CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the three month period ended
March 31, 2020

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

Polsat Group at a glance

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

- **pay TV services** offered mainly by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe – and our subsidiary Netia. We offer our customers access to about 170 TV channels broadcast in satellite, terrestrial and Internet (IPTV, OTT) technologies as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, pay-per-view, Video On Demand) and Multiroom. We also provide online video services through IPLA, the leader on Poland's online video market, by offering them in a subscription and transaction (PPV) model, as well as free of charge (financed by advertising revenue);
- **telecommunication services**, including voice and data transmission services, as well as various added services (VAS). We provide mobile telecommunication services mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators, and fixed-line telecommunication services mainly through our subsidiary Netia;
- **mobile broadband Internet**, offered under two alternative brands: Cyfrowy Polsat and Plus. We provide these services in the state-of-the-art LTE, LTE Advanced and 5G technologies. We offer the largest LTE coverage in Poland and our customers enjoy the best quality of services;
- **fixed-line broadband Internet**, offered under Netia and Plus brands based on the infrastructure of our subsidiary Netia whose own access networks reach over 2.7 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on access to the infrastructure of Orange Polska;
- **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.

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

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

Our mission and main strategic goals

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

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

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

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

DISCLAIMERS

This constitutes the quarterly report of Cyfrowy Polsat Capital Group S.A. (the "Report") prepared as required by Article 60 sections 1 and 2 and Article 66 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations (Journal of Laws 2018.757 dated April 30, 2018).

Presentation of financial data and other information

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

Financial and operating data

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our condensed consolidated financial statements for the three-month period ended March 31, 2020 and condensed financial statements for the three-month period ended March 31, 2020, prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements attached to this Report have not been audited by an independent auditor.

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

Forward looking statements

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

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

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

Industry and market data

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

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the three-month periods ended March 31, 2020 and March 31, 2019. This information should be read in conjunction with the consolidated financial statements for the three-month period ended March 31, 2020 (including notes thereto) and the information included in item 3 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement and the consolidated cash flow statement for the three-month periods ended March 31, 2020 and March 31, 2019 have been converted into euro at a rate of PLN 4.3257 per EUR 1, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1, 2020 to March 31, 2020;
- from the consolidated balance sheet data as at March 31, 2020 and December 31, 2019 have been converted into euro at a rate of PLN 4.5523 per EUR 1 (average exchange rate published by the NBP on March 31, 2020).

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

It should be noted that the financial data for the three-month periods ended March 31, 2020 and March 31, 2019 are not fully comparable due to the following acquisitions and changes to the Group's structure in the period from March 31, 2019 to March 31, 2020:

- acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019,
- acquisition of 12 additional shares in TVO Sp. z o.o. on May 30, 2019 and registration of a share capital increase on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22% as at March 31, 2020),
- acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%),
- acquisition by Netia S.A. of 100% of shares in ISTS Sp. z o.o. on November 27, 2019, which resulted in Cyfrowy Polsat holding indirectly 65.98% of shares in this company,
- acquisition of a stake of shares in Asseco Poland S.A. on December 30, 2019 (as a result, total shareholding in Asseco Poland S.A. amounts to 22.73%),
- acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020,
- registration by court of the share capital increase in TVO Sp. z o.o. on February 10, 2020 (following the registration of the share capital increase the shareholding of Cyfrowy Polsat S.A. in TVO Sp. z o.o. amounts to 75.96%),
- acquisition by Netia S.A. of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) on February 14, 2020 which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.
- acquisition of 69.13% of shares in BCAST Sp. z o.o. on March 25, 2020.

Consolidated balance sheet

	March 31, 2020		December 31, 2019	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	1,140.8	250.6	753.1	165.4
Assets	32,658.7	7,174.1	32,589.6	7,158.9
Non-current liabilities	12,907.2	2,835.3	12,256.9	2,692.5
Non-current financial liabilities	11,390.3	2,502.1	10,610.0	2,330.7
Current liabilities	5,111.5	1,122.8	5,868.2	1,289.1
Current financial liabilities	1,735.0	381.1	2,340.8	514.2
Equity	14,640.0	3,216.0	14,464.5	3,177.4
Share capital	25.6	5.6	25.6	5.6

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

Consolidated income statement

	for the three-month period ended March 31			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Revenue	**2,848.5**	**658.5**	**2,791.6**	**645.3**
Retail revenue	1,604.5	370.9	1,606.0	371.3
Wholesale revenue	823.7	190.4	772.7	178.6
Sale of equipment	345.7	79.9	347.4	80.3
Other sales revenue	74.6	17.3	65.5	15.1
Total operating cost	**(2,392.1)**	**(553.0)**	**(2,317.0)**	**(535.6)**
Technical costs and cost of settlements with mobile network operators	(600.8)	(138.9)	(563.8)	(130.3)
Depreciation, amortization, impairment and liquidation	(564.5)	(130.5)	(547.1)	(126.5)
Cost of equipment sold	(282.3)	(65.3)	(289.4)	(66.9)
Content costs	(388.8)	(89.9)	(366.9)	(84.8)
Distribution, marketing, customer relation management and retention costs	(224.4)	(51.9)	(244.8)	(56.6)
Salaries and employee-related costs	(221.9)	(51.3)	(212.6)	(49.1)
Cost of debt collection services and bad debt allowance and receivables written off	(44.3)	(10.2)	(34.6)	(8.0)
Other costs	(65.1)	(15.0)	(57.8)	(13.4)
Other operating income, net	**5.8**	**1.3**	**16.6**	**3.8**
Profit from operating activities	**462.2**	**106.8**	**491.2**	**113.5**
Gain/(loss) on investment activities, net	(74.2)	(17.1)	(12.2)	(2.8)
Financial costs, net	(153.8)	(35.6)	(102.7)	(23.7)
Share of the loss of associates accounted for using the equity method	16.3	3.8	(1.7)	(0.4)
Gross profit for the period	**250.5**	**58.0**	**374.6**	**86.6**
Income tax	(66.7)	(15.4)	(77.3)	(17.9)
Net profit for the period	**183.8**	**42.6**	**297.3**	**68.7**
Net profit attributable to equity holders of the Parent	182.4	42.2	291.9	67.5
Net profit/(loss) attributable to non-controlling interest	1.4	0.3	5.4	1.2
Basic and diluted earnings per share in PLN (not in millions)	**0.29**	**0.07**	**0.46**	**0.11**
Weighted number of issued shares	639,546,016		639,546,016	
EBITDA[(1)]	**1,026.7**	**237.3**	**1,038.3**	**240.0**
EBITDA margin	36.0%	36.0%	37.2%	37.2%
Operating margin	16.2%	16.2%	17.6%	17.6%

(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.

Consolidated cash flow statement

	for the three-month period ended March 31,			
	2020		2019	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	778.8	180.0	700.9	162.0
Net cash used in investing activities	(364.0)	(84.1)	(367.2)	(84.9)
incl. capital expenditures[(1)]	*(307.4)*	*(71.1)*	*(359.9)*	*(83.2)*
Net cash used in financing activities	(30.0)	(6.9)	(754.4)	(174.4)
Net increase/(decrease) in cash and cash equivalents	384.8	89.0	(420.7)	(97.3)

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

1. Characteristics of Polsat Group

1.1. Who we are

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

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

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

In the segment of services to individual and business customers we provide the following services: satellite and Internet television, mobile and fixed-line Internet access, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunication equipment and production of set-top boxes. At the end of March 2020 we had over 5.6 million contract customers and companies from our Group provided a total of over 17.4 million active services, including nearly 14.7 million contract RGUs (the above data does not include the activities conducted by Netia Group companies).

Our broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels mainly in Poland.

1.2. Composition and structure of Polsat Group

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

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2020	December 31, 2019
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	media	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2020	December 31, 2019
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	media	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Infrastruktura Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium-rate services	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	finance activities	(1)	(1)
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.) (2)	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Internetia Sp. z o.o.	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	65.98%

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2020	December 31, 2019
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	65.98%
ISTS Sp. z o.o.	Bociana 4A apt. 68A, 31-231 Cracow	wired communication	65.98%	65.98%
IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.)	Księcia Janusza 13, 18-400 Łomża	wired communication	65.98%	-
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie production	100%	100%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising	100%	100%
TVO Sp. z o.o.(3)	Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Pure Omni Wework Sp. z o.o. S.k.(3)	Batorego 28-32, 81-366 Gdynia	retail sales	75.96%	51.22%
Wework Sp. z o.o.(3)	Batorego 28-32, 81-366 Gdynia	administrative services	75.96%	51.22%
Plus Finanse Sp. z o.o.	Konstruktorska 4A, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4A, 02-673 Warsaw	other monetary intermediation	100%	100%
Alledo Sp. z o.o. (4)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Express Sp. z o.o. (4)	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	-
Alledo Parts Sp. z o.o. (4)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	-
Alledo Parts Sp. z o.o. Sp.k. (4)	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	-
Alledo Setup Sp. z o.o. (4)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-
Alledo Setup Sp. z o.o. Sp.k. (4)	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	-

(1) Cyfrowy Polsat owns indirectly 100% of certificates.
(2) On May 28, 2019 the changes of name and legal form of Eska TV S.A. into Music TV Sp. z o.o. were registered.
(3) 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.
(4) Consolidated since January 13, 2020 as a result of acquiring 51.25% of shares in Alledo Sp. z o.o. by the Company which resulted in obtaining control over Alledo Sp. z o.o. and its subsidiaries.

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

(1) The Company holds directly shares entitling to exercise 22.73% of the total number of votes in Asseco and Reddev holds directly shares entitling to exercise 0.22% of the total number of votes in Asseco, whereby, based on the agreement concluded between the Company and Reddev on December 27, 2019, Reddev obliged itself to exercise the right to vote from the shares held in compliance with instructions of Cyfrowy Polsat.

Additionally, the following entities were included in the consolidated financial statements for the three-month period ended March 31, 2020:

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2020	December 31, 2019
Karpacka Telewizja Kablowa Sp. z o.o.(1)	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.76%	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25e/216 10-686 Olsztyn	investment 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, 2020 until the date of approval of this Report, i.e. May 13, 2020, the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions and the systematically executed process of simplifying the capital structure of the Group. The changes in the Group's structure entail, among other things, improved efficiency of financial management on the consolidated level through the simplification and streamlining of intragroup financial flows and the elimination of redundant costs. What is more, they translate into greater credibility and transparency of Polsat Group, which in turn has a positive influence on the possibilities of obtaining and using external debt financing.

Date	Description
January 13, 2020	Acquisition of 51.25% of shares in Alledo Sp. z o.o.
February 10, 2020	Registration by court of the share capital increase in TVO Sp. z o.o. (following the registration of the share capital increase the shareholding of Cyfrowy Polsat S.A. in TVO Sp. z o.o. amounts to 75.96%).
February 14, 2020	Acquisition of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) by Netia S.A. which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.
March 25, 2020	Acquisition of 69.13% of shares in BCAST Sp. z o.o.
April 24, 2020	Acquisition of 9% of shares in Pluszak Sp. z o.o.

1.3. Segment of services to individual and business customers

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and one of leading satellite platforms in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services, as well as market share. We actively expand our pay TV offer by adding both new forms of service provisioning (IPTV and OTT) and additional services which build customer value, such as Multiroom or paid video online subscriptions, providing nearly 5.2 million pay TV services as at March 31, 2020.

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite and Internet through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to about 170 TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports and e-sports, music, lifestyle, news/information, children's, education and movie channels. In addition, we provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online video and online music services, catch-up TV and Multiroom HD services.

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

Furthermore, Netia from Cyfrowy Polsat Group provides an IPTV service under the brand of 'Personal Television' ('*Telewizja Osobista*'). Currently, Netia's Personal Television offering includes approximately 220 channels, with approximately 130 channels in HD or super HD technology, while the number of TV services provided by Netia as at March 31, 2020 reached over 254 thousand.

Online video

The entertainment website IPLA offers the most diversified database of legal video content and live broadcasts in Poland and 119 online TV channels, live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both Polish and international licensors. IPLA offers on average over 500 hours per month of live coverage of the largest national and international sports events. IPLA provides its users with access to content in the free of charge model accompanied by advertisements and the paid model, as well as the possibility to download selected content and view it offline. Over 80% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

Access to video materials and channels via the Internet is based on one of three models. The first is a pay model, where a customer makes a fixed payment for the right to access a given video material. The second model consists in access to a package of video materials and channels in exchange for a periodic monthly fee. The third model is based on free access in exchange for viewing advertisements. Approximately 70% of IPLA's total revenue is generated by the advertisement-based model, while about 30% is derived from the purchase of access to content made by users.

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

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

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

Mobile and fixed-line telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators. As at March 31, 2020 we provided 10.4 million mobile telephony services in both the postpaid and prepaid models.

We offer a comprehensive array of mobile telecommunications services under the established umbrella brand 'Plus' and our additional brand 'Plush,' as well as under the brands belonging to Aero2 and under the 'Netia' brand. Our offer includes retail services, comprising contract and prepaid voice services, as well as data transmission services encompassing basic mobile broadband services, MMS, value added services such as entertainment, information and comprehensive convergent telecommunications services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support LTE, LTE Advanced and 5G technologies. Our retail mobile telephony offering is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises, and the SOHO (Small Office/Home Office) segment.

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

Mobile broadband Internet

In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service. At present, our LTE Internet and HSPA/HSPA+ Internet cover practically the entire population of Poland. Since 2016 we have been offering our customers services in the LTE Advanced technology. This technology is being successively developed, as demonstrated by our launch of the QAM 256 and MIMO 4x4 modulation, which allows for increased transmission speed while using the same radio band. We are also pursuing aggregation of bands in two, three and, selectively, four frequencies which further contributes to increasing the capacity of our network, thus making our mobile Internet faster and more stable. Thanks to the applied technological solutions, the speed of our LTE Advanced Internet ranges from 300 Mbps to 500 Mbps in over 300 locations. Furthermore, the tests of download transmission speed on aggregated four bands along with modulation allowed us to achieve data transfer speed above 600 Mbps. As at March 31, 2020, we provided 1.9 million mobile broadband Internet access services, mostly in the contract model.

In January 2020, we started the roll-out of the first in Poland commercial 5G network operating in the 2600 MHz TDD frequency. For the network's needs the Group has allocated unique spectrum resources owned in this band, which offer the possibility of achieving data transfer speed of up to 600 Mbps while using MIMO 4x4 and QAM 256 technologies. The commercial launch of our 5G services took place on May 11, 2020.

We provide a comprehensive array of mobile broadband Internet access services to both residential and business customers under three alternative brands: 'Plus,' 'Cyfrowy Polsat' and 'Netia.' We offer broadband Internet in both the contract and the prepaid model. Moreover, thanks to our LTE Internet access service combined with the set Home LTE Internet we can offer customers a product that constitutes a substitute for fixed-line Internet. Additionally, pursuant to the provisions of the concession related to the purchase of the 2600 MHz TDD band, our subsidiary 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, LTE Advanced and 5G technologies. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Fixed-line broadband Internet

Through our subsidiaries Netia and Polkomtel we provide fixed-line broadband Internet services, among others in fiber optic technologies. Fixed-line services are being rendered via own access networks with over 2.7 million homes passed, out of which, as at end of March 2020, around 1.5 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, we offer fixed-line Internet services based on access to Orange Polska network.

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

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

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

Bundled services

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

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

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

Wholesale business

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

Network interconnection

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

Shared access to network assets and lease of telecommunications infrastructure

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

International roaming

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

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

Virtual operators (MVNOs)

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

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

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

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

1.4. Broadcasting and television production segment

Production and sale of television channels

Our portfolio comprises 34 channels including our flagship channel POLSAT. Moreover, there is a group of 8 cooperating channels which are related with Polsat Group either by capital links or joint broadcasting projects.

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

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

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

Channel	Description
Lifestyle	
Polsat Cafe HD	Channel dedicated to women, focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat Games HD	Channel devoted to gamers. Addressed not only to fans of computer games or e-sports, but also to enthusiasts of new technologies and animation. The channel's programming includes original gaming programs, coverage from e-sports tournaments, Japanese animated series and documentaries.
Polsat Rodzina HD	Family channel for three generations: from children, via parents, to grandparents, and living anywhere in Poland. The channel helps to deal with challenges of the modern world. Its programing includes informative programs, educational cartoon, series and Christian matters programs.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.
TV Okazje	Channel broadcasting 24 hours a day, dedicated to teleshopping and broadcasting solely spots that encourage shopping.

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

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on initial data from Starcom we estimate that in the first quarter of 2020 Polsat Group channels captured 28.1% of the Polish TV advertising market worth approximately PLN 935 million in that period.

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

Sale of channel broadcasting rights

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

1.5. Shareholders with qualifying holdings of shares of Cyfrowy Polsat

The table below presents Shareholders of Cyfrowy Polsat S.A. holding at least 5% of votes at the General Meeting of Cyfrowy Polsat S.A.as at the date of approval of this Report, i.e. May 13, 2020. Data included in the table is based on information received from shareholders on November 8, 2019 pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws 2019, item 623).

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	**364,244,418**	**56.95%**	**523,961,929**	**63.98%**
TiVi Foundation, including through:	298,080,297	46.61%	457,797,808	55.90%
Reddev Investments Limited	298,080,287	46.61%	457,797,788	55.90%
Embud 2 Sp. z o.o. S.K.A.	64,011,733	10.01%	64,011,733	7.82%
Tipeca Consulting Limited(1)	2,152,388	0.34%	2,152,388	0.26%
Others	**275,301,598**	**43.05%**	**295,001,588**	**36.02%**
Total	**639,546,016**	**100.00%**	**818,963,517**	**100.00%**

(1) Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act.

Changes in the structure of ownership of significant number of shares of the issuer in the period since the publication of the last periodic report

From the date of publication of the previous interim report, i.e. March 12, 2020 (annual report for 2019), until the date of approval of this Report, i.e. May 13, 2020, the Company did not receive notifications concerning changes in the structure of ownership of significant blocks of Cyfrowy Polsat shares.

1.6. Shares of Cyfrowy Polsat held by Members of the Management Board and the Supervisory Board

To the Company's best knowledge Members of the Management Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. May 13, 2020 as well as at the date of publication of the previous interim report, i.e. March 12, 2020 (annual report for the financial year 2019).

The table below presents the number of shares of Cyfrowy Polsat S.A. which, according to the Company's best knowledge, were held, directly or indirectly, by Members of the Company's Supervisory Board as at the date of approval of this Report, i.e. May 13, 2020, along with changes in shareholdings from the date of publication of the previous interim report, i.e. March 12, 2020 (annual report for the financial year 2019).

Name, Surname and function	Status as at March 12, 2020	Increases	Decreases	Status as at May 13, 2020
Mr. Marek Kapuściński Chairman of the Supervisory Board	18,500	3,650	-	22,150
Mr. Aleksander Myszka Member of the Supervisory Board	50,000	4,586	-	54,586
Mr. Tomasz Szeląg(1) Member of the Supervisory Board	18,500	7,000	-	25,500

(1) Mr. Tomasz Szeląg holds the Company's shares indirectly, through Pigreto Ltd.

To the Company's best knowledge the remaining Members of the Supervisory Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. May 13, 2020, nor at the date of publication of the previous interim report, i.e. March 12, 2020 (annual report for the financial year 2019).

2. Significant events

2.1. Extraordinary events

State of epidemic due to the COVID-19 coronavirus decease

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

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

In order to defend the state against the crisis caused by the worldwide coronavirus pandemic, the Polish government has adopted a package of solutions aimed at stabilizing the economy and giving it an investment boost. The so-called "Anti-Crisis Shield," to be worth approximately PLN 212 billion, is based on the following five pillars:

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

The above package will consist of the government's cash components in the amount of approximately PLN 67 billion, such as the state budget's and National Healthcare Fund's spending and special purpose funds, the government's liquidity components in the amount of approximately PLN 75.5 billion, including credit repayment holidays, deferred levies, liquidity financing in the form of credit and capital and the liquidity package from the National Bank of Poland of approximately PLN 70 billion, executed, among others, through a radical (by 100 bps) reduction of interest rates to their record low levels.

Furthermore, an amount of PLN 100 billion was dedicated to the protection of workplaces and Polish entrepreneurs under the so-called Financial Shield.

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

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

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

In response to the extraordinary situation caused by the coronavirus epidemic Cyfrowy Polsat Group has undertaken numerous social activities which answer social needs associated with the new, difficult circumstances, the new lifestyle, the necessity to perform daily duties remotely as well as the search for diverse forms of entertainment on the Internet.

Such actions included, among others:

- purchasing 200 thousands tests confirming presence of coronavirus together with the necessary laboratory equipment for PLN 16 million and donating them to the Ministry of Health;
- allocating by the Polsat Foundation of PLN 2 million from its funds for the purchase of the most needed equipment for medical units;
- donating, by Plus and Cyfrowy Polsat together with Polsat Foundation, of 2,200 connected tablets for the children who are most in need of such devices, i.e. the children who are in orphanages, foster families and other child care facilities – so as to provide them with support in the process of distance education;
- donating, via the Polsat Foundation, more than PLN 3 million raised from a special commercial block '*Reklama na Ratunek - Razem w walce z koronawirusem' ('Commercials to the Rescue – Standing United in the Struggle Against the Coronavirus')* to the hospitals and institutions involved in fighting the epidemic that are most in need; nearly PLN 2.5 million came from the advertisers, with the remainder being donated by Polsat TV;

- offering a free 10 GB data bundle for Plus, Plush and Cyfrowy Polsat customers – so as to offer them more possibilities of contacting other people during the epidemic;
- offering a new, additional 20 GB data bundle, for 10 zloty, for Plus, Plush and CP customers;
- expanding the "open window" offer for the subscribers of the DTH satellite TV and the IPTV service from Cyfrowy Polsat with additional 33 channels;
- expanding the free IPLA PLUS package offered to all Plus network customers with 25 additional channels (bringing the total number of available TV channels to 30);
- accelerating the fixed-line Internet access from Plus, relying on HFC, ETTH and PON technologies to the maximum available speeds, even to as much as 1 Gbps, at no additional charge;
- offering Plus's customers access to TIDAL music service without any bandwidth caps, while new customers of Plus network can enjoy a 90-day free trial of TIDAL;
- offering additional Internet data bundles in return for account top-ups in Plus's prepaid plans;
- providing all current information on the coronavirus pandemics via Polsatnews.pl service and Polsat News mobile app, bigger number of *'Wydarzenia' ('News')* programs broadcast in Polsat and Polsat News channels as well as a dedicated interactive program entitled *'Wszystko o koronawirusie' ('All about the coronavirus')* during which the experts in such fields as medicine, law and psychology answer the questions from Polsat News viewers;
- providing spiritual support in the form of Sunday Holy Masses broadcast from the Divine Providence Temple (Świątynia Opatrzności Bożej) on Polsat News and Polsat Rodzina channels and via the Internet in the IPLA web service, as well as a retreat entitled *'Thoughts for the Times of the Plague' ('Przemyślenia w czasach zarazy')* provided during the Lent on the Internet and polsatnews.pl portal as well as on Polsat Rodzina Facebook page;
- daily training with a personal trainer on the Polsat News channel as well as additional daily dose of entertainment with Polsat TV stars in the form of a live program broadcast via social media – Facebook and Instagram;
- daily meetings with celebrities who took kids for a month on a fairy tale trip as part of the Polsat Foundation's action #CzytamyDlaDzieci (#WeReadforChildren) on Instagram;
- supporting a grassroots initiative in which Polsat Group's employees support a local catering company which has decided to prepare meals for the medics;
- an attractive offer of movies in the IPLA web entertainment service – attractive titles which have had their cinema premieres recently, including proposals for adult audiences, teenagers as well as the youngest viewers;
- 'SMS to the rescue' – a dedicated commercial spot of Polsat Foundation and Polsat TV, all proceeds from which will be used for the purchase of necessary personal protection equipment for the employees of health care;
- aid to the Provincial Ambulance and Sanitary Transport Service "Meditrans" SP ZOZ in Warsaw;
- Plus, supported by ZTE Poland, donated protective masks to hospitals;
- #okonamalucha (#newbornsunderthewatchfuleye) – Plus donated SIM cards with Internet access to the Department of Neonatology and Neonatal Intensive Care Unit of the Warsaw Medical University in the Princess Anna Mazowiecka Clinical Hospital;
- donating over 3000 daffodils to the "Wolne Miejsce" Foundation under the action of "Easter Breakfast for the Lonely";
- social campaign of Polsat Group encouraging people to provide aid to the elderly;
- #JesteśmyDlaDzieci (#WeareforChildren) – a program under the patronage of the Polsat Foundation in which important topics related to threats and consequences for children and their families arising from the coronavirus are raised and discussed;
- under the joint action, the manufacturer of mobile devices - OPPO donated 188 smartphones and Plus donated 188 start-up sets with free calls, SMS and Internet access services to the people in care of "Polki Mogą Wszystko" Foundation – the equipment was distributed to the children in 24 day care centers;
- free data transfer in Polsat News application for Plus customers.

2.2. Corporate events

Issuance of Series C Bonds

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

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

Detailed information about the issuance of Series C Bonds is included in the Company's current reports No. 30/2019 dated October 30, 2019, No. 35/2019 dated December 11, 2019, No. 1/2020 dated January 29, 2020, No. 2/2020 dated January 31, 2020 and in item 3.3.5. of the Report– *Operating and financial review of Polsat Group – Review of our financial situation – Liquidity and capital resources*.

2.3. Business related events

Expansion of the reach of Plus's fixed-line Internet access by Orange Polska infrastructure

In January 2020, the reach of the 'Plus Internet Stacjonarny' fixed-line Internet access service, hitherto provided based on Netia's infrastructure, has been expanded by using Orange Polska infrastructure in the so-called "regulated" local communes, i.e., communes where access to Orange's infrastructure is granted to other operators based on UKE's decision. As a consequence, the service will be available to an additional 3.2 million households, 0.5 million of which are connected to fiber optic. Taking into account the households within Netia's and Orange's footprint, the total reach of 'Plus Internet Stacjonarny' is now near to 39% of all households in Poland.

Start of the commercial 5G network rollout

In January 2020, Polkomtel started the roll-out of the first in Poland commercial 5G network using the spectrum from the 2600 MHz TDD band. For the needs of the network the Group has allocated spectrum resources in its possession, which offer the possibility of achieving data transfer speed of up to 600 Mbps while using MIMO 4x4 and QAM256 technologies.

The key element of the 5G network that is being rolled out is the use of the TDD (Time Division Duplex) technology whose sole implementation in Poland has so far been carried out by the Group. TDD enables data transmission relying on one, joint fragment of spectrum for alternating in time downlink/uplink transmission. The way TDD operates could be compared to traffic on a modern motorway – instead of forcing cars to queue at the toll gates, on Friday afternoon we open four lanes of the motorway, e.g. from Łódź to Gdańsk, while on Sunday we open four lanes in the opposite direction. On an ordinary motorway, in turn, when there is a traffic jam in one direction, the traffic in the opposite direction is usually minimal and nothing can be done about it – this is how the FDD (Frequency Division Duplex) technology operates. Cyfrowy Polsat is the only operator on the Polish market to have employed the TDD technology in both LTE and 5G.

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

In the first phase, the roll out of the 5G network commenced in seven Polish main cities: Warsaw, Gdańsk, Katowice, Łódź, Poznań, Szczecin and Wrocław. By the end of March 2020, the 5G transmitters were installed on 100 base stations. In parallel, tests of end-user equipment supporting 5G in the 2600 MHz TDD bandwidth were conducted.

The commercial launch of Plus's 5G network took place on May 11, 2020 (more details are presented in item 2.4. – *Significant event – Events after the balance sheet date*.

2.4. Events after the balance sheet date

Auction for spectrum reservation from the 3.6 GHz band

On March 6, 2020, the Office of Electronic Communications announced an auction for the reservation of spectrum from the 3.4 3.8 GHz band, which represents Poland's first spectrum allocation process for the purposes of the 5G network deployment. The auctioned spectrum consists of four 80MHz blocks from the 3.6 GHz band. The asking price per one block was set at PLN 450 million. In accordance with the auction's documentation, each winner shall be obligated to meet the same requirements with regard to network deployment, consisting in the roll out in indicated areas of at least 700 base stations operating in the granted spectrum by December 31, 2025.

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

Due to the state of epidemic announced on March 20, 2020, the above time limit was suspended, with effect from March 31, 2020 until the cancellation of the epidemic emergency status, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the "Anti-Crisis Shield 3.0" act adopted by the Sejm on April 30, 2020 includes the provisions that, if adopted in a version without the amendments of the Senate, could give ground to cancellation of the 5G auction announced by the President of UKE. As of the date of approval of this Report no binding decisions with regard to the continuation or the cancellation of the auction were taken and the legal status of the auction proceedings remains unclear.

Execution of amendment and restatement deeds to the Combined CFA

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

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

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

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel jointly make quarterly repayments of equal amounts, amounting to PLN 200 million each;

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

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

(i) amendment of the final repayment date of the additional term facility loan granted in the Accession Deed (the "Additional Term Facility Loan") to March 31, 2025; and
(ii) in connection with the implementation of IFRS 16, a change in the Total Leverage on which the Margin on the Additional Term Facility Loan depends.

The Company gave notice of entering into the Accession Deed in its current report No. 33/2019 dated November 27, 2019.

Detailed information concerning the Combined SFA and the Amendment, Restatement and Consolidation Deed is presented in the Company's current report No. 42/2015 dated September 21, 2015, and about the execution of the Second Amendment and Restatement Deed in the Company's current report No. 9/2018 dated March 2, 2018.

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

Preliminary agreement to acquire shares in Interia Group

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

In accordance with the preliminary agreement, the sale price will amount to PLN 422 million, to be additionally: (i) reduced by certain payments made by Interia Group companies to the sellers and their affiliates effected after December 31, 2019; and (ii) increased by interest at 3% p.a. for a period from December 31, 2019 to the transaction closing date on the amount of PLN 410 million reduced by the payments mentioned in item (i) above, in accordance with the locked-box mechanism specified in the preliminary agreement.

Interia Group is a leading player on the Polish Media Tech market, reaching nearly 60% of Internet users in Poland. ts services are used by over 16 million real users every month (an increase by 27% over the last three years) and the number of page views of the Interia Group's websites exceeds 1.3 billion per month (an increase by 42% over the last three years).

The Internet portal Interia.pl, which belongs to the group and is one of the three largest horizontal portals in Poland, provides individual Internet users with a vast selection of the highest quality information, multimedia, social and communication services. In addition, Interia Group includes thematic services, services designed to exchange opinions, tips and communication as well as one of country's first mail services.

Furthermore, Interia Group is one of the key players on the Polish online advertising market, offering modern marketing and promotion services. Interia Group also provides a wide range of technologies for businesses.

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

Detailed information about the preliminary agreement to acquire Interia Group is included in the Company's current report No. 16/2020 dated April 30, 2020.

Commercial launch of 5G network

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

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

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

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

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

Plus's 5G service offering is available to all contract customers of Plus and Cyfrowy Polsat who are within the footprint of the 100 5G base stations and who use equipment that supports the 5G technology operating in the 2.6 GHz frequency band. Plus's offer already includes smartphones and routers which meet these requirements, while further equipment from leading global manufacturers will be successively added to the sales offer in upcoming months.

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

Extraordinary General Meeting convened for May 25, 2020

At the request of the shareholders Reddev Investments Limited and TiVi Foundation, representing jointly more than one twentieth of the share capital of the Company, an Extraordinary General Meeting of Cyfrowy Polsat S.A. was convened for May 25, 2020. The agenda of the meeting provides for adopting a resolution to amend the articles of association of the Company.

Detailed information concerning the Extraordinary General Meeting is included in the Company's current reports No. 13/2020 dated April 27, 2020 and No. 15/2020 dated April 28, 2020.

3. Operating and financial review of Polsat Group

3.1. Operating review of the Group

When assessing our operating results in the segment of services to individual and business customers, we analyze contract services and prepaid services separately. In the case of contract services we consider the number of unique, active services provided in the contract model (RGUs), the number of customers, churn rate and average revenue per customer (ARPU). When analyzing prepaid services we consider the number of unique, active services provided in the prepaid model (prepaid RGUs) as well as average revenue per prepaid RGU. The number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.

Please note that the operational indicators (KPIs) presented below do not include operational results of Netia Group 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 March 31		change / %
	2020	2019	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS			
Total number of RGUs (EOP) (contract + prepaid)	**17,435,613**	**16,973,770**	**2.7%**
Contract services			
Total number of RGUs (EOP), incl.	**14,796,975**	**14,330,995**	**3.3%**
Pay TV, incl.	4,992,356	5,077,221	(1.7%)
Multiroom	*1,187,199*	*1,167,983*	*1.6%*
Mobile telephony	8,016,501	7,452,479	7.6%
Internet	1,788,118	1,801,295	(0.7%)
Number of customers (EOP)	**5,601,300**	**5,672,790**	**(1.3%)**
ARPU per customer	85.4	82.9	3.0%
Churn per customer	6.6%	7.2%	(0.6 p.p.)
RGU saturation per one customer	2.64	2.53	4.3%
Average number of RGUs, incl.	**14,774,076**	**14,283,823**	**3.4%**
Pay TV, including:	5,018,607	5,090,723	(1.4%)
Multiroom	*1,193,663*	*1,164,591*	*2.5%*
Mobile telephony	7,964,689	7,384,746	7.9%
Internet	1,790,780	1,808,354	(1.0%)
Average number of customers	**5,625,993**	**5,688,071**	**(1.1%)**
Prepaid services			
Total number of RGUs (EOP), including:	**2,638,638**	**2,642,775**	**(0.2%)**
Pay TV	171,958	144,586	18.9%
Mobile telephony	2,393,373	2,387,672	0.2%
Internet	73,307	110,517	(33.7%)
ARPU per total prepaid RGU [PLN]	20.7	20.1	3.0%
Average number of RGUs, including:	**2,604,742**	**2,613,612**	**(0.3%)**
Pay TV	122,482	91,940	33.2%
Mobile telephony	2,405,796	2,403,135	0.1%
Internet	76,464	118,538	(35.5%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT			
Audience share	23.3%	23.4%	(0.1 p.p.)
Advertising market share	28.1%	28.0%	0.1 p.p.

3.1.1. Segment of services to individual and business customers

As at March 31, 2020, in the segment of services to individual and business customers our Group provided a total of 17,436 thousand services in the contract and prepaid models, which represents 2.7% growth YoY. It is worth emphasising that the share of contract services in the total number of services that we provide is growing consistently and has reached the level of 84.9% at the end of the first quarter of 2020, as compared to 84.4% recorded at the end of the first quarter of 2019.

Contract services

As at March 31, 2020, we provided contract services to a total of 5,601 thousand customers, i.e. 1.3% less compared to 5,673 thousand customers the Group had as at March 31, 2019. The main reason behind the decline of the contract customer base was the merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 4.3% 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 466 thousand, that is by 3.3%, to 14,797 thousand as at March 31, 2020, from 14,331 thousand as at March 31, 2019. The number of pay TV services provided in the contract model amounted to 4,992 thousand as at March 31, 2020 and recorded a decrease by 85 thousand, or 1.7%, compared to 5,077 thousand as at March 31, 2019, which was mainly due to a lower number of provided satellite TV services. The number of provided mobile telephony services in the contract model increased by 564 thousand, or 7.6%, reaching the level of 8,017 thousand as at March 31, 2020, up from 7,452 thousand as at March 31, 2019. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction of attractive tariff plans addressed to contract customers, as well as by high demand among business customers for m2m services. In terms of broadband access, as at March 31, 2020, we provided 1,788 thousand RGUs in the contract model, that is by 13 thousand, or 0.7%, less than as at March 31, 2019. The decrease is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing popularity of data transmission in mobile telephony tariff plans (smartphones), which competes with dedicated mobile Internet access services.

As at March 31, 2020, every customer in our base had on average 2.64 contract services, which constitutes an increase of 4.3% compared to 2.53 contract services per customer as at March 31, 2019. We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we consistently add new products, will positively influence the growth of the number of contract RGUs provided by us in the future.

In line with the assumptions of our long-term strategy we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In the first quarter of 2020, average revenue per contract customer increased by 3.0% to PLN 85.4, from PLN 82.9 in the first quarter of 2019.

Our churn rate amounted to 6.6% in the twelve-month period ended March 31, 2020, decreasing by 0.6 p.p. as compared to 7.2% in the twelve-month period ended March 31, 2019. This is primarily the effect of the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy as well as our actions aimed at fostering high customer satisfaction and loyalty. In addition, a more conservative than in the past offering policy of mobile operators translates into a steady decrease of the number of customers migrating between the networks, which also contributes to our churn rate.

Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. At the end of March 2020, already 2,012 thousand customers were using our bundled services, which constitutes an increase of 157 thousand customers, or 8.5%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 35.9% at the end of March 2020. As at March 31, 2020, this group of customers had a total of 6,120 thousand RGUs, that is by 553 thousand, or 9.9%, more than a year earlier. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us as at March 31, 2020 remained stable and amounted to 2,639 thousand. The number of prepaid TV services provided by us as at March 31, 2020 increased by 27 thousand, that is by 18.9%, to 172 thousand from 145 thousand as at March 31, 2019 driven by the growing popularity of the IPLA service resulting from the continuous enrichment of the programming offering. The number of prepaid mobile telephony services remained at a practically unchanged level and amounted to 2,393 thousand as at March 31, 2020. The number of prepaid broadband Internet services decreased by 37 thousand, i.e., by 33.7%, to 73 thousand as at March 31, 2020 from 112 thousand as at March 31, 2019.

In the first quarter of 2020, average revenue per RGU prepaid increased by 3.0% to PLN 20.7, from PLN 20.1 in the first quarter of 2019.

3.1.2. Braodcasting and television production segment

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

Audience shares

Audience share	3 months ended March 31		change [pp]
	2020	2019	
Audience share[1] [2], including:	**23.25%**	**23.36%**	***(0.11)***
POLSAT (main channel)	***9.90%***	***11.20%***	***(1.30)***
Other channels	***13.36%***	***12.16%***	***1.20***
TV4	3.51%	3.36%	*0.15*
TV6	1.85%	1.60%	*0.25*
Polsat News	1.45%	0.60%	*0.85*
Super Polsat	1.34%	0.95%	*0.39*
Polsat 2	1.13%	1.12%	*0.01*
Polsat Film	0.82%	0.65%	*0.17*
Polo TV	0.63%	0.94%	*(0.31)*
Polsat Play	0.54%	0.60%	*(0.06)*
Eska TV	0.52%	0.66%	*(0.14)*
Polsat Cafe	0.36%	0.32%	*0.04*
Eleven Sports 1	0.17%	0.23%	*(0.06)*
Polsat Sport	0.15%	0.16%	*(0.01)*
Polsat Seriale[3]	0.12%	0.11%	*0.01*
Disco Polo Music	0.11%	0.18%	*(0.07)*
Polsat Doku	0.11%	0.08%	*0.03*
Vox Music TV	0.09%	0.08%	*0.01*
Eska TV Extra	0.09%	0.06%	*0.03*
Polsat Games	0.06%	0.03%	*0.03*
Polsat Sport Extra	0.05%	0.06%	*(0.01)*
Polsat News 2	0.05%	0.04%	*0.01*
Polsat Sport Fight	0.05%	0.05%	-
Polsat Music HD	0.04%	0.04%	-
Eleven Sports 2	0.04%	0.05%	*(0.01)*
Superstacja	0.04%	0.09%	*(0.05)*
Polsat Sport News HD	0.03%	0.03%	-
Polsat Rodzina	0.03%	0.02%	*0.01*
Eska Rock TV	0.01%	0.06%	*(0.05)*
Polsat 1[4]	n/a	n/a	*n/a*
Polsat Sport Premium 1[4]	n/a	n/a	*n/a*
Polsat Sport Premium 2[4]	n/a	n/a	*n/a*
Eleven Sports 3[4]	n/a	n/a	*n/a*
Eleven Sports 4[4]	n/a	n/a	*n/a*
TV Okazje[4]	n/a	n/a	*n/a*
Advertising market share[5]	**28.1%**	**28.0%**	***0.1***

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)			
Audience share	3 months ended March 31		change [pp]
	2020	2019	
Fokus TV	0.97%	0.88%	*0.09*
Nowa TV	0.33%	0.35%	*(0.02)*
Polsat Comedy Central Extra(6)	0.20%	0.17%	*0.03*
Polsat JimJam	0.18%	0.19%	*(0.01)*
CI Polsat	0.16%	0.11%	*0.05*
Polsat Viasat History	0.12%	0.17%	*(0.05)*
Polsat Viasat Explore	0.10%	0.11%	*(0.01)*
Polsat Viasat Nature	0.03%	0.02%	*0.01*

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

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for the entire Polsat Group amounted to 23.3% in the first quarter of 2020, decreasing slighty, by 0.1 p.p. versus the prior year. Continuous market fragmentation can be observed on the Polish market, as a result of which audience shares of the main TV channels (Polsat, TVN, TVP1 and TVP2) decrease in favor of the steadily growing audience shares of thematic channels. At this point, it is worth mentioning the impact of the coronavirus epidemic on the viewership of our news channel. In the first quarter of 2020, Polsat News recorded an audience share of 1.5%, up by 0.9 p.p. versus the corresponding period of 2019. In March 2020, which was the period of the highest interest in the pandemic, the audience share of our news channel reached 2.5%.

In the first quarter of 2020, all channels excluding our main channel recorded jointly a YoY increase of 1.2 p.p. to the level of 13.4%.

In the first quarter of 2020, viewers in the commercial group were attracted by the fixed slots on our main channel's schedule. Premier episodes of the TV series *Pierwsza miłość (First Love)* were very popular, gaining an audience share of 15.3%. In turn, Monday's film slot *Mega Hit* had an audience share of 12.4%.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*The News*), maintained high viewership figures with an audience share of 18.4% (17.1% in the corresponding period of 2019). The morning block of news and information programs, *Nowy Dzień z Polsat News (New Day with Polsat News)*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 14.4%.

The results of the first quarter of 2020 were significantly influenced by programs from the season programming schedules. A large audience was gathered by the show *Twoja Twarz Brzmi Znajomo (Your Face Sounds Familiar).* The Saturday slots dedicated to this show had an audience share of 13.5%. The show *Taniec z Gwiazdami. Dancing with the Stars,* broadcast in spring and autumn, was watched by 10.5% of viewers. Taking into consideration the safety and health of people engaged in production, the live broadcasts of the abovementioned two scheduling programs were suspended after two episodes due to the coronavirus epidemic and are planned to continue airing in autumn. Another position in our scheduling, the premiere episodes of the show *Nasz nowy dom (Our New House)* gathered on average 10.2% of viewers. In turn, a new reality show *Tylko jeden (Just one),* broadcast in spring, was watched by 7.0% of audience. Another new item in the scheduling, an entertainment show *The Four. Bitwa o sławę (The Four)*, was suspended after airing two episodes which reached an audience share of 6.9%.

As far as series are concerned, invariably the series *Świat według Kiepskich* was popular with an audience share of 10.1%. The series *Girlfriends* gained 11.9% of audience share.

Cabaret shows were highly popular in the first quarter of 2020. The cabaret *Kabaret na Żywo Przystanek Radość (Cabaret Live Stop Joy)* of March 15, 2020 reached an audience share of 13.5% and the cabaret *Klinika Skeczów Męczących (Weary Sketches Clinique)* of January 1, 2020 gathered 12.8%. An important event aired by Telewizja Polsat on January 4, 2020 was the Sports Champions Gala, with 12.4% of audience. During the coronavirus epidemic, we have been observing a gradual shift in our customers' interest from the news channels and programs, which recorded a significant growth in viewership in the first period after the introduction of the state of epidemic, towards entertainment channels, especially the film and series channels.

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

Advertising and sponsoring market share

According to initial estimates of Starcom media house, expenditures on TV advertising and sponsoring in the first quarter of 2020 amounted to approximately PLN 935 million, decreasing YoY by 3.1%. Based on these data, we estimate that in the first quarter of 2020 our TV advertising market share amounted to 28.1% and remained at a similar level as compared to the first quarter of 2019.

If we compare the current portfolio of Polsat Group's channels, we generated 0.6% more GRPs in the first quarter of 2020 compared to the same period in 2019.

Distribution and technical reach

Technical reach(1)	3 months ended March 31		*change [p.p.]*
	2020	2019	
Polsat	100.0%	100.0%	-
TV4	100.0%	100.0%	-
Polo TV	98.6%	98.7%	*(0.1)*
Eska TV	98.6%	98.5%	*0.1*
Super Polsat	98.1%	97.8%	*0.3*
TV6	95.5%	95.6%	*(0.1)*
Polsat News	67.3%	57.6%	*9.7*
Eska TV Extra	61.2%	62.5%	*(1.3)*
Polsat 2	60.4%	64.3%	*(3.9)*
Vox Music TV	55.6%	58.2%	*(2.6)*
Superstacja	55.1%	58.8%	*(3.7)*
Polsat News 2	55.1%	58.8%	*(3.7)*
Polsat Cafe	53.5%	57.4%	*(3.9)*
Polsat Film	52.8%	56.4%	*(3.6)*
Polsat Play	51.0%	53.6%	*(2.6)*
Polsat Seriale(2)	50.1%	49.5%	*0.6*
Polsat Music HD	49.2%	48.2%	*1.0*
Disco Polo Music	49.0%	50.8%	*(1.8)*
Eska Rock TV	47.2%	48.5%	*(1.3)*
Polsat Sport	44.0%	48.2%	*(4.2)*
Polsat Doku	36.4%	36.5%	*(0.1)*
Polsat Sport Extra	36.1%	38.2%	*(2.1)*
Polsat Games	29.9%	30.1%	*(0.2)*
Polsat Sport News HD	29.2%	31.1%	*(1.9)*
Polsat Rodzina	29.2%	27.1%	*2.1*
Polsat Sport Fight	20.5%	19.6%	*0.9*
Eleven Sports 2	15.1%	14.2%	*0.9*
Eleven Sports 1	15.0%	13.9%	*1.1*
Polsat 1(3)	n/a	n/a	*n/a*
Eleven Sports 3(4)	n/a	n/a	*n/a*
Eleven Sports 4(4)	n/a	n/a	*n/a*

Technical reach(1)	3 months ended March 31		change [p.p.]
	2020	2019	
Polsat Sport Premium 1(4)	n/a	n/a	*n/a*
Polsat Sport Premium 2(4)	n/a	n/a	*n/a*
TV Okazje(4)	n/a	n/a	*n/a*

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)			
Technical reach(1)	3 months ended March 31		change [pp]
	2020	2019	
Fokus TV	98.3%	98.1%	*0.2*
Nowa TV	85.0%	83.6%	*1.4*
Polsat Viasat History	50.8%	51.1%	*(0.3)*
Polsat Comedy Central Extra(5)	48.2%	55.2%	*(7.0)*
Polsat JimJam	44.7%	46.4%	*(1.7)*
Polsat Viasat Nature	43.7%	45.1%	*(1.4)*
Polsat Viasat Explore	43.7%	44.6%	*(0.9)*
CI Polsat	43.6%	42.1%	*1.5*

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

3.2. Key positions in the consolidated income statement

Revenue

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

Retail revenue

Retail revenue consists primarily of:

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

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

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

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

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

(vi) activation fees,

(vii) penalties, and

(viii) fees for additional services.

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

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue,

(ii) revenue from cable and satellite operator fees,

(iii) revenue from the lease of infrastructure,

(iv) interconnect revenue,

(v) revenue from roaming,

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

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

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

Sale of equipment

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

Other revenue

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

Operating costs

Operating costs consist of:

(i) content costs,

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

(iii) depreciation, amortization, impairment and liquidation,

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

(v) salaries and employee-related costs,

(vi) cost of equipment sold,

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

(viii) other costs.

Content costs

Content costs consist of:

(i) programming license costs,

(ii) amortization of purchased film licenses,

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

(iv) other content costs.

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

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

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

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of:

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

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

(iii) costs of warranty service, and

(iv) costs of maintenance of points of sales.

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

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

Depreciation, amortization, impairment and liquidation

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

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

(ii) amortization of costs of telecommunications concessions,

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

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

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

(vi) non-current assets impairment allowance, and

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

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators comprise:

(i) telecommunications and IT infrastructure lease costs,

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

(iii) telecommunication network maintenance costs and fees,

(iv) IT systems maintenance costs,

(v) costs of using satellite transponders,

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

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

(viii) interconnection and roaming charges, and

(ix) other costs.

Salaries and employee-related costs

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

Cost of equipment sold

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

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

In this group of costs we present:

(i) bad debt recovery fees,

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

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

Other costs

Key items of other costs include:

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

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

(iii) legal, advisory and consulting costs,

(iv) property maintenance costs,

(v) taxes and other charges,

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

(vii) other costs.

Other operating income/costs, net

Other operating income/costs consist of:

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

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

Gains and losses on investment activities, net

Gains and losses on investment activities include interest income on funds invested, interest expenses (including interest on leasing liabilities but other than interest expenses on borrowings), dividends income, results on the disposal of available-for-sale financial instruments, fair value gains/losses on financial instruments (other than interest rate derivatives) at fair value through profit or loss, net foreign currency gains/losses, and results on forward exchange contracts and call options, impairment losses recognized on financial assets, unwinding of the discount on provisions.

Finance costs

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

3.3. Review of the Group's financial situation

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

It should be noted that the financial data for the three-month periods ended March 31, 2020 and March 31, 2019 are not fully comparable due to the following acquisitions and changes to the Group's structure in the period from March 31, 2019 to March 31, 2020:

- acquisition of 49.9775% of additional shares in Eleven Sports Network Sp. z o.o. on June 6, 2019,

- acquisition of 12 additional shares in TVO Sp. z o.o. on May 30, 2019 and registration of share capital increase on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22% as at March 31, 2020),
- acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of a share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%),
- acquisition by Netia S.A. of 100% of shares in ISTS Sp. z o.o. on November 27, 2019, which resulted in Cyfrowy Polsat holding indirectly 65.98% of shares in this company,
- acquisition of a stake of shares in Asseco Poland S.A. on December 30, 2019 (as a result, total shareholding in Asseco Poland S.A. amounts to 22.73%),
- acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020,
- registration by court of the share capital increase in TVO Sp. z o.o. on February 10, 2020 (following the registration of the share capital increase the shareholding of Cyfrowy Polsat S.A. in TVO Sp. z o.o. amounts to 75.96%),
- acquisition by Netia S.A. of 100% of shares in IST Sp. z o.o. (formerly: IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) by Netia S.A. on February 14, 2020 which resulted in Cyfrowy Polsat holding 65.98% of shares in IST Sp. z o.o.
- acquisition of 69.13% of shares in BCAST Sp. z o.o. on March 25, 2020.

Due to the fact that the results of the abovementioned companies do not have a material impact on the results of the Group, we do not eliminate them when analyzing the Group's financial situation.

Our financial results for the first quarter of 2020 were partly under the influence of the extraordinary situation caused by the coronavirus epidemic (the state of epidemic is in force in Poland since March 20, 2020). This factor has been accounted for in descriptions of the specific income statement, balance sheet and cash flow items presented below. We expect a stronger impact from COVID-19 on the results of the second quarter of 2020.

The ultimate impact that the COVID-19 coronavirus pandemic may have on our operations and financial situation is impossible to assess precisely at present and depends on numerous factors which are beyond the Group's control and which include in particular the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

3.3.1. Income statement analysis

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

[mPLN]	for the 3 month period ended March 31		change	
	2020	2019	[mPLN]	[%]
Revenue	2,848.5	2,791.6	56.9	2.0%
Operating costs	(2,392.1)	(2,317.0)	(75.1)	3.2%
Other operating income, net	5.8	16.6	(10.8)	(65.1%)
Profit from operating activities	**462.2**	**491.2**	**(29.0)**	**(5.9%)**
Gain/(loss) on investment activities, net	(74.2)	(12.2)	(62.0)	>100%
Finance costs, net	(153.8)	(102.7)	(51.1)	49.8%
Share of the loss of associates accounted for using the equity method	16.3	(1.7)	18.0	>100%
Gross profit for the period	**250.5**	**374.6**	**(124.1)**	**(33.1%)**
Income tax	(66.7)	(77.3)	10.6	(13.7%)
Net profit for the period	**183.8**	**297.3**	**(113.5)**	**(38.2%)**
EBITDA	***1,026.7***	***1,038.3***	***(11.6)***	***(1.1%)***
EBITDA margin	***36.0%***	***37.2%***	***-***	***-***

Revenue

Our total revenue increased by PLN 56.9 million, or 2.0%, to PLN 2,848.5 million in the first quarter of 2020 from PLN 2,791.6 million in the first quarter of 2019. The increase in revenue was triggered by factors described below.

[mPLN]	for the 3 month period ended March 31		change	
	2020	2019	[mPLN]	[%]
Retail revenue	1,604.5	1,606.0	(1.5)	(0.1%)
Wholesale revenue	823.7	772.7	51.0	6.6%
Sale of equipment	345.7	347.4	(1.7)	(0.5%)
Other revenue	74.6	65.5	9.1	13.9%
Revenue	**2,848.5**	**2,791.6**	**56.9**	**2.0%**

Retail revenue

Retail revenue amounted to PLN 1.604,5 million in the first quarter of 2020 and remained stable as compared to PLN 1.606,0 million in the first quarter of 2019, despite pressure from declining revenue from fixed-line telephony services provided by Netia.

Wholesale revenue

Wholesale revenue amounted to PLN 823.7 million in the first quarter of 2020 and increased by PLN 51.0 million, or 6.6%, as compared to PLN 772.7 million in the first quarter of 2019. An increase in interconnect revenue, following strong growth of voice traffic volumes since the introduction of the state of epidemic in Poland, was a main growth driver. Moreover, growth was supported by higher revenue from the sales of channels to cable and satellite operators.

Sale of equipment

Revenue from the sale of equipment remained stable year-on-year and amounted to PLN 345.7 million in the first quarter of 2020. Concurrently, it should be noted that due to the COVID-19 epidemic part of the physical sales network was closed, which resulted in a significant decrease of the volume of equipment sales, smartphones in particular, since mid-March 2020.

Other revenue

Other revenue increased by PLN 9.1 million, or 13.9%, to PLN 74.6 million in the first quarter of 2020 from PLN 65.5 million in the first quarter of 2019. This increase was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers.

Operating costs

Our operating costs amounted to PLN 2,392.1 million in the first quarter of 2020 and were higher by PLN 75.1 million, or 3.2%, compared to PLN 2,317.0 million in the first quarter of 2019. Operating costs increased for the reasons set forth below.

[mPLN]	for the 3 month period ended March 31		change	
	2020	2019	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	600.8	563.8	37.0	6.6%
Depreciation, amortization, impairment and liquidation	564.5	547.1	17.4	3.2%
Cost of equipment sold	282.3	289.4	(7.1)	(2.5%)
Content costs	388.8	366.9	21.9	6.0%
Distribution, marketing, customer relation management and retention costs	224.4	244.8	(20.4)	(8.3%)
Salaries and employee-related costs	221.9	212.6	9.3	4.4%
Cost of debt collection services and bad debt allowance and receivables written off	44.3	34.6	9.7	28.0%
Other costs	65.1	57.8	7.3	12.6%
Operating costs	**2,392.1**	**2,317.0**	**75.1**	**3.2%**

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators increased by PLN 37.0 million, or 6.6%, to PLN 600.8 million in the first quarter of 2020 from PLN 563.8 million in the first quarter of 2019. This increase resulted mainly from higher interconnect costs on higher volumes of outgoing traffic, which was associated with the coronavirus epidemic.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 17.4 million, or 3.2%, to PLN 564.5 million in the first quarter of 2020 from PLN 547.1 million in the first quarter of 2019, due to intensified capital expenditures in 2019.

Cost of equipment sold

The cost of equipment sold decreased by PLN 7.1 million, or 2.5%, to PLN 282.3 million in the first quarter of 2020 from PLN 289.4 million in the first quarter of 2019, mainly as a consequence of year-on-year lower sales volumes of end-user devices, which was a result of the closure of part of the physical sales network due to the COVID-19 epidemic.

Content costs

Content costs increased by PLN 21.9 million, or 6.0%, to PLN 388.8 million in the first quarter of 2020 from PLN 366.9 million in the first quarter of 2019. This increase was mostly the result of higher costs of programming licenses, due to, among others, the decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games. Higher cost of amortization of film licenses was an additional factor contributing to the increase of content costs.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 20.4 million, or 8.3%, to PLN 224.4 million in the first quarter of 2020 as compared to PLN 244.8 million in the first quarter of 2019, following a decision to postpone certain marketing activities until later in the year.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 9.3 million, or 4.4%, to PLN 221.9 million in the first quarter of 2020 from PLN 212.6 million in the first quarter of 2019, due to, among others, an increase of a holiday provision in March 2020 (an indirect effect of the COVID-19 state of epidemic) and the consolidation of costs of companies acquired during the last 12 months.

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

Cost of debt collection services and bad debt allowance and receivables written off increased by PLN 9.7 million, or 28.0%, to PLN 44.3 million in the first quarter of 2020 from PLN 34.6 million in the first quarter of 2019, resulting from a higher value of equipment sold to our retail customers in installments as well as higher write-offs due to a decision to change the vindication method with regard to overdue receivables resulting from unsatisfactory prices on the debt collection market.

Other costs

Other costs increased by PLN 7.3 million, or 12.6%, to PLN 65.1 million in the first quarter of 2020 from PLN 57.8 million in the first quarter of 2019, mainly as a result of higher legal, advisory and consulting costs.

Other operating income, net

Other operating income, net amounted to PLN 5.8 million in the first quarter of 2020 as compared to PLN 16.6 million in the first quarter of 2019. The decrease was due to the fact that in the first quarter of 2019 the Group obtained positive administrative decisions concerning partial waiver of fees paid in the past for using certain frequencies.

Gain/(Loss) on investment activities, net

Loss on investment activities, net amounted to PLN 74.2 million in the first quarter of 2020, compared to loss on investment activities, net of PLN 12.2 million in the first quarter of 2019. This was mainly the effect of an unfavorable change on unrealized exchange rate differences related, among others, to the valuation of UMTS license liabilities and liabilities related to the purchase of certain sports content. This change was caused by the considerably higher depreciation of the PLN versus the EUR and USD in the first quarter of 2020 compared to the corresponding period.

Finance costs, net

Finance costs, net amounted to PLN 153,8 million in the first quarter of 2020 and increased by PLN 51.1 million, or 49.8%, compared to PLN 102.7 million in the first quarter of 2019. This increase was caused mainly by a change in valuation of hedging instruments (IRS) not used in hedge accounting relating to the reduction of interest rates by 50 bps executed by the National Bank of Poland in March 2020.

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

Share of the profit/(loss) of associates accounted for using the equity method amounted to PLN 16.3 million in the first quarter of 2020 and was due to the recognition of part of Asseco Poland S.A.'s net result following the acquisition of 22.73% of shares in this company in the fourth quarter of 2019.

Income tax

Income tax amounted to PLN 66.7 million in the first quarter of 2020 and decreased by PLN 10.6 million, or 13.7%, compared to PLN 77.3 million in the first quarter of 2019.

Net profit

Net profit decreased by PLN 113.5 million, or 38.2%, to PLN 183.8 million in the first quarter of 2020 from PLN 297.3 million in the first quarter of 2019, mainly due to non-cash changes in finance cost and the loss from investment activities.

EBITDA & EBITDA margin

EBITDA was PLN 1,026.7 million and EBITDA margin was 36.0% in the first quarter of 2020. This represents a decrease by PLN 11.6 million, or 1.1%, from PLN 1,038.3 million and EBITDA margin of 37.2% in the first quarter of 2020.

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 7,208 full-time equivalents (FTEs) in the first quarter of 2020, which represents a decrease by 48 FTEs, or 0.7%, compared to 7,256 FTEs in the corresponding period of 2019.

3.3.2. Operating segments

The Group operates in the following two segments:

- services to individual and business customers segment, including digital television, mobile telephony, Internet access services, mobile television services, Internet television 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 segments with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments. The operating segments also represent reportable segments of the Group.

Services to individual and business customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services and revenues are generated mainly from pay TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees,
- mobile telecommunication prepaid services which generate revenues mainly from traffic and settlements with mobile network operators,
- fixed telecommunication services, which generate revenues mainly from subscription fees, traffic and settlements with network operators,
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees,

- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services,
- lease of fiber optic lines and infrastructure,
- online TV services (IPLA) available on computers, smartphones, tablets, smart TV sets, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet,
- premium rate services based on SMS/IVR/MMS/WAP technologies,
- production of set-top boxes,
- sale of telecommunication equipment,
- sale of electric energy and other media to retail customers.

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

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

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

Three-month period ended March 31, 2020 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,438.8	409.7	-	2,848.5
Inter-segment revenues	14.6	50.9	(65.5)	-
Revenues	**2,453.4**	**460.6**	**(65.5)**	**2,848.5**
EBITDA (unaudited)	**879.6**	**147.1**	**-**	**1,026.7**
Depreciation, amortization, impairment and liquidation	549.4	15.1	-	564.5
Profit from operating activities	**330.2**	**132.0**	**-**	**462.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	317.3 *	23.7	-	341.0
Balance as at March 31, 2020 (unaudited)				
Assets, including:	27,196.3	5,532.6 **	(70.2)	32,658.7
Investments in joint venture and associates	1,291.0	21.0	-	1,312.0

* This item also includes the acquisition of reception equipment.
** Includes non-current assets located outside of Poland in the amount of PLN 10.8 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the three-month periods ending March 31, 2020 and March 31, 2019 allocated to the services to individual and business customers segment are not fully comparable due to the, the acquisition of additional 12 shares in TVO Sp. z o.o. on May 30, 2019, registration of share capital increase on August 9, 2019 (as a result, the shareholding in TVO Sp. z o.o. increased to 51.22%) and registration of share capital increase on February 10, 2020 (as a result, the shareholding in TVO Sp. z o.o. increased to 75.96%), the acquisition of 40.76% of shares in Vindix S.A. on June 13, 2019 and registration of share capital increase on July 1, 2019 (as a result, the shareholding in Vindix S.A. increased to 46.27%), the acquisition by Netia S.A. of 100% shares in ISTS Sp. z o.o. on November 27, 2019 and the acquisition of a qualifying holding of shares in Asseco Poland S.A. on December 30, 2019 (as a result, the total shareholding in Asseco Poland amounts to 22.73%), the acquisition of 51.25% of shares in Alledo Sp. z o.o. on January 13, 2020 and the acquisition by Netia S.A. of 100% of shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. on February 14, 2020.

It should be also noted that the financial data for the three-month periods ending March 31, 2020 and March 31, 2019 allocated to the Broadcasting and television production segment are not fully comparable due to the acquisition of additional 49.9775% of shares in Eleven Sports Network Sp. z o.o. on June 6, 2019.

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

Three-month period ended March 31, 2019 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,385.5	406.1	-	2,791.6
Inter-segment revenues	12.7	48.5	(61.2)	-
Revenues	**2,398.2**	**454.6**	**(61.2)**	**2,791.6**
EBITDA (unaudited)	**892.6**	**145.7**	**-**	**1,038.3**
Depreciation, amortization, impairment and liquidation	532.2	14.9	-	547.1
Profit from operating activities	**360.4**	**130.8**	**-**	**491.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	376.8*	9.0	-	385.8
Balance as at March 31, 2019 (unaudited)				
Assets, including:	25,860.5	5,665.9**	(62.6)	**31,463.8**
Investments in joint venture and share in associates	18.0	29.2	-	47.2

* This item also includes the acquisition of reception equipment for operating lease purposes.
** Includes non-current assets located outside of Poland in the amount of PLN 11.8 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the three-month period ended	
	March 31, 2020	March 31, 2019
EBITDA (unaudited)	**1,026.7**	**1,038.3**
Depreciation, amortization, impairment and liquidation	(564.5)	(547.1)
Profit from operating activities	**462.2**	**491.2**
Other foreign exchange rate differences, net	(62.7)	(1.9)
Interest costs, net	(161.8)	(108.3)
Share of the profit/(loss) of associates accounted for using the equity method	16.3	(1.7)
Other	(3.5)	(4.7)
Gross profit for the period	**250.5**	**374.6**
Income tax	(66.7)	(77.3)
Net profit for the period	**183.8**	**297.3**

3.3.3. Balance sheet analysis

As at March 31, 2020 our balance sheet amounted to PLN 32,658.7 million and remained on a similar level as compared to PLN 32,589.6 million as at December 31, 2019.

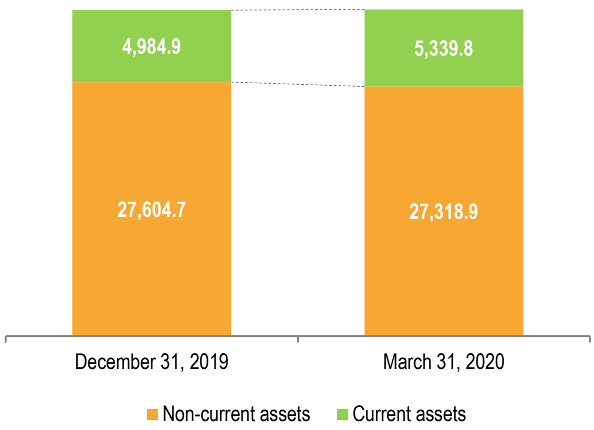
Assets

[mPLN]	March 31, 2020	December 31, 2019	Change	
			[mPLN]	[%]
Reception equipment	267.4	262.7	4.7	1.8%
Other property, plant and equipment	5,004.3	4,976.9	27.4	0.6%
Goodwill	11,349.5	11,336.4	13.1	0.1%
Customer relationships	1,723.5	1,821.4	(97.9)	(5.4%)
Brands	2,054.9	2,063.2	(8.3)	(0.4%)
Other intangible assets	2,749.9	2,857.8	(107.9)	(3.8%)
Right-of-use assets	1,383.8	1,420.3	(36.5)	(2.6%)
Non-current programming assets	330.4	402.6	(72.2)	(17.9%)
Investment property	29.3	29.4	(0.1)	(0.3%)
Non-current deferred distribution fees	96.0	100.5	(4.5)	(4.5%)
Non-current trade and other receivables	749.5	776.5	(27.0)	(3.5%)
Other non-current assets	1,337.2	1,315.8	21.4	1.6%
shares in associates accounted for using the equity method	*1,306.1*	*1,282.4*	*23.7*	*1.8%*
derivative instruments	-	*1.2*	*(1.2)*	*(100.0%)*
Deferred tax assets	243.2	241.2	2.0	0.8%
Total non-current assets	**27,318.9**	**27,604.7**	**(285.8)**	**(1.0%)**
Current programming assets	535.2	512.3	22.9	4.5%
Contract assets	628.1	638.7	(10.6)	(1.7%)
Inventories	398.3	306.8	91.5	29.8%
Trade and other receivables	2,335.9	2,511.6	(175.7)	(7.0%)
Income tax receivables	7.1	4.8	2.3	47.9%
Current deferred distribution fees	222.1	225.7	(3.6)	(1.6%)
Other current assets	72.3	31.9	40.4	>100%
includes derivative instruments	-	*0.2*	*(0.2)*	*(100.0%)*
Cash and cash equivalents	1,130.6	743.5	387.1	52.1%
Restricted cash	10.2	9.6	0.6	6.3%
Total current assets	**5,339.8**	**4,984.9**	**354.9**	**7.1%**
Total assets	**32,658.7**	**32,589.6**	**69.1**	**0.2%**

As at March 31, 2020 and December 31, 2019, our non-current assets amounted to PLN 27,318.9 million and PLN 27,604.7 million, respectively, and accounted for 83.6% and 84.7% of total assets, respectively.

As at March 31, 2020 and December 31, 2019, our current assets amounted to PLN 5,339.8 million and PLN 4,984.9 million, respectively, and accounted for 16.4% and 15.3% of the total assets, respectively.

Change in assets [mPLN]



The value of reception equipment amounted to PLN 267.4 million as at March 31, 2020 and remained at similar level compared to PLN 262.7 million as at December 31, 2019.

The value of other property, plant and equipment amounted to PLN 5,004.3 million as at March 31, 2020 compared to PLN 4,976.9 million as at December 31, 2019.

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

The value of customer relationships decreased by PLN 97,9 million, or 5,4%, to PLN 1,723.5 million as at March 31, 2020 compared to PLN 1,821.4 million as at December 31, 2019 due to recognized amortization for the three-month period ended March 31, 2020.

As at March 31, 2020, the value of brands was PLN 2,054.9 million and decreased slightly compared to PLN 2,063.2 million as at December 31, 2019 as a result of recognized amortization.

The value of other intangible assets amounted to PLN 2,749.9 million as at March 31, 2020 which constitutes a decrease by PLN 107.9 million, or 3.8%, compared to PLN 2,857.8 million as at December 31, 2019. The main reason behind this decrease is the recognition of amortization of telecommunication licenses for the three-month period ended March 31, 2020.

The value of right-of-use assets amounted to PLN 1,383.8 million as at March 31, 2020 and decreased by PLN 36.5 million, or 2.6% compared to PLN 1,420.3 million as at December 31, 2019, which mainly reflects the gradual settlement of agreements concerning locations leased for base stations and points of sale.

The value of non-current and current programming assets amounted to PLN 865.6 million and decreased by PLN 49.3 million, or 5.4% compared to PLN 914.9 million as at December 31, 2019 as a result of gradual debiting of costs of previously purchased film licenses and sports rights.

Investment property amounted to PLN 29.3 million as at March 31, 2020 and remained at a similar level compared to PLN 29.4 million as at December 31, 2019.

The value of non-current and current deferred distribution fees amounted to PLN 318.1 million as at March 31, 2020 and decreased by PLN 8.1 million, or 2.5%, compared to PLN 326.2 million as at December 31, 2019.

The value of non-current and current trade and other receivables amounted to PLN 3,085.4 million as at March 31, 2020 and decreased by PLN 202.7 million, or 6.2%, from PLN 3,288.1 million as at December 31, 2019 due to, among others, the settlement of receivables for advertising campaigns aired on Telewizja Polsat's channels in the seasonally high fourth quarter of last year as well as lower receivables from installment plan sales of equipment caused by lower sales volumes due to the closure of part of the sales network in mid-March 2020 associated with the COVID-19 epidemic.

The value of other non-current assets amounted to PLN 1,337.2 million as at March 31, 2020 and increased by PLN 21.4 million, or 1.6%, as compared to PLN 1,315.8 million as at December 31, 2019. This item includes, among others, the value of the 22.73% stake of shares in Asseco Poland S.A. acquired in 2019.

The value of deferred tax assets amounted to PLN 243.2 million as at March 31, 2020 and remained at a similar level compared PLN 241.2 million as at December 31, 2019.

The value of contract assets amounted to PLN 628.1 million as at March 31, 2020 and decreased by PLN 10.6 million, or 1.7%, compared to PLN 638.7 million as at December 31, 2019. This item represents the Group's right to future remuneration for the products and services provided to customers.

The value of inventories increased by PLN 91.5 million, or 29.8%, to PLN 398.3 million as at March 31, 2020 from PLN 306.8 million as at December 31, 2019. Growth of this item was triggered mainly by a decision to increase inventories of end-user equipment and spare parts used in manufacturing our pay TV set-top boxes, which was taken in order to secure the Group against a potential supply chain breakdown due to the COVID-19 epidemic which emerged initially in Asia.

The value of income tax receivables amounted to PLN 7.1 million as at March 31, 2020 as compared to PLN 4.8 million as at December 31, 2019.

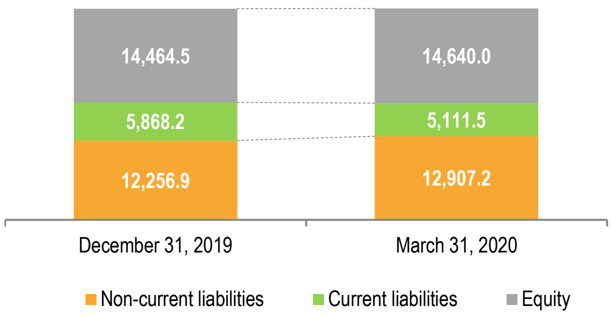
The value of other current assets increased by PLN 40.4 million, or 126.6%, and amounted to PLN 72.3 million as at March 31, 2020 compared to PLN 31.9 million as at December 31, 2019, mainly as a result of an increase in the value of prepayments and accruals.

The value of cash and cash equivalents and restricted cash increased by PLN 387.7 million, or 51.5%, to PLN 1,140.8 million as at March 31, 2020 compared to PLN 753.1 million as at December 31, 2019, which was the net effect of the issue in the first quarter of 2020 of the Series C Bonds with the total nominal value of PLN 1,000.0 million and the repayment of loans and borrowings in the total amount of PLN 857.2 million.

Equity and liabilities

[mPLN]	March 31, 2020	March 31, 2020	Change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	(4.8)	1.5	(6.3)	n/a
Retained earnings	6,792.6	6,610.2	182.4	2.8%
Equity attributable to equity holders of the Parent Companyoperating segment	**13,987.4**	**13,811.3**	**176.1**	**1.3%**
Non-controlling interests	652.6	653.2	(0.6)	(0.1%)
Total equity	**14,640.0**	**14,464.5**	**175.5**	**1.2%**
Loans and borrowings	8,453.4	8,617.0	(163.6)	(1.9%)
Issued bonds	1,950.7	969.2	981.5	>100%
Lease liabilities	986.2	1,023.8	(37.6)	(3.7%)
UMTS license liabilities	254.9	236.9	18.0	7.6%
Deferred tax liabilities	950.2	1,025.3	(75.1)	(7.3%)
Other non-current liabilities and provisions	311.8	384.7	(72.9)	(18.9%)
includes derivative instruments liabilities	*30.2*	*3.2*	*27.0*	*>100.0%*
Total non-current liabilities	**12,907.2**	**12,256.9**	**650.3**	**5.3%**
Loans and borrowings	1,241.6	1,892.5	(650.9)	(34.4%)
Issued bonds	63.1	34.8	28.3	81.3%
Lease liabilities	430.3	413.5	16.8	4.1%
UMTS license liabilities	125.8	116.9	8.9	7.6%
Contract liabilities	725.1	713.1	12.0	1.7%
Trade and other payables	2,190.0	2,420.8	(230.8)	(9.5%)
includes derivative instruments liabilities	*37.8*	*8.3*	*29.5*	*>100%*
Income tax liability	335.6	276.6	59.0	21.3%
Total current liabilities	**5,111.5**	**5,868.2**	**(756.7)**	**(12.9%)**
Total liabilities	**18,018.7**	**18,125.1**	**(106.4)**	**(0.6%)**
Total equity and liabilities	**32,658.7**	**32,589.6**	**69.1**	**0.2%**

Change in liabilities [mPLN]



Equity increased by PLN 175.5 million, or by 1.2%, to PLN 14,640.0 million as at March 31, 2020 from PLN 14,464.5 million as at December 31, 2019, mainly due to the profit generated in the three-month period ended March 31, 2020 in the amount of PLN 183.8 million.

As at March 31, 2020 and December 31, 2019 the value of our non-current liabilities amounted to PLN 12,907.2 million and PLN 12,256.9 million, which constituted 71.6% and 67.6% of the Group's total liabilities, respectively.

As at March 31, 2020 and December 31, 2019 the value of our current liabilities amounted to PLN 5,111.5 million and PLN 5,868.2 million, which constituted 28.4% and 32.4% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) decreased by PLN 814.5 million, or 7.8%, to PLN 9,695.0 million as at March 31, 2020 from PLN 10,509.5 million as at December 31, 2019, which was mainly the result of the scheduled repayment of installments under the Combined SFA made in March 2020 and lower amounts drawn under the Revolving Facility Loan.

Bond liabilities (short- and long-term) increased by PLN 1,009.8 million, or 100.6%, to PLN 2,013.8 million as at March 31, 2020 from PLN 1,004.0 million as at December 31, 2019 as a result of the issuance of Series C Bonds with the total nominal value of PLN 1,000.0 million on February 14, 2020.

Lease liabilities (short- and long-term) decreased by PLN 20.8 million, or 1.4%, and amounted to PLN 1,416.5 million as at March 31, 2020 as compared to PLN 1,437.3 million as at December 31, 2019.

UMTS license liabilities (short- and long-term) increased by PLN 26.9 million, or 7.6%, to PLN 380.7 million as at March 31, 2020 from PLN 353.8 million as at December 31, 2019 due to the depreciation of PLN against EUR in which the UMTS license fee obligations are denominated.

Deferred income tax liabilities decreased by PLN 75.1 million, or 7.3%, to PLN 950.2 million as at March 31, 2020 from PLN 1,025.3 million as at December 31, 2019.

The value of other non-current liabilities and provisions amounted to PLN 311.8 million as at March 31, 2020 and decreased by PLN 72.9 million, or 18.9%, from PLN 384.7 million as at December 31, 2019. The decrease was due to the gradual shifting of a part of liabilities, in particular related to the purchases of programming assets, to current liabilities.

The value of contract liabilities amounted to PLN 725.1 million as at March 31, 2020 and increased by PLN 12.0 million, or 1.7%, from PLN 713.1 million as at December 31, 2019.

The value of trade and other payables amounted to PLN 2,190.0 million as at March 31, 2020 which constitutes a decrease by PLN 230.8 million, or 9.5%, compared to PLN 2,420.8 million as at December 31, 2019. This decrease was driven primarily by a lower balance of trade liabilities and accruals, associated among others with the settlement of payments related to the investments made during 2019.

Income tax liabilities amounted to PLN 335.6 million as at March 31, 2020 as compared to PLN 276.6 million as at December 31, 2019. This increase was mainly due to the fact that the date of settlement for the CIT 2019 tax had been postponed to May 31, 2020 following the introduction by the Polish authorities of the state of epidemic.

3.3.4. Cash flow analysis

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

[mPLN]	for three months ended March 31		change	
	2020	2019	[mPLN]	[%]
Net profit	183.8	297.3	(113.5)	*(38.2%)*
Net cash from operating activities	778.8	700.9	77.9	11.1%
Net cash used in investing activities	(364.0)	(367.2)	3.2	0.9%
Capital expenditures	*(307.4)*	*(359.9)*	*52.5*	*14.6%*
Net cash used in financing activities	(30.0)	(754.4)	724.4	96.0%
Net increase/(decrease) in cash and cash equivalents	384.8	(420.7)	805.5	n/a
Cash and cash equivalents at the beginning of the period	753.1	1,178.7	(425.6)	(36.1%)
Cash and cash equivalents at the end of the period	1,140.8	757.0	383.8	50.7%

Net cash from operating activities

Net cash from operating activities amounted to PLN 778.8 million in the first quarter of 2020 and increased by PLN 77.9 million, or 11.1%, compared to net cash from operating activities in the amount of PLN 700.9 million in the first quarter of 2019. The increase in net cash from operating activities is mainly the result of lower employment of working capital, which is the effect, among others, of a stable value of equipment sold to retail customers in the installment plan model. The above mentioned factors compensated for the negative impact of higher income tax paid and higher value of reception equipment delivered to our customers.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 364.0 million in the first quarter of 2020 and remained at a similar level when compared to PLN 367.2 million used in the first quarter of 2019.

In the first quarter of 2020, capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 307.4 million, which constitutes a decrease by PLN 52.5 million, or 14.6%, compared to PLN 359.9 million in the first quarter of 2019. In the first quarter of 2020 capital expenditures included the continued roll-out of our mobile access network, based primarily on the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bands, expansion of the capacity of the telecommunications network based on LTE and LTE Advanced technologies, expansion of fiber optic cables, radio links and transmission nodes, expenditures related to the continued project of complex modernization and exchange of the IT environment within the Group as well as first costs related to the preparations to launch 5G technology commercially. At the same time we also invested in the development of the IPTV service, the expansion of areas used for television production, the replacement of equipment used for TV recordings, the purchase of broadcast vans, the 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 quarter of 2020 net cash used in investing activities included other expenditures, related among others to the acquisition of shares in Alledo Sp. z o.o., IST Sp. z o.o. and BCAST Sp. z o.o.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 30.0 million in the first quarter of 2020, which constitutes a decrease by PLN 724.4 million, or 96.0% compared to PLN 754.4 million in the first quarter of 2019. The decrease was driven mainly by the acquisition of new financing through the issuance of the Series C Bonds with the total nominal value of PLN 1,000.0 million.

In parallel, based on the foregoing conditions of the credit facility, we executed the scheduled repayments of our debt from the Combined SFA, totaling PLN 254.4 million as at March 31, 2020. Moreover, in the same period we reduced our indebtedness under the Revolving Credit Facility by PLN 565.0 million, net. Simultaneously, we were incurring current debt-servicing costs and effecting the repayment of liabilities and interest on leasing.

3.3.5. Liquidity and capital resources

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

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

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

	Balance value as at March 31, 2020 [mPLN]	Coupon / interest / discount	Maturity date as at March 31, 2020
Combined SFA (Tranche A and B)	9,354.0	WIBOR + margin	Tranche A - 2022 Tranche B - 2023
Revolving Credit Facility (RCF)	335.1	WIBOR + margin	-
Series B and C Bonds	2,013.8	Series B - WIBOR + 1.75% Series C - WIBOR + 1.65%	Series B – 2026 Series C – 2027
Leasing and other	1,422.3	-	-
Gross debt	**13,125.2**	-	-
Cash and cash equivalents[1]	(1,140.8)	-	-
Net debt	**11,984.4**	-	-
EBITDA LTM	4,185.1	-	-
Total net debt / EBITDA LTM	**2.86x**	-	-
Weighted average interest cost as at March 31, 2020	2.8% [2]	-	-
Weighted average interest cost as at May 13, 2020	2.3% [3]	-	-

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

2 Prospective average weighted interest cost of the Combined SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at March 31, 2020 assuming WIBOR 1M of 1.14% and WIBOR 6M of 1.19%.

3 Prospective average weighted interest cost of the Combined SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at May 13, 2020 assuming WIBOR 1M of 0.64% and WIBOR 6M of 0.69%.

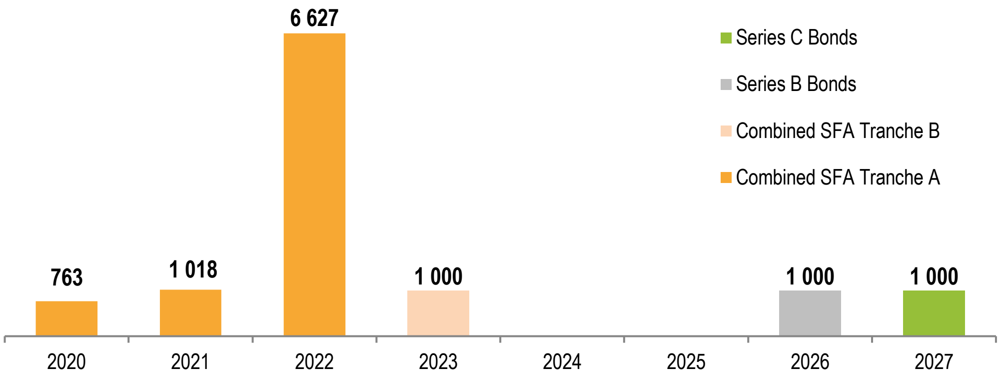
On February 14, 2020, the Company issued 1,000,000 unsecured series C bearer bonds with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 1,000.0 million, maturing on February 12, 2027 ("Series C Bonds"). Series C Bonds constitute so called green bonds which entails that proceeds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

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

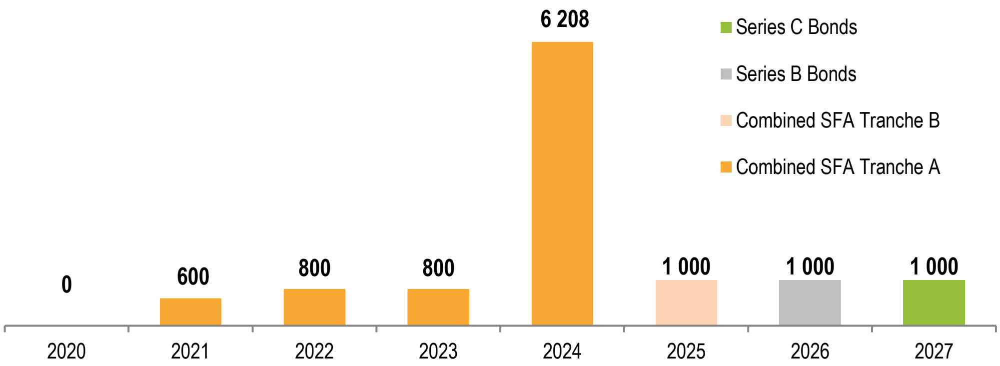
Simultaneously, the Group executed the Accession Deed, which resulted in the extension of the repayment date of Tranche B of theTerm Loan (i.e., an the additional term facility loan granted on November 27, 2019 within the framework of Combined SFA in the amount of PLN 1,000.0 million). Tranche B shall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

The graphs below present the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the RCF and leasing) as well as its structure according to instrument type and currency as at March 31, 2020 and May 13, 2020, i.e. the date of approval of this Report, as well as its structure according to instrument type and currency as at May 13, 2020.

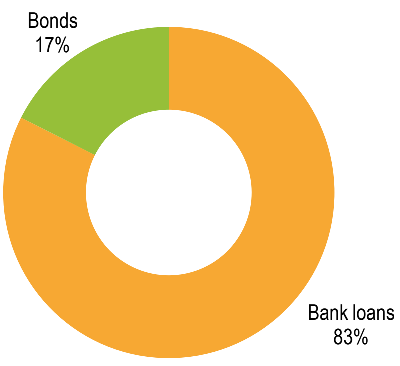
Debt maturing profile as at March 31, 2020 [mPLN]



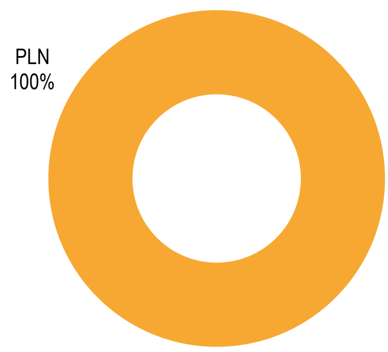
Debt maturing profile as at May 13, 2020 [mPLN]



Debt strucutre by instrument type as at May 13, 2020



Debt structure by currency as at May 13, 2020



In order to reduce exposure to interest rate risk related to interest payments on the Combined SFA, as amended, based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular. As at March 31, 2020, transactions hedging the WIBOR interest rate changes, opened by companies from the Group, amounted to a maximum of PLN 3,375.0 million with maturity falling in different periods in the years 2020-2023.

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

Combined Senior Facilities Agreement

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

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

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

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

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

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

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

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

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

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 3.3.6. of this Report – *Operating and financial review of Polsat Group – Review of our financial situation - Information on guarantees granted by the Company or subsidiaries.*

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

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

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

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

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

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

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

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

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

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

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

Series B Bonds

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

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

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

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

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

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

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

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness and

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

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

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

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

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

Series C Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness, and

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

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

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

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

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

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

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

Contractual obligations

Contractual commitments to purchase programming assets

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

[mPLN]	March 31, 2020	December 31, 2019
within one year	369.6	294.1
between 1 to 5 years	270.3	266.2
more than 5 years	56.7	0.9
Total	**696.6**	**561.2**

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

[mPLN]	March 31, 2020	December 31, 2019
within one year	4.9	1.9
Total	**4.9**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements for the production and purchases of the property, plant and equipment was PLN 325.8 million as at March 31, 2020 (PLN 247.8 million as at December 31, 2019). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 193.8 million as at March 31, 2020 (PLN 212.7 million as at December 31, 2019).

Future contractual obligations

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

[mPLN]	March 31, 2020	December 31, 2019
within one year	115.8	105.6
between 1 to 5 years	497.1	465.0
more than 5 years	93.2	116.3
Total	**706.1**	**686.9**

Ratings

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

Rating agency	Rating / perspective	Previous rating / perspective	Update
Moody's Investor Service	Ba1 / stable	Ba2 / positive	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 in 2019; (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) in 2019 supported by the expectation of organic revenue growth and the consolidation of Netia Group. S&P anticipates the Group's organic revenue growth in 2019 given: (i) the expansion in its premium sports content in the pay TV segment, (ii) the increase in advertising revenues, and (iii) revenue stabilization in the mobile segment. In S&P's view, the addition of Netia further strengthens the Group's position as the Polish telecom operator providing a full-scope convergent offering. Concurrently, S&P expects the Group to maintain reported free operating cash flow of about PLN 1.5 billion, despite temporary higher investments to upgrade Netia's access network. S&P may raise the rating of the Group by one notch over the next 12 months if, as a result of a modest growth in revenues and EBITDA, the Group reduces its adjusted debt to EBITDA below 3.0x coupled with free operating cash flow to debt remaining above 15%. On the other hand, a downward revision of the outlook from positive to stable could result from the Group's maintaining its adjusted debt to EBITDA above 3.0x, which could stem from a lack of return to organic revenue growth, higher-than expected investments needed to upgrade Netia's network, or higher-than expected shareholder returns.

3.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Combined Senior Facilities Agreement

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

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

(ii) financial and registered pledges on shares in Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700), Polkomtel (with a total nominal value of PLN 2,360,069,800) and Aero2 (with a total nominal value of PLN 91,958,700), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies. the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Other significant information

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

Transactions concluded in the three-month period ended March 31, 2020 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 19 of the interim condensed consolidated financial statements for the three-month period ended March 31, 2020.

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

Cyfrowy Polsat Group had not published any financial forecasts.

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

Management believes that the provisions as at March 31, 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

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

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

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

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

Legal dispute in respect to the telecommunication concession

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

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

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

Other proceedings

In September 2015, Polkomtel 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 the court dismissed the 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, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal in entirety. On January 10, 2018 the court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on May 8, 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement.

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

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.

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

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

Due to the worldwide COVID-19 coronavirus pandemic, on March 20, 2020 a state of epidemic has been introduced in Poland. In the fight against the spreading of the coronavirus, numerous measures were implemented by the Polish government. In particular, borders are closed for foreigners from March 15, 2020, restrictions on movement, organizing events and meetings were introduced from mid-March 2020, education and childcare establishments were closed, limitations were implemented with regard to catering, entertainment and functioning of shopping malls and, in certain cases, a two-week obligatory quarantine was imposed.

Cyfrowy Polsat Group has immediately taken actions to assure business continuity and reduce the negative impact of the epidemic on its operations. The priorities included in particular ensuring the safety of its employees, most of whom now work remotely from home, as well as guaranteeing high quality of services to our customers.

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

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

Data transmission and voice calls. Under the circumstances of the coronavirus threat and its related recommendations to stay at home and work or learn remotely, the significance of data transmission and voice services grew dramatically. Starting from mid-March 2020 the Group recorded a considerable traffic increase in the telecommunications networks of its subsidiaries. During the epidemic, Plus mobile network observed on average a 50% increase of its voice traffic while the volume of data transmission grew by approximately 25%. Thanks to the efficient telecommunications infrastructure of Polkomtel and Netia as well as the implementation of modern technologies, we were able to provide our customers with full functionality and quality of operations in conditions of increased network traffic.

With a view to meeting increased customer demand for telecommunications services, in particular data packages, which was triggered by the necessity to perform daily duties such as learning and working online, as well as due to the customers' search for diverse forms of entertainment on the Internet, Plus network offered, as part of the #stayathome action, a free 10 GB data bundle for all customers of Plus and Plush brands. In case of even higher demand for data transfer, customers were offered the possibility to activate an additional 20 GB data bundle for PLN 10 per 30 days (for prepaid plans) or until the end of the first full settlement period (for postpaid plans). A user may activate the additional 20 GB package repeatedly. Also Netia offered for one month, under the same action, the acceleration of all fiber optic accesses to maximum data transfer speeds, even up to 1 Gbps, without any additional fees. As part of the #stayathome action, the IPLA web entertainment service prepared attractive titles, fresh out of the cinemas, for its viewers. The subscribers of the DTH satellite TV and the IPTV service from Cyfrowy Polsat were, in turn, granted access to the "open window" expanded by an additional 25 channels.

The increased usage of telecommunications services should translate into higher retail revenue in the coming months. In the short term, it shall be reflected especially in the areas of services based on "pay-as-you-go" tariff plans, which is predominant in the case of prepaid services.

Wholesale services. Owing to higher voice traffic levels, the Group is recording a significant increase in the scale of interconnect settlements, which, in turn, should be positively reflected in the level of ARPU in the coming periods. On the other hand, materially higher voice traffic should also translate into an increase in technical costs associated with the purchase of traffic from other operators. In parallel, due to border closures and restrictions in movement of individuals, lower traffic with regard to international roaming service should be also expected.

Net additions and churn. The state of epidemic and related restrictions, such as the closure of shopping malls and social distancing, had a substantial impact on the functioning of our sales network. In the first weeks of the epidemic, approximately 65% of the Group's POSs were operational, however customer traffic in the open POSs was significantly lower than in the past. Simultaneously, Polsat Group was making efforts to intensify sales via remote sales channels, which recorded significant growth of customer traffic and sales, which partially compensated for the lower number of transactions concluded via the physical points of sale. At the moment, we estimate that sales in remote channels shall not be able to fully compensate for the lower number of transactions concluded via the physical points of sale, which may have an adverse impact on the levels of new services sold and on customer adds as well as on the number of mobile numbers ported by customers to our network from other operators' networks (MNP). On the other hand, the number of resignations from existing customers has fallen significantly, which should have a positive influence on the churn level. As a result of the above, the Group expects its customer base to remain relatively stable.

End-user equipment. Taking into consideration the partial closure of the physical sales network and potentially lower customer propensity, in the present conditions of uncertainty, to buy more expensive models of end-user equipment, we observe a decrease of equipment sales, smartphones in particular, which will translate into lower revenue from equipment sales in the coming quarters.

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

Since the beginning of the epidemic we have recorded a visible increase in viewership of our television channels, especially in case of the news station, as well as higher audiences of news and children programs. In parallel, the overall consumption of television content grew due to the search for pastime at home. According to the data of Nielsen Audience Measurement from late March 2020, the average daily time for watching television increased in Poland to even as much as 6 hours during weekends while during week days it ranged between 4 and 5 hours.

A number of sports events, to which the Group holds broadcasting rights, have been postponed. Nevertheless, until the date of approval of this Report some official declarations concerning the resumption of part of these events have appeared. They include, among others, the football club competitions of Bundesliga (starting from May 16, 2020), Polish speedway league PGE Ekstraklasa (from June 12, 2020) and F1™ races (from July 3, 2020) and more leagues and federations are expressing an intent and hope to resume games as soon as possible. The Group is following closely the developments and remains in active dialogue with sports organizations, and the ultimate impact of this factor will depend on whether, when and to what extent sports competitions are going to be restarted.

Taking into account the health and safety of artists and employees involved in TV production, Telewizja Polsat made the decision to withhold production of selected shows, which will translate into lower than planned content costs during the spring scheduling. In addition, Telewizja Polsat expects a slowdown on the TV advertising market, however due to the high level of uncertainty as well as multiple factors affecting the market, including the duration of the restrictions associated with the pandemic and the ultimate rate of economic slowdown in Poland as well as on global markets, as of the date of publishing this Report the Group does not see the possibility of presenting a reliable estimate of the impact that the COVID-19 coronavirus epidemic may have on the advertising market in the coming quarters.

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

In connection with interest rate cuts by a total of 100 basis points, introduced by the National Bank of Poland in March and April 2020, Polsat Group expects savings in the area of financial costs in the quarters to come. The Group's entire debt is PLN-denominated and based on WIBOR variable interest rates, with the Group's companies employing mid-term hedging instruments for up to approximately 30% of the interest rate exposure.

As of the date of approval of this Report, the Group maintains a high level of liquidity and generates high positive cash flows. As a result, the Group is pursuing planned CAPEX projects without any hindrance, in particular Telewizja Polsat signed a preliminary agreement to acquire Interia Group companies, of which the Company informed in its current report no. 16/2020 dated April 30, 2020.

The Management Board would like to note that the above factors have been presented according to the Management Board's best knowledge as at the date of this Report. The ultimate impact that the COVID-19 coronavirus epidemic may have on the Company's, as well as the entire Group's operations and financial situation is impossible to estimate in a precise manner at present and depends on numerous factors which are beyond the Group's control and which include in particular the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

4.4.2. Factors related to social-economic environment

Economic situation in Poland

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

The dynamics of events related to the coronavirus pandemic makes forecasting of the economic situation in Poland and worldwide highly uncertain. The latest forecasts for 2020 envisage a global economic downturn and even a recession. In case of Poland, the predictions range from reaching the economic growth of 1.8% (Fitch) to a decrease in the GDP by nearly 5% (Institute for International Finance).

Situation on the pay TV market in Poland

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

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

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

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content. This gives us a chance to attract a significant portion of migrating customers to our platform. What is more, we offer pay TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate. Due to the coronavirus pandemic, a number of sports events, to which the Group holds broadcasting rights, have been postponed. Nevertheless, until the date of approval of this Report some official declarations concerning the resumption of part of these events have appeared. It includes, among others, the football club competitions of Bundesliga (starting from May 16, 2020), Polish speedway league PGE Ekstraklasa (from June 12, 2020) and F1™ races (from July 3, 2020) and more leagues and federations are expressing an intent and hope to resume games as soon as possible. The Group is following closely the developments and remains in active dialogue with sports organizations, while the ultimate impact of this factor will depend on whether, when and to what extent sports competitions are going to be restarted.

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

Development of advertising market in Poland

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

As s result of the world COVID-19 pandemic we expect a slowdown on the TV advertising market, however due to the high level of uncertainty as well as multiple factors affecting the market, including the duration of the restrictions associated with the pandemic and the ultimate rate of economic slowdown in Poland as well as on global markets, as of today it is impossible, in our view, to forecast accurately the development of the advertising market in the coming quarters.

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

In turn, the growth dynamics of the online advertising is influenced, among others, by expenditures in the video advertising segment, in which we generate part of our revenue. We believe that thanks to the leading position on the online video market, through IPLA Internet television and other services of Cyfrowy Polsat Group we will benefit from this promising advertising market segment. Simultaneously, we intend to continue building the position of Polsat Group on the online advertising market, which is reflected by the decision of Telewizja Polsat's Management Board to acquire Interia Group companies.

Growing importance of thematic channels

Main general entertainment channels (FTA) are experiencing a gradual decline in audience shares as a result of the high penetration level of the Polish market by pay TV which provides viewers with an increasingly greater selection of thematic channels, as well as a broader offer of channels available via digital terrestrial television (DTT). According to data published by Nielsen Audience Measurement, in the first quarter of 2020 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 33.6%, while in the first quarter of 2019 it was equal to 36.7%.

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

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

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

Due to the COVID-19 pandemic a number of sports events, to which the Group holds broadcasting rights, including the UEFA Champions League and the UEFA Europa League matches, have been postponed. Nevertheless, until the date of approval of this Report some official declarations concerning the resumption of part of these events have appeared. It includes, among others, the football club competitions of Bundesliga (starting from May 16, 2020), Polish speedway league PGE Ekstraklasa (from June 12, 2020) and F1™ races (from July 3, 2020) and more leagues and federations are expressing an intent and hope to resume games as soon as possible. The Group is following closely the developments and remains in active dialogue with sports organizations, while the ultimate impact of this factor will depend on whether, when and to what extent sports competitions are going to be restarted.

Growing importance of convergent services

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

In recent years it was possible to observe increased efforts of big Polish market players, especially among mobile operators, aimed at strong promotion of bundled services for the home and solutions that were a combination of mobile and fixed services. Operators pay a lot of attention to high quality broadband access for households, which results in wide-scale investments in the modernization and expansion of the footprint of both mobile LTE and LTE-Advanced technologies, and modern fixed-line technologies (FTTH – Fiber to the Home FTTC - Fiber to the Cabinet, G.Fast, Vectoring) as well as acquisitions of entities owning broadband infrastructure.

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

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

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

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

Changes in ownerships and partnerships in our competitive environment

T-Mobile Polska

In July 2018, T-Mobile Polska and Orange Polska signed an agreement based on which T-Mobile shall provide its customers with 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 the possibility of an extension for a further 5 years, and concerns ca. 1.7 million households in multifamily residential buildings in the areas which are not covered by the regulated BSA access. The transaction has not been entered into on an 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 provinces under the Digital Poland Operational Programme (*Program Operacyjny Polska Cyfrowa, POPC).* According to T - Mobile, based on these two agreementsthe operator will increase the reach of available fiber optic network to 4.5 million households.

At the end of June 2019, T-Mobile launched its offering of convergent services for residential customers which comprises voice service, OTT television servces of Netflix and IPLA, and fiber optic Internet access. The convergent package is available to customers located within the reach of the fiber optic infrastructure of one of T-Mobile's partners. In December 2019, T-Mobile signed an agreement with Inea who provides services in the BSA model in the areas where Inea rolls out its fiber optic network within the framework of the second POPC programme. Apart from the wholesale access agreement, a technical partnership agreement has also been signed in accordance with which Inea will be responsible for launching and maintaining T-Mobile's fixed-line telecommunication services provided in Inea's network. T-Mobile has announced the launch of convergent services relying on Inea's and Nexera's networks in 2020.

Play

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

UPC Polska

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

Cable network operators

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

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

Changes in pricing of mobile services

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

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

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

Demand for smartphones and data transmission

In Poland, the popularity of smartphones has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales mix. Concurrently, we estimate that among all handsets used by our customers at the end of March 2020 smartphones accounted only for around 79% of handsets. This disproportion shows that the saturation of our mobile services customer base with smartphones still has a growth potential. At the same time, it should be noted that closure of part of our physical sales network due to the coronavirus epidemic has resulted in a substantial decline of sales of end-user equipment, in particular smartphones.

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

Preparations of mobile operators for 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 speeds exceeding 1 Gbps while at the same time significantly reducing latency to as little as 1 millisecond. The technology is expected to speed up, among others, the development of the Internet of Things, telemedicine services, autonomous cars and intelligent cities. According to the expectations of the EU, member states should have wide network coverage in 5G technology by 2025.

The frequencies from the 700 MHz, 3.4-3.8 GHz and 26 GHz bandwidths have been designated for the purposes of development of 5G networks in Europe. At present, the processes of bandwidth allocation, depending on availability, are ongoing in respective European states. Currently, the Polish regulator, UKE, is in the first allocation process which concerns the spectrum from the 3.4-3.8 GHz band.

On March 6, 2020, the regulator announced an auction of four 80 MHz blocks from the 3.6 MHz band. The asking price per one block is PLN 450 million and the investment requirements under the auction assume launching the total of 2,800 5G base stations by 2025 (700 base stations per operator). Originally, the deadline for submitting preliminary bids in the auction was to expire on April 23, 2020 and the regulator's intention was to issue spectrum reservations to the winning operators by the end of August 2020 at the latest. In the above described scenario, the spectrum reservations granted as a result of the auction were to be valid until the end of June 2035. Due to the state of epidemic announced on March 20, 2020, the above time limit was suspended, with effect from March 31, 2020 until the cancellation of the epidemic emergency status, by virtue of the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19. In turn, the "Anti-Crisis Shield 3.0" act adopted by the Sejm, the lower house of the Polish parliament, on April 30, 2020 includes the provisions that, if adopted in a version without the amendments of the Senate, could give ground to cancellation of the 5G auction announced by the President of UKE. As of the date of approval of this Report no binding decisions with regard to the continuation or the cancellation of the auction were taken and the legal status of the auction proceedings remains unclear.

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

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

In January 2020, the operators of Plus and Play networks made respective decisions to start the roll out of commercial 5G networks in selected Polish cities using owned spectrum resources (in 2600 MHz TDD band in the case of Plus and 2100 MHz band in the case of Play). A similar decision was take by T-Mobile Polska, who announced in May 2020 that it plans to prepare 1,600 stations operating 5G network in 2600 MHz band. In Plus's case the intention was to use the MIMO 4x4 and QAM256 technologies, enabling data transfer rates of 600 Mbps range. The network roll out covered major cities of Poland, including Warsaw, Gdańsk, Katowice, Łódź, Poznań, Szczecin and Wroclaw. By the end of March 2020, the 5G transmitters were installed on 100 base stations. In parallel, tests of the end-user equipment supporting 5G in the 2600 MHz TDD bandwidth were conducted.

The commercial start of Plus 5G network took place on May 11, 2020 (more detailed information is presented in 2.4. – *Significant events – Event after the balance sheet date*).

Information on seasonality

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

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

Other revenues are not directly subject to substantial seasonal fluctuations.

4.4.3. Factors related to the operations of the Group

Growing importance of integrated services

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

Our bundled services offers, addressed both to our residential and businesses customers, enable our customers to combine products in a flexible way and benefit from attractive discounts that we offer. The program smartDOM, launched in 2014, yields excellent sales results and is regularly adjusted to meet the needs and expectations of our customers. The possibility of selling additional products and services (cross-selling) to our customer base has a positive impact both on our stream of revenue and the level of ARPU per contract customer, and contributes to increasing the loyalty of customers, who use our bundled services.

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

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

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

Thanks to the acquisition of a controlling stake in Netia we have expanded our portfolio with a wide range of fixed-line products and services, in particular with fixed-line broadband Internet offered, among others, in fiber optic technologies. Netia's services are being rendered via own access networks with over 2.7 million homes passed, out of which, as at the end of March 2020, around 1.5 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network covers approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure.

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

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

Investments in network roll-out and spectrum refarming

In the first quarter of 2020, residential customers of Cyfrowy Polsat and Polkomtel transferred ca. 350 PB of data as compared to ca. 263 PB transferred in the corresponding period of 2019. Striving to maintain a high quality of provided services, we continue to invest in our telecommunications network roll-out. In particular, upon having approached the level of coverage of nearly 100% of the population with our LTE network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of LTE Advanced, which already reaches 82% of Poles.

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

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

We expect that LTE network roll-out, relying mainly on continuous 20 MHz spectrum blocks in the 1800 MHz and 2600 MHz bands combined with increasing the density of the base station network, distinct growth of the number of operating transceivers as well as the use of the ODU-IDU (Outdoor Unit Indoor Unit) solution will enable us to maintain our competitive advantage in terms of the quality of provided mobile broadband access. In parallel, at the turn of 2019 and 2020 in selected locations we commenced the construction of Poland's first commercial 5G network based on a wide 50 MHz block of 2600 MHz spectrum using TDD technology. We expect that, when combined with modern antenna systems using 8 or 64 channels (Massive MIMO), the above mentioned network could significantly increase the capacity of our 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. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future. Therefore, we pay attention to providing IPLA users with a wide variety of attractive content. In particular, during the coronavirus epidemic, as part of the #stayathome action, the IPLA web entertainment service prepared for its viewers attractive titles which have had their cinema premieres recently, which contributed to higher interest of our customers in IPLA's offering.

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

Attractive content of our TV channels and monetization of sports rights

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

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

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

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

4.4.4. Factors related to the regulatory environment

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

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

Implementation of the European Code of Electronic Communication to national legislation

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

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

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

4.4.5. Financial factors

Exchange rates fluctuations

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

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

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

One of the effects of the coronavirus epidemic was the depreciation of Polish zloty in March 2020 which, in case of prolonged duration over the next months, may adversely impact our costs denominated in foreign currencies, in particular in EUR and USD.

Interest rate fluctuations

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

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

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

In March and April 2020 the National Bank of Poland reduced interest rates in Poland by a total of 100 bps with an aim to boost the economy remaining under strong pressure from the coronavirus pandemic. As a result of the above, Polsat Group expects savings in the area of financial costs in the coming quarters. The Group’s entire debt is PLN-denominated and based on WIBOR variable interest rates, with the Group’s companies employing mid-term hedging instruments for up to approximately 30% of the interest rate exposure.

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, May 13, 2020

GLOSSARY

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

Glossary of general terms

Term	Definition
Aero2	Aero2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Polkomtel.
Asseco	Asseco Poland Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000033391.
Act of Public Offering	Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies (Journal of Laws of 2019 Item 623)
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Aero2.
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015 and the Second Amendment and Restatement Deed of March 2, 2018.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 30, 2022.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668. Merged with Cyfrowy Polsat S.A. on April 28, 2018.
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.

Eleven Sports Network	Eleven Sports Network spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000558277, a producer and distributor of sports content on the territory of Poland.
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of 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 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.
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 odpowiedzialnoścą, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000377416.
Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.

Roaming Regulation	Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union
Second Amendment and Restatement Deed	Agreement concluded on March 2, 2018 between the Company and UniCredit Bank AG, London Branch, amending and consolidating the CP SFA and the PLK SFA and amending the Amendment, Restatement and Consolidation Deed.
Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/02/07/2015 dated July 2, 2015.
Series A Bonds A Bond Terms	Terms and conditions of Series A Bonds issuance together with the supplement.
Series B Bonds	Dematerialized, interest-bearing, senior and unsecured Series B bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/29/01/2020 dated January 29, 2020.
Series B Bonds B Bond Terms	Terms and conditions of Series C Bonds issuance.
Series C Bonds	Dematerialized, interest-bearing, senior and unsecured Series C bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 1/25/03/2019 dated March 25, 2019.
Series C Bonds B Bond Terms	Terms and conditions of Series B Bonds issuance.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
Third Amendment and Restatement Deed	Agreement concluded on April 27, 2020 between the Company and UniCredit Bank AG, London Branch, amending the CP SFA and the PLK SFA along with the Amendment, Restatement and Consolidation Deed and the Second Amendment, Restatement and Consolidation Deed.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000567976.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.

Term	Definition
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to SMG Poland (previously SMG).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Commercial group	Viewership group comprising viewers aged 16-49, including time-shifted viewership Live+2, i.e. for two consecutive days after the original airing date).
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue).
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
FTR	A wholesale charge for call termination in another operator's fixed-line telecommunications network (Fixed Termination Rate).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).

Term	Definition
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mbps for download and up to 5.7 Mbps for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mbps (downlink, using MIMO 2x2 antennas).
LTE Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gbps (downlink, using MIMO 8x8 antennas).
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).
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.

Term	Definition
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kbps (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by 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.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2020

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 13 May 2020, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period
from 1 January 2020 to 31 March 2020 showing a net profit for the period of: PLN 183.8

Interim Consolidated Statement of Comprehensive Income for the period
from 1 January 2020 to 31 March 2020 showing a total comprehensive income for the period of: PLN 177.5

Interim Consolidated Balance Sheet as at
31 March 2020 showing total assets and total equity and liabilities of: PLN 32,658.7

Interim Consolidated Cash Flow Statement for the period
from 1 January 2020 to 31 March 2020 showing a net increase in cash and cash equivalents amounting to: PLN 384.8

Interim Consolidated Statement of Changes in Equity for the period
from 1 January 2020 to 31 March 2020 showing an increase in equity of: PLN 175.5

Notes to the Interim Condensed Consolidated Financial Statements

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

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

Warsaw, 13 May 2020

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 31 March 2020 unaudited	31 March 2019 unaudited
Continuing operations			
Revenue	8	2,848.5	2,791.6
Operating costs	9	(2,392.1)	(2,317.0)
Other operating income, net		5.8	16.6
Profit from operating activities		**462.2**	**491.2**
Gain/(loss) on investment activities, net	10	(74.2)	(12.2)
Finance costs, net	11	(153.8)	(102.7)
Share of the profit/(loss) of associates accounted for using the equity method		16.3	(1.7)
Gross profit for the period		**250.5**	**374.6**
Income tax		(66.7)	(77.3)
Net profit for the period		**183.8**	**297.3**
Net profit attributable to equity holders of the Parent		182.4	291.9
Net profit/(loss) attributable to non-controlling interest		1.4	5.4
Basic and diluted earnings per share (in PLN)		**0.29**	**0.46**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2020 unaudited	31 March 2019 unaudited
Net profit for the period		**183.8**	**297.3**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	(7.7)	0.1
Income tax relating to hedge valuation	13	1.4	(0.0)
Items that may be reclassified subsequently to profit or loss		**(6.3)**	**0.1**
Other comprehensive income/(loss), net of tax		**(6.3)**	**0.1**
Total comprehensive income for the period		**177.5**	**297.4**
Total comprehensive income attributable to equity holders of the Parent		176.1	292.0
Total comprehensive income attributable to non-controlling interest		1.4	5.4

(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	31 March 2020 unaudited	31 December 2019
Reception equipment		267.4	262.7
Other property, plant and equipment		5,004.3	4,976.9
Goodwill	16	11,349.5	11,336.4
Customer relationships		1,723.5	1,821.4
Brands		2,054.9	2,063.2
Other intangible assets		2,749.9	2,857.8
Right-of-use assets		1,383.8	1,420.3
Non-current programming assets		330.4	402.6
Investment property		29.3	29.4
Non-current deferred distribution fees		96.0	100.5
Non-current trade receivables		749.5	776.5
Other non-current assets, includes:		1,337.2	1,315.8
shares in associates accounted for using the equity method		*1,306.1*	*1,282.4*
derivative instruments		-	*1.2*
Deferred tax assets		243.2	241.2
Total non-current assets		**27.318.9**	**27,604.7**
Current programming assets		535.2	512.3
Contract assets		628.1	638.7
Inventories		398.3	306.8
Trade and other receivables		2,335.9	2,511.6
Income tax receivable		7.1	4.8
Current deferred distribution fees		222.1	225.7
Other current assets		72.3	31.9
includes derivative instruments		-	*0.2*
Cash and cash equivalents		1,130.6	743.5
Restricted cash		10.2	9.6
Total current assets		**5,339.8**	**4,984.9**
Total assets		**32,658.7**	**32,589.6**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	31 March 2020 unaudited	31 December 2019
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves		(4.8)	1.5
Retained earnings		6,792.6	6,610.2
Equity attributable to equity holders of the Parent		**13,987.4**	**13,811.3**
Non-controlling interests		652.6	653.2
Total equity		**14,640.0**	**14,464.5**
Loans and borrowings	14	8,453.4	8,617.0
Issued bonds	15	1,950.7	969.2
Lease liabilities		986.2	1,023.8
UMTS license liabilities		254.9	236.9
Deferred tax liabilities		950.2	1,025.3
Other non-current liabilities and provisions		311.8	384.7
includes derivative instruments		*30.2*	*3.2*
Total non-current liabilities		**12,907.2**	**12,256.9**
Loans and borrowings	14	1,241.6	1,892.5
Issued bonds	15	63.1	34.8
Lease liabilities		430.3	413.5
UMTS license liabilities		125.8	116.9
Contract liabilities		725.1	713.1
Trade and other payables		2,190.0	2,420.8
includes derivative instruments		*37.8*	*8.3*
Income tax liability		335.6	276.6
Total current liabilities		**5,111.5**	**5,868.2**
Total liabilities		**18,018.7**	**18,125.1**
Total equity and liabilities		**32,658.7**	**32,589.6**

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

Interim Consolidated Cash Flow Statement

		for the 3 months ended	
	Note	31 March 2020 unaudited	31 March 2019 unaudited
Net profit		**183.8**	**297.3**
Adjustments for:		**677.2**	**464.9**
Depreciation, amortization, impairment and liquidation	9	564.5	547.1
Payments for film licenses and sports rights		(160.5)	(156.3)
Amortization of film licenses and sports rights		125.1	123.3
Interest expense		111.9	107.2
Change in inventories		(85.7)	60.3
Change in receivables and other assets		185.1	158.4
Change in liabilities and provisions		(138.9)	(439.5)
Change in contract assets		10.6	(9.2)
Change in contract liabilities		12.0	17.4
Foreign exchange (gains)/losses, net		41.2	1.9
Income tax		66.7	77.3
Net additions of reception equipment		(33.1)	(25.8)
Share of the (profit)/loss of associates accounted for using the equity method		(16.3)	1.7
Other adjustments		(5.4)	1.1
Cash from operating activities		**861.0**	**762.2**
Income tax paid		(87.1)	(66.1)
Interest received from operating activities		4.9	4.8
Net cash from operating activities		**778.8**	**700.9**
Acquisition of property, plant and equipment		(255.9)	(251.4)
Acquisition of intangible assets		(51.5)	(108.5)
Acquisition of subsidiaries, net of cash acquired	16	(48.8)	-
Acquisition of shares in associate		(7.4)	-
Proceeds from sale of property, plant and equipment		1.7	2.5
Investment funds outflows		(30.0)	(30.0)
Investment funds inflows		30.0	30.1
Loans granted		(5.0)	(12.9)
Other inflows		2.9	3.0
Net cash used in investing activities		**(364.0)**	**(367.2)**

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

Bonds issue (Series C Bonds)	15	1,000.0	-
Loans and borrowings inflows	14	35.0	-
Repayment of loans and borrowings	14	(857.2)	(584.4)
Payment of interest on loans, borrowings, bonds and commissions*		(84.6)	(107.1)
Payment of lease liabilities		(106.3)	(54.5)
Payment of interest on lease liabilities		(12.4)	(7.8)
Other outflows		(4.5)	(0.6)
Net cash used in financing activities		**(30.0)**	**(754.4)**
Net increase/(decrease) in cash and cash equivalents		**384.8**	**(420.7)**
Cash and cash equivalents at the beginning of the period		**753.1****	**1,178.7*****
Effect of exchange rate fluctuations on cash and cash equivalents		2.9	(1.0)
Cash and cash equivalents at the end of the period		**1,140.8******	**757.0*******

* includes impact of derivative instruments and amount paid for costs related to the new financing
** Includes restricted cash amounting to PLN 9.6
*** Includes restricted cash amounting to PLN 11.7
**** includes restricted cash amounting to PLN 10.2
***** includes restricted cash amounting to PLN 11.3

(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 3 months ended 31 March 2020

	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 2020	**25.6**	**7,174.0**	**1.5**	**6,610.2**	**13,811.3**	**653.2**	**14,464.5**
Acquisition of Alledo Sp. z o.o.	-	-	-	-	**-**	(2.0)	**(2.0)**
Total comprehensive income	-	-	(6.3)	182.4	**176.1**	1.4	**177.5**
Hedge valuation reserve	-	-	*(6.3)*	-	***(6.3)***	-	***(6.3)***
Net profit for the period	-	-	-	*182.4*	***182.4***	*1.4*	***183.8***
Balance as at 31 March 2020 unaudited	**25.6**	**7,174.0**	**(4.8)**	**6,792.6**	**13,987.4**	**652.6**	**14,640.0**

* 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 Consolidated Statement of Changes in Equity for the 3 months ended 31 March 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**
Total comprehensive income	-	-	0.1	291.9	**292.0**	5.4	**297.4**
Hedge valuation reserve	-	-	*0.1*	-	***0.1***	-	***0.1***
Net profit for the period	-	-	-	*291.9*	***291.9***	*5.4*	***297.3***
Balance as at 31 March 2019 unaudited	**25.6**	**7,174.0**	**(162.4)**	**6,481.8**	**13,519.0**	**653.6**	**14,172.6**

* 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.

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 channels in Poland.

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- 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 3 months ended 31 March 2020 have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS EU"). These interim condensed consolidated financial statements have been prepared on a going concern basis.

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

During the three-month period ended 31 March 2020 the following became effective:

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

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

(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 3 months ended 31 March 2020 include the following entities:

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

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

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

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

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

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

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

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

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

(b) On 13 January 2020 Cyfrowy Polsat acquired 51.25% shares of Alledo Sp. z o.o. thus acquiring control over Alledo Sp. z o.o and its subsidiaries (see note 16)

(c) On 14 February 2020 Netia acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. On 27 February 2020 company's name change to IST Sp. z o.o. was registered.

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

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) 31 March 2020	Share in voting rights (%) 31 December 2019
Polsat JimJam Ltd.	111 Salusbury Road London NW6 6RG, UK	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	media	49.48%	49.48%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Rzymowskiego 53, 02-697 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.73%	22.73%
BCAST Sp. z o.o.(a)	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	69.13%	-

(a) On 25 March 2020 Cyfrowy Polsat acquired 69.13% shares in BCAST Sp. z o.o.

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 3 months ended 31 March 2020:

	Entity's registered office	Activity	Share in voting rights (%) 31 March 2020	Share in voting rights (%) 31 December 2019
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.76%	4.76%
InPlus Sp. z o.o.	Wilczyńskiego 25E loc. 216, 10-686 Olsztyn	investment 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 Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 13 May 2020.

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

Explanatory notes

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	
	31 March 2020 unaudited	**31 March 2019 unaudited**
Retail revenue	1,604.5	1,606.0
Wholesale revenue	823.7	772.7
Sale of equipment	345.7	347.4
Other revenue	74.6	65.5
Total	**2,848.5**	**2,791.6**

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

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

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

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

9. Operating costs

	Note	for the 3 months ended 31 March 2020 unaudited	for the 3 months ended 31 March 2019 unaudited
Technical costs and cost of settlements with telecommunication operators		600.8	563.8
Depreciation, amortization, impairment and liquidation		564.5	547.1
Cost of equipment sold		282.3	289.4
Content costs		388.8	366.9
Distribution, marketing, customer relation management and retention costs		224.4	244.8
Salaries and employee-related costs	a	221.9	212.6
Cost of debt collection services, bad debt allowance and receivables written off		44.3	34.6
Other costs		65.1	57.8
Total		**2,392.1**	**2,317.0**

a) Salaries and employee-related costs

	for the 3 months ended 31 March 2020 unaudited	for the 3 months ended 31 March 2019 unaudited
Salaries	181.6	172.8
Social security contributions	32.9	32.2
Other employee-related costs	7.4	7.6
Total	**221.9**	**212.6**

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

	for the 3 months ended 31 March 2020 unaudited	for the 3 months ended 31 March 2019 unaudited
Interest expense on lease liabilities	(12.0)	(13.2)
Interest, net	3.4	6.6
Other foreign exchange gains/(losses), net	(62.7)	(1.9)
Other income/costs	(2.9)	(3.7)
Total	**(74.2)**	**(12.2)**

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

11. Finance costs, net

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Interest expense on loans and borrowings	88.7	86.6
Interest expense on issued bonds	12.1	10.6
Valuation and realization of hedging instruments	0.1	0.3
Valuation and realization of derivatives not used in hedge accounting – relating to interest	52.3	4.2
Guarantee fees, bank and other charges	0.6	1.0
Total	**153.8**	**102.7**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2020 and 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

The shareholders' structure as at 31 March 2020 and 31 December 2019 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
TiVi Foundation [2] , incl. through	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

[3] Entity is under the presumption of the existence of an agreement referred to in article 87 section 1 item 5 Act of the Public Offering Act

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

(ii) Share premium

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

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2020	2019
Balance as at 1 January	**(0.2)**	**(0.6)**
Valuation of cash flow hedges	(7.7)	0.1
Deferred tax	1.4	(0.0)
Change for the period	**(6.3)**	**0.1**
Balance as at 31 March unaudited	**(6.5)**	**(0.5)**

14. Loans and borrowings

Loans and borrowings	**31 March 2020 unaudited**	**31 December 2019**
Short-term liabilities	1,241.6	1,892.5
Long-term liabilities	8,453.4	8,617.0
Total	**9,695.0**	**10,509.5**

Change in loans and borrowings liabilities:

	2020	2019
Loans and borrowings as at 1 January	**10,509.5**	**10,216.6**
Loans and borrowings on acquisition of Alledo Sp. z o. o. (see note 16)	3.0	-
Revolving facility loan	35.0	-
Repayment of capital	(857.2)	(584.4)
Repayment of interest and commissions	(84.5)	(81.5)
Interest accrued and commissions	89.2	87.3
Loans and borrowings as at 31 March unaudited	**9,695.0**	**9,638.0**

15. Issued bonds

	31 March 2020 unaudited	**31 December 2019**
Short-term liabilities	63.1	34.8
Long-term liabilities	1,950.7	969.2
Total	**2,013.8**	**1,004.0**

Change in issued bonds:

	2020	2019
Issued bonds liabilities as at 1 January	**1,004.0**	**1,018.3**
Bonds issue (Series C Bonds)	1,000.0	-
Repayment of interest and commissions	(0.1)	(21.5)
Interest accrued and commissions	9.9	10.6
Issued bonds liabilities as at 31 March unaudited	**2,013.8**	**1,007.4**

Issuance of bonds

On 29 January 2020 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series C Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series C Bonds.

On 31 January 2020 the Management Board of the Company decided to allot 1,000,000 (not in million) Series C Bonds with a nominal value of PLN 1,000 (not in million) each and an aggregated nominal value of PLN 1,000,000,000 (not in million). The Series C Bonds were allotted to a total of 69 investors.

The issue of Series C Bonds was completed on 14 February 2020. Planned redemption date of the Series C Bonds falls on 12 February 2027.

The Series C Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market on 24 February 2020.

Other notes

16. Acquisition of a subsidiaries

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 Company acquired additional 12 shares in TVO Sp. z o.o. for the purchase price of PLN 0.6 thus increasing the number of shares held to 104 shares (i.e. 50.98%). On 9 August 2019 court registered share capital increase in TVO Sp. z o.o. – after registration Cyfrowy Polsat held 51.22% shares of TVO Sp. z o.o. On 10 February 2020 court registered an increase in the TVO Sp. z o. o. share capital. Consequently, the Group holds 75.96% shares of TVO Sp. z o. o.

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

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

a) 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 12 months ended 31 December 2019	**(0.4)**

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

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

Provisional fair values of assets and liabilities acquired as at 30 May 2019:

	Provisional fair value as at the acquisition date (30 May 2019)
Net assets:	
Other non-current assets	0.1
Inventories	1.9
Trade and other receivables	3.5
Cash and cash equivalents	0.2
Loans and borrowings	(10.7)
Trade and other payables	(1.7)
Provisional value of net assets (100%)	**(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	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 consolidated income statement for the reporting period since 30 May 2019 to 31 December 2019 contributed by TVO amounted to PLN 9.9 and PLN 1.4, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to 11,682.3 and PLN 1,113.4, respectively.

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

Acquisition of shares in ISTS Sp. z o.o. – provisional purchase price allocation

On 27 November 2019 Netia S.A. (Company's subsidiary) acquired 100% shares of ISTS Sp. z o.o.

The consideration for 100% shares of ISTS Sp. z o.o. amounted to PLN 35.0.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 100% shares of ISTS	33.0
Liability to pay in accordance with purchase agreement	2.0
Provisional value as at 27 November 2019	**35.0**

b) Reconciliation of transactional cash flow

Cash transferred	(33.0)
Cash and cash equivalents received	0.5
Cash decrease in the period of 12 months ended 31 December 2019	**(32.5)**

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

The table below presents provisional fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair value of assets and liabilities as at 27 November 2019:

	Provisional fair value as at the acquisition date (27 November 2019)
Net assets:	
Customer relationships	17.4
Other property, plant and equipment	1.7
Trade and other receivables	0.1
Cash and cash equivalents	0.5
Loans and borrowings	(0.5)
Trade and other payables	(1.0)
Deferred tax liabilities	(3.2)
Provisional value of net assets	**15.0**
Provisional consideration transferred	**35.0**
Provisional goodwill	**20.0**

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

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

The revenue and net profit included in the consolidated income statement for the reporting period since 27 November 2019 to 31 December 2019 contributed by ISTS amounted to PLN 0.7 and PLN 0.0, respectively. Had it been acquired on 1 January 2019 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2019 would have amounted to PLN 11,683.6 and PLN 1,115.4, respectively.

Acquisition of shares in Alledo Sp. z o.o. – provisional purchase price allocation

On 13 January 2020 the Company acquired 51.25% shares of Alledo Sp. z o.o.

The consideration for 51.25% shares of Alledo Sp. z o.o. amounted to PLN 6.9.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 51.25% shares of Alledo	6.9
Provisional value as at 13 January 2020	**6.9**

b) Reconciliation of transactional cash flow

Cash transferred	(6.9)
Cash and cash equivalents received	0.4
Cash decrease in the period of 3 months ended 31 March 2020	**(6.5)**

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

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

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

Provisional fair values of assets and liabilities acquired as at 13 January 2020:

	Provisional fair value as at the acquisition date (13 January 2020)
Net assets:	
Other property, plant and equipment	0.9
Other intangible assets	0.4
Inventories	5.3
Trade and other receivables	0.5
Cash and cash equivalents	0.4
Loans and borrowings	(3.0)
Trade and other payables	(8.6)
Provisional value of net assets (100%)	**(4.1)**
Provisional value of net assets attributable to non-controlling interest	**(2.0)**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**(2.1)**
Provisional consideration transferred	6.9
Provisional goodwill	**9.0**

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

The revenue and net loss included in the consolidated income statement for the reporting period since 13 January 2020 contributed by Alledo amounted to PLN 3.1 and PLN 0.5, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 3 months ended 31 March 2020 would have amounted to 2,848.5 and PLN 183.8, respectively.

Acquisition of shares in IST Sp. z o.o. (formerly IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o.) – provisional purchase price allocation

On 14 February 2020 Netia S.A. (Company’s subsidiary) acquired 100% shares of IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. („IST”). On 27 February 2020 the change of the company’s name to IST Sp. z o.o. was registered.

The consideration for 100% shares of IST amounted to PLN 8.9.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 100% shares of IST	8.6
Liability to pay in accordance with purchase agreement	0.3
Provisional value as at 14 February 2020	**8.9**

(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	(8.6)
Cash and cash equivalents received	0.4
Cash decrease in the period of 3 months ended 31 March 2020	**(8.2)**

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

The table below presents provisional fair value of identified assets and liabilities of the acquired company, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair value of assets and liabilities as at 14 February 2020:

	Provisional fair value as at the acquisition date (14 February 2020)
Net assets:	
Customer relationships	3.0
Other property, plant and equipment	3.2
Cash and cash equivalents	0.4
Trade and other payables	(0.2)
Deferred tax liabilities	(1.2)
Provisional value of net assets	**5.2**
Provisional consideration transferred	**8.9**
Provisional goodwill	**3.7**

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

The revenue and net profit included in the consolidated income statement for the reporting period since 14 February 2020 contributed by IST amounted to PLN 0.3 and PLN 0.0, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 3 months ended 31 March 2020 would have amounted to 2,848.7 and PLN 183.9, respectively.

Acquisition of data center in the form of an organised part of the enterprise – provisional purchase price allocation

On 14 January 2020 Netia S.A. (Company’s subsidiary) acquired data center in the form of an organised part of the enterprise amounted to PLN 34.1.

(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
Cash transferred for the organised part of the enterprise	34.1
Provisional value as at 14 February 2020	**34.1**

b) Reconciliation of transactional cash flow

Cash transferred	(34.1)
Cash decrease in the period of 3 months ended 31 March 2020	**(34.1)**

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

The table below presents provisional fair value of identified assets and liabilities of the acquired organised part of the enterprise, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair value of assets and liabilities as at 14 January 2020:

	Provisional fair value as at the acquisition date (14 January 2020)
Net assets:	
Customer relationships	1.9
Other property, plant and equipment	31.7
Inventories	0.5
Deferred tax liabilities	(0.4)
Provisional value of net assets	**33.7**
Provisional consideration transferred	**34.1**
Provisional goodwill	**0.4**

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

17. Investment in associates

Acquisition of shares in Asseco Poland S.A. – provisional purchase price allocation

On 18 December 2019 the Company decided to initiate action aimed at acquiring a significant stake of shares in Asseco Poland S.A. (Asseco), in the amount not exceeding 18,221,000 (not in milion) and with aggregate value not exceeding PLN 1,184,365,000 (not in milion), with a potential participation of other entities controlled by Mr. Zygmunt Solorz (the “Acquisition”).

In order to complete the Acquisition, the Company announced an invitation to submit offers for the sale of shares in Asseco („Invitation”). The Invitation concerned no more than 18,221,000 (not in milion) shares of Asseco, representing 21.95% of the share capital of Asseco and vesting the right to exercise 21.95% of the total number of votes at the general meeting of Asseco. The proposed price for the Asseco shares to be purchased on the basis of the Invitation was PLN 65.00 (not in milion) per share.

On 27 December 2019 the Company decided to acquire under the Invitation a total of 18,178,386 (not in milion) Asseco shares, representing 21.90% of the Asseco share capital and carrying the right to exercise 21.90% of the total number of votes at the general meeting of Asseco (the „Purchase Shares”), of which 17,994,259 (not in milion) Asseco shares, representing 21.68% of the Asseco share capital and carrying the right to exercise 21.68% of the total number of votes at the general meeting of Asseco were acquired directly by the Company, whereas 184,127 (not in milion) Asseco shares, representing 0.22% of the Asseco share capital and carrying the right to exercise 0.22% of the total number of votes at the general meeting of Asseco were acquired by Reddev Investments Limited („Reddev”), an entity controlled by Mr. Zygmunt Solorz.

On 27 December 2019 Cyfrowy Polsat concluded with Reddev an agreement in order to enable Reddev to acquire 184,127 (not in million) Asseco shares under the Invitation. The agreement governs the joint acquisition of the Asseco shares under the Invitation and Reddev's exercising of the voting rights attached to the Asseco shares acquired under the Invitation as instructed by the Company (the „Agreement”). Under the Agreement, Reddev is obliged to resell to the Company the above Asseco shares for the price paid by Reddev for the acquired shares under the Invitation. Reddev shall also receive an additional remuneration for the period between the date on which Reddev acquired Asseco shares and the date on which the shares acquired by Reddev under the Invitation will be resold to the Company („Interim Period”) in an amount equivalent to the average weighted cost of financing of the Group provided by financial institutions, prorated to the specific portion of the price paid by Reddev for the shares under the Invitation for each day of the Interim Period.

The transfer of ownership of the Purchase Shares was settled through the depositary and settlement system operated by Krajowy Depozyt Papierów Wartościowych S.A. on 30 December 2019.

After settlement of the above acquisition, the Company holds a total of 22.73% Asseco shares as at 30 December 2019.

The table below presents summary of Asseco's financial data (these are the most current consolidated financial data of Asseco's capital group published before the date of the approval of these Group's interim condensed consolidated financial statements):

	for the year ended 31 December 2019
Revenue	10,667.4
Profit from operating activities	976.2
Net profit	703.4
Other comprehensive income, net	26.1
Total comprehensive income	729.5

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

	31 December 2019
Non-current assets	8,845.6
Current assets	5,751.0
Assets held for sale	1.3
Total assets	14,597.9
Non-current liabilities	2,752.3
Current liabilities	3,864.6
Total liabilities	6,616.9

As at the date of approval of these interim condensed consolidated financial statements, the Group is still in the process of estimating the initial and preliminary fair values of assets, liabilities and goodwill.

18. Operating segments

The Group operates in the following two segments:

1. services to individual and business customers segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services, the online TV services 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;

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

- 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.

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 3 months ended 31 March 2020:

The 3 months ended 31 March 2020 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	**Total**
Revenues from sales to third parties	2,438.8	409.7	-	**2,848.5**
Inter-segment revenues	14.6	50.9	(65.5)	**-**
Revenues	**2,453.4**	**460.6**	**(65.5)**	2,848.5
EBITDA (unaudited)	**879.6**	**147.1**	**-**	**1,026.7**
Depreciation, amortization, impairment and liquidation	549.4	15.1	-	**564.5**
Profit from operating activities	**330.2**	**132.0**	**-**	**462.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	317.3*	23.7	-	**341.0**
Balance as at 31 March 2020 (unaudited)				
Assets, including:	27,196.3	5,532.6**	(70.2)	**32,658.7**
Investments in joint venture and associates	1,291.0	21.0	-	**1,312.0**

* 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 10.8.

All material revenues are generated in Poland.

It should be noted that the data for 3 months ended 31 March 2020 allocated to the "Services to individual and business customers" segment are not comparable to the 3 months ended 31 March 2019 as additional 12 shares in TVO were acquired on 30 May 2019, on 9 August 2019 share capital increase was registered (consequently, the Group held 51.22% shares) and on 10 February 2020 share capital increase was registered (consequently, the Group holds 75.96% shares), 100% shares in ISTS Sp. z o. o. were acquired by Netia S.A. (Company's subsidiary) on 27 November 2019, 40.76% shares in Vindix S.A. were acquired on 13 June 2019 and on 1 July 2019 share capital increase was registered (thus increasing shares held to 46.27%) and significant stake of Asseco Poland S.A. was acquired on 30 December 2019 (consequently, the Company holds 22.73% shares), 51.25% shares in Alledo Sp. z o.o. were acquired on 13 January 2020, 100% shares in IST Mariusz Trawiński, Małgorzata Trawińska Sp. z o.o. were acquired by Netia S.A. (Company's subsidiary) on 14 February 2020.

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

It should be noted also that the data for 3 months ended 31 March 2020 allocated to the "Broadcasting and television production" segment are not comparable to the 3 months ended 31 March 2019 as additional 49.9775% shares in Eleven Sports Network Sp. z o.o. were acquired on 6 June 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 3 months ended 31 March 2019:

The 3 months ended 31 March 2019 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	**Total**
Revenues from sales to third parties	2,385.5	406.1	-	**2,791.6**
Inter-segment revenues	12.7	48.5	(61.2)	**-**
Revenues	**2,398.2**	**454.6**	**(61.2)**	**2,791.6**
EBITDA (unaudited)	**892.6**	**145.7**	**-**	**1,038.3**
Depreciation, amortization, impairment and liquidation	532.2	14.9	-	**547.1**
Profit from operating activities	**360.4**	**130.8**	**-**	**491.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	376.8*	9.0	-	**385.8**
Balance as at 31 March 2019 (unaudited)				
Assets, including:	25,860.5	5,665.9**	(62.6)	**31,463.8**
Investments in joint venture and associates	18.0	29.2	-	**47.2**

* This item also includes the acquisition of reception equipment for operating lease purposes.

** Includes non-current assets located outside of Poland in the amount of PLN 11.8.

Reconciliation of EBITDA and Net profit for the period:

	for the 3 months ended	
	31 March 2020 unaudited	**31 March 2019 unaudited**
EBITDA (unaudited)	**1,026.7**	**1,038.3**
Depreciation, amortization, impairment and liquidation (note 9)	(564.5)	(547.1)
Profit from operating activities	**462.2**	**491.2**
Other foreign exchange rate differences, net (note 10)	(62.7)	(1.9)
Interest costs, net (note 10 and 11)	(161.8)	(108.3)
Share of the profit/(loss) of associates accounted for using the equity method	16.3	(1.7)
Other	(3.5)	(4.7)
Gross profit for the period	**250.5**	**374.6**
Income tax	(66.7)	(77.3)
Net profit for the period	**183.8**	**297.3**

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

19. Transactions with related parties

Receivables

	31 March 2020 unaudited	31 December 2019
Joint ventures	5.1	4.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	7.3	10.1
Total*	**12.4**	**14.8**

* Amounts presented above do not include deposits paid (31 March 2020 – PLN 3.5, 31 December 2019 – PLN 3.5)

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

Other assets

	31 March 2020 unaudited	31 December 2019
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.7	0.3
Total	**0.7**	**0.3**

Liabilities

	31 March 2020 unaudited	31 December 2019
Joint ventures	18.7	17.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	137.2	148.4
Total	**155.9**	**166.3**

Loans granted

	31 March 2020 unaudited	31 December 2019
Joint ventures	32.5	26.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	3.3	3.3
Total	**35.8**	**30.1**

Loans received

	31 March 2020 unaudited	31 December 2019
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	5.2	5.1
Total	**5.2**	**5.1**

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

Revenues

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Joint ventures	6.3	6.1
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.	6.5	3.2
Total	**12.8**	**9.3**

Expenses and purchases of programming assets

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Joint ventures	12.4	8.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	60.9	64.9
Total	**73.3**	**73.7**

In 3 months ended 31 March 2020 and 31 March 2019 the most significant transactions include cost of electrical energy, advertising services and property rental.

Gain/(loss) on investment activities, net

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Joint ventures	0.7	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.	(0.9)	(0.9)
Total	**(0.2)**	**(0.7)**

Finance costs, net

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	-	0.1
Total	**-**	**0.1**

20. Contingent liabilities

Management believes that the provisions as at 31 March 2020 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer („UOKiK")

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

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

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

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

21. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2019. There have been no significant changes in any risk management policies since the end of year 2019.

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

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Presented below are fair values and carrying amounts of financial assets and liabilities not measured in fair value.

			31 March 2020 unaudited		31 December 2019	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	36.2	36.2	30.5	30.5
Trade and other receivables	A	*	2,946.8	2,946.8	3,132.0	3,132.0
Cash and cash equivalents and short-term deposits	A	*	1,130.6	1,130.6	743.5	743.5
Restricted cash	A	*	10.2	10.2	9.6	9.6
Loans and borrowings	B	2	(9,796.8)	(9,695.0)	(10,600.1)	(10,509.5)
Issued bonds	B	1	(1,941.1)	(2,013.8)	(1,025.7)	(1,004.0)
UMTS licence liabilities	B	2	(397.7)	(380.7)	(372.3)	(353.8)
Lease liabilities	B	2	(1,416.5)	(1,416.5)	(1,437.3)	(1,437.3)
Accruals	B	*	(788.8)	(788.8)	(994.2)	(994.2)
Trade and other payables and deposits	B	*	(1,173.6)	(1,173.6)	(1,289.7)	(1,289.7)
Total			**(11,390.7)**	**(11,344.6)**	**(11,803.7)**	**(11,672.9)**
Unrecognized loss				(46.1)		(130.8)

A – assets subsequently measured at amortised cost

B – liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of lease liabilities, forecasted cash flows from the reporting date to assumed dates of lease agreements termination were analyzed. The discount rate for each payment was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking into account the time value of money, would approximately be equal to their nominal value.

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

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

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the credit risk.

As at 31 March 2020 and 31 December 2019 loans and borrowings comprised bank loans and other loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the credit risk. When determining the fair value of bank loans as at 31 March 2020 and as at 31 December 2019, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loans obtained in 2015 and changed in 2018) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019) were analyzed.

The fair value of issued bonds as at 31 March 2020 and 31 December 2019 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations for bonds issued by Cyfrowy Polsat S.A.

As at 31 March 2020, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 March 2020 unaudited	Level 1	Level 2	Level 3
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**0.2**	**-**

Liabilities measured at fair value

	31 March 2020 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(60.3)**	**-**
Interest rate swaps		*-*	*(60.3)*	*-*
Hedging derivative instruments		**-**	**(7.7)**	**-**
Interest rate swaps		*-*	*(7.7)*	*-*
Total		**-**	**(68.0)**	**-**

As at 31 December 2019, the Group held the following financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**1.0**	**-**
Interest rate swaps		*-*	*1.0*	*-*
Hedging derivative instruments		**-**	**0.4**	**-**
Interest rate swaps		*-*	*0.4*	*-*
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**1.6**	**-**

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

Liabilities measured at fair value

	31 December 2019	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments		**-**	**(11.3)**	**-**
Forward transactions		*-*	*(0.2)*	*-*
Interest rate swaps		*-*	*(11.1)*	*-*
Hedging derivative instruments		**-**	**(0.2)**	**-**
Interest rate swaps		*-*	*(0.2)*	*-*
Total		**-**	**(11.5)**	**-**

The fair value of forwards and interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

22. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

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

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

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Voivodship Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filled a cassation complaint in this respect with the Supreme Administrative Court in Warsaw. The date of the hearing has not been set yet.

The Tax Office control activities in the aforesaid matter were in progress in relation to 2013 and 2014.

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court and is awaiting the date of the hearing. The Company disagrees with the Tax Authority's position and has not created any provisions encumbering its financial results.

The Head of the Tax Office in Cracow issued a decision on 20 September 2019 in respect to the year 2014. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2014 in the amount of PLN 1.7 increased by interest on tax arrears. The Company does not agree with this decision. The Company appealed against the decision of the Tax Authority and has not created any provisions encumbering its financial results. The case is currently examined by the Head of the Małopolska Customs and Tax Office in Cracow in the second instance.

23. Events subsequent to the reporting date

Amendment and restatement deeds to the Group's Senior Facilities Agreement

On 27 April 2020, the Company, acting as the agent for the Obligors, and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the Third Amendment and Restatement Deed (the "Third Amendment and Restatement Deed") to the Senior Facilities Agreement dated 21 September 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed dated 21 September 2015 and the Second Amendment and Restatement Deed dated 2 March 2018, originally entered into between the Company, Polkomtel Sp. z o.o. and selected companies from the Cyfrowy Polsat Group and a consortium of Polish and foreign financial institutions (the "Senior Facilities Agreement"). The Senior Facilities Agreement provided for the granting of a term facility loan (the "Term Facility Loan") up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") up to the maximum amount of PLN 1,000,000,000 (not in million).

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

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

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel Sp. z o.o. jointly make quarterly repayments of equal amounts, amounting to PLN 200,000,000 (not in million) each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants.

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

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

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

Preliminary agreement to acquire Interia Group

On 30 April 2020 Telewizja Polsat (Company's subsidiary) executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH (the "Sellers") the Preliminary Share and Rights Purchase Agreement concerning: (i) an acquisition from Bauer Media Invest GmbH of 100 shares in Grupa Interia.pl Sp. z o.o. ("GIGO"), representing 100% of the share capital of GIGO and carrying the right to exercise 100% of the total number of votes at the shareholders' meeting of GIGO ("GIGO Shares"); and (ii) an acquisition from Bauer Polen Invest GmbH of all rights and obligations of a limited partner of Grupa Interia.pl Media Sp z o.o. Sp.k. ("GIKO") ("Rights and Obligations of GIKO Limited Partner") (the "Preliminary Agreement") (the "Transaction").

After the condition precedent set out in the Preliminary Agreement (as described below) is satisfied, the above acquisition will result in Telewizja Polsat acquiring exclusive control over Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp z o.o. Sp.k. (jointly the "Interia Group"), and an indirect acquisition of shares representing 16.67% of the share capital of Polskie Badania Internetu Sp. z o.o.

In the Preliminary Agreement the parties agreed the terms on which Telewizja Polsat will acquire the GIGO Shares and the Rights and Obligations of GIKO Limited Partner after the condition precedent (as described below) is satisfied. In accordance with the Preliminary Agreement, the sale price of the GIGO Shares and the Rights and Obligations of GIKO Limited Partner will amount to PLN 422 and shall be additionally: (i) reduced by certain payments made by Interia Group companies to the Sellers and their affiliates after 31 December 2019 ("Payments"); and (ii) increased by interest at 3% p.a. for a period from 31 December 2019 to the Transaction closing date on the amount of PLN 410 reduced by the Payments, in accordance with the locked-box mechanism specified in the Preliminary Agreement.

The closing of the Transaction depends on the satisfaction of a condition precedent that Telewizja Polsat obtains consent of the President of the Office for Competition and Consumer Protection (UOKiK) (the "UOKiK President") for the concentration (the "Antimonopoly Consent"). If the condition precedent is not satisfied by 31 December 2020, the Preliminary Agreement shall expire, unless the parties to the Preliminary Agreement agree otherwise. If the Preliminary Agreement expires due to a Telewizja Polsat's failure to obtain the Antimonopoly Consent by that date caused by: (i) Telewizja Polsat having failed to file a notification of the intended concentration concerning the Transaction on time and pursuant to the provisions set out in the Preliminary Agreement; (ii) Telewizja Polsat having withdrawn notification of the intended concentration concerning the Transaction, or (iii) Telewizja Polsat having failed to respond to any queries of the UOKiK President in the course of proceedings which results in the notification of the intended concentration concerning the Transaction to be rejected or dismissed, Telewizja Polsat shall pay a contractual penalty in the amount of PLN 100 to the Sellers.

The Preliminary Agreement also provides for a contractual penalty in the amount of PLN 150 if, despite the satisfaction of the condition precedent, Telewizja Polsat or the Seller, respectively, due to the reasons attributable to the respective party, fail to proceed with a closing of the Transaction. The payment of this contractual penalty will not be an exclusive remedy available to the other party and it will be credited against damages owed from the infringing party.

Auction for spectrum reservation from the 3.6 GHz band

On 6 March 2020, the Office of Electronic Communications (UKE) announced an auction for the reservation of spectrum of the 3.4-3.8 GHz band, which represents Poland's first spectrum allocation process for the purposes of the 5G network. The auctioned spectrum consists of four 80MHz blocks of the 3.6 GHz band. The asking price was set at PLN 450 per one block. In accordance with the auction's documentation, each winner shall be obligated to meet the same network requirements consisting of a roll out in specified areas of at least 700 (not in million) base stations operating in the granted spectrum by 31 December 2025.

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

Due to the state of the epidemic announced on 20 March 2020 and pursuant to the provision 15 zzx par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19 the above deadline was suspended with effect from 31 March 2020 until the termination of the epidemic emergency status. Furthermore, the "Anti-Crisis Shield 3.0" act adopted by the government on 30 April 2020 includes provisions that, if adopted in a version without the amendments of the Senate, could give ground to cancellation of the 5G auction announced by the President of UKE. As of the date of approval of these interim condensed consolidated financial statements no binding decisions with regard to the continuation or the cancellation of the auction were taken and the legal status of the auction proceedings remains unclear.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon introducing by the Polish government the state of emergency due to an epidemic, in effect from 13 March 2020, the Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities mainly included ensuring safety of the employees as well as guaranteeing high quality of services provided to the customers of the Group's companies.

In the Management Board's view, the Company and Group's core business is relatively resistant to the adverse impact of the pandemic, maintains a high level of liquidity and generates positive cash flows. Accordingly, no factors indicating impairment of the Company's assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 4.4.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire Group's operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group's control and which include, among others, the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

24. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the loan agreements. Detailed information in respect to the agreements is presented in the Management Report in note 3.6.6.

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

Commitments to purchase programming assets

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

	31 March 2020 unaudited	31 December 2019
within one year	369.6	294.1
between 1 to 5 years	270.3	266.2
more than 5 years	56.7	0.9
Total	**696.6**	**561.2**

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

	31 March 2020 unaudited	31 December 2019
within one year	4.9	1.9
Total	**4.9**	**1.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 325.8 as at 31 March 2020 (PLN 247.8 as at 31 December 2019). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 31 March 2020 was PLN 193.8 (PLN 212.7 as at 31 December 2019).

Future contractual obligations

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

	31 March 2020 unaudited	31 December 2019
within one year	115.8	105.6
between 1 to 5 years	497.1	465.0
more than 5 years	93.2	116.3
Total	**706.1**	**686.9**

25. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements for the 3 months ended 31 March 2020

Prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 13 May 2020, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period from 1 January 2020 to 31 March 2020 showing a net profit for the period of:	PLN 70.6
Interim Statement of Comprehensive Income for the period from 1 January 2020 to 31 March 2020 showing a total comprehensive income for the period of:	PLN 64.3
Interim Balance Sheet as at 31 March 2020 showing total assets and total equity and liabilities of:	PLN 15,553.1
Interim Cash Flow Statement for the period from 1 January 2020 to 31 March 2020 showing a net increase in cash and cash equivalents amounting to:	PLN 542.9
Interim Statement of Changes in Equity for the period from 1 January 2020 to 31 March 2020 showing an increase in equity of:	PLN 64.3

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, 13 May 2020

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

Interim Income Statement

	Note	for the 3 months ended 31 March 2020 unaudited	31 March 2019 unaudited
Revenue	7	589.5	596.2
Operating costs	8	(479.7)	(481.2)
Other operating income, net		-	0.5
Profit from operating activities		**109.8**	**115.5**
Gain on investment activities, net	9	12.6	14.5
Finance costs, net	10	(30.0)	(20.1)
Gross profit for the period		**92.4**	**109.9**
Income tax		(21.8)	(23.4)
Net profit for the period		**70.6**	**86.5**
Basic and diluted earnings per share (in PLN)		**0.11**	**0.14**

Interim Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2020 unaudited	31 March 2019 unaudited
Net profit for the period		**70.6**	**86.5**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	12	(7.7)	0.1
Income tax relating to hedge valuation	12	1.4	(0.0)
Items that may be reclassified subsequently to profit or loss		**(6.3)**	**0.1**
Other comprehensive income/(loss), net of tax		**(6.3)**	**0.1**
Total comprehensive income for the period		**64.3**	**86.6**

(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 - Assets

	Note	31 March 2020 unaudited	31 December 2019
Reception equipment		313.5	306.4
Other property, plant and equipment		116.7	113.3
Goodwill		197.0	197.0
Brands		7.8	7.8
Other intangible assets		63.4	63.4
Right-of-use assets		25.4	26.4
Investment property		38.0	38.5
Shares in subsidiaries and associates		13,418.8	13,404.5
includes shares in associate		*1,256.2*	*1,248.8*
Non-current deferred distribution fees		30.7	32.4
Other non-current assets		40.1	21.5
includes derivative instruments		-	*0.3*
Total non-current assets		**14,251.4**	**14,211.2**
Contract assets		203.8	200.8
Inventories		81.5	80.5
Trade and other receivables		155.7	137.0
Income tax receivables		-	0.3
Current deferred distribution fees		64.8	66.0
Other current assets		110.8	103.4
includes derivative instruments		-	*0.1*
Cash and cash equivalents		685.1	142.1
Total current assets		**1,301.7**	**730.1**
Total assets		**15,553.1**	**14,941.3**

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

Interim Balance Sheet - Equity and Liabilities

	Note	31 March 2020 unaudited	31 December 2019
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(6.5)	(0.2)
Retained earnings		4,024.7	3,954.1
Total equity		**11,217.8**	**11,153.5**
Loans and borrowings	13	1,286.1	1.330.4
Issued bonds	14	1,950.7	969.2
Lease liabilities		22.6	22.8
Deferred tax liabilities		84.1	81.2
Other non-current liabilities and provisions		6.3	1.3
includes derivative instruments		*5.0*	-
Total non-current liabilities		**3,349.8**	**2,404.9**
Loans and borrowings	13	252.7	662.9
Issued bonds	14	63.1	34.8
Lease liabilities		3.4	3.8
Contract liabilities		254.7	247.2
Trade and other payables		365.4	384.4
includes derivative instruments		*2.7*	*0.2*
Income tax liability		43.0	46.6
Deposits for equipment		3.2	3.2
Total current liabilities		**985.5**	**1,382.9**
Total liabilities		**4,335.3**	**3,787.8**
Total equity and liabilities		**15,553.1**	**14,941.3**

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

Interim Cash Flow Statement

	Note	for the 3 months ended 31 March 2020 unaudited	for the 3 months ended 31 March 2019 unaudited
Net profit		**70.6**	**86.5**
Adjustments for:		**15.0**	**55.9**
Depreciation, amortization, impairment and liquidation	8	41.7	44.2
Interest expense		25.7	18.3
Change in inventories		(1.0)	3.0
Change in receivables and other assets		(7.7)	18.2
Change in liabilities and provisions		(10.9)	(4.7)
Change in contract assets		(3.0)	(11.5)
Change in contract liabilities		7.5	8.5
Income tax		21.8	23.4
Net increase in reception equipment provided		(39.5)	(30.5)
Dividends income and share in the profits of partnerships	9	(12.4)	(12.4)
Other adjustments		(7.2)	(0.6)
Cash from operating activities		**85.6**	**142.4**
Income tax paid		(20.8)	(15.3)
Interest received from operating activities		1.7	0.6
Net cash from operating activities		**66.5**	**127.7**
Received dividends and shares in the profits of partnerships		4.2	3.4
Acquisition of shares in subsidiaries and associate		(14.3)	-
Acquisition of property, plant and equipment		(11.3)	(4.7)
Acquisition of intangible assets		(5.1)	(4.3)
Proceeds from sale of property, plant and equipment		0.2	0.5
Loans granted		(25.1)	(1.9)
Other inflows		0.5	1.6
Net cash used in investing activities		**(50.9)**	**(5.4)**
Bonds issue		1,000.0	-
Repayment of loans and borrowings		(454.4)	(204.4)
Payment of interest on loans, borrowings, bonds and commissions*		(15.4)	(28.7)
Other outflows		(2.9)	(2.1)
Net cash from/(used) in financing activities		**527.3**	**(235.2)**
Net increase/(decrease) in cash and cash equivalents		**542.9**	**(112.9)**
Cash and cash equivalents at the beginning of period		**142.1**	**258.3**
Effect of exchange rate fluctuations on cash and cash equivalents		0.1	0.2
Cash and cash equivalents at the end of period		**685.1**	**145.6**

* 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 3 months ended 31 March 2020

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2020	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**
Total comprehensive income	-	-	(6.3)	70.6	**64.3**
Hedge valuation reserve	-	-	*(6.3)*	-	***(6.3)***
Net profit for the period	-	-	-	*70.6*	***70.6***
Balance as at 31 March 2020 unaudited	**25.6**	**7,174.0**	**(6.5)**	**4,024.7**	**11,217.8**

* 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 3 months ended 31 March 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**
Total comprehensive income	-	-	0.1	86.5	**86.6**
Hedge valuation reserve	-	-	*0.1*	-	***0.1***
Net profit for the period	-	-	-	*86.5*	***86.5***
Balance as at 31 March 2019 unaudited	**25.6**	**7,174.0**	**(0.5)**	**4,048.6**	**11,247.7**

* 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.

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 31 March 2020, the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Polkomtel Infrastruktura Sp. z o.o., Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, INFO-TV-FM Sp. z o.o., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k., Netshare Media Group Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Orsen Holding Limited and its subsidiaries, TVO Sp. z o.o. and its subsidiaries, Mese Sp. z o.o and Alledo Sp. z o. o. and its subsidiaries.

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- 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 3 months ended 31 March 2020 have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS EU"). These interim condensed financial statements have been prepared on a going concern basis.

The Company as the Parent company prepared the interim condensed consolidated financial statements (approved on 13 May 2020). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

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

During the three-month period ended 31 March 2020 the following became effective:

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

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

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 13 May 2020.

Explanatory notes

6. Information on seasonality in the Company's operations

Retail revenue is not directly subject to any seasonal trend.

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

7. Revenue

	for the 3 months ended	
	31 March 2020 unaudited	**31 March 2019 unaudited**
Retail revenue	545.5	548.2
Wholesale revenue	24.7	24.7
Sale of equipment	2.5	7.8
Other revenue	16.8	15.5
Total	**589.5**	**596.2**

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	
	Note	**31 March 2020 unaudited**	**31 March 2019 unaudited**
Content costs		187.9	170.1
Technical costs and costs of settlements with telecommunication operators		121.3	131.5
Distribution, marketing, customer relation management and retention costs		75.9	80.1
Depreciation, amortization, impairment and liquidation		41.7	44.2
Salaries and employee-related costs	a	29.0	29.7
Cost of equipment sold		2.4	7.7
Cost of debt collection services, bad debt allowance and receivables written off		3.6	4.5
Other costs		17.9	13.4
Total		**479.7**	**481.2**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2020 unaudited	**31 March 2019 unaudited**
Salaries	24.1	24.1
Social security contributions	4.2	4.4
Other employee-related costs	0.7	1.2
Total	**29.0**	**29.7**

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

9. Gain on investment activities, net

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Share in the profits of partnerships	12.4	12.4
Other	0.2	2.1
Total	**12.6**	**14.5**

10. Finance costs, net

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Interest expense on loans and borrowings	15.3	7.8
Interest expense on issued bonds	12.1	10.6
Valuation and realization of hedging instruments	0.1	0.3
Guarantee fees	2.3	1.1
Bank and other charges	0.2	0.3
Total	**30.0**	**20.1**

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2020 and 31 December 2019:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

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

The shareholders' structure as at 31 March 2020 and 31 December 2019 was as follows:

	Number of shares	**Nominal value of shares**	**% of share capital held**	**Number of votes**	**% of voting rights**
TiVi Foundation [2], including through:	298,080,297	11.9	46.61%	457,797,808	55.90%
Reddev Investments Ltd. [1]	*298,080,287*	*11.9*	*46.61%*	*457,797,788*	*55.90%*
Embud 2 Sp. z o.o. S.K.A. [2]	64,011,733	2.6	10.01%	64,011,733	7.82%
Tipeca Consulting Limited [2,3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	275,301,598	11.0	43.05%	295,001,588	36.02%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

[3] the Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act

(ii) Share premium

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

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2020	**2019**
Balance as at 1 January	**(0.2)**	**(0.6)**
Valuation of cash flow hedges	(7.7)	0.1
Deferred tax	1.4	(0.0)
Change for the period	**(6.3)**	**0.1**
Balance as at 31 March unaudited	**(6.5)**	**(0.5)**

13. Loans and borrowings

Loans and borrowings	**31 March 2020 unaudited**	**31 December 2019**
Short-term liabilities	252.7	662.9
Long-term liabilities	1,286.1	1,330.4
Total	**1,538.8**	**1,993.3**

Change in loans and borrowings liabilities:

	2020	2019
Loans and borrowings as at 1 January	**1,993.3**	**958.6**
Repayment of capital	(454.4)	(204.4)
Repayment of interest and commissions	(15.3)	(7.0)
Interest accrued	15.2	7.8
Loans and borrowings as at 31 March unaudited	**1,538.8**	**755.0**

14. Issued bonds

	31 March 2020 unaudited	31 December 2019
Short-term liabilities	63.1	34.8
Long-term liabilities	1,950.7	969.2
Total	**2,013.8**	**1,004.0**

Change in issued bonds:

	2020	2019
Issued bonds payable as at 1 January	**1,004.0**	**1,018.3**
Bonds issue (Series C Bonds)	1,000.0	-
Repayment of interest and commissions	(0.1)	(21.5)
Interest accrued	9.9	10.6
Issued bonds payable as at 31 March unaudited	**2,013.8**	**1,007.4**

Issuance of bonds

On 29 January 2020 the Supervisory Board of the Company adopted a resolution to approve the issuance of the Series C Bonds, including the incurring of the financial indebtedness by the Company by issuing the Series C Bonds.

On 31 January 2020 the Management Board of the Company decided to allot 1,000,000 (not in million) Series C Bonds with a nominal value of PLN 1,000 (not in million) each and an aggregated nominal value of PLN 1,000,000,000 (not in million). The Series C Bonds were allotted to a total of 69 investors.

The issue of Series C Bonds was completed on 14 February 2020. Planned redemption date of the Series C Bonds falls on 12 February 2027.

The Series C Bonds were introduced in the Alternative Trading System operated by the Warsaw Stock Exchange within the Catalyst market on 24 February 2020.

(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

	31 March 2020 unaudited	31 December 2019
Subsidiaries	56.8	46.8
Joint ventures	0.9	1.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.5	0.9
Total	**58.2**	**48.7**

A significant portion of receivables is represented by receivables from share of the profits of partnerships and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services.

Other assets

	31 March 2020 unaudited	31 December 2019
Subsidiaries	103.9	98.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.2	0.1
Total	**104.1**	**98.5**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilites

	31 March 2020 unaudited	31 December 2019
Subsidiaries	91.0	109.2
Joint ventures	1.5	3.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	20.4	22.9
Total	**112.9**	**135.4**

A significant portion of liabilities is represented by programming licence fees, Polkomtel services and lease liabilities.

Loans granted

	31 March 2020 unaudited	31 December 2019
Subsidiaries	36.3	10.7
Total	**36.3**	**10.7**

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

Revenues

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Subsidiaries	29.9	26.5
Joint ventures	0.8	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.	0.7	0.1
Total	**31.4**	**26.9**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, programming fees, advertising and property rental services.

Expenses

	for the 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Subsidiaries	179.3	189.7
Joint ventures	2.1	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.	6.1	5.8
Total	**187.5**	**195.6**

The most significant transactions include data transfer services.

The Company also pays license fees for broadcasting Telewizja Polsat's programs, commissions on sales, and incurs expenses 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 3 months ended	
	31 March 2020 unaudited	31 March 2019 unaudited
Subsidiaries	14.6	14.1
Joint ventures	-	0.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(0.2)	(0.3)
Total	**14.4**	**13.9**

Gains and losses on investment activities comprises of 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, net

	for the 3 months ended	
	31 March 2020 unaudited	**31 March 2019 unaudited**
Subsidiaries	2.3	1.1
Total	**2.3**	**1.1**

Finance costs comprise mostly of guarantee fees in respect to settlement of term facilities.

Other notes

16. Litigations

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

Significant proceedings described in the financial statements for the year ended 31 December 2019 remained unchanged.

17. Risk and fair value

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, the risk of changes in cash flows related to interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2019. There have been no significant changes in any risk management policies since the end of year 2019.

Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

Presented below are fair values and carrying amounts of financial instruments not measured in fair value.

			31 March 2020 unaudited		31 December 2019	
	Category according to IFRS 9	Level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	35.8	36.4	10.9	10.9
Trade and other receivables	A	*	133.4	133.4	130.4	130.4
Cash and cash equivalents	A	*	685.1	685.1	142.1	142.1
Loans and borrowings	B	2	(1,544.2)	(1,538.8)	(1,994.7)	(1,993.3)
Issued bonds	B	1	(1,941.1)	(2,013.8)	(1,025.7)	(1,004.0)
Lease liabilities	B	2	(26.0)	(26.0)	(26.6)	(26.6)
Accruals	B	*	(172.0)	(172.0)	(197.0)	(197.0)
Trade and other payables and deposits	B	*	(166.4)	(166.4)	(164.9)	(164.9)
Total			**(2,995.4)**	**(3,062.1)**	**(3,125.5)**	**(3,102.4)**
Unrecognized gain/(loss)				**66.7**		**(23.1)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 31 March 2020 loans and borrowings comprised term facility loan. As at 31 December 2019 loans and borrowings comprised term facility loan and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 31 March 2020 and 31 December 2019, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan obtained in 2015 and changed in 2018) and to 31 March 2023 (assumed date of repayment of the additional loan obtained in 2019).

The fair value of bonds as at 31 March 2020 and 31 December 2019 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

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

As at 31 March 2020, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	31 March 2020 unaudited	Level 1	Level 2	Level 3
IRS		-	(7.7)	-
Total		**-**	**(7.7)**	**-**

As at 31 December 2019, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
IRS		-	0.4	-
Total		**-**	**0.4**	**-**

Liabilities measured at fair value

	31 December 2019	Level 1	Level 2	Level 3
IRS		-	(0.2)	-
Total		**-**	**(0.2)**	**-**

The fair value of interest rate swaps is determined using financial instruments valuation models, based on generally published interest rates. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

18. Important agreements and events

Decision of the Head of the Małopolska Tax Office in Cracow

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

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

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow. The Voivodship Administrative Court in Cracow dismissed the mentioned complaint in the ruling as of 21 February 2019. The Company does not agree with this decision and filed a cassation complaint in this respect to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set yet.

The Tax Office carried out control activities in the aforesaid matter in relation to 2013 and 2014.

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court and is awaiting for the date of the hearing. The Company disagrees with the Tax Authority's position and has not created any provisions encumbering its financial results.

The Head of the Tax Office in Cracow issued a decision on 20 September 2019 in respect to the year 2014. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2014 in the amount of PLN 1.7 increased by interest on tax arrears. The Company does not agree with this decision. The Company appealed against the decision of the Tax Authority and has not created any provisions encumbering its financial results. The case is currently examined by the Head of the Małopolska Customs and Tax Office in Cracow in the second instance.

Acquisition of shares

On 13 January 2020 the Company acquired 51.25% shares in Alledo Sp. z o.o. for the purchase price of PLN 6.9.

Additionally, on 25 March 2020 the Company acquired shares in BCAST Sp. z o.o.

19. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the SFA. Detailed information in respect to the agreements is presented in the Management Report in note 3.3.6.

Other securities

The Company provided guarantees 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 1.2 as at 31 March 2020 (PLN 1.2 as at 31 December 2019). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2020 was PLN 0.3 (PLN 0.3 as at 31 December 2019).

Future contractual obligations

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

	31 March 2020 unaudited	31 December 2019
within one year	112.3	102.4
between 1 to 5 years	483.3	452.1
more than 5 years	90.6	113.0
Total	**686.2**	**667.5**

20. Events subsequent to the reporting date

Amendment and restatement deeds to the Group's Senior Facilities Agreement

On 27 April 2020, the Company, acting as the agent for the Obligors, and UniCredit Bank AG, London Branch, acting as the agent for the Finance Parties, entered into the Third Amendment and Restatement Deed (the "Third Amendment and Restatement Deed") to the Senior Facilities Agreement dated 21 September 2015, as amended and restated by the Amendment, Restatement and Consolidation Deed dated 21 September 2015 and the Second Amendment and Restatement Deed dated 2 March 2018, originally entered into between the Company, Polkomtel Sp. z o.o. and selected Group's companies and a consortium of Polish and foreign financial institutions (the "Senior Facilities Agreement"). The Senior Facilities Agreement provided a term facility loan (the "Term Facility Loan") of up to the maximum amount of PLN 11,500,000,000 (not in million) and a revolving facility loan (the "Revolving Facility Loan") of up to the maximum amount of PLN 1,000,000,000 (not in million).

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

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

(ii) a change in the repayment schedule of the Term Facility Loan, so that the repayments originally scheduled for 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021 be withheld, and commencing on 30 June 2021 until 30 June 2024, the Company and Polkomtel Sp. z o.o. jointly shall make quarterly repayments of equal amounts, amounting to PLN 200,000,000 (not in million) each;

(iii) amendments relating to the implementation of IFRS 16, in particular an appropriate increase in the level of specified financial covenants by 0.3:1 (e.g. for the purposes of setting the limit for the distribution of dividends, financial covenant levels in the margin grid while maintaining the nominal margin levels, or the obligation to create security interests) and adjustment of the relevant definitions for the purposes of calculating the financial covenants.

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

(i) amendment of the final repayment date of the additional term facility loan granted in the Accession Deed (the “Additional Term Facility Loan”) to 31 March 2025; and
(ii) in connection with the implementation of IFRS 16, a change in the Total Leverage on which the Margin on the Additional Term Facility Loan depends.

Estimated impact of COVID-19 coronavirus disease pandemic on the operations and financial prospects of the Group

Immediately upon the introduction by the Polish government of the state of emergency due to an epidemics, in effect from 13 March 2020, Polsat Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities mainly included ensuring safety of the employees as well as guaranteeing high quality of services provided to the customers of the Group’s companies.

In the Management Board’s view, the Company and Group’s core business is relatively resistant to the adverse impact of the pandemic, maintains a high level of liquidity and generates positive cash flows. Accordingly, no factors indicating impairment of the Company’s assets were identified. More information in respect to the estimated impact is presented in the Management Report in note 4.4.1.

The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company’s, as well as the entire Polsat Group’s operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group’s control and which include, among others, the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt.

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.