortization, impairment and liquidation (note 9)	(1,100.7)	(925.3)
Profit from operating activities	**1,013.7**	**911.1**
Other foreign exchange rate differences, net (note 10)	14.7	(35.2)
Interest costs, net (note 10 and 11)	(213.7)	(194.6)
Cumulative catch-up (note 11)	-	34.7
Share of the profit/(loss) of associates accounted for using the equity method	(3.6)	5.1
Other	(81.1)	(25.7)
Gross profit for the period	**730.0**	**695.4**
Income tax	(163.8)	(171.8)
Net profit for the period	**566.2**	**523.6**

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

18. Transactions with related parties

Receivables

	30 June 2019 unaudited	31 December 2018
Joint ventures	10.2	6.3
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.	9.4	16.3
Total*	**19.6**	**22.6**

*Amounts presented above do not include deposits paid (30 June 2019 – PLN 3.4, 31 December 2018 – PLN 3.4)

Receivables due from related parties have not been pledged as security.

Other assets

	30 June 2019 unaudited	31 December 2018
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.3	0.6
Total	**0.3**	**0.6**

Liabilities

	30 June 2019 unaudited *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Joint ventures	9.5	7.5
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.	474.5	45.1
Total	**484.0**	**52.6**

A significant portion of liabilities is represented by dividend.

Loans granted

	30 June 2019 unaudited	31 December 2018
Joint ventures	21.7	15.0
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.	2.3	2.2
Total	**24.0**	**17.2**

Loans received

	30 June 2019 unaudited	31 December 2018
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.	5.1	5.0
Total	**5.1**	**5.0**

(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 2019 unaudited	**30 June 2018 unaudited**
Subsidiaries	0.8*	18.8*
Joint ventures	11.5	0.3
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.	14.8	19.5
Total	**27.1**	**38.6**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Subsidiaries	-	13.5*
Joint ventures	17.7	19.5
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.	114.1	121.8
Total	**131.8**	**154.8**

* Concerns transaction with subsidiaries executed prior to their acquisition.

In the period of 6 months ended 30 June 2019 the most significant transactions include cost of electrical energy, advertising services and property rental.
In the period of 6 months ended 30 June 2018 the most significant transactions include cost of electrical energy, expenses for programming assets, advertising services and property rental.

Gain/(loss) on investment activities, net

	for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Subsidiaries	0.2*	-
Joint ventures	0.4	0.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(1.1)	0.1
Total	**(0.5)**	**0.3**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Finance costs, net

	for the 6 months ended	
	30 June 2019 unaudited	**30 June 2018 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.	0.1	2.3
Total	**0.1**	**2.3**

19. Contingent liabilities

Management believes that the provisions as at 30 June 2019 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 23 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8. The company appealed to SOKiK against the decision. On 24 October 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On 30 August 2018 Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5. On 20 November 2018 Polkomtel made a payment in the amount of PLN 1.5. On 13 March 2019 SOKiK dismissed the appeal in remaining scope. The verdict is not binding.

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. On 22 January 2019 proceedings before the Court of Appeal were suspended.

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. On 7 August 2019 The court dismissed the appeal of Cyfrowy Polsat. The Company has right to appeal to the Court of Appeal in Warsaw.

On 30 December 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company and Polkomtel was charged with a penalty in the amount of PLN 4.4 and PLN 12.3, respectively. The Group appealed to SOKiK against the decision. The Company's hearing date is scheduled on 14 October 2019.

On 29 April 2019 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by charging for activating the services to consumers, despite not obtaining an explicit approval of the additional payment associated with these services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39. Polkomtel appealed to SOKiK against the decision.

Other proceedings

In September 2015, Polkomtel (Company's subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316.0 (including interest of PLN 85.0), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On 27 December 2018 Court dismissed entire claim. P4 Sp. z o.o. appealed against the decision.
Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

On 28 April 2017, 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.

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 consolidated financial statements for the year ended 31 December 2018 remained unchanged.

20. 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 2018. There have been no significant changes in any risk management policies since the end of year 2018.

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.

(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 2019 unaudited *(IFRS 16 basis)*		31 December 2018 *(IAS 17 basis)*	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	24.4	24.4	17.3	17.3
Trade and other receivables	A	*	2,835.8	2,835.8	2,818.6	2,818.6
Cash and cash equivalents and short-term deposits	A	*	774.9	774.9	1,167.0	1,167.0
Restricted cash	A	*	8.9	8.9	11.7	11.7
Loans and borrowings	B	2	(9,468.2)	(9,379.2)	(10,323.9)	(10,216.6)
Issued bonds	B	1	(1,017.7)	(1,003.7)	(1,028.9)	(1,018.3)
UMTS licence liabilities	B	2	(492.0)	(467.1)	(495.2)	(466.3)
Lease liabilities	B	2	(1,408.7)	(1,408.7)	(24.0)	(24.0)
Accruals	B	*	(763.6)	(763.6)	(964.8)	(964.8)
Trade and other payables and deposits	B	*	(1,856.5)	(1,856.5)	(1,438.7)	(1,438.7)
Total			**(11,362.7)**	**(11,234.8)**	**(10,260.9)**	**(10,114.1)**
Unrecognized loss				(127.9)		(146.8)

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

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 2019 and 31 December 2018 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 Group's credit risk. When determining the fair value of bank loans as at 30 June 2019 and as at 31 December 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed dates of repayment of the loans) were analyzed.

The fair value of bonds issued by Cyfrowy Polsat S.A as at 30 June 2019 and 31 December 2018 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

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

As at 30 June 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	30 June 2019 unaudited	Level 1	Level 2	Level 3
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**0.2**	**-**

Liabilities measured at fair value	30 June 2019 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(13.9)**	**-**
Interest rate swaps		-	*(12.9)*	-
Forward transactions		-	*(1.0)*	-
Hedging derivative instruments		**-**	**(0.5)**	**-**
Interest rate swaps		-	*(0.5)*	-
Total		**-**	**(14.4)**	**-**

As at 31 December 2018, the Group held the following financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value	31 December 2018	Level 1	Level 2	Level 3
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**0.2**	**-**

Liabilities measured at fair value	31 December 2018	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(11.3)**	**-**
Interest rate swaps		-	*(11.3)*	-
Hedging derivative instruments		**-**	**(0.8)**	**-**
Interest rate swaps		-	*(0.8)*	-
Put option		**-**	**-**	**(161.9)**
Total		**-**	**(12.1)**	**(161.9)**

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.

21. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Provincial Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filed a cassation complaint in this respect 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 are in progress in relation to 2013 and 2014. Custom and tax control activities has been transformed into tax proceedings. 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 will appeal against the decision of the Tax Authority and has not created any provisions encumbering its financial results.

The proceedings are in progress in respect to the year 2014. The Company assumes that the actions of the Head of the Małopolska Tax Office in Cracow in this respect should take into account that in connection with the possibilities resulting from the Act as of 23 October 2018 introducing amendments to the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Ordinance Act and certain other acts (Journal of Laws No.2018.2193), on 31 July 2019 the Company decided to choose a flat-rate taxation on the interest and discount and on 31 July 2019 has paid tax at 3% rate on bonds issued on 20 May 2011 and redeemed in 2014 with a total nominal value of EUR 350.0.

At the same time, the Management Board of Polkomtel Sp. z o.o., a subsidiary of the Company, resolved to choose and pay on 31 July 2019 a flat-rate tax on the interest and discount at 3% rate on:

- bonds issued by Spartan Capital Holding Sp. z o.o. („Spartan"), a company whose legal successor, following the merger conducted in 2013, is Polkomtel, on 26 January 2012 and redeemed in 2016 with a total nominal value of EUR 542.5;
- bonds issued by Spartan on 26 January 2012 and redeemed in 2016 with a total nominal value of USD 500.0;
- bonds issued by Spartan on 26 January 2012 and redeemed in 2016 with a total nominal value of USD 201.0.

Decision of the Head of the Mazovian Tax Office in Warsaw

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

The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw and appealed against it to the Voivodship Administrative Court in Warsaw. On 14 May 2019 the Voivodship Administrative Court in Warsaw announced its judgement which took into account the allegations presented in the appeal and annulled the decision of the Head of the Mazovian Tax Office in Warsaw as well as discontinued the proceedings. As at the date of publication of these financial statements, the judgment of the Voivodship Administrative Court is not final.

The legal dispute in respect to the telecommunication concession

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 Provincial 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.

Distribution of profit and dividend payment

On 25 June 2019 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2018 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 594.8. The dividend day was scheduled for 1 July 2019 and the dividend payout shall be made in two tranches as follows:
1) Tranche I: PLN 287.8 on 3 July 2019
2) Tranche II: PLN 307.0 on 1 October 2019.

Acquisition of shares

On 13 June 2019 the Company acquired 40.76% shares in Vindix S.A. for the purchase price of PLN 14.7. On 1 July 2019 share capital increase in Vindix S.A. was registered by the court thus increasing the number of shares held by the Company to 46.27%.

On 6 June 2019 Telewizja Polsat Sp. z o.o. (Company's subsidiary) acquired additional 49.9775% non-controlling interests in Eleven Sports Network Sp. z o.o. from Eleven Sports Network Ltd. The purchase price is conditional upon EBITDA results. Following this transaction, Telewizja Polsat Sp. z o.o. holds 99.985% shares in Eleven Sports Network Sp. z o.o. In certain situations, Telewizja Polsat Sp. z o.o. has the option to acquire the last share of Eleven Sports Network Sp. z o.o. held by Eleven Sports Network Ltd. The acquisition of additional shares had no effect on the value of goodwill recognized in connection with the acquisition of Eleven Sports Network Sp. z o.o. on 25 May 2018 (as described in note 16). The acquisition of additional shares resulted in the derecognition of the call and put option recognized on the acquisition dated 25 May 2018 (see note 16) and the non-controlling interest from the balance sheet.

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

22. Events subsequent to the reporting date

There were no material events subsequent to the reporting date other than those described in other notes.

23. 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 SFA Agreement, Senior Notes and loans acquired upon acquisition of Litenite. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Commitments to purchase programming assets

As at 30 June 2019 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 2019 unaudited	**31 December 2018**
within one year	243.4	317.4
between 1 to 5 years	414.9	418.9
more than 5 years	5.3	19.4
Total	**663.6**	**755.7**

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

	30 June 2019 unaudited	**31 December 2018**
within one year	2.9	-
Total	**2.9**	**-**

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 279.1 as at 30 June 2019 (PLN 171.5 as at 31 December 2018). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 June 2019 was PLN 306.7 (PLN 212.6 as at 31 December 2018).

24. 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. Detailed description of the accounting estimates relating to the implementation of the new standards is included in note 4.

The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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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 2019, the interim income statement, the interim statement of comprehensive income, the interim statement of changes in equity, the interim cash flow statement for the period from 1 January 2019 to 30 June 2019 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.

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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, 28 August 2019

Key certified auditor

Podpisany certyfikatem wystawionym dla
Jarosław Dac (Certyfikat kwalifikowany).
Utworzony w dniu: 2019-08-28 14:05:36 +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 2019

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 28 August 2019, 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 2019 to 30 June 2019 showing a net profit for the period of:	PLN 476.4
Interim Statement of Comprehensive Income for the period	
from 1 January 2019 to 30 June 2019 showing a total comprehensive income for the period of:	PLN 476.7
Interim Balance Sheet as at	
30 June 2019 showing total assets and total equity and liabilities of:	PLN 14,019.9
Interim Cash Flow Statement for the period	
from 1 January 2019 to 30 June 2019 showing a net decrease in cash and cash equivalents amounting to:	PLN 26.6
Interim Statement of Changes in Equity for the period	
from 1 January 2019 to 30 June 2019 showing an decrease in equity of:	PLN 118.1

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, 28 August 2019

(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

		for the 3 months ended		for the 6 months ended	
	Note	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Revenue	7	591.8	581.1	1,188.0	1,164.8
Operating costs	8	(467.1)	(501.6)	(948.3)	(1,011.1)
Other operating income/(costs), net		(0.1)	1.2	0.4	2.5
Profit from operating activities		**124.6**	**80.7**	**240.1**	**156.2**
Gain/(loss) on investment activities, net	9	318.8	235.0	333.3	250.7
Finance costs, net	10	(28.5)	(20.4)	(48.6)	(36.0)
Gross profit for the period		**414.9**	**295.3**	**524.8**	**370.9**
Income tax		(25.0)	(21.7)	(48.4)	(41.8)
Net profit for the period		**389.9**	**273.6**	**476.4**	**329.1**
Basic and diluted earnings per share (in PLN)		**0.60**	**0.42**	**0.74**	**0.51**

Interim Statement of Comprehensive Income

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Net profit for the period	**389.9**	**273.6**	**476.4**	**329.1**
Valuation of hedging instruments	0.2	0.0	0.3	(0.5)
Income tax relating to hedge valuation	0.0	0.0	0.0	0.1
Items that may be reclassified subsequently to profit or loss	**0.2**	**0.0**	**0.3**	**(0.4)**
Other comprehensive income/(loss), net of tax	**0.2**	**0.0**	**0.3**	**(0.4)**
Total comprehensive income for the period	**390.1**	**273.6**	**476.7**	**328.7**

(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 2019 unaudited *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Reception equipment		287.0	299.1
Other property, plant and equipment		111.8	116.4
Goodwill		197.0	197.0
Brands		7.8	7.8
Other intangible assets		61.8	63.1
Right-of-use assets	4	28.0	-
Investment property		39.6	40.5
Shares in subsidiaries and associates	18	12,183.5	12,151.8
includes shares in associate		*31.0*	*4.5*
Non-current deferred distribution fees		31.2	34.4
Other non-current assets		27.0	23.7
Total non-current assets		**12,974.7**	**12,933.8**
Contract assets		199.0	179.7
Inventories		126.8	130.2
Trade and other receivables		324.7	149.6
Income tax receivables		0.3	0.3
Current deferred distribution fees		71.8	75.9
Other current assets		91.0	105.8
Cash and cash equivalents		231.6	258.3
Total current assets		**1,045.2**	**899.8**
Total assets		**14,019.9**	**13,833.6**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2019 unaudited *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(0.3)	(0.6)
Retained earnings		3,843.7	3,962.1
Total equity		**11,043.0**	**11,161.1**
Loans and borrowings	13	468.8	572.4
Issued bonds	14	968.9	976.0
Lease liabilities	4	24.9	1.0
Deferred tax liabilities		99.6	93.5
Other non-current liabilities and provisions		1.0	1.6
includes derivative instruments		*0.1*	*0.1*
Total non-current liabilities		**1,563.2**	**1,644.5**
Loans and borrowings	13	232.7	386.2
Issued bonds	14	34.8	42.3
Lease liabilities	4	3.3	0.2
Contract liabilities		246.1	237.1
Trade and other payables		873.3	312.9
includes derivative instruments		*0.4*	*0.7*
Income tax liability		20.5	46.5
Deposits for equipment		3.0	2.8
Total current liabilities		**1,413.7**	**1,028.0**
Total liabilities		**2,976.9**	**2,672.5**
Total equity and liabilities		**14,019.9**	**13,833.6**

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

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2019 unaudited *(IFRS 16 basis)*	30 June 2018 unaudited *(IAS 17 basis)*
Net profit		**476.4**	**329.1**
Adjustments for:		**(213.2)**	**(129.2)**
Depreciation, amortization, impairment and liquidation	8	88.6	99.0
Interest expense		36.5	37.2
Change in inventories		3.4	(41.9)
Change in receivables and other assets		40.2	(360.5)
Change in liabilities and provisions		(33.3)	396.9
Change in contract assets		(19.3)	(10.7)
Change in contract liabilities		9.0	12.2
Income tax		48.4	41.8
Net increase in reception equipment		(57.7)	(48.0)
Dividends income and share in the profits of partnerships	9	(328.4)	(250.7)
Other adjustments		(0.6)	(4.5)
Cash from operating activities		**263.2**	**199.9**
Income tax paid		(68.4)	(39.4)
Interest received from operating activities		2.0	0.2
Net cash from operating activities		**196.8**	**160.7**
Received dividends and shares in the profits of partnerships		135.4	91.8
Acquisition of shares	18	(15.3)	(200.0)
Share capital increase in subsidiary and associates		(16.4)	(2.1)
Merger with related entities		-	4.0
Acquisition of property, plant and equipment		(5.5)	(8.4)
Acquisition of intangible assets		(8.8)	(8.1)
Loans granted		(3.6)	-
Other inflows		4.0	0.2
Net cash (used in)/from investing activities		**89.8**	**(122.6)**
Bonds issue (Series B Bonds)		893.0	-
Bonds redemption(Series A Bonds)		(893.0)	-
Repayment of loans and borrowings	13	(258.8)	-
Net cash from the Cash Management System Agreement with interest paid		-	4.2
Payment of interest on loans, borrowings, bonds and commissions*		(49.9)	(37.0)
Other outflows		(4.5)	-
Net cash used in financing activities		**(313.2)**	**(32.8)**
Net increase/(decrease) in cash and cash equivalents		**(26.6)**	**5.3**
Cash and cash equivalents at the beginning of period		**258.3**	**29.5**
Effect of exchange rate fluctuations on cash and cash equivalents		(0.1)	0.4
Cash and cash equivalents at the end of period		**231.6**	**35.2**

* Includes impact of hedging instruments and amount paid for costs related to the new financing.

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

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**

* The capital excluded from distribution amounts to PLN 8.5. 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.

Interim Statement of Changes in Equity for the 6 months ended 30 June 2018

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 31 December 2017	**25.6**	**7,174.0**	**0.1**	**3,712.7**	**10,912.4**
Impact of the implementation of IFRS 15	-	-	-	47.1	**47.1**
Balance as at 1 January 2018	**25.6**	**7,174.0**	**0.1**	**3,759.8**	**10,959.5**
Total comprehensive income	-	-	(0.4)	329.1	**328.7**
Hedge valuation reserve	-	-	*(0.4)*	-	**(0.4)**
Net profit for the period	-	-	-	329.1	**329.1**
Balance as at 30 June 2018 unaudited	**25.6**	**7,174.0**	**(0.3)**	**4,088.9**	**11,288.2**

* The capital excluded from distribution amounts to PLN 8.5. 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.

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

Notes to the 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 2019, the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Polkomtel Infrastruktura Sp. z o.o., Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, INFO-TV-FM Sp. z o.o., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k., Netshare Media Group Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Orsen Holding Limited and its subsidiaries and TVO Sp. z o.o. and its subsidiaries.

2. Composition of the Management Board of the Company

- Mirosław Błaszczyk	President of the Management Board (from 1 April 2019),
- Tobias Solorz	President of the Management Board (to 31 March 2019),
- Maciej Stec	Vice-President of the Management Board (from 1 April 2019), Member of the Management Board (to 31 March 2019),
- Dariusz Działkowski	Member of the Management Board (to 31 March 2019),
- Jacek Felczykowski	Member of the Management Board (from 1 April 2019),
- Tomasz Gillner-Gorywoda	Member of the Management Board (to 31 March 2019),
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board,
- Katarzyna Ostap-Tomann	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,

- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board,
- Piotr Żak	Member of the Supervisory Board.

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 2019 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 2018, 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 28 August 2019). 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 2018, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2019.

During the six-month period ended 30 June 2019 the following became effective:

a) IFRS 16 *Leases*
b) IFRIC 23 *Uncertainty over Income Tax Treatments*
c) Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*
e) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
f) Annual Improvements to IFRS Standards 2015-2017 Cycle.

The Company applies, for the first time, IFRS 16 *Leases* ("IFRS 16"). As required in IAS 34 *Interim Financial Reporting*, the nature and effect of changes in accounting policies are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have material impact on the interim condensed financial statements of the Company.

IFRS 16 Leases

Changes in the accounting policy

In accordance with the IAS 17 *Leases* applied until 31 December 2018, the Company classified lease agreements as either financial or operational lease. Assets used under contracts that were classified as finance lease were recognized as non-current assets and measured at the lower of the fair value of the asset and the present value of the minimum lease payments. Payments for operating lease were recognized on a straight-line basis over the lease term in the profit or loss of the current period.

IAS 17 was superseded by IFRS 16 *Leases* as of 1 January 2019, thus the Company was required to adopt IFRS 16 *Leases* from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessee separately recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 includes recognition exemptions for short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low-value items (e.g. personal computers). The Company decided to apply the abovementioned exemptions provided for by the standard and recognized the payments on a straight-line basis over the lease term in the profit or loss of the current period.

IFRS 16 does not introduce substantial changes in respect of requirements for lessors. Lessors will continue to classify and distinguish agreements between operating and finance leases.

The new principles for recognizing lease agreements required an amendment to the accounting policy of the Company. Changes in the accounting policy were made in accordance with the transitional provisions included in IFRS 16.

Implementation of IFRS 16 decreases rental costs, increases depreciation and financial costs which results in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio.

Transition to IFRS 16

As set out in IFRS 16 the lessee is permitted two transition approaches:
a) full retrospective approach (application of the new standard to all prior periods)
b) modified retrospective approach (no requirement to restate its prior-period financial information).

The Company decided to adopt the new standard using the modified retrospective approach. Cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance as at 1 January 2019, with no restatement of the comparative information.

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While using the modified retrospective approach, the Company decided to apply the following practical expedients in respect to the agreements previously classified as operating lease under IAS 17:

- the Company applies a single discount rate to a portfolio of leases with similar characteristics (such as leasing agreements with similar remaining lease term, operating in a similar economic environment),
- the Company accounts for leases which end within 12 months of the date of initial application as short-term leases (such leases are recognized in the same way as short-term lease contracts and payments are disclosed together with the incurred costs of short-term lease agreements),
- excluding initial direct costs from the measurement of the right-of-use asset.

The Company as a lessee

For leases previously classified as operating leases under IAS 17, a lessee measures the lease liability at the date of initial application as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at that date. The Company measured the right-of-use asset on a lease-by-lease basis at an amount equal to the lease liability (adjusted by prepaid/accrued payments if applicable).

Agreements that have been recognized as right-of-use assets include office space and other premises as well as points of sale premises.

As at 1 January 2019 the value of right-of-use assets and lease liabilities is equal and thus no adjustments to equity are recognized. The estimated impact of IFRS 16 implementation as at 1 January 2019 amounts to PLN 28.6 due to recognition of right-of-use assets and lease liabilities.

The table below presents reconciliation between future lease payments presented in the financial statements for the year ended 31 December 2018, discounted using the Company's incremental borrowing rate effective as at 1 January 2019 to the value of the lease liabilities recognized as at 1 January 2019.

Operating lease commitments as at 31 December 2018 (disclosure under IAS 17)	**36.9**
Exemptions for short-term leases and leases of low-value items	(1.6)
Future operating lease payments as at 1 January 2019	35.3
Discount	(6.7)
Additional lease liabilities recognised as at 1 January 2019	**28.6**
Finance lease liabilities recognised under IAS 17 as at 31 December 2018	1.2
Lease liabilities as at 1 January 2019	**29.8**

For leases that were previously classified as finance leases under IAS 17, the Company recognises a right-of-use asset and a lease liability measured at the previous carrying amount under IAS 17. On 1 January 2019, the above lease agreements were presented as right-of-use assets (previously included in Other property, plant and equipment).

Significant estimates and assumptions that affect measurement of the lease liabilities and the right-of-use assets include:

- lease term: the Company determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term,

- discount rate: understood as the interest rate implicit in the lease (if that rate can be readily determined) or the incremental borrowing rate of the Company, determined as the cost of interest on the loan, which the Company would have to incur when taking a loan to purchase a given asset with adequate security. The incremental borrowing rate can be defined as the sum of the risk free rate and the Company's credit risk premium. Discount rates applied by the Company take into account the maturity and the currency of lease contracts.

In June 2019, the IFRS Interpretation Committee "the Committee" issued a summary of decisions reached in its public meetings to clarify interpretations in respect to IFRS 16 on the following issues: subsurface rights, lessee's incremental borrowing rate, lease term and useful life of leasehold improvements.

The Company is currently analysing the potential impact of the decision on its accounting principles, which may affect the value of right-of-use assets and lease liabilities presented in the balance sheet. As at the date of these interim condensed financial statements, the Company has not completed the analysis of the above issues.

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The implementation of IFRS 16 had the following impact on the balance sheet as at 1 January 2019:

	1 January 2019 unaudited in accordance with IAS 17	**Adjustments**	**1 January 2019 unaudited in accordance with IFRS 16**
Reception equipment	299.1	-	299.1
Other property, plant and equipment	116.4	(1.2)	115.2
Goodwill	197.0	-	197.0
Brands	7.8	-	7.8
Other intangible assets	63.1	-	63.1
Right-of-use assets	-	29.8	29.8
Investment property	40.5	-	40.5
Shares in subsidiaries and associates	12,151.8	-	12,151.8
includes shares in associate	*4.5*	-	*4.5*
Non-current deferred distribution fees	34.4	-	34.4
Other non-current assets	23.7	-	23.7
Total non-current assets	**12,933.8**	**28.6**	**12,962.4**
Contract assets	179.7	-	179.7
Inventories	130.2	-	130.2
Trade and other receivables	149.6	-	149.6
Income tax receivable	0.3	-	0.3
Current deferred distribution fees	75.9	-	75.9
Other current assets	105.8	-	105.8
Cash and cash equivalents	258.3	-	258.3
Total current assets	**899.8**	**-**	**899.8**
Total assets	**13,833.6**	**28.6**	**13,862.2**

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

	1 January 2019 unaudited in accordance with IAS 17	Adjustments	1 January 2019 unaudited in accordance with IFRS 16
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.6)	-	(0.6)
Retained earnings	3,962.1	-	3,962.1
Total equity	**11,161.1**	**-**	**11,161.1**
Loans and borrowings	572.4	-	572.4
Issued bonds	976.0	-	976.0
Lease liabilities	1.0	25.5	26.5
Deferred tax liabilities	93.5	-	93.5
Other non-current liabilities and provisions	1.6	-	1.6
includes derivative instruments	*0.1*	-	*0.1*
Total non-current liabilities	**1,644.5**	**25.5**	**1,670.0**
Loans and borrowings	386.2	-	386.2
Issued bonds	42.3	-	42.3
Lease liabilities	0.2	3.1	3.3
Contract liabilities	237.1	-	237.1
Trade and other payables	312.9	-	312.9
includes derivative instruments	*0.7*	-	*0.7*
Income tax liability	46.5	-	46.5
Deposits for equipment	2.8	-	2.8
Total current liabilities	**1,028.0**	**3.1**	**1,031.1**
Total liabilities	**2,672.5**	**28.6**	**2,701.1**
Total equity and liabilities	**13,833.6**	**28.6**	**13,862.2**

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To facilitate comparability between periods, the tables below present how the adoption of IFRS 16 affected the Interim Condensed Financial Statements in the current period.

	for the 6 months ended		
	30 June 2019 unaudited prepared in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited prepared in accordance with IFRS 16**
Revenue	**1,188.0**	**-**	**1,188.0**
Retail revenue	1,094.9	-	1,094.9
Wholesale revenue	48.9	-	48.9
Sale of equipment	12.5	-	12.5
Other revenue	31.7	-	31.7
Operating cost	**(948.7)**	**0.4**	**(948.3)**
Content costs	(344.9)	-	(344.9)
Technical costs and cost of settlements with telecommunication operators	(260.3)	-	(260.3)
Distribution, marketing, customer relation management and retention costs	(152.0)	0.1	(151.9)
Depreciation, amortization, impairment and liquidation	(86.9)	(1.7)	(88.6)
Salaries and employee-related costs	(57.7)	-	(57.7)
Cost of equipment sold	(12.2)	-	(12.2)
Cost of debt collection services, bad debt allowance and receivables written off	(5.6)	-	(5.6)
Other costs	(29.1)	2.0	(27.1)
Other operating income, net	**0.4**	**-**	**0.4**
Profit from operating activities	**239.7**	**0.4**	**240.1**
Gain/(loss) on investment activities, net	333.9	(0.6)	333.3
Finance costs, net	(48.6)	-	(48.6)
Gross profit for the period	**525.0**	**(0.2)**	**524.8**
Income tax	(48.4)	-	(48.4)
Net profit for the period	**476.6**	**(0.2)**	**476.4**

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

	30 June 2019 unaudited in accordance with IAS 17	Adjustments	30 June 2019 unaudited in accordance with IFRS 16
Reception equipment	287.0	-	287.0
Other property, plant and equipment	112.9	(1.1)	111.8
Goodwill	197.0	-	197.0
Brands	7.8	-	7.8
Other intangible assets	61.8	-	61.8
Right-of-use assets	-	28.0	28.0
Investment property	39.6	-	39.6
Shares in subsidiaries and associates	12,183.5	-	12,183.5
includes shares in associate	*31.0*	-	*31.0*
Non-current deferred distribution fees	31.2	-	31.2
Other non-current assets	27.0	-	27.0
Total non-current assets	**12,947.8**	**26.9**	**12,974.7**
Contract assets	199.0	-	199.0
Inventories	126.8	-	126.8
Trade and other receivables	324.7	-	324.7
Income tax receivable	0.3	-	0.3
Current deferred distribution fees	71.8	-	71.8
Other current assets	91.0	-	91.0
Cash and cash equivalents	231.6	-	231.6
Total current assets	**1,045.2**	**-**	**1,045.2**
Total assets	**13,993.0**	**26.9**	**14,019.9**

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	30 June 2019 unaudited in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited in accordance with IFRS 16**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.3)	-	(0.3)
Retained earnings	3,843.9	(0.2)	3,843.7
Total equity	**11,043.2**	**(0.2)**	**11,043.0**
Loans and borrowings	468.8	-	468.8
Issued bonds	968.9	-	968.9
Lease liabilities	0.9	24.0	24.9
Deferred tax liabilities	99.6	-	99.6
Other non-current liabilities and provisions	1.0	-	1.0
includes derivative instruments	*0.1*	-	*0.1*
Total non-current liabilities	**1,539.2**	**24.0**	**1,563.2**
Loans and borrowings	232.7	-	232.7
Issued bonds	34.8	-	34.8
Lease liabilities	0.2	3.1	3.3
Contract liabilities	246.1	-	246.1
Trade and other payables	873.3	-	873.3
includes derivative instruments	*0.4*	-	*0.4*
Income tax liability	20.5	-	20.5
Deposits for equipment	3.0	-	3.0
Total current liabilities	**1,410.6**	**3.1**	**1,413.7**
Total liabilities	**2,949.8**	**27.1**	**2,976.9**
Total equity and liabilities	**13,993.0**	**26.9**	**14,019.9**

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	for the 6 months ended		
	30 June 2019 unaudited in accordance with IAS 17	**Adjustments**	**30 June 2019 unaudited in accordance with IFRS 16**
Net profit	**476.6**	**(0.2)**	**476.4**
Adjustments for:	**(215.2)**	**2.0**	**(213.2)**
Depreciation, amortization, impairment and liquidation	86.9	1.7	88.6
Interest expense	35.9	0.6	36.5
Change in inventories	3.4	-	3.4
Change in receivables and other assets	40.2	-	40.2
Change in liabilities and provisions	(33.0)	(0.3)	(33.3)
Change in contract assets	(19.3)	-	(19.3)
Change in contract liabilities	9.0	-	9.0
Income tax	48.4	-	48.4
Net increase in reception equipment	(57.7)	-	(57.7)
Dividends income and share in the profits of partnerships	(328.4)	-	(328.4)
Other adjustments	(0.6)	-	(0.6)
Cash from operating activities	**261.4**	**1.8**	**263.2**
Income tax paid	(68.4)	-	(68.4)
Interest received from operating activities	2.0	-	2.0
Net cash from operating activities	**195.0**	**1.8**	**196.8**
Received dividends and shares in the profits of partnerships	135.4	-	135.4
Acquisition of shares	(15.3)	-	(15.3)
Share capital increase in subsidiary and associates	(16.4)	-	(16.4)
Acquisition of property, plant and equipment	(5.5)	-	(5.5)
Acquisition of intangible assets	(8.8)	-	(8.8)
Granted loans	(3.6)	-	(3.6)
Other inflows	4.0	-	4.0
Net cash from investing activities	**89.8**	**-**	**89.8**
Bonds issue (Series B Bonds)	893.0	-	893.0
Bonds redemption (Series A Bonds)	(893.0)	-	(893.0)
Repayment of loans and borrowings	(258.8)	-	(258.8)
Payment of interest on loans, borrowings, bonds and commissions*	(49.9)	-	(49.9)
Other outflows	(2.7)	(1.8)**	(4.5)
Net cash used in financing activities	**(311.4)**	**(1.8)**	**(313.2)**
Net decrease in cash and cash equivalents	**(26.6)**	**-**	**(26.6)**
Cash and cash equivalents at the beginning of period	**258.3**	**-**	**258.3**
Effect of exchange rate fluctuations on cash and cash equivalents	(0.1)	-	(0.1)
Cash and cash equivalents at the end of period	**231.6**	**-**	**231.6**

* Includes impact of hedging instruments and amount paid for costs related to the new financing
** Includes payment of principal elements and interest of lease liability.

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5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 28 August 2019.

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 2019 unaudited	**30 June 2018 unaudited**	**30 June 2019 unaudited**	**30 June 2018 unaudited**
Retail revenue	546.7	539.5	1,094.9	1,080.8
Wholesale revenue	24.2	24.7	48.9	46.6
Sale of equipment	4.7	5.0	12.5	13.4
Other revenue	16.2	11.9	31.7	24.0
Total	**591.8**	**581.1**	**1,188.0**	**1,164.8**

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 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*	**30 June 2019 unaudited** *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Content costs		174.8	153.1	344.9	303.3
Technical costs and costs of settlements with telecommunication operators		128.8	163.2	260.3	325.9
Distribution, marketing, customer relation management and retention costs		71.8	72.9	151.9	146.1
Depreciation, amortization, impairment and liquidation		44.4	48.1	88.6	99.0
Salaries and employee-related costs	a)	28.0	27.1	57.7	54.7
Cost of equipment sold		4.5	5.2	12.2	14.7
Cost of debt collection services and bad debt allowance and receivables written off		1.1	1.8	5.6	6.1
Other costs		13.7	30.2	27.1	61.3
Total		**467.1**	**501.6**	**948.3**	**1,011.1**

(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 2019 unaudited	30 June 2018 unaudited	30 June 2019 unaudited	30 June 2018 unaudited
Salaries	23.6	22.0	47.7	44.7
Social security contributions	3.7	3.6	8.1	7.7
Other employee-related costs	0.7	1.5	1.9	2.3
Total	**28.0**	**27.1**	**57.7**	**54.7**

9. Gain/(loss) on investment activities, net

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	30 June 2018 unaudited *(IAS 17 basis)*	30 June 2019 unaudited *(IFRS 16 basis)*	30 June 2018 unaudited *(IAS 17 basis)*
Dividends	299.5	219.8	299.5	219.8
Share in the profits of partnerships	16.5	17.3	28.9	30.9
Other	2.8	(2.1)	4.9	-
Total	**318.8**	**235.0**	**333.3**	**250.7**

10. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2019 unaudited	30 June 2018 unaudited	30 June 2019 unaudited	30 June 2018 unaudited
Interest expense on loans and borrowings	7.0	8.1	14.8	15.9
Interest expense on issued bonds	12.3	10.8	22.9	21.4
Valuation and realization of hedging instruments	-	-	0.3	-
Cumulative catch-up	-	-	-	(4.2)
Guarantee fees	1.1	1.2	2.2	2.4
Bank and other charges	8.1	0.3	8.4	0.5
Total	**28.5**	**20.4**	**48.6**	**36.0**

(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 2019 and 31 December 2018:

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 2019 and 31 December 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	298,656,832	12.0	46.70%	472,203,083	57.66%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Karswell Ltd. [2]	10,000,000	0.4	1.56%	10,000,000	1.22%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Pozostali	272,825,236	10.9	42.66%	278,696,486	34.03%
Razem	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.
[2] Entity is controlled by Mr. Zygmunt Solorz.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

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12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2019	2018
Balance as at 1 January	**(0.6)**	**0.1**
Valuation of cash flow hedges	0.3	(0.5)
Deferred tax	0.0	0.1
Change for the period	**0.3**	**(0.4)**
Balance as at 30 June unaudited	**(0.3)**	**(0.3)**

13. Loans and borrowings

Loans and borrowings	**30 June 2019 unaudited**	**31 December 2018**
Short-term liabilities	232.7	386.2
Long-term liabilities	468.8	572.4
Total	**701.5**	**958.6**

Change in loans and borrowings liabilities:

	2019	2018
Loans and borrowings as at 1 January	**958.6**	**914.9**
Repayment of capital	(258.8)	-
Repayment of interest and commissions	(13.1)	(16.3)
Net cash from the Cash Management System Agreement	-	5.3
Cumulative catch-up	-	(4.2)
Interest accrued	14.8	15.9
Loans and borrowings as at 30 June unaudited	**701.5**	**915.6**

14. Issued Bonds

	30 June 2019 unaudited	**31 December 2018**
Short-term liabilities	34.8	42.3
Long-term liabilities	968.9	976.0
Total	**1,003.7**	**1,018.3**

Change in issued bonds:

	2019	2018
Issued bonds payable as at 1 January	**1,018.3**	**1,018.2**
Bonds issue (Series B Bonds)	1,000.0	-
Bonds redemption (Series A Bonds)	(1,000.0)	-
Repayment of interest and commissions	(36.5)	(21.7)
Interest and commissions accrued	21.9	21.4
Issued bonds payable as at 30 June unaudited	**1,003.7**	**1,017.9**

Issuance of bonds

On 16 April 2019 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series B Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series B Bonds.

On 26 April 2019 the Company issued 1,000,000 Series B Bonds, with the nominal value of PLN 1,000 (not in million) each and the aggregate nominal value of PLN 1,000,000,000 (not in million). The Series B Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange (“WSE”) within the Catalyst market on 31 May 2019.

Repurchase of bonds

On 26 April 2019 the Company purchased (repurchased) to redeem 107,000 A series bearer bonds with the aggregate nominal value of PLN 107,000,000 (not in million) issued by the Company on 21 July 2015 with the redemption date specified in the terms and conditions of the issuance (warunki emisji) of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the Warsaw Stock Exchange (“WSE”) within the Catalyst market ("Series A Bonds Repurchased to Redeem"), from the investors entitled under the Series A Bonds Repurchased to Redeem, who paid the issue price of the Series B Bonds, being registered on 26 April 2019 in the depository kept by National Depositary for Securities (“NDS”) pursuant to settlement orders as defined in § 11 of the Detailed Rules of Operation of the NDS, by a set-off of the Company’s receivables in relation to the Series B Bonds issuance with the investor’s receivables in relation to the disposal to the Company of the Company’s Series A Bonds Repurchased to Redeem. On 26 April 2019 the Management Board of the Company adopted a resolution to redeem Series A Bonds Repurchased to Redeem ("Resolution on Redemption").

On 26 April 2019 the Company's Management Board adopted a resolution on conducting an early redemption of all of series A bearer bonds with the redemption date specified in the terms and conditions of the issuance of the series A bonds for 21 July 2021, with the ISIN PLCFRPT00039 and listed in the Alternative Trading System operated by the WSE within the Catalyst market ("Series A Bonds"), which will not be redeemed until the early redemption date pursuant to the Resolution on Redemption.

Early redemption of the Series A Bonds and payment of benefits occurred on 17 May 2019.

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

15. Transactions with related parties

Receivables

	30 June 2019 unaudited	31 December 2018
Subsidiaries	238.8	48.7
Joint ventures	0.7	1.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.5	1.5
Total	**240.0**	**51.4**

A significant portion of receivables is represented by dividend receivables, receivables from share of the profits of partnerships, and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services.

Other assets

	30 June 2019 unaudited	31 December 2018
Subsidiaries	86.9	102.9
Total	**86.9**	**102.9**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilites

	30 June 2019 unaudited *(IFRS 16 basis)*	31 December 2018 *(IAS 17 basis)*
Subsidiaries	83.4	98.3
Joint ventures	0.4	0.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	362.0	4.7
Total	**445.8**	**103.2**

A significant portion of liabilities is represented by dividend, programming licence fees, Polkomtel services and lease liabilities.

Loans granted

	30 June 2019 unaudited	31 December 2018
Subsidiaries	10.4	1.9
Joint ventures	-	4.6
Total	**10.4**	**6.5**

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

Revenues

	for the 6 months ended	
	30 June 2019 unaudited	**30 June 2018 unaudited**
Subsidiaries	53.3	47.0
Joint ventures	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.	0.6	1.3
Total	**54.5**	**48.3**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, programming fees, advertising and property rental services.

Expenses

	for the 6 months ended	
	30 June 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Subsidiaries	378.3	440.6
Joint ventures	0.1	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.	6.4	11.6
Total	**384.8**	**452.3**

The most significant transactions include data transfer services.

The Company also pays license fees for broadcasting Telewizja Polsat’s programs, commissions on sales, and incurs expenses 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 2019 unaudited *(IFRS 16 basis)*	**30 June 2018 unaudited** *(IAS 17 basis)*
Subsidiaries	331.8	254.1
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.	(0.5)	-
Total	**331.3**	**254.1**

Gains and losses on investment activities comprises of dividends, income from share of the profits of partnerships and guarantees granted by the Company in respect to Polkomtel’s and Netia’s term facilities.

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

Finance costs

	for the 6 months ended	
	30 June 2019 unaudited	30 June 2018 unaudited
Subsidiaries	2.2	2.3
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.	-	2.4
Total	**2.2**	**4.7**

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

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

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

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

Other

On 28 April 2017, 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 entirety. 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.

Other significant proceedings described in the financial statements for the year ended 31 December 2018 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 2018. There have been no significant changes in any risk management policies since the end of year 2018.

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 2019 unaudited *(IFRS 16 basis)*		31 December 2018 *(IAS 17 basis)*	
	Category according to IFRS 9	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	10.5	10.5	6.6	6.6
Trade and other receivables	A	*	322.4	322.4	141.1	141.1
Cash and cash equivalents	A	*	231.6	231.6	258.3	258.3
Loans and borrowings	B	2	(705.8)	(701.5)	(964.3)	(958.6)
Issued bonds	B	1	(1,017.7)	(1,003.7)	(1,028.9)	(1,018.3)
Lease liabilities	B	2	(28.2)	(28.2)	(1.2)	(1.2)
Accruals	B	*	(112.2)	(112.2)	(121.6)	(121.6)
Trade and other payables and deposits	B	*	(728.8)	(728.8)	(168.0)	(168.0)
Total			**(2,028.2)**	**(2,009.9)**	**(1,878.0)**	**(1,861.7)**
Unrecognized loss				**(18.3)**		**(16.3)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost
* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 30 June 2019 loans and borrowings comprised term facility loan. As at 31 December 2018 loans and borrowings comprised term facility loan and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 June 2019 and 31 December 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan) were analyzed.

The fair value of bonds as at 30 June 2019 and 31 December 2018 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

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

As at 30 June 2019, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	30 June 2019 unaudited	Level 1	Level 2	Level 3
IRS		-	(0.5)	-
Total		**-**	**(0.5)**	**-**

As at 31 December 2018, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	31 December 2018	Level 1	Level 2	Level 3
IRS		-	(0.8)	-
Total		**-**	**(0.8)**	**-**

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 Provincial Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filed a cassation complaint in this respect 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 are in progress in relation to 2013 and 2014. Custom and tax control activities has been transformed into tax proceedings. 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 will appeal against the decision of the Tax Authority and has not created any provisions encumbering its financial results.

The proceedings are in progress in respect to the year 2014. The Company assumes that the actions of the Head of the Małopolska Tax Office in Cracow in this respect should take into account that in connection with the possibilities resulting from the Act as of 23 October 2018 introducing amendments to the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Ordinance Act and certain other acts (Journal of Laws No.2018.2193), on 31 July 2019 the Company decided to choose a flat-rate taxation on the interest and discount and on 31 July 2019 has paid tax at 3% rate on bonds issued on 20 May 2011 and redeemed in 2014 with a total nominal value of EUR 350.0.

Decision of the Head of the Mazovian Tax Office in Warsaw

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

The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw and appealed against it to the Voivodship Administrative Court in Warsaw. On 14 May 2019 the Voivodship Administrative Court in Warsaw announced its judgement which took into account the allegations presented in the appeal and annulled the decision of the Head of the Mazovian Tax Office in Warsaw as well as discontinued the proceedings. As at the date of publication of these financial statements, the judgment of the Voivodship Administrative Court is not final.

Distribution of profit and dividend payment

On 25 June 2019 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2018 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 594.8. The dividend day was scheduled for 1 July 2019 and the dividend payout shall be made in two tranches as follows:
1) Tranche I: PLN 287.8 on 3 July 2019
2) Tranche II: PLN 307.0 on 1 October 2019.

Acquisition of shares

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 13 June 2019 the Company acquired 40.76% shares in Vindix S.A. for the purchase price of PLN 14.7. On 1 July 2019 share capital increase in Vindix S.A. was registered by the court thus increasing the number of shares held by the Company to 46.27%

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 facilities agreement. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

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 0.3 as at 30 June 2019 (PLN 2.5 as at 31 December 2018). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2019 was PLN 0.3 (PLN 0.3 as at 31 December 2018).

20. Events subsequent to the reporting date

There were no material events subsequent to the reporting date other than those described in other notes.

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 consolidated financial statements. Detailed description of the accounting estimates relating to the implementation of the new standards is included in note 4.