Cyfrowy Polsat S.A. Capital Group

Interim Consolidated Report for the six month period ended
June 30, 2021

Warsaw, August 18, 2021

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Report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group for the six-month period ended June 30, 2021

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Polsat Plus Group at a glance

Polsat Plus 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 150 TV channels broadcast in satellite, terrestrial and Internet (IPTV, OTT) technologies as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, pay-per-view, Video On Demand) and Multiroom. We also provide online video services through IPLA, the leader on Poland’s online video market;
- telecommunication services, including voice and data transmission services, as well as various added services (VAS). We provide mobile telecommunication services mainly through our subsidiary Polkomtel – one of Poland’s leading telecommunications operators, and fixed-line telecommunication services mainly through our subsidiary Netia;
- mobile broadband Internet, offered under two alternative brands: Polsat Box (formerly Cyfrowy Polsat) and Plus. We provide these services in the state-of-the-art LTE, LTE Advanced and 5G technologies. We offer the largest LTE coverage and the first commercial, being at the same time the largest and the fastest one, 5G network in Poland thanks to which our customers enjoy the best quality of services;
- fixed-line broadband Internet, offered under Netia and Plus brands based on the infrastructure of our subsidiary Netia whose own access networks reach approximately 2.8 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on access to the infrastructure of Orange Polska, Nexera and Inea;
- broadcasting and television production through Telewizja Polsat, the leading commercial TV broadcaster on the Polish market, offering 39 popular TV channels, including our main channel POLSAT, one of the leading FTA channels in Poland;
- Internet media through the portal ‘Interia.pl’, one of the three largest horizontal portals in Poland and member of our Group, and a number of thematic portals;
- wholesale services to other operators, including, i.a., network interconnection, IP and voice traffic transit, lease of lines and national and international roaming services.

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

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

Our mission and main strategic goals

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

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

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

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

Disclaimers

This constitutes the report of Cyfrowy Polsat Capital Group S.A. (the "Report") prepared as required by Article 60 sections 1 and 2 and Article 68 and 69 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations.

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 Plus Group or the Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we," "us," "our" and similar apply generally to the Group, unless it is clear from the context that they apply only to the Company. A glossary of terms used in this document is presented at the end of this Report.

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our condensed financial statements for the six-month period ended June 30, 2021, prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements attached to this Report have been reviewed by an independent auditor.

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

Forward-looking statements

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

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

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

Industry and market data

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

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

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

Financial data overview

The following tables set out selected consolidated financial data for the three- and six-month periods ended June 30, 2021 and June 30, 2020. This information should be read in conjunction with the consolidated financial statements for the six-month period ended June 30, 2021 (including notes thereto) constituting part of this Report and the information included in item 3 of this Report – *Operating and financial review of Polsat Plus Group*.

Selected financial data:

- from the consolidated income statement for the three-month periods ended June 30, 2021 and June 30, 2020 have been converted into euro at a rate of PLN 4.5325 per EUR 1, being the average exchange rate in the second quarter of 2021 announced by the National Bank of Poland (NBP);
- from the consolidated income statement and the consolidated cash flow statement for the six-month periods ended June 30, 2021 and June 30, 2020 have been converted into euro at a rate of PLN 4.5408 per EUR 1.00, being the average exchange rate in the first half of 2021 announced by the NBP;
- from the consolidated balance sheet data as at June 30, 2021 and December 31, 2020 have been converted into euro at a rate of PLN 4,5208 per EUR 1 (average exchange rate on June 30, 2021 published by the NBP).

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

It should be noted that the financial data for the three- and six-month periods ended June 30, 2021 and June 30, 2020 are not fully comparable due to the acquisitions and changes to the Group's structure in the period from January 1, 2020 to June 30, 2021, which are described in detail in item 1.2 - Composition and structure of Polsat Plus Group – Changes in the organizational structure of Polsat Plus Group and their effects – of this Report and in item 1.2.of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for 2020.

Consolidated balance sheet

	June 30, 2021		December 31, 2020	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	668.5	147.9	1,365.8	302.1
Assets	32,922.3	7,282.4	33,115.0	7,325.0
Non-current liabilities	12,095.1	2,675.4	13,414.4	2,967.3
Non-current financial liabilities	10,978.5	2,428.4	11,987.5	2,651.6
Current liabilities	4,641.0	1,026.6	5,274.4	1,166.7
Current financial liabilities	1,293.5	286.1	1,224.2	270.8
Equity	14,962.4	3,309.7	14,426.2	3,191.1
Share capital	25.6	5.7	25.6	5.7

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

Consolidated cash flow statement

	for the six-month period ended June 30			
		2021		2021
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	1,618.7	356.5	1,353.2	298.0
Net cash used in investing activities	(1,339.2)	(294.9)	(544.1)	(119.8)
incl. capital expenditures[(1)]	*(670.0)*	*(147.6)*	*(535.7)*	*(118.0)*
Net cash used in financing activities	(879.3)	(193.6)	(243.2)	(53.6)
Net increase/(decrease) in cash and cash equivalents	(599.8)	(132.1)	565.9	124.6

(1) Capital expenditures represent payments for our investments in property, plant and equipment and intangible assets. Excludes expenditures on purchase of reception equipment leased to our customers, which are reflected in the cash flow from operating activities, or payments for concessions, which are reported in a separate line of our cash flow statement.

Consolidated income statement

	for the three-month period ended June 30				for the six-month period ended June 30			
		2021		2020		2021		2020
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	**3,159.7**	**697.1**	**2,862.7**	**631.6**	**6,147.1**	**1,353.7**	**5,711.2**	**1,257.8**
Retail revenue	1,664.8	367.3	1,592.0	351.2	3,328.9	733.1	3,196.5	704.0
Wholesale revenue	964.2	212.7	802.5	177.1	1,844.9	406.3	1,626.2	358.1
Sale of equipment	350.4	77.3	392.9	86.7	683.1	150.4	738.6	162.7
Other sales revenue	180.3	39.8	75.3	16.6	290.2	63.9	149.9	33.0
Total operating cost	**(2,468.1)**	**(544.6)**	**(2,455.6)**	**(541.8)**	**(4,899.0)**	**(1,078.9)**	**(4,847.7)**	**(1,067.6)**
Technical costs and cost of settlements with telecommunication operators	(633.0)	(139.7)	(636.1)	(140.3)	(1,257.7)	(277.0)	(1,236.9)	(272.4)
Depreciation, amortization, impairment and liquidation	(457.2)	(100.9)	(565.9)	(124.9)	(978.4)	(215.5)	(1,130.4)	(248.9)
Cost of equipment sold	(289.2)	(63.8)	(334.8)	(73.9)	(565.9)	(124.6)	(617.1)	(135.9)
Content costs	(449.2)	(99.1)	(368.9)	(81.4)	(868.6)	(191.3)	(757.7)	(166.9)
Distribution, marketing, customer relation management and retention costs	(230.6)	(50.9)	(232.0)	(51.2)	(459.6)	(101.2)	(456.4)	(100.5)
Salaries and employee-related costs	(227.9)	(50.3)	(210.2)	(46.4)	(464.8)	(102.3)	(432.1)	(95.2)
Cost of debt collection services and bad debt allowance and receivables written off	(22.7)	(5.0)	(36.6)	(8.1)	(52.5)	(11.6)	(80.9)	(17.8)
Other costs	(158.3)	(35.0)	(71.1)	(15.6)	(251.5)	(55.4)	(136.2)	(30.0)
Other operating income/(cost), net	(7.9)	(1.7)	(13.0)	(2.9)	(2.9)	(0.6)	(7.2)	(1.6)

	for the three-month period ended June 30				for the six-month period ended June 30			
	2021		2020		2021		2020	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Profit from operating activities	**683.7**	**150.8**	**394.1**	**86.9**	**1,245.2**	**274.2**	**856.3**	**188.6**
Gain/(loss) on investment activities, net	7.8	1.7	(1.2)	(0.3)	(14.6)	(3.2)	(75.4)	(16.6)
Financial costs, net	(60.5)	(13.1)	(47.7)	(10.5)	(117.6)	(25.9)	(201.5)	(44.4)
Share of the profit/(loss) of associates accounted for using the equity method	25.0	5.4	17.8	4.0	41.5	9.1	34.1	7.5
Gross profit for the period	**656.0**	**144.8**	**363.0**	**80.1**	**1.154.5**	**254.3**	**613.5**	**135.1**
Income tax	(114.3)	(25.2)	(72.3)	(16.0)	(222.4)	(49.0)	(139.0)	(30.6)
Net profit for the period	**541.7**	**119.5**	**290.7**	**64.1**	**932.1**	**205.3**	**474.5**	**104.5**
Net profit attributable to equity holders of the Parent	539.3	119.0	288.4	63.6	928.9	204.6	470.8	103.7
Net profit attributable to non-controlling interest	2.4	0.5	2.3	0.5	3.2	0.7	3.7	0.9
Basic and diluted earnings per share in PLN (not in millions)	**0.85**	**0.19**	**0.45**	**0.10**	**1.46**	**0.32**	**0.74**	**0.16**
Weighted number of issued shares (not in millions)	639,546,016		639,546,016		639,546,016		639,546,016	
EBITDA(1)	**1,140.9**	**251.7**	**960.0**	**211.8**	**2,223.6**	**489.7**	**1,986.7**	**437.5**
EBITDA margin	36.1%	36.1%	33.5%	33.5%	36.2%	36.2%	34.8%	34.8%
COVID-related costs (incl. donations)	-	-	(41.5)	(9.2)	-	-	(41.5)	(9.1)
adjusted EBITDA(2)	**1,140.9**	**251.7**	**1,001.5**	**221.0**	**2,223.6**	**489.7**	**2,028.2**	**446.7**
adjusted EBITDA margin	36.1%	36.1%	35.0%	35.0%	36.2%	36.2%	35.5%	35.5%
Operating margin	21.6%	21.6%	13.8%	13.8%	20.3%	20.3%	15.0%	15.0%

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

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

1. Characteristics of Polsat Plus Group

1.1. Who we are

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

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

We operate in two business segments: the B2C and B2B services segment, and the media segment: television and online.

In the B2C and B2B services segment we provide the following services: satellite and Internet television, mobile and fixed-line Internet access, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunications equipment and production of set-top boxes and sales of photovoltaic installations. At the end of June 2021 we had around 5.5 million contract customers and companies from our Group provided a total of over 18 million active services, including over 15.4 million contract RGUs (the above data does not include the activities conducted by Netia Group companies).

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

1.2. Composition and structure of Polsat Plus Group

The following table presents the organizational structure of Polsat Plus Group as at June 30, 2021 and December 31, 2020, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2021	December 31, 2020
B2C and B2B services segment				
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Infrastruktura Sp. z o.o. (1) (currently Towerlink Poland Sp. z o.o.)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Liberty Poland S.A.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	call center and premium-rate services	100%	100%
Coltex ST Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	-	100%
Netia S.A.	Poleczki 13, 02-822 Warsaw	telecommunication activities	74.29%	65.98%
Netia 2 Sp. z o.o.	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	74.29%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	74.29%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	74.29%	65.98%
ISTS Sp. z o.o.	Bociana 4A / 68A, 31-231 Cracow	wired communication	74.29%	65.98%
IST Sp. z o.o.	Księcia Janusza I 3, 18-400 Łomża	wired communication	74.29%	65.98%
TVO Sp. z o.o.	Kielecka 5, 81-303 Gdynia	retail sales	75.96%	75.96%
Pure Omni Wework Sp. z o.o. S.k.	Kielecka 5, 81-303 Gdynia	retail sales	-	75.96%
Wework Sp. z o.o.	Kielecka 5, 81-303 Gdynia	administrative services	-	75.96%

Company	Registered office	Activity	Share in voting rights (%) as at June 30, 2021	Share in voting rights (%) as at December 31, 2020
Plus Finanse Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other monetary intermediation	100%	100%
Plus Pay Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	monetary intermediation	100%	100%
Esoleo Sp. z o.o.	Al. Wyścigowa 6, 02-681 Warsaw	technical services	51.25%	51.25%
Alledo Express Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	51.25%
Alledo Parts Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	26.14%
Alledo Parts Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	26.40%
Alledo Setup Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	51.25%
Alledo Setup Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	51.25%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	finance activities	(2)	(2)
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	100%	100%
Netshare Media Group Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	70.02%	70.02%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and television activities	100%	100%
Subsidiaries consolidated using the equity method				
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	other financial services	46.27%	46.27%

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2021	December 31, 2020
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.95%	22.95%
eObuwie.pl S.A.	ul. Nowy Kisielin-nowa 9, 66-002 Zielona Góra	retail sales	10%	-
Media segment: television and online				
Subsidiaries consolidated using the full consolidation method				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	media	100%	100%
Polsat Investments Ltd. (formerly Polsat Brands AG)	3, Krinou Agios Athanasios, 4103 Limassol, Cyprus	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	media	100%	100%
Muzo.fm Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	media	100%	100%
Music TV Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Lemon Records Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Eleven Sports Network Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	media	99.99%	99.99%
Superstacja Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
TV Spektrum Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Grupa Interia.pl Sp. z o.o.	Os. Teatralne 9a, 31-946 Cracow	holding activities	100%	100%
Grupa Interia.pl Media Sp. z o.o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	100%
Grupa Interia.pl Sp. z o. o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	100%
Mobiem Polska Sp. z o.o.	Fabryczna 5a, 00-446 Warsaw	holding activities	100%	100%
Mobiem Polska Sp. z o.o. Sp.k.	Fabryczna 5a, 00-446 Warsaw	advertising activities	100%	100%
Polot Media Sp. z o.o.	Solskiego 55, 52-401 Wrocław	consulting	60%	60%
Polot Media Sp. z o.o. Sp.k.	Solskiego 55, 52-401 Wrocław	movie and TV production	60%	60%
Polsat Talenty Sp. z o.o.	Ostrobramska 77, 04-175 Wrocław	cooperation with artists and presenters	100%	-

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2021	December 31, 2020
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	33 Broadwick Street Soho London W1F 0DQ, Great Britain	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	technical services	50%	50%

(1) In July 2021 the Group disposed of 99.99% of shares in Polkomtel Infrastruktura.to the benefit of Cellnex Group.
(2) Cyfrowy Polsat indirectly holds 100% of certificates.

Additionally, the following entities were included in the consolidated financial statements for the six-month period ended June 30, 2021:

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2021	December 31, 2020
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	21.43%(2)	21.43%(2)
InPlus Sp. z o.o.	Wilczyńskiego 25E suite 216 10-686 Olsztyn	investment project advisory	1.2%(3)	1.5%(3)
Pluszak Sp. z o.o.	Domaniewska 47, 02-672 Warsaw	retail sales	9%	9%
Exion Hydrogen Polskie Elektrolizery Sp. z o.o. (formerly PLCOM Sp. z o.o.)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	production of electrical equipment	10%	-

(1) Investment accounted for at cost less any accumulated impairment losses.
(2) Not material and therefore not included into the valuation using the equity method.
(3) As at June 30, 2021 Altalog Sp. z o.o. held a 1.75% share in voting rights in InPlus Sp. z o.o.

Changes in the organizational structure of Polsat Plus Group and their effects

From January 1, 2021 until the date of publication of this Report, i.e. August 18, 2021 the following changes were implemented in the structure of Polsat Plus Group. These changes are the effect of acquisitions and the systematically executed process of steady optimization of 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.

Date	Description
B2C and B2B services segment	
March 8, 2021	Acquisition of additional 0.03% of shares in Netia S.A. following the tender offer.
March 19, 2021	Merger of TVO Sp. z o.o. (the acquirer) with Pure Omni Wework Sp. z o.o. S.k. and Wework Sp. z o.o. (the acquirees)
April 15-20, 2021	Acquisition of additional 3.40% of shares in Netia S.A.
April 23, 2021	Acquisition of 10% of shares in PLCOM Sp. z o.o.
April 30, 2021	Merger of Liberty Poland S.A. (the acquirer) with Coltex ST Sp. z o.o. (the acquiree).
May 19, 2021	Acquisition of additional 0.02% of shares in Netia S.A.
May 31, 2021	Registration of a change of the company name from PLCOM So. z o.o. to Exion Hydrogen Polskie Elektrolizery Sp. z o.o.
June 22, 2021	Acquisition of 10% of shares in eObuwie.pl S.A.
June 23, 2021	Acquisition of additional 4.87% of shares in Netia.
July 2, 2021	Acquisition of additional 28.01% of shares in Premium Mobile by Polkomtel.
July 6, 2021	Acquisition of additional 23.54% of shares in Netia.
July 8, 2021	Disposal of 99.99% of shares in Polkomtel Infrastruktura.Sp. z o.o.
July 9, 2021	Acquisition of additional 53.69% of shares in Premium Mobile by Polkomtel.
July 12, 2021	Registration of a change of the company name from Polkomtel Infrastruktura Sp. z o.o. to Towerlink Poland Sp. z o.o.
July 29, 2021	Acquisition of 100% of shares in Logitus Sp. z o.o. by Netia.
August 6, 2021	Acquisition of 2.18% of shares in Netia S.A. following a compulsory buyout.
August 6, 2021	Acquisition of 100% of shares in TMS Ossa Sp. z o.o. by Polkomtel.
August 6, 2021	Acquisition of 100% of shares in Horest, Hotel pod Żaglami Sp. z o.o. by Polkomtel.
August 11, 2021	Sale of all shares held by Altalog in InPlus Sp. z o.o.
Media segment: television and online	
May 18, 2021	Establishment of Polsat Talenty Sp. z o.o.
June 9, 2021	Registration of a change of the company name from Polsat Brands AG. to Polsat Investments Ltd.

1.3. B2C and B2B services segment

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and one of the leading satellite platforms in Europe in terms of the number of customers. Since 2006, we are the leader on the Polish market in terms of the number of active services, as well as market share. We actively expand our pay TV offer by adding both new forms of service provisioning (IPTV and OTT) and additional services which build customer value, such as Multiroom or paid video online subscriptions. As at June 30, 2021, we provided 5.1 million pay TV services.

Our offer includes mainly digital pay TV services distributed directly to end-users via Internet and satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to about 150 TV channels, including all of Poland’s main terrestrial channels as well as general entertainment, sports and e-sports, music, lifestyle, news/information, children’s, education and movie channels. In addition, we provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online video and online music services, catch-up TV and Multiroom HD services.

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

Furthermore, our subsidiary Netia provides an IPTV service under the brand of ‘Personal Television’ (‘*Telewizja Osobista*’). Currently, Netia’s Personal Television offering includes approximately 220 channels and the number of TV services provided by Netia as at June 30, 2021 amounted to over 297 thousand.

Online video

The entertainment website Polsat Box Go (formerly IPLA) offers the most diversified database of legal video content and live broadcasts in Poland and around 120 online TV channels, live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both domestic and foreign licensors. Every month IPLA offers several hundreds of hours of live coverage of the largest national and international sports events. Polsat Box Go provides its users with access to content in the free of charge model accompanied by advertisements and the paid model, and also gives the possibility to download selected content and view it offline.

In addition, Polsat Box Go started cooperation with Interia who allows its users to access content in the advertisement-based model.

Moreover, we offer our satellite TV customers the video on demand (VOD) “Home Film Rental” service which allows paid access to the latest novelties and film hits through a set-top box.

Mobile and fixed-line telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators.

As at June 30, 2021 we provided over 11 million mobile telephony services in both the postpaid and prepaid models.

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

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

Mobile broadband Internet

In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service. At present, our LTE Internet and HSPA/HSPA+ Internet cover practically the entire population of Poland. Since 2016 we have been offering our customers services in the LTE Advanced technology. This technology is being successively developed, as demonstrated by our launch of the QAM 256 and MIMO 4x4 modulation, which allows for increased transmission speed while using the same radio band. We are also pursuing aggregation of bands in two, three and, selectively, four frequencies which further contributes to increasing the capacity of our network, thus making our mobile Internet faster and more stable. In May 2020, we launched the first commercial 5G network in Poland using the spectrum from the 2.6 GHz TDD frequency band, which in June 2021 spanned already more than 13 million inhabitants of Poland in around 400 locations with the total number of 5G base stations exceeding 2,000. As of the date of this Report our 5G network reaches over 15 million people from nearly 500 locations, and the total number of our 5G base stations is over 2,200. In that already more than 40% of Poles live within the coverage of our 5G network.

As at June 30, 2021, we provided around 1.9 million Internet access services, mostly in the contract model.

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

Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, ODU-IDU sets, etc.), that support LTE, LTE Advanced and 5G technologies. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband

Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Fixed-line broadband Internet

Through our subsidiaries Netia and Polkomtel we provide fixed-line broadband Internet services, among others in fiber optic technologies. Fixed-line services are being rendered via own access networks with approximately 2.8 million homes passed, out of which, as at end of June 2021, approximately 1.87 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network reaches approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, we offer fixed-line Internet services based on access to Orange Polska's, Nexera's and Inea's networks.

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

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

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

Bundled services

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

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

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

Wholesale business

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

Network interconnection

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

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 as reflected by the completion of the sale of a part of our mobile infrastructure to Cellnex Group in July 2021. In parallel, within the Group we execute projects which benefit from telecommunications infrastructure owned by our entities, thus gaining synergies by the replacement of the infrastructure leased from the third parties with assets possessed by the Group companies.

International roaming

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

Virtual operators (MVNOs)

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

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

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

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

1.4. Media segment: television and online

Broadcasting and television production

Our activities in broadcasting and television production include primarily production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels. Our portfolio comprises 39 channels including our flagship channel POLSAT. Moreover there is a group of 6 cooperating channels which are related with Polsat Plus Group either by capital links or joint broadcasting projects.

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

Channel	Description
POLSAT **POLSAT HD**	The main channel, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain a nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of shares in the commercial audience group. POLSAT broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-L4 and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats in most cable networks and satellite platforms. The channel features a broad selection of films, entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.
General interest	
Super Polsat **Super Polsat HD**	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions from the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
TV4 **TV4 HD**	Nationwide entertainment channel, the programming offer of which includes feature movies, series, entertainment and popular science programs and sports. The channel is available in digital terrestrial television.
TV6 HD	Nationwide entertainment channel broadcasting popular foreign formats, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Nowa TV **Nowa TV HD**	Universal TV channel airing lifestyle programs, series, news, journalistic shows and cabaret skits. Available in digital terrestrial television.
Polsat X	Universal TV channel. Its diversified programming offer includes movies and documentaries as well as entertainment shows. Around 75% of airing time is occupied by program reruns. The channel started broadcasting in April 2021.
Polsat Reality	Universal TV channel. Its diversified programming offer includes movies and documentaries as well as entertainment shows. Around 75% of airing time is occupied by program reruns. The channel started broadcasting in April 2021.

Channel	Description
Sports	
Polsat Sport HD	The first sports channel of Polsat Plus Group broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, world class boxing and MMA contests), which include live broadcasts.
Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon.
Polsat Sport News HD	Sports channel dedicated to sports news.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, professional boxing galas and mixed martial arts, as well as coverages of Polsat Boxing Night.
Eleven Sports 1 HD	Sports channel dedicated solely to football. The most interesting live events, matches from the most interesting European leagues, championships and qualifying games. Eleven Sports 1 HD broadcasts 24 hours a day, in HD quality and with Polish commentary.
Eleven Sports 2 HD	Channel that broadcasts large sports events and offers sports fans premium quality entertainment. The channel broadcasts 24 hours a day, in HD quality and with Polish commentary.
Eleven Sports 3 HD	Channel offering the most important European football live matches. In addition, the channel presents documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1 and Eleven Sports 2 channels.
Eleven Sports 4 HD	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.
Polsat Sport Premium 1 HD	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Polsat Sport Premium 2 HD	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League and the UEFA Europa League. The channel is offered in a package with four Polsat Sport Premium's PPV services airing during the matches. Broadcasts without ads, in Super HD quality. Available in Cyfrowy Polsat, Netia, Canal+, UPC and IPLA.
Movies	
Polsat Film HD	Movie channel broadcasting movie hits, top box office productions from the libraries of major US movie studios as well as non-mainstream movies.
Polsat Film 2	Movie channel, an extension to Polsat Film's programming offer airing movies, documentaries, cartoons and series. Around 65% of airing time is occupied by program reruns. The channel started broadcasting movies and series in April 2021.
Polsat Seriale HD	Channel created for and dedicated to women. The programming offer includes feature movies as well as popular Polish and foreign series.
Music	
Eska TV **Eska TV HD**	Music and entertainment channel broadcasting the latest music clips, exclusive interviews, gossip about show biz stars and information about musical events. Available in digital terrestrial television.
Eska TV Extra **Eska TV Extra HD**	Channel broadcasting recent hits and the greatest pop music hits of the last 20 years.
Eska Rock TV	Channel offering music defined as mainstream pop-rock, classic rock and alternative rock.
Polo TV **Polo TV HD**	Channel broadcasting the greatest hits of disco polo and dance, coverage of the most famous festivals of disco dance, concerts and euro disco hits, italo disco and dance music from the 80s and the 90s. Available in digital terrestrial television.
Polsat Music	Channel broadcasting rock and pop music as well as the best video clips, both classics and novelties.

Channel	Description
Vox Music TV	Music and entertainment channel broadcasting disco hits from the 80s and the 90s, italo disco, euro dance and disco polo. The channel's programming offer also includes programs devoted to pop stars and hit lists.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
News	
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs.
Superstacja	News and entertainment channel addressed to people who are active and curious about the world. It offers journalism in light edition. The channel's programming offer includes also sensational news from the world of show business and sports.
Lifestyle	
Polsat Cafe HD	Channel dedicated to women, focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult TV series.
Polsat Games HD	Channel dedicated 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 cartoons, series and Christian matters programs.
TV Okazje	Channel broadcasting 24 hours a day, dedicated to teleshopping and broadcasting solely spots that encourage shopping.
Popular science	
Fokus TV	Thematic channel of an educational and cognitive character, addressed to the entire family. Main thematic sections are knowledge, documentary and entertainment. Fokus TV's mission is to convey knowledge through fun and in an accessible way. The channel is broadcast in DDT technology.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.

Channels cooperating with Cyfrowy Polsat Plus 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 Plus Group and A+E Networks UK.
Polsat Viasat Explore HD	Channel dedicated to men, simple-unusual people, who work hard and have fun while making extraordinary dreams come true. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature HD	Nature channel targeting the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History HD	Channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time. The content features historical events that influenced world history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Polsat Comedy Central Extra HD	Channel broadcasting Polish and foreign comedy series and cabaret programs, launched on March 3, 2020 as a result of cooperation between TV Polsat and ViacomCBS. Previously the channel was aired under the name Comedy Central Family.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on Publicis Group initial estimates we evaluate that in the first half of 2021 Polsat Plus Group channels captured 29.0% of the Polish TV advertising market worth approximately PLN 2.1 million in that period while in the second quarter of 2021 alone the share of the Group's channels reached 28.6% in the market valued at PLN 1.2 million in that period.

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

Sale of channel broadcasting rights

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

Internet media

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

The Internet portal 'Interia.pl', which belongs to the Group, is one of the three largest horizontal portals in Poland and reaches over 43% of Polish Internet users, whom it provides with a vast selection of the highest quality information, entertainment, social and communication services. In addition, Interia Group includes a number of thematic websites, such as, among others, Pomponik.pl, Smaker.pl, Styl.pl and Deccoria.pl, as well as one of country's first mail services with approximately 2.4 million regular users. In parallel, thanks to the 'Pogoda.interia.pl' weather forecast service which is one of leaders in its category, we became one of top online weather forecast services in Poland.

According to the Mediapanel survey, in the first half of 2021 the average number of users per month for the combined Polsat-Interia media group reached nearly 20.3 million, and the monthly average number of page and app views was around 1.9 billion. In the second quarter of 2021 alone, the average number of users per month for the combined Polsat-Interia media group exceeded 20.3 million, and the monthly average number of page and app views was around 2.0 billion.

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

Internet portal [(1)]	Description
General interest	
Interia.pl	One of the largest Polish horizontal portals, including many thematic services.
VOD	
Polsat Box Go (formerly ipla.tv)	Internet television offering VOD, live broadcasts and broadcast of linear channels over the Internet.
Sports	
Polsatsport.pl	Portal is a unique combination of a news and journalistic service and a video platform specializing solely in sports, in particular football, volleyball, boxing, MMA, basketball, tennis and e-sports. Available also through a mobile app.
Sport.interia.pl	Versatile sports news service, devoted especially to football, martial arts, volleyball, speedway, tennis, basketball and winter sports. Available also through a mobile app.
Weather	
Twojapogoda.pl	Convenient and intuitive portal with both daily and long-term weather forecasts as well as with forecasts for a specific time and location. Beside information on the weather, it provides meteorological and scientific curiosities related to changes of weather conditions. Available also through a mobile app.
Pogoda.interia.pl	One of Poland's most popular weather forecast services with comprehensive forecasts and maps of air quality. It presents hourly, long-term and local forecasts.
Mail	
Poczta.interia.pl	Mail service launched as one of the first mail services in the country, with approximately 2.4 million regular users. Available also through a mobile app.
Popular science	
Nt.interia.pl	Popular science and technology service of Interia for novelty fans. It presents information about the latest technical achievements, medical innovations and recent scientific discoveries, which are described in an interesting and accessible way.
Opracowania.pl	Vortal for primary and secondary school students, with helpful descriptions and preparations of readings, exam topics and questions and answers from many popular school subjects.
Bryk.pl	Must-have for students on all educational levels and source of knowledge from various fields, with accessible descriptions, essays, cheat sheets and learning materials.
News	
Polsatnews.pl	One of the top news portals in Poland, with the latest information and news about the economy, sports, science, business as well as domestic and international events. The informative part is complemented with journalistic content. Available also through a mobile app.
Wydarzenia.interia.pl	Interia's news service with news, events, facts and expert opinions. Available also through a mobile app.
Business	
Biznes.interia.pl	Versatile service for those who keep an eye on finance. It describes current issues from international and local markets, the economic situation, provides stock and currency quotations and numerous opinions and statements from experts.
Lifestyle	
Pomponik.pl	Interia's entertainment service which presents popular and up-to-date information from the show-biz world. Available also through a mobile app.
Styl.pl	Interia's top vortal which presents news and recent trends in fashion, concept of beauty, beauty care, cuisine, diets and many other popular topics from daily life.

Internet portal [1]	Description
Deccoria.pl	Almanac of interior inspirations, ideas for interior design in small and large apartments, houses and residences. A source of ideas for home decoration, renovation or design lifting.
Menway.interia.pl	Service addressed to real men: pop culture, life activities, trends, tips, sex, health and fitness.
Kobieta.interia.pl	A comprehensive source of knowledge about women's world in the broad sense: passion, hobbies, cosmetics, fashion and tips required by all Internet surfing ladies.
Porady.interia.pl	Service with advices for all who need help. Simple and brief tips from various fields.
Entertainment	
Gry.interia.pl	Source of knowledge for gamers – users of all platforms, who are hungry for novelties and special offers. Rankings, opinions, reviews and tips for gamers.
Motoryzacja.interia.pl	Versatile service dedicated to the motor industry. It presents a rich offer of valuable editorials, expert video materials, car reviews and tests as well as photo galleries, event reports and all types of novelties about cars.
Muzyka.interia.pl	One of the most popular Polish Internet services dedicated to modern music: top hits, music events, authors and bands. The service allows to broaden one's knowledge about specific music genres, includes interesting editorial reviews and a gallery of video clips.
Teksciory.interia.pl	Service for music fans which includes lyrics of popular songs and popularity rankings.
Swiatseriali.interia.pl	Thematic service for fans of series and actors playing in them. It includes information about around 650 popular series, photo galleries, numerous video materials and quizzes.
Film.interia.pl	Broad source of knowledge about historical and contemporary films, interesting facts from film sets, reviews, trailers and recommendations.
Social	
Smaker.pl	One of the most popular social cooking services in Poland featuring thousands of user recipes. It offers free cooking books and many editorials concerning culinary art and famous chefs. Available also through a mobile app.
Forum.interia.pl	Service aimed at exchanging opinions between Internet users on various subjects.

(1) Includes websites with over half a million of users in the second quarter of 2021.

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 publication of this Report, i.e. August 18, 2021. Data included in the table is based on information received from shareholders on March 15, 2021 pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws 2019, item 623) as well as information disclosed during the Annual General Meeting of the Company convened for June 24, 2021.

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	**374,783,215**	**58.60%**	**534,500,726**	**65.27%**
TiVi Foundation, including through:	*308,619,094*	*48.26%*	*468,336,605*	*57.19%*
Reddev Investments Limited	*308,619,084*	*48.26%*	*468,336,585*	*57.19%*
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	**264,762,801**	**41.40%**	**284,462,791**	**34.73%**
Total	**639.546.016**	**100,00%**	**818.963.517**	**100,00%**

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

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

From the date of publication of the previous interim report, i.e. May 12, 2021 (quarterly report for the first quarter of 2021), until the date of publication of this Report, i.e. August 18, 2021, the Company did not receive notifications concerning changes in the structure of ownership of significant blocks of Cyfrowy Polsat shares based on information 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). In parallel, the above described shareholding structure was updated based on information disclosed during the Annual General Meeting of the Company convened for June 24, 2021.

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 or indirectly, as at the date of publication of this Report, i.e. August 18, 2021 as well as at the date of publication of the previous report, i.e. May 12, 2021 (quarterly report for the first quarter of 2021).

Furthermore, the table below presents the number of shares of Cyfrowy Polsat 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 publication of this Report, i.e. August 18, 2021, along with changes in shareholdings from the date of publication of the previous report, i.e. May 12, 2021 (quarterly report for the first quarter of 2021).

Name and Surname	Function	Holding as at May 12, 2021	Increases	Decreases	Holding as at August 18, 2021
Mr. Zygmunt Solorz(1)	Chairman of the Supervisory Board	n/a	n/a	n/a	374,783,215
Mr. Marek Kapuściński	Deputy Chairman of the Supervisory Board	22,150	-	-	22,150
Mr. Aleksander Myszka(2)	Member of the Supervisory Board	56,886	n/a	n/a	n/a
Mr. Tomasz Szeląg(3)	Member of the Supervisory Board	25,500	-	-	25,500

(1) Zygmunt Solorz has been serving as Chairman of the Company's Supervisory Board from June 24, 2021. Zygmunt Solorz owns the Company's shares through the following companies: Reddev Investments Limited, Embud 2 Sp. z o.o. S.K.A., Tipeca Consulting Limited and TiVi Foundation.

(2) Aleksander Myszka served as member of the Company's Supervisory Board until June 23, 2021.

(3) 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 publication of this Report, i.e. August 18, 2021, nor at the date of publication of the previous report, i.e. May 12, 2021 (quarterly report for the first quarter of 2021).

2. Significant events

2.1. Corporate events

Sale agreement of 99.99% shares of Polkomtel Infrastruktura (currently Towerlink Poland)

Following the review of various strategic options initiated in September 2020, on February 26, 2021 Polsat Plus Group entered into a conditional share sale agreement with Cellnex Poland Sp. z o.o., a subsidiary of Cellnex Telecom S.A., concerning the sale of 99.99% of shares of Polkomtel Infrastruktura, our subsidiary responsible for part of the technical network infrastructure. In particular, it owns the passive and active access layers of the mobile telecommunication infrastructure of Polsat Plus Group, consisting, as of June 30, 2021, of approx. 7 thousand sites and approx. 37 thousand various systems on-air (incl. 5G-equipped systems) and a transmission network.

The value of the transaction amounted to approximately PLN 7.1 billion and the transaction was concluded on July 8, 2021 following the fulfilment of the agreed conditions precedent, including, among others, obtaining an antimonopoly clearance and consent of lenders under the SFA. After the transaction closing, Polkomtel's core network and all frequencies crucial for providing first-to-market real 5G as well as 2G/3G/LTE services continue to remain in Polsat Plus Group's possession. As the operator of Plus network the Group intends to continuously deliver state-of-the-art communication and content services to our retail, business and wholesale customers.

Furthermore, on July 8, 2021 the parties signed a Master Services Agreement obliging Polkomtel Infrastruktura to provide specified services to Polsat Plus Group for 25 years (subject to renewal for subsequent 15-year terms). The cooperation will be based on a monthly remuneration dependent on the number of sites and active infrastructure systems used and additionally ordered in the future by Polsat Plus Group. Under the contractual obligations, Polsat Plus Group is committed to order a certain number of incremental sites and additional emission systems under specified timeframes. The Master Service Agreement will involve a detailed Service Level

Agreement, while the way the contracts will be constructed guarantees the alignment of interests of all parties.

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

Detailed information on the transaction's structure was presented in the Company's current report No. 2/2021 dated February 26, 2021. On July 12, 2021 the company changed its name from Polkomtel Infrastruktura Sp. z o.o. to Towerlink Poland Sp. z o.o.

Increasing capital engagement of Cyfrowy Polsat in Netia

On April 15, 2021 the Company decided to continue acquiring shares of Netia by means of transactions concluded on the regulated market of the Warsaw Stock Exchange or outside the regulated market. The above decision confirmed the Company's declaration that it did not exclude the potential, further increase of its holding in the total number of votes at the general meeting of Netia, as expressed in the tender offer of December 23, 2020 to place subscriptions to sell shares of Netia. The Company's decision of April 15, 2021 provided that the purchase price of Netia shares should be determined by the Company individually for each purchase transaction, and the total purchase price of Netia shares should not exceed PLN 515 million.

Subsequently, on April 30, 2021 the Company decided to increase the amount dedicated to acquiring shares of Netia in such a way that the purchase price of one Netia share should not exceed PLN 7.00 and the total purchase price of all Netia shares remaining in the holding of minority shareholders of Netia should not exceed PLN 604.1 million. Moreover, the Company's decision of June 30, 2021 provided that the acquiring of Netia shares might be effected within 12 months from the date of adoption of the resolution by the Company's Management Board.

On June 21, 2021, the Company acquired outside of the regulated market 16,332,115 Netia shares representing 4.87% of its share capital and carrying the right to 4.87% of total votes at Netia's General Meeting.

In response to the invitation announced by the Company to submit offers to sell shares, on July 6, 2021 the Company acquired outside of the regulated market 78,989,066 Netia shares representing 23.54% of its share capital and carrying the right to ca. 23.54% of total votes at Netia's General Meeting.

As a result of the transactions concluded on the regulated market of the Warsaw Stock Exchange in the period from April 15 until April 20, 2021, on May 19, 2021, June 21, 2021 and July 6, 2021 the Company held 328,275,387 Netia shares representing 97.82% of its share capital and carrying the right to 97.82% of total votes at Netia's General Meeting. On July 30, 2021, Cyfrowy Polsat announced a compulsory buyout of the remaining Netia shares.

On August 6, 2021, the Company acquired a total of 2.18% of Netia shares following transactions concluded on the OTC market as a result of the compulsory buyout of Netia shares. In consequence, as at the date of this Report the Company holds 335,574,367 Netia shares representing 99.999% of Netia's share capital and carrying the right to 99.999% of total votes at Netia's General Meeting. Furthermore, the Company applied to the Management Board of Netia for the registration in the name of Cyfrowy Polsat of 3,977 shares of Netia, which were not dematerialized and the binding force of which expired by law on March 1, 2021. As a result of the executed compulsory buyout Cyfrowy Polsat became the sole shareholder of Netia.

Distribution of profit for the financial year 2020

On May 27, 2021, the Management Board of the Company adopted a resolution concerning the distribution of the Company's profit for the financial year 2020. The Management Board recommendation, on which the Company's Supervisory Board issued a positive opinion, assumed:

- to allocate the entire net profit earned by the Company in the financial year 2020, amounting to PLN 405.0 million, for distribution as dividends to the shareholders of the Company, and
- to allocate the amount of PLN 362.4 million from the reserve capital for distribution as dividends to the shareholders of the Company. As at December 31, 2020, the amount of the reserve capital available for distribution was approximately PLN 3.3 billion.

The total amount of the recommended dividends to the shareholders of the Company amounted to PLN 767.4 million, i.e., PLN 1.20 per share.

Furthermore, the Management Board of the Company recommended that the dividend day be scheduled for September 15, 2021, and the dividend payout be made in two tranches as follows:

- the first tranche in the amount of PLN 255.8 million, i.e., PLN 0.40 per share – on September 28, 2021, and
- the second tranche in the amount of PLN 511.6 million, i.e., PLN 0.80 per share – on December 10, 2021.

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

On June 24, 2021, the Annual General Meeting of Cyfrowy Polsat resolved a dividend payout for the year 2020 in the total amount of PLN 767.4 million, i.e., PLN 1.20 per share, in accordance with the above mentioned recommendation of the Company's Management Board.

Appointment of Supervisory Board Members

Due to the elapse of the current term of office of members of the Supervisory Board, the Annual General Meeting of the Company resolved on July 24, 2020that the Supervisory Board of the new joint five year term of office shall consist of 9 members and appointed to the positions of Supervisory Board Members the following persons: Mr. Marek Kapuściński to the position of Vice-Chairman of the Supervisory Board and Mr. Józef Birka, Mr. Jarosław Grzesiak, Mr. Marek Grzybowski, Mr. Alojzy Nowak, Mr. Tobias Solorz, Mr. Tomasz Szeląg and Mr. Piotr Żak to the positions of Members of the Supervisory Board.

Moreover, in accordance with § 19 of the Articles of Association of the Company, TiVi Foundation, the Company's shareholder, appointed Mr. Zygmunt Solorz as the Chairman of the Supervisory Board on June 24, 2021.

2.2. Business related events

Dynamic roll-out and development of Poland's first 5G network

In May 2020, we launched the first commercial 5G network in Poland under the Plus brand using spectrum from the 2.6 GHz TDD frequency band. By the end of 2020 we put into operation a total of over 1,000 5G base stations with over 7 million people within the network's coverage. Our initial plan for 2021 assumed extending the coverage of the 5G network to an area inhabited by more than 11 million people. Seeing the growing interest among our customers we have accelerated network roll-out and we reached and exceeded our target for 2021 already in April. At present our 5G network reaches over 15 million people from nearly 500 locations, and the total number of our 5G base stations is over 2,200. In that already more than 40% of Poles live within the coverage of our 5G network. We continue to work intensively on further development of the network by both successively enhancing the 5G coverage in places where the 5G network already operates and also by launching 5G in new locations.

Along with the expansion of the 5G network coverage, we also extend the portfolio of 5G equipment offered to our customers. As at the date of this Report our offer includes more than 40 smartphones and routers with access to 5G technology.

Acquisition of 10% of the share capital of eObuwie.pl S.A.

On March 11, 2021 the Management Board of the Company made a decision to enter into exclusive negotiations with CCC S.A. regarding a potential acquisition of 10% of the share capital of eObuwie.pl within the scope of a pre-IPO investment for a consideration of PLN 500 million.

Following the conducted due diligence, on March 31, 2021 the Company signed with the seller a preliminary agreement for the sale of shares of eObuwie.pl and with the seller and another investor a shareholders' agreement regulating, among others, the future corporate governance principles of eObuwie.pl. The settlement of the investment took place on June 22, 2021 following the fulfillment of the conditions precedent, including obtaining relevant consents of banks financing the operating activities of entities from the seller's capital group as well as the consent of the general shareholders meeting of eObuwie.pl for the sale of shares in eObuwie.pl.

Taking into consideration the very good results of eObuwie.pl and the dynamically growing market segment in which eObuwie.pl operates, we believe that this investment may generate an attractive rate of return, simultaneously giving the Polsat Plus Group an opportunity to gain competencies in building and developing operations in the field of e-commerce, which constitutes a natural development path for the Company's capital group following the acquisition of Interia.pl Group.

Implementation of 5G subscription tariff plans

On January 12, 2021, Plus introduced to its offer new 5G tariff plans addressed to both individual and business customers, which offer larger data packages compared to 4G tariff plans at simultaneously increased prices (the "more-for-more" strategy). Customers are able to choose from among the Internet-and-voice as well as Internet-only subscriptions. The new 5G tariffs assure access to the network with maximum technical speed of up to 600 Mbps during the entire term of the contract.

The 5G offer for individual customers includes three voice-and-data price plans with 25 GB, 100 GB and 150 GB data bundles which are offered for PLN 60, PLN 90 and PLN 120, respectively. Moreover, individual customers can choose between three data bundles for 5G mobile Internet access – 250 GB for PLN 75, 500 GB for PLN 100 and or 1000 GB for PLN 200.

Plus's 5G offer for companies includes three voice-and-Internet plans with data bundles of 35 GB, 120 GB and 180 GB and monthly access fees (excl. VAT) of PLN 60, PLN 90 and PLN 120, respectively. In addition, three dedicated 5G mobile Internet access offers have been created for business customers, featuring 300 GB, 600 GB and 1,200 GB data bundles which are offered for PLN 75, PLN 100 and PLN 200 (excl. VAT), respectively.

Long-term power purchase agreement for green energy

On March 12, 2021 Polkomtel and ZE PAK group concluded an agreement (for purchase of the entire green energy produced by the photovoltaic farm Brudzew which is being built by a consortium of companies that includes ESOLEO, a company from Polsat Plus Group.

The power purchase agreement (the “PPA”) was signed for a 15-year period with a possibility of extension by another 5 years with a purchase price which will be adjusted by the inflation rate starting from 2023. Under the PPA, ZE PAK will be obligated to supply its entire volume of energy produced along with certificates of origin.

Assuming the current inflation forecasts, the total value of the 15-year liability of Polkomtel under the PPA will amount to ca. PLN 300 million. The level of prices agreed between the parties and defined in the PPA corresponds with the present and forecasted market pricing levels, which had been confirmed in a fairness opinion obtained from one of the leading advisory entities.

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

Prolongation of rights to broadcast the UEFA Champions League

In March 2021, TV Polsat acquired broadcasting rights to the UEFA Champions League for another three seasons (2021-2024). The rights cover all fields of exploitation, including pay TV, free of charge TV and the Internet.

In addition, TV Polsat acquired broadcasting rights to the UEFA Super Cup matches which open each season of games and are played by the winners of the Champions League and the Europa League, as well as the UEFA Youth League matches. Each season of the UEFA Champions League means 138 matches, including the UEFA Super Cup match, bringing the total number of matches during three years to over 400.

The acquisition of the broadcasting rights to the UEFA Champions League’s football matches for the next three seasons is in line with our strategy which assumes delivering to our viewers the most attractive content to be consumed by them in any possible method of their choice, both on TV and in the Internet.

Sale of passive mobile infrastructure by P4, the operator of Play mobile network

On March 31, 2021, P4, the operator of Play mobile network from the French Iliad group, entered into an agreement with On Tower Poland Sp. z o.o., a company owned by Cellnex Poland (60%) and Iliad Purple (40%), concerning the sale of its passive infrastructure for the amount of PLN 6.7 billion (the price is subject to adjustments).

In parallel, P4 and On Tower Poland signed long-term service agreements for the period of 20 years, with the possibility of extending their term by consecutive 10-year periods, which allow P4 to continue using the sold passive infrastructure in its telecommunication operations.

Joint venture of Orange Polska and APG Group to continue fiber optic network roll-out

On April 12, 2021, Orange Polska informed that it established a joint venture with APG Group, Dutch pension investors, in order to develop a fiber optic network reaching approximately 1.7 million households, mostly in the areas with low or medium level of competition. The network will be constructed by Światłowód Inwestycje, a company controlled jointly by Orange Polska and APG (50/50). In July 2021 Orange Polska contributed to the company the existing telecommunications links to approximately 0.7 million households thus granting Światłowód Inwestycje wholesale access to over 170 thousand of Orange's active customers who are provided services over this network. The network would be open to all operators while Orange Polska will be providing to Światłowód Inwestycje such services as, among others, management of network roll-out and maintenance as well as lease of network elements to the joint venture.

Proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) concerning the examination of the situation on the market of wholesale TV programs distribution

In May 2021, the President of the Office of Competition and Consumer Protection initiated two antimonopoly proceedings, one against Telewizja Polsat and the other against four companies from Discovery capital group, concerning market practices in distribution of TV channels to operators of paid TV platforms. The President of UOKiK intends to examine whether the model of selling TV program produced by Telewizja Polsat and companies from Discovery group in bundles can be treated as an abuse of market position by these companies with regard to distribution of TV program in a situation where the purchase of a single channel is more expensive than the purchase of a bundle of channels. As at the date of publication of this Report the proceedings are ongoing.

2.3. Events after the balance sheet date

Taking full control over Polish MVNO Premium Mobile

On May 28, 2021 our subsidiary Polkomtel signed a letter of intent with PM 1 Mobile Holdings Limited and WBN Holding Limited concerning the determination of initial conditions of a transaction which will be targeted at taking sole control over Premium Mobile sp. z o. o., a company which is the most dynamically developing domestic MVNO (mobile virtual network operator) in Poland. The transaction was completed in July 2021 after obtaining a relevant antimonopoly consent. The shareholders of PM 1 Mobile Holdings Limited received a consideration of ca. PLN 35.5 million for their 28.01% stake in the share capital of Premium Mobile. Furthermore, in accordance with the provision of the letter of intent, Polkomtel acquired the remaining 53.69% stake of shares in Premium Mobile from WBN Holding Limited at the price implied by settlement with PM 1 Mobile Holdings Limited. The transaction was financed from Polkomtel's own resources.

Polsat Plus Group invested in Premium Mobile three years ago, mainly with a view to securing its wholesale revenue. Our recent decision to take full control over this company is based on Premium Mobile's excellent results in building its customer base, contract customer base in particular.

After five years since its commercial launch, Premium Mobile is a clear leader in mobile number portability among MVNOs and currently serves approximately 425 thousand active SIM cards, with approx. 70% of them using contract services. The scale of revenue generated by this company reached PLN 125 million in 2020 (including retail revenue and interconnect revenue), increasing dynamically at a rate of +37% YoY. The pace of new customer acquisitions is not decreasing in 2021, as evidenced by the fact that in the first half of 2021 Premium Mobile was again a clear leader in MNP statistics among MVNOs, obtaining 23.0 thousand SIM cards net.

New Polsat Plus Group brands

In June 2021, we initiated evolutionary changes in the portfolio of brands of our Group and the strategy of their communication. In the first step, new logotypes for the Plus and Polsat brands were introduced. These two brands are of strategic importance and stand, respectively ,for our telecommunication services of the highest quality, including the best 5G in Poland, and for the most attractive content.

In the next step, at the end of July 2021 we presented new logotypes for the remaining main brands of the Group. Cyfrowy Polsat brand will change to the new Polsat Box brand. Ipla and Cyfrowy Polsat Go will evolve into a single service called Polsat Box Go. Moreover, a new service called Polsat Go, offering Polsat TV content, will be created.

Simultaneously, we presented a new main slogan for brands of the Polsat Plus Group: “Choose your everything” (*“Wybierz swoje wszystko”*). What unites all the brands is the possibilities they offer to each and every customer and viewer, i.e. the possibility of choosing attractively priced services, products and content that match one’s individual needs in any way one likes and at the time and place of one’s convenience.

The new logotypes have been designed in such a way to ensure their clarity and ease of reception by our viewers and customers: on the one hand, making sure that they are visually associated with the Group, and on the other - that they retain their individual values. In addition, in our corporate communication we have started using a new name of the Group, a name that underscores the relationship and cooperation between the areas of services offered under the brands of Plus (telecommunication) and Polsat (content): Polsat Plus Group.

The branding changes of the Group’s companies are going to be gradual and are planned and scheduled to take place in several phases. Cyfrowy Polsat S.A. will continue to be the provider of the services offered by Polsat Box and Polsat Box Go, which will replace Cyfrowy Polsat, Ipla and CP GO brands. Plus is the brand of Polkomtel Sp. z o.o., while Polsat and Polsat Go are the brands of Telewizja Polsat Sp. z o.o.

Plus has a new logo

Polsat has a new logo

Polsat Box replaces Cyfrowy Polsat brand

Polsat Box Go replaces Ipla and CP GO (Cyfrowy Polsat Go)

Polsat Go is a new free service

3. Operating and financial review of Polsat Plus Group

3.1. Operating review of the Group

When assessing our operating results in the B2C and B2B services segment, we analyze contract services and prepaid services separately. In the case of contract services we consider the number of unique, active services provided in the contract model (RGUs), the number of customers, churn rate and average revenue per customer (ARPU). When analyzing prepaid services we consider the number of unique, active services provided in the prepaid model (prepaid RGUs) as well as average revenue per prepaid RGU. The number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.

Please note that the operational indicators (KPIs) presented below do not include operational results of Netia Group over which Cyfrowy Polsat Plus 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 available at the address: inwestor.netia.pl.

	for the 3-month period ended June 30		change / %	for the 6-month period ended June 30		change / %
	2021	2020		2021	2020	
B2C AND B2B SERVICES SEGMENT						
Total number of RGUs (EOP) [thous.] (contract + prepaid)	**18,023**	**17,505**	**3.0%**	**18,023**	**17,505**	**3.0%**
Contract services						
Total number of RGUs (EOP) [thous.], incl.	**15,427**	**14,979**	**3.0%**	**15,427**	**14,979**	**3.0%**
Pay TV, incl.	4,961	5,001	(0.8%)	4,961	5,001	(0.8%)
Multiroom	*1,203*	*1,197*	*0.5%*	*1,203*	*1,197*	*0.5%*
Mobile telephony	8,650	8,189	5.6%	8,650	8,189	5.6%
Internet	1,816	1,790	1.4%	1,816	1,790	1.4%
Number of customers (EOP) [thous.]	**5,473**	**5,587**	**(2.0%)**	**5,473**	**5,587**	**(2.0%)**
ARPU per customer [PLN]	91.4	86.5	5.7%	91.0	86.0	5.8%
Churn per customer	7.0%	6.4%	0.6 p,p,	7.0%	6.4%	0.6 p,p,
RGU saturation per one customer	2.82	2.68	5.2%	2.82	2.68	5.2%
Prepaid services						
Total number of RGUs (EOP) [thous.], including:	**2,596**	**2,525**	**2.8%**	**2,596**	**2,525**	**2.8%**
Pay TV	135	93	45.2%	135	93	45.2%
Mobile telephony	2,414	2,364	2.1%	2,414	2,364	2.1%
Internet	47	68	(30.9%)	47	68	(30.9%)
ARPU per total prepaid RGU [PLN]	22,0	21,4	2.8%	21,7	21,0	3.3%

MEDIA SEGMENT: TELEVISION AND ONLINE

	for the 3-month period ended June 30		change / %	for the 6-month period ended June 30		change / %
	2021	2020		2021	2020	
Audience share	24.4%	23.0%	1.4 p.p.	24.2%	23.1%	1.1 p.p.
Advertising market share	28.6%	27.4%	1.2 p.p.	29.0%	27.8%	1.2 p.p.

3.1.1. B2C and B2B services segment

As at June 30, 2021, in the B2C and B2B services segment the total number of services provided by our Group in both the contract and prepaid models amounted to 18,023 thousand increasing by 3.0% YoY. The share of contract services in the total number of services provided maintained its high level and reached 85.6% at the end of the second quarter of 2021.

Contract services

The total number of customers to whom we provided contract services as at the end of the second quarter of 2021 was 5,473 thousand (-2.0% YoY). The main reason behind the decline of the contract customer base was the further merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.2% YoY to 2.82 RGU per customer). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and focus rather on increasing customer loyalty, in particular through offering a wide portfolio of bundled services, as well as on increasing ARPU per contract customer.

The number of contract services provided by us at the end of the second quarter of 2021 increased by 447 thousand compared to the previous year (+3.0%) YoY, reaching 15,427 thousand as at June 30, 2021. A strong increase of mobile telephony RGUs – by 461 thousand (+5.6%) YoY was the main driver behind this growth. As at the end of the second quarter of 2021 we provided 8.650 thousand mobile telephony services in the contract model. This result was achieved thanks to the successful implementation of our strategy of cross-selling, including 5G services which are in our offer since May 2020, focusing on customer satisfaction, which translated into a low churn ratio, as well as thanks to maintained high demand among business customers for m2m services.

At the end of June 2021 our customers used 4,961 thousand contract pay TV services. The pay TV RGU base was under a slight pressure in the twelve-month period ended June 30, 2021 recording a decrease by 40 thousand (-0.8% YoY), mainly due to the lower number of provided satellite TV services. Nevertheless, despite a decrease of the base we continue to view pay TV as an area with potential to build customer value and consequently the scale of our revenues.

In the analyzed period, we recorded better dynamics of Internet access services provided in the contract model, increasing the number of RGUs in this area by 26 thousand (+1.4% YoY) to the level of 1,816 thousand. The increase was mainly due to higher demand for data transmission during lockdowns due to the COVID-19 epidemic, and the resulting necessity to work and learn from home as well as to use available online forms of entertainment. In parallel, the factor which is positively reflected in the scale of our Internet RGU base is the constantly improving quality of our telecommunications network – a consequence of the investments we make, exemplified by the initiation of the rapid roll-out of the 5G network and the provision of fixed-line Internet access under the “Plus” brand.

We observe a steadily increasing saturation of our customer base with integrated services, which is expressed by the growing ratio of contract services per customer. As at June 30, 2021 every customer had on average 2.82 contract services (+5.2% YoY). We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we systematically add new products, will positively influence the growth of the number of contract RGUs provided by us in the future.

In line with the assumptions of our long-term strategy, we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer. In the first half of 2021, average revenue per contract customer increased to PLN 91.0 (+5.8% YoY). In the second quarter of 2021 alone, average revenue per contract customer increased to PLN 91.4 (+5.7% YoY). The dynamic growth of ARPU per contract customer results, in particular, from the continuous building of customer value. We believe that our decisions to accelerate the 5G network roll-out and growing popularity of tariff plans enabling the use of this technology by our customers will contribute to the further building of customer value, reflected in our ARPU.

Our churn rate remained at a low level of 7.0% in the twelve-month period ended June 30, 2021 (+0.6 p.p. YoY). Low churn is primarily the effect of a high level of loyalty of our customers of bundled services, which results from the successful implementation of our multiplay strategy, as well as our actions aimed at fostering high customer satisfaction. In addition, a more conservative offering policy than in the past of mobile operators translates into a steady decrease of the number of customers migrating between networks, which also impacts our churn rate favorably.

Our bundled services offer, based on a mechanism of offering attractive discounts on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. At the end of June 2021, 2,096 thousand customers were using our bundled services, which constitutes an increase of 67 thousand (+3.3%) YoY and translates to a 38.3% saturation of our contract customer base with multiplay services. We recorded a strong growth in the number of RGUs used by this group of customers. Over the past 12 months they purchased 278 thousand additional RGUs (+4.5%) YoY, reaching a total of 6,467 thousand RGUs as of the end of June 2021. 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 increased by 71 thousand (+2.8%) YoY and amounted to 2,596 thousand as at June 30, 2021.

The number of prepaid mobile telephony services increased by 49 thousand (+2.1%) YoY, to 2,414 thousand RGUs while the number of prepaid broadband Internet services decreased by 21 thousand YoY. This change was driven primarily by the increasing popularity of data transmission packages in mobile telephony tariff plans (smartphones) which is associated with diminishing differences between the sizes of data packages offered in both product lines. The number of prepaid TV services provided by us increased by 42 thousand (+45.2%) YoY, to the level of 135 thousand at the end of the second quarter of 2021, driven by our efforts to increase the offer attractiveness of our Polsat Box go (formerly IPLA) platform.

In the first half of 2021, average revenue per prepaid RGU amounted to PLN 21.6 (+2.7% YoY). In the second quarter of 2021, average revenue per prepaid RGU amounted to PLN 22.0 (+2.8% YoY). Revenues from both content and telecommunication services contributed to the increase in prepaid APRU.

3.1.2. Media segment: television and online

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

We consider average monthly number of users and average monthly number of page views when analyzing and evaluating our online activities. The following tables set forth these key performance indicators for the relevant periods.

Audience shares

Audience share	3 months ended June 30		Change / p.p.	6 months ended June 30		Change / p.p.
	2021	2020		2021	2020	
Audience share[(1) (2)], including:	**24.40%**	**23.04%**	***1.36***	**24.20%**	**23.15%**	***1.05***
POLSAT (main channel)	**8.88%**	**9.18%**	***(0.30)***	**9.11%**	**9.55%**	***(0.44)***
Other channels	**15.54%**	**13.86%**	***1.68***	**15.12%**	**13.60%**	***1.52***
TV4	2.99%	3.22%	*(0.23)*	2.93%	3.37%	*(0.44)*
Polsat 2	1.56%	1.33%	*0.23*	1.46%	1.22%	*0.24*
Polsat News	1.53%	1.91%	*(0.38)*	1.53%	1.67%	*(0.14)*
TV6	1.48%	1.57%	*(0.09)*	1.49%	1.72%	*(0.23)*
Super Polsat	1.43%	1.39%	*0.04*	1.31%	1.36%	*(0.05)*
Fokus TV[(3)]	1.14%	1.11%	*0.03*	1.17%	1.04%	*0.13*
Polsat Film	0.80%	0.83%	*(0.03)*	0.78%	0.83%	*(0.05)*
Polsat Play	0.72%	0.63%	*0.09*	0.73%	0.58%	*0.15*
Eska TV	0.63%	0.63%	-	0.62%	0.57%	*0.05*
Polo TV	0.61%	0.61%	-	0.60%	0.62%	*(0.02)*
Polsat Cafe	0.48%	0.39%	*0.09*	0.45%	0.38%	*0.07*
Polsat Sport	0.46%	0.12%	*0.34*	0.34%	0.13%	*0.21*
Nowa TV[(3)]	0.26%	0.31%	*(0.05)*	0.23%	0.32%	*(0.09)*
Eleven Sports 1	0.24%	0.11%	*0.13*	0.22%	0.14%	*0.08*
Polsat Seriale	0.21%	0.24%	*(0.03)*	0.25%	0.18%	*0.07*
Disco Polo Music	0.14%	0.15%	*(0.01)*	0.13%	0.13%	-
Polsat Doku	0.13%	0.11%	*0.02*	0.11%	0.11%	-
Vox Music TV	0.12%	0.12%	-	0.10%	0.11%	*(0.01)*
Polsat Sport Extra	0.10%	0.06%	*0.04*	0.10%	0.05%	*0.05*
Polsat Rodzina	0.08%	0.05%	*0.03*	0.09%	0.04%	*0.05*
Polsat Music HD	0.08%	0.06%	*0.02*	0.07%	0.05%	*0.02*
Eska TV Extra	0.07%	0.11%	*(0.04)*	0.08%	0.10%	*(0.02)*
Polsat Games	0.06%	0.06%	-	0.08%	0.06%	*0.02*
Polsat Sport News HD	0.06%	0.02%	*0.04*	0.05%	0.02%	*0.03*
Eleven Sports 2	0.05%	0.02%	*0.03*	0.05%	0.03%	*0.02*
Polsat News 2	0.04%	0.05%	*(0.01)*	0.04%	0.05%	*(0.01)*
Polsat Sport Fight	0.03%	0.04%	*(0.01)*	0.04%	0.04%	-
Eska Rock TV	0.03%	0.03%	-	0.03%	0.02%	*0.01*
Superstacja	0.02%	0.02%	-	0.02%	0.03%	*(0.01)*
Polsat 1[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*

Audience share	3 months ended June 30		Change / p.p.	6 months ended June 30		Change / p.p.
	2021	2020		2021	2020	
Polsat Sport Premium 1[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Film 2[(5)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat X[(5)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Reality[(5)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share [(6)]	**28.6%**	**27.4%**	***1.2 p.p.***	**29.0%**	***27.8%***	***1.2 p.p.***

Channels cooperating with Polsat Plus Group (non-consolidated)

Audience share	3 months ended June 30		Change / p.p.	6 months ended June 30		Change / p.p.
	2021	2020		2021	2020	
Polsat Comedy Central Extra[(7)]	0.43%	0.34%	*0.09*	0.39%	0.27%	*0.12*
CI Polsat	0.19%	0.11%	*0.08*	0.19%	0.14%	*0.05*
Polsat Viasat History	0.14%	0.16%	*(0.02)*	0.13%	0.14%	*(0.01)*
Polsat JimJam	0.13%	0.17%	*(0.04)*	0.14%	0.18%	*(0.04)*
Polsat Viasat Explore	0.12%	0.12%	-	0.12%	0.11%	*0.01*
Polsat Viasat Nature	0.05%	0.04%	*0.01*	0.05%	0.04%	*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 Plus Group and audience share of thematic channels, we take into account the moment of including the channel in our portfolio.

(3) Channel consolidated into Polsat Plus Group from September 2020.

(4) Channel not included in the telemetric panel.

(5) Channel airing since April 2021.

(6) Our evaluation based on Publicis Group's initial estimates.

(7) Channel included in Polsat Plus Group's portfolio in March 2020, previously the channel was aired under the name Comedy Central Family. Full broadcasting periods are presented.

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for Polsat Plus Group amounted to 24.4% in the second quarter of 2021, increasing by 1.4 p.p. YoY and to 24.2% in the first half of 2021, increasing by 1.1 p.p. YoY. 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) are decreasing in favor of the steadily growing audience shares of thematic channels, which is reflected in the increasing viewership of our thematic channels (15.5% in the second quarter of 2021 (+1.7% YoY) and 15.1% in the first half of 2021 (+1.5% YoY)) with a simultaneous decrease in the audience share of our main channel (8.9% (-0.3 p.p. YoY) and 9.1% (-0.4 p.p.), respectively).

During the analyzed period, viewers in the commercial group were attracted by many slots on our main channel's scheduling. Premier episodes of the TV series *Pierwsza miłość (First Love)* were constantly popular, gaining an audience share of 14.6% in the second quarter and 13.5% in the first half of 2021. In turn, Monday's film slot *Mega Hit* had an audience share of 10.4% in the second quarter and 10.8% in the first half of 2021.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*The News)*, maintained high viewership figures with an audience share of 12.9% in the second quarter and 13.7% in the first half of 2021. 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 12.8% in the second quarter and 13.1% in the first half of 2021. The journalistic series *Gość Wydarzeń (The News' Guest)* at 7.30 p.m. reached a 8.3% audience share in the second quarter and 9.0% in the first half of 2021.

The viewership results of the second quarter and the first half of 2021 were influenced by programs from the spring programming scheduling, which, despite the existing restrictions, was planned and executed in a relatively standard way and was not affected by the turbulences which took place a year ago during the first phase of the pandemic. Nevertheless, the current epidemic situation continues to determine the format of events which have previously been organized in a wide scale formula with audiences and requires their reshaping in such a way so as to respect binding restrictions.

A large audience was gathered by the show *Twoja Twarz Brzmi Znajomo (Your Face Sounds Familiar)* had on average a 11.8% audience share in the second quarter and 11.9% in the first half of 2021. The reality show *Love Island* was watched by 11.5% of the audience in the second quarter and 12.0% in the first half of 2021. Another scheduling item, the new series *Kowalscy kontra Kowalscy,* gathered on average 11.8% of viewers during its premiere episodes in the second quarter and 12.1% in the first half of 2021. In turn, the entertainment show *Ninja Warrior* aired in the spring of 2021 was watched by 7.4% of the audience in the second quarter and 7.7% in the first half of 2021. Another novelty of the scheduling, the crime series *Komisarz Mama (Inspector Mum)* reached an 8.2% audience share in the second quarter and 8.5% in the first half of 2021. As far as series broadcast in season schedulings are concerned, invariably the series *Girlfriends* was very popular with an audience share of 11.1% in both the second quarter and the first half of 2021.

In the analyzed period, a large audience was attracted by entertainment programs. In the second quarter of 2021, the success of *Polsat Superhit Festival* is worth underscoring. It was aired on June 25-26 are reached a 17.9% audience share. In turn, in the first half of 2021 high viewership figures were reached by the cabaret gala *Świętokrzyska Gala Kabaretowa* of January 3, 2021 with 12.9% of the audience and *Kabaretowa Moc Przebojów Wracamy (Cabaret Hits We Are Back)* of January 10, 2021 with a 12.8% audience share. Other programs with high viewership in the first half of 2021 included the gala *Gala Mistrzów Sportu (The Sports Champions Gala)* of January 9, 2021 which reached 12.0% of the audience and the beauty contest *Miss Polski 2020 (Miss Poland 2020)* of January 17, 2021 with an 11.3% audience share.

Average monthly number of users

The table below presents the list of websites, whose number of users exceeded 0.5 million in the second quarter of 2021. The Interia.pl portal is presented as a whole, without a breakdown into services.

The average monthly number of users (the 'real users' indicator from the Mediapanel survey) of Polsat-Interia Group websites reached 20.33 million in the second quarter and 20.26 million in the first half of 2021, nearly doubling its result compared to the second quarter and the first half of 2020, which was mainly the effect of the acquisition of Interia.pl Group in July 2020.

The horizontal portal Interia.pl recorded the highest number of users, totaling 14.37 million in the second quarter and 14.09 million in the first half of 2021, which represents the increases by 1.8% YoY and 1.7% YoY, respectively. In the analyzed period we also recorded a visible increase in the number of users of our gossip portal "pomponik.pl" which recorded increases by ca. 50% compared to the corresponding periods of the previous year. Dynamic growth of the number of users was also recorded by Polsat Box Go (formerly IPLA) and by our "polsatsport.pl" sports service. In turn, in the second quarter of 2021 we recorded a decrease of the number of users of “polsatnews.pl” news service. This change followed a significantly lower interest in news content related to the pandemic, which was to a high extent responsible for the service’s high result in the prior year.

Average monthly number of users (1) [in millions]	3 months ended June 30		Change	6 months ended June 30		Change
	2021 (2)	2020 (3)		2021 (2)	2020 (3)	
Group (4)	**20.33**	**10.84**	**9.49**	**20.26**	**10.33**	**9.93**
Selected websites:						
interia.pl (5)	14.37	14.11	0.26	14.09	13.86	0.23
pomponik.pl (5)	6.30	4.09	2.21	6.15	4.12	2.03
polsatnews.pl	4.37	5.17	(0.80)	4.78	4.30	0.48
smaker.pl (5)	3.69	3.27	0.42	3.98	3.27	0.71
ipla.tv + mobile app	2.69	1.68	1.01	2.79	1.65	1.14
polsatsport.pl	2.20	0.46	1.74	1.96	0.68	1.28
styl.pl (5)	1.88	1.71	0.17	1.93	1.74	0.19
bryk.pl (5)	1.77	2.13	(0.36)	2.11	1.93	0.18
twojapogoda.pl	1.69	1.44	0.25	1.94	1.14	0.80
deccoria.pl (5)	1.14	0.81	0.33	1.09	0.82	0.27
opracowania.pl (5)	0.71	0.96	(0.25)	0.89	0.86	0.03

(1) Real Users indicator.
(2) Data from Mediapanel survey.
(3) Data from Gemius/PBI survey.
(4) Data for 2021 for Polsat-Interia Group, data for 2020 for Cyfrowy Polsat Plus Group, without Interia Group websites.
(5) Data for 2020 for Interia Group websites acquired in July 2020 is not added to the Group’s total result.

Average monthly number of page views

The table below presents the list of websites, whose number of users exceeded 0.5 million in the second quarter of 2021. The Interia.pl portal is presented as a whole, without a breakdown into services.

The average monthly number of page views of Polsat-Interia Group websites reached 2.0 billion in the first quarter and 1.9 billion in the first half of 2021. These results are eleven time higher than in the corresponding periods of 2020. Following the acquisition of Interia.pl Group in July 2020 we have become one of the leading Internet publishers in Poland.

In the analyzed period the highest number of page views was generated by the Interia.pl horizontal portal. Its content was visited on average 1,049.2 million times per month during the second quarter and 1,003.8 million of times in the first half of 2021, which is 118.3 million and 108.1 million, respectively, more often than a year ago. A high and dynamically growing number of page views was recorded by the gossip portal “pomponik.pl”. It was viewed 67.4 million times in the second quarter and 87.1 million times in the first half of 2021, which represents an increase by 4.0 million and 16.3 million, respectively, compared to last year. Moreover, due to the resumption of sports events after the restrictions related to the epidemic situation were lifted, the sports service “polsatsport.pl” recorded high growth dynamics, with 12.1 million views in the second half and 10.8 million views in the first half of 2021, which is by 150% and 80%, respectively, more than a year ago.

Average number of page views (1) [million]	3 months ended June 30		Change	6 months ended June 30		Change
	2021 (2)	2020 (3)		2021 (2)	2020 (3)	
Group (4)	**2,028.1**	**175.9**	**1,852.2**	**1,883.6**	**166.4**	**1,717.2**
Selected websites:						
interia.pl (5)	1,049.2	930.9	118.3	1,003.8	895.7	108.1
pomponik.pl (5)	67.4	63.4	4.0	78.1	61.8	16.3
ipla.tv + mobile app	36.6	36.1	0.5	37.5	37.1	0.4
polsatnews.pl	28.2	36.3	(8.1)	29.7	29.0	0.7
smaker.pl (5)	19.2	22.9	(3.7)	22.7	23.6	(0.9)
twojapogoda.pl	17.8	18.4	(0.6)	17.8	15.8	2.0
bryk.pl (5)	12.1	4.8	7.3	10.8	6.0	4.8
polsatsport.pl	8.5	9.4	(0.9)	9.0	9.4	(0.4)
styl.pl (5)	8.0	8.2	(0.2)	9.6	8.0	1.6
deccoria.pl (5)	2.6	2.4	0.2	2.7	2.5	0.2
opracowania.pl (5)	1.5	1.9	(0.4)	1.9	1.7	0.2

(1) Views indicator – includes both views of classical websites and views of pages in mobile applications.
(2) Data from Mediapanel survey.
(3) Data from Gemius/PBI survey.
(4) Data for Q1 2021 for Polsat-Interia Group, data for Q1 2020 for Cyfrowy Polsat Plus Group, without Interia Group websites.
(5) Data for Q1 2020 for Interia Group websites acquired in July 2020 is not added to the Group's total result.

Advertising and sponsoring market share

According to preliminary estimates of Publicis Group, expenditures on TV advertising and sponsoring in the first half of 2021 amounted to approximately PLN 2.1 billion, increasing year-on-year by 21.3%. Based on these data, we estimate that in the first half of 2021 our TV advertising market share amounted to 29.0% and increased by 1.2 percentage points compared to 27.8% in the first half of 2020. In the second quarter of 2021 the expenditures on TV advertising and sponsoring amounted to approximately PLN 1.2 billion and our TV advertising market share increased by 1.2 percentage points to 28.6% from 27.4% in the corresponding period of 2020.

If we compare the current portfolio of Polsat Plus Group's channels, we generated 22% more GRPs in the second quarter of 2021 compared to the same period of 2020, whereas it should be noted that in the second quarter of 2020 the COVID-19 epidemic had reduced substantially our TV advertising revenue and, therefore, the above mentioned increase was observed.

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in 2020 online advertising expenditures increased at a rate of 4.9% YoY and reached the value of PLN 5.2 billion. This was principally the result of a good second half of the year in which the market rebounded after the breakdown from the beginning of the pandemic. The two main segments of the online advertising market in which we are present, i.e., display and video, were responsible for nearly 46% of total expenditures on the online advertising market and their total value increased by 3% YoY (+2.7% in display and +3.4% in video). We believe that following the acquisition of Interia Group and thus gaining a leading position on the online advertising market we can benefit from the growth of this promising advertising market segment in the future.

3.2. Review of the Group's financial situation

The following review of results for the three-and six-month periods ended June 30, 2021 was prepared based on the condensed consolidated financial statements for the six-month period ended June 30, 2021, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analyses.

It should be noted that the financial data for the three- and six-month periods ended June 30, 2021 and June 30, 2020 are not fully comparable due to the acquisitions and changes to the Group's structure, which are described in detail in item 1.2 - *Composition and structure of Polsat Plus Group – Changes in the organizational structure of Polsat Plus Group and their effects* – of this Report and item 1.2. of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for 2020.

Due to the fact that the results of the companies acquired from January 1, 2020 to June 30, 2021 do not have a material impact on the results of the Group we do not eliminate them when analyzing the Group's financial situation.

3.2.1. Income statement analysis

The description of key positions in the consolidated income statement is presented in item 4.3. of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for the year 2020.

Results for the second quarter of 2021

[mPLN]	for the 3 month period ended June 30		change	
	2021	2020	[mPLN]	[%]
Revenue	3,159.7	2,862.7	297.0	10.4%
Operating costs	(2,468.1)	(2,455.6)	(12.5)	0.5%
Other operating costs, net	(7.9)	(13.0)	5.1	(39.2%)
Profit from operating activities	**683.7**	**394.1**	**289.6**	**73.5%**
Gain/(loss) on investment activities, net	7.8	(1.2)	9.0	n/a
Finance costs, net	(60.5)	(47.7)	(12.8)	26.8%
Share of the profit/(loss) of associates accounted for using the equity method	25.0	17.8	7.2	40.4%
Gross profit for the period	**656.0**	**363.0**	**293.0**	**80.7%**
Income tax	(114.3)	(72.3)	(42.0)	58.1%
Net profit for the period	**541.7**	**290.7**	**251.0**	**86.3%**
EBITDA	***1,140.9***	**960.0**	***180.9***	***18.8%***
EBITDA margin	***36.1%***	***33.5%***	**-**	**-**
Costs related to COVID (incl. donations)	-	(41.5)	41.5	n/a
EBITDA adjusted	**1,140.9**	**1,001.5**	**139.4**	**13.9%**
EBITDA adjusted margin	**36.1%**	**35.0%**	**-**	**-**

Revenue

Our **total revenue** increased by PLN 297.0 million (+10.4%) YoY in the second quarter of 2021.

[mPLN]	for the 3 month period ended June 30		change	
	2021	2020	[mPLN]	[%]
Retail revenue	1,664.8	1,592.0	72.8	4.6%
Wholesale revenue	964.2	802.5	161.7	20.1%
Sale of equipment	350.4	392.9	(42.5)	(10.8%)
Other revenue	180.3	75.3	105.0	139.4%
Revenue	**3,159.7**	**2,862.7**	**297.0**	**10.4%**

Retail revenue increased by PLN 72.8 million (+4.6%) YoY, mainly as a result of the successful execution of our strategy aimed at building customer value, which is reflected in high dynamics of the ARPU growth from both contract and prepaid customers.

Wholesale revenue increased by PLN 161.7 million (+20.1%) YoY. A strong increase in advertising and sponsorship revenue results from a low point of reference (the advertising market suffered severe value loss at the time of the first lockdown in spring 2020), an increase in viewership of Telewizja Polsat's channels as well as the consolidation of results of Interia Group from July 2020.

Revenue from the **sale of equipment** decreased by PLN 42.5 million (-10.8%) YoY due to lower volumes of equipment sold. Despite the lift of the administrative restrictions on trade which had been introduced in connection with the COVID-19 epidemic, we continue to observe lower customer traffic in shopping malls and, consequently, in our points of sales.

Other revenue increased by PLN 105.0 million (+139.4%) YoY, mostly due to the consolidation of revenues of Esoleo, our subsidiary that sells photovoltaic installations to individual customers and to the B2B sector.

Operating costs

Our **operating costs** remained stable increasing by PLN 12.5 million (+0.5%) YoY in the second quarter of 2021.

[mPLN]	for the 3 month period ended June 30		change	
	2021	2020	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	633,0	636,1	(3,1)	(0,5%)
Depreciation, amortization, impairment and liquidation	457,2	565,9	(108,7)	(19,2%)
Cost of equipment sold	289,2	334,8	(45,6)	(13,6%)
Content costs	449,2	368,9	80,3	21,8%
Distribution, marketing, customer relation management and retention costs	230,6	232,0	(1,4)	(0,6%)
Salaries and employee-related costs	227,9	210,2	17,7	8,4%

[mPLN]	for the 3 month period ended June 30		change	
	2021	2020	[mPLN]	[%]
Cost of debt collection services and bad debt allowance and receivables written off	22,7	36,6	(13,9)	(38,0%)
Other costs	158,3	71,1	87,2	122,6%
Operating costs	**2.468,1**	**2.455,6**	**12,5**	**0,5%**

Technical costs and cost of settlements with telecommunication operators remained stable decreasing by PLN 3.1 million (-0.5%) YoY. Following a temporary pressure on interconnection settlements, which was caused by a higher number of voice connections made in the first months of the COVID-19 pandemic we observe a slight decline of this cost category.

Depreciation, amortization, impairment and liquidation costs decreased by PLN 108.7 million (-19.2%) YoY, mainly due to the ceased recognition of depreciation, starting from March 2021, of assets held for sale in connection with the disposal of our subsidiary Polkomtel Infrastruktura (currently Towerlink Poland), ongoing as at the balance date.

The **cost of equipment sold** decreased by PLN 45.6 million (-13.6%) YoY as a result of lower volumes of equipment sold, which corresponds with lower revenue from the sale of equipment.

Content costs increased by PLN 80.3 million (+21.8%) YoY, mainly as a result of higher costs of internal production and film licenses, reflecting our decision to allocate more resources in the budget in order to increase the attractiveness of our TV channels following the return of the television advertising market to a growth path after its significant weakening in the corresponding quarter of 2020, which was due to the COVID-19 epidemic. In addition, we record higher programming license costs, which is an effect of our customers choosing higher pay TV packages.

Distribution, marketing, customer relation management and retention costs decreased by PLN 1.4 million (-0.6%) YoY.

Salaries and employee-related costs increased by PLN 17.7 million (+8.4%) YoY, mainly due to the consolidation of companies acquired during the last 12 months, in particular Interia Group from July 2020 and TV Spektrum from September 2020, as well as an increase in headcount in Esoleo, which were the main drivers behind the increase at the Group level by 503 FTEs (+7.0%) YoY.

Average employment	for the 3 month period ended June 30		Change	
	2021	2020	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Plus Group(1)	7,646	7,143	503	7.0%

(1) Excluding workers who did not perform work in the reporting period due to long-term absences

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 13.9 million (-38.0%) YoY, mostly on the back of higher impairment provisions on receivables in the second quarter of 2020 in connection with the decision made at that time to change the vindication method with regard to overdue receivables, which had resulted from the then unsatisfactory prices on the debt collection market.

Other costs increased by PLN 87.2 million (+122.6%) YoY, mainly as a result of the recognition of costs associated with operations on the photovoltaic market.

Other operating costs, net amounted to PLN 7.9 million in the second quarter of 2021 and were lower by PLN 5.1 million (-39.2%) YoY.

Gain on investment activities, net amounted to PLN 7.8 million in the second quarter of 2021, compared to a loss on investment activities, net of PLN 1.2 million in the second quarter of 2020. Recognition of the gain in the second quarter of 2021 was mainly the effect of a favorable change on foreign exchange differences, which was due to the strengthening of the PLN versus other currencies.

Finance costs, net increased by PLN 12.8 million (+26.8%) YoY. This increase was caused mostly by the recognition of one-off revenue in the corresponding period of 2020 which was related to the modification of our bank loan agreements in April 2020.

Share of the profit of associates accounted for using the equity method amounted to PLN 25.0 million in the second quarter of 2021 compared to PLN 17.8 million in the second quarter of 2020. This item reflects mainly the recognition of our share in net profit of Asseco Poland, where we are the largest shareholder holding a 22.95% stake.

Income tax was higher by PLN 42.0 million (+58.1%) YoY, which corresponds with a 80.7% increase in gross profit to PLN 656.0 million.

As a result of the changes above described, **net profit** for the second quarter of 2021 increased by PLN 251.0 million (+86.3%) YoY and amounted to PLN 541.7 million.

EBITDA increased by PLN 180.9 million (+18.8%) YoY to the level of PLN 1,140.9 million in the second quarter of 2021 with EBITDA margin reaching 36.1% (+2.6 p.p. YoY). The increase in EBITDA was driven mainly by positive revenue growth dynamics supported, among others, by higher retail revenue and substantially higher revenue from TV advertising and sponsoring (including the effect of a low point of reference which was due to the COVID-19 epidemic) as well as by the consolidation of positive EBITDA of Interia.pl Group. Moreover, it should be noted that in the second quarter of 2020 Polsat Plus Group recognized additional costs related to counteracting the effects of COVID-19 in the amount of PLN 41.5 million, which further decreased the point of reference.

Excluding the costs related to COVID-19, including donations, **adjusted EBITDA** increased by PLN 139.4 million (+13.9%) in the second quarter of 2021, resulting in EBITDA margin of 36.1% (+1.1 p.p. YoY).

Results for the first half of 2021

[mPLN]	for the 6 month period ended June 30		Change	
	2021	2020	[mPLN]	[%]
Revenue	6,147.1	5,711.2	435.9	7.6%
Operating costs	(4,899.0)	(4,847.7)	(51.3)	1.1%
Other operating costs, net	(2.9)	(7.2)	4.3	(59.7%)
Profit from operating activities	**1,245.2**	**856.3**	**388.9**	**45.4%**
Loss on investment activities, net	(14.6)	(75.4)	60.8	(80.6%)
Finance costs, net	(117.6)	(201.5)	83.9	(41.6%)
Share of the profit of associates accounted for using the equity method	41.5	34.1	7.4	21.7%
Gross profit for the period	**1,154.5**	**613.5**	**541.0**	**88.2%**
Income tax	(222.4)	(139.0)	(83.4)	60.0%
Net profit for the period	**932.1**	**474.5**	**457.6**	**96.4%**
EBITDA	***2,223.6***	***1,986.7***	***236.9***	***11.9%***
EBITDA margin	***36.2%***	***34.8%***	-	-
Costs related to COVID (incl. donations)	-	(41.5)	41.5	n/a
EBITDA adjusted	***2,223.6***	***2,028.2***	***195.4***	***9.6%***
EBITDA adjusted margin	***36.2%***	***35.5%***	-	-

Revenue

Our **total revenue** increased by PLN 435.9 million (+7.6%) YoY in the first half of 2021.

[mPLN]	for the 6 month period ended June 30		Change	
	2021	2020	[mPLN]	[%]
Retail revenue	3,328.9	3,196.5	132.4	4.1%
Wholesale revenue	1,844.9	1,626.2	218.7	13.4%
Sale of equipment	683.1	738.6	(55.5)	(7.5%)
Other revenue	290.2	149.9	140.3	93.6%
Revenue	**6.147,1**	**5.711,2**	**435,9**	**7,6%**

Retail revenue increased by PLN 132.4 million (+4.1%) YoY, mainly as a result of the successful execution of our strategy aimed at building customer value, which is reflected in high dynamics of the ARPU growth from both contract and prepaid customers.

Wholesale revenue increased by PLN 218.7 million (+13.4%) YoY. A significant increase in advertising and sponsorship revenue following its decrease in the previous year due to the outbreak of the COVID-19 epidemic and the effect of consolidation of Interia Group's results from July 2020 was supported by higher revenue from the sales of channels to cable and satellite operators.

Revenue from the **sale of equipment** decreased by PLN 55.5 million (-7.5%) YoY due to lower volumes of equipment sold which was caused by the administrative restrictions on trade related to the COVID-19 epidemic and binding in the first months of 2021 , as well as the observed lower customer traffic in shopping malls after the removal of the restrictions.

Other revenue increased by PLN 140.3 million (+93,6%) YoY, mostly due to the consolidation of revenues of Esoleo, our subsidiary that sells photovoltaic installations to individual customers and to the B2B sector.

Operating costs

Our **operating costs** increased by PLN 51.3 million (+1.1%) YoY in the first half of 2021.

[mPLN]	for the 6 month period ended June 30		Change	
	2021	2020	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	1,257.7	1,236.9	20.8	1.7%
Depreciation, amortization, impairment and liquidation	978.4	1,130.4	(152.0)	(13.4%)
Cost of equipment sold	565.9	617.1	(51.2)	(8.3%)
Content costs	868.6	757.7	110.9	14.6%
Distribution, marketing, customer relation management and retention costs	459.6	456.4	3.2	0.7%
Salaries and employee-related costs	464.8	432.1	32.7	7.6%
Cost of debt collection services and bad debt allowance and receivables written off	52.5	80.9	(28.4)	(35.1%)
Other costs	251.5	136.2	115.3	84.7%
Operating costs	**4,899.0**	**4,847.7**	**51.3**	**1.1%**

Technical costs and cost of settlements with telecommunication operators increased by PLN 20.8 million (+1.7%) YoY, mainly as a result of higher costs of roaming and costs of using satellite transponders as well as due to the consolidation of costs of Interia Group and TV Spektrum in the first half of 2021.

Depreciation, amortization, impairment and liquidation costs decreased by PLN 152.0 million (-13.4%) YoY, mainly due to the ceased recognition of depreciation, starting from March 2021, of assets held for sale in connection with the disposal of our subsidiary Polkomtel Infrastruktura (currently Towerlink Poland) , ongoing as at the balance date.

The **cost of equipment sold** decreased by PLN 51.2 million (-8.3%) YoY as a result of lower volumes of equipment sold, which corresponds with lower revenue from the sale of equipment.

Content costs increased by PLN 110.9 million (+14.6%) YoY, mainly as a result of higher costs of internal production and due to, among others, the higher number of sports events and films being broadcast than in the corresponding period of 2020, when the outbreak of the COVID-19 epidemic occured. In addition, we record higher programming license costs, which is an effect of our customers choosing higher pay TV packages.

Distribution, marketing, customer relation management and retention costs increased by PLN 3.2 million (+0.7%) YoY mainly due to intensified marketing activities.

Salaries and employee-related costs increased by PLN 32.7 million (+7.6%) YoY, mainly due to the consolidation of companies acquired during the last 12 months, in particular Interia Group from July 2020 and TV Spektrum from September 2020, as well as an increase in headcount in Esoleo, which were the main drivers behind the increase at the Group level by 473 FTEs (+6.6%) YoY.

Average employment	for the 6 month period ended June 30		Change	
	2020	2019	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Plus Group(1)	7,650	7,177	473	6.6%

(1) Excluding workers who did not perform work in the reporting period due to long-term absences.

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 28.4 million (-35.1%) YoY, mostly on the back of higher impairment provisions on receivables in the first half of 2020 in connection with the decision made at that time to change the vindication method with regard to overdue receivables, which had resulted from the then unsatisfactory prices on the debt collection market.

Other costs increased by PLN 115.3 million (+84.7%) YoY, mainly as a result of the recognition of costs associated with operations on the photovoltaic market.

Other operating costs, net amounted to PLN 2.9 million in the first half of 2021 and were lower by PLN 4.3 million (-59.7%) YoY.

Loss on investment activities, net amounted to PLN 14.6 million in the first half of 2021, compared to a loss on investment activities, net of PLN 75.4 million in the first half of 2020. This was mainly the effect of the recognition of a profit in the first half of 2021 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 against the recognition of a loss in the comparative period.

Finance costs, net decreased by PLN 83.9 million (-41.6%) YoY. This decrease was caused, among others, by lower costs of servicing debt following the reduction of interest rates by the National Bank of Poland during 2020 by 140 bps in total. Moreover, in the first half of 2020 we recognized a cost in connection with a change in valuation of hedging instruments (IRS) not used in hedge accounting following the reduction of interest rates executed by the National Bank of Poland.

Share of the profit of associates accounted for using the equity method amounted to PLN 41.5 million compared to PLN 34.1 million in the first half of 2020. This was the effect of the recognition of a share in net profit of Asseco Poland following the acquisition of a 22.95% stake.

Income tax was higher by PLN 83.4 million (+60.0%) YoY, which corresponds with a 88.2% increase in gross profit to PLN 1,154.5 million.

As a result of the changes above described, **net profit** for the first half of 2021 increased by PLN 457.6 million (+96.4%) YoY and amounted to PLN 932.1 million.

EBITDA increased by PLN 236.9 million (+11.9%) YoY to the level of PLN 2,223.6 million in the first half of 2021 with EBITDA margin reaching 36.2% (+1.4 p.p. YoY). The increase in EBITDA was driven mainly by positive revenue growth dynamics supported, among others, by higher retail revenue and noticeably higher revenue from TV advertising and sponsoring as well as by the consolidation of positive EBITDA of Interia.pl Group. Moreover, it should be noted that in the first half of 2020 Polsat Plus Group recognized additional costs related to COVID-19 in the amount of PLN 41.5 million, which decreased the point of reference.

Excluding the costs related to COVID-19, including donations, **adjusted EBITDA** increased by PLN 195.4 million (+9.6%) in the first half of 2021, resulting in EBITDA margin of 36.2% (+0.7 p.p. YoY).

3.2.2. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

Services provided in the B2C and B2B customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services where revenues are generated mainly from pay TV subscription fees,
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from settlements with mobile network operators, traffic 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 (Polsat Box Go, formerly IPLA) available on computers, smartphones, tablets, smart TV sets, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet,
- premium rate services based on SMS/IVR/MMS/WAP technologies,
- production of set-top boxes,
- sale of telecommunication equipment,
- sale of electric energy and other media to retail customers,
- sale of photovoltaic installations.

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the six-month period ended June 30, 2021:

6-month period ended June 30, 2021 (unaudited) [mPLN]	B2C and B2B services segment	Media segment: television and online	Consolidation adjustments	Total
Revenues from sales to third parties	5,180.3	966.8	-	**6,147.1**
Inter-segment revenues	31.4	110.4	(141.8)	**-**
Revenues	**5,211.7**	**1,077.2**	**(141.8)**	**6,147.1**
EBITDA (unaudited)	**1,888.4**	**335.2**	**-**	**2,223.6**
Depreciation. amortization. impairment and liquidation	916.7	61.7	-	**978.4**
Profit from operating activities	**971.7**	**273.5**	**-**	**1,245.2**
Acquisition of property. plant and equipment and other intangible assets	610.9	59.1	-	**670.0**
Acquisition of reception equipment	55.6	-	-	**55.6**
Balance as at June 30, 2021 (unaudited)				
Assets. including:	27,203.9	5,778.7 [1)]	(60.3)	**32,922.3**
Investments in joint venture and associates	1,740.2	5.9	-	**1,746.1**

[1)] Includes non-current assets located outside of Poland in the amount of PLN 9.2 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the six-month periods ended June 30, 2021 and June 30, 2020 allocated to the B2C and B2B services segment and the media segment are not fully comparable due changes in the Group's structure which were presented in detail in item 1.2. - *Composition and structure of Polsat Plus Group – Changes in the organizational structure of Polsat Plus Group and their effects* – of this Report and item 1.2. of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for 2020.

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

6-month period ended June 30, 2020 (unaudited) [mPLN]	B2C and B2B services segment	Media segment: television and online		Consolidation adjustments	Total
Revenues from sales to third parties	4,942.3	768.9		-	**5,711.2**
Inter-segment revenues	29.6	103.9		(133.5)	-
Revenues	**4,971.9**	**872.8**		**(133.5)**	**5,711.2**
adjusted EBITDA (unaudited)	**1,758.8**	**269.4**		**-**	**2,028.2**
Costs related to COVID-19 (including donations)	37.8	3.7		-	**41.5**
EBITDA (unaudited)	**1,721.0**	**265.7**		**-**	**1,986.7**
Depreciation, amortization, impairment and liquidation	1,100.1	30.3		-	**1,130.4**
Profit from operating activities	**620.9**	**235.4**		**-**	**856.3**
Acquisition of property, plant and equipment and other intangible assets	497.8	37.9		-	**535.7**
Acquisition of reception equipment	71.1	-		-	**71.1**
Balance as at June 30, 2020 (unaudited)					
Assets, including:	27,210.3	5,482.2	1)	(69.7)	**32,622.8**
Investments in joint venture and associates	1,271.6	18.4		-	**1,290.0**

[1)] Includes non-current assets located outside of Poland in the amount of PLN 10.9 million.

3.2.3. Balance sheet analysis

As at June 30, 2021 our balance sheet amounted to PLN 32,957.5 million and was lower by PLN 157.5 million compared to its level as at December 31, 2020.

Assets

[mPLN]	June 30 2021	December 31 2020	Change [mPLN]	Change [%]
Reception equipment	288.6	293.4	(4.8)	(1.6%)
Other property, plant and equipment	3,072.7	5,391.0	(2,318.3)	(43.0%)
Goodwill	10,664.9	11,808.4	(1143.5)	(9.7%)
Customer relationships	1,208.0	1,412.7	(204.7)	(14.5%)
Brands	2,095.2	2,031.7	63.5	3.1%
Other intangible assets	2,462.9	2,616.4	(153.5)	(5.9%)
Right-of-use assets	712.6	1,519.4	(806.8)	(53.1%)
Non-current programming assets	243.3	282.5	(39.2)	(13.9%)

[mPLN]	June 30 2021	December 31 2020	Change	
			[mPLN]	[%]
Investment property	49.8	50.0	(0.2)	(0.4%)
Non-current deferred distribution fees	82.1	93.5	(11.4)	(12.2%)
Non-current trade receivables	774.0	832.0	(58.0)	(7.0%)
Other non-current assets, includes	1,799.7	1,283.6	516.1	40.2%
shares in associates accounted for using the equity method	*1,740.2*	*1,257.8*	*482.4*	*38.4%*
derivative instruments	*4.0*	*0.4*	*3.6*	*>100.0%*
Deferred tax assets	106.6	223.2	(116.6)	(52.2%)
Total non-current assets	**23,560.4**	**27,837.8**	**(4,277.4)**	**(15.4%)**
Current programming assets	477.0	413.2	63.8	15.4%
Contract assets	476.2	537.7	(61.5)	(11.4%)
Inventories	439.1	299.4	139.7	46.7%
Trade and other receivables	2,441.5	2,390.4	51.1	2.1%
Income tax receivables	11.8	9.0	2.8	31.1%
Current deferred distribution fees	222.5	222.4	0.1	0.0%
Other current assets	44.2	39.3	4.9	12.5%
includes derivative instruments	*1.6*	*2.0*	*(0.4)*	*(20.0%)*
Cash and cash equivalents	659.8	1,355.4	(695.6)	(51.3%)
Restricted cash	8.7	10.4	(1.7)	(16.3%)
Total current assets	**4,780.8**	**5,277.2**	**(496.4)**	**(9.4%)**
Assets held for sale	4,581.1	-	4,581.1	n/a
includes cash and cash equivalents	95.5	-	95.5	n/a
Total assets	**32,922.3**	**33,115.0**	**(192.7)**	**(0.6%)**

In the first half of 2021, our **non-current assets** decreased by PLN 4,277.4 million (-15.4%) and accounted for 71.6% of total assets. The decrease in the value of non-current assets was driven mainly by the transfer into a separate balance sheet item of assets held for sale in connection with the ongoing at the balance date disposal of our subsidiary Polkomtel Infrastruktura (currently Towerlink Poland), which owned the mobile part of Polsat Plus Group's telecommunication network, and was reflected in particular in the "Other non-current assets" and "Right-of-use assets" items. In turn, as at June 30, 2021, we recorded an increase in the value of other non-current assets by PLN 516.1million (+40.2%). This item included mainly the value of our 22.95% stake in Asseco Poland S.A., which we acquired in 2019, and the value of our 10.0% stake in eobuwie S.A., acquired in June 2021. Moreover, during the first half of 2021, the value of customer relationships decreased by PLN 204.7 million (-14.5%) and other intangible assets (mostly telecommunication licenses) decreased by PLN 153.5 million (-5.9%) due to the gradually recognized amortization. In turn, a decrease of the value of goodwill by PLN 1,143.5 million (-9.7%) resulted from the allocation of approximately PLN 1.0 billion of goodwill to Polkomtel Infrastruktura's assets held for sale and the completed purchase price allocation process in connection with the acquisition of Interia Group.

In the first half of 2021, our **current assets** decreased by PLN 496.4 million (-9.4%) and accounted for 14.5% of total assets of the Group. The value of non-current assets was lower mainly due to a decrease in the value of cash and cash equivalents by PLN 695.6 million (-51.3%), which was, among others, the effect of the transfer into a separate balance sheet item of assets held for sale in connection with the disposal of Polkomtel Infrastruktura (currently Towerlink Poland), the payout of the second tranche of the dividend for 2019 and the acquisition of a 10% stake in eObuwie.pl as well as the acquisition of shares in Netia. Furthermore, the value of contract assets, which represents the Company's right to future remuneration for the products and services already provided to customers, was lower by PLN 61.5 million (-11.4%) at the end of the first half of 2021 compared to its level as at the end of December 2020. In parallel, in the first half of 2021 we recorded an increase in the value of inventories by PLN 139.7 million (+46.7%), due to our entry into the photovoltaic market and a decision to upsurge purchases of telecommunication equipment. The value of current programming assets increased by PLN 63.8 million (+15.4%) which was associated with the purchase of additional film licenses and sports rights.

The value of **cash and cash equivalents** and restricted cash decreased by PLN 697.3 million (-51.1%) compared to its level as at December 31, 2020. The decrease was principally the effect of the acquisition of a 10% stake in eObuwie.pl for the amount of PLN 500.0 million, the continued acquisition of Netia shares, the payment of the second tranche of the dividend for 2019 in January 2021 and the return to regular quarterly repayments of the bank loan, which was compensated for to a significant extent by a stable stream of generated free cash flows. Furthermore, the value of cash and cash equivalents was impacted by the transfer into a separate balance sheet item of PLN 95.5 million representing part of assets which were carved out as assets held for sale in connection with the ongoing at the balance date disposal of our subsidiary Polkomtel Infrastruktura (currently Towerlink Poland).

Equity and liabilities

[mPLN]	June 30 2021	December 31 2020	Change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Share of other comprehensive income of associates	21.3	21.2	0.1	0.5%
Other reserves	(22.1)	99.7	(121.8)	n/a
Retained earnings	7,273.7	7,112.3	161.4	2.3%
Equity attributable to equity holders of the Parent Company	**14,472.5**	**14,432.8**	**39.7**	**0.3%**
Non-controlling interests	489.9	(6.6)	496.5	n/a
Total equity	**14,962.4**	**14,426.2**	**536.2**	**3.7%**
Loans and borrowings	8,514.2	8,887.8	(373.6)	(4.2%)
Issued bonds	1,960.1	1,959.2	0.9	0.0%
Lease liabilities	504.2	1,140.5	(636.3)	(55.8%)
UMTS license liabilities	135.7	136.7	(1.0)	(0.7%)
Deferred tax liabilities	885.5	902.1	(16.6)	(1.8%)
Other non-current liabilities and provisions	95.4	388.1	(292.7)	(75.4%)
includes derivative instruments liabilities	*1.4*	*16.8*	*(15.4)*	(91.7%)
Total non-current liabilities	**12,095.1**	**13,414.4**	**(1,319.3)**	**(9.8%)**
Loans and borrowings	1,053.4	753.0	300.4	39.9%
Issued bonds	38.6	38.7	(0.1)	(0.3%)

[mPLN]	June 30 2021	December 31 2020	Change	
			[mPLN]	[%]
Lease liabilities	201.5	432.5	(231.0)	(53.4%)
UMTS license liabilities	125.8	126.7	(0.9)	(0.7%)
Contract liabilities	646.7	675.6	(28.9)	(4.3%)
Trade and other payables	1,742.5	2,155.3	(412.8)	(19.2%)
includes derivative instruments	*24.4*	*39.2*	*(14.8)*	(37.8%)
Liabilities to shareholders of the Parent Company related to dividend	*767.5*	415.7	351.8	84.6%
Liabilities due to tender offer for shares in Netia S.A.	-	548.0	(548.0)	(100.0%)
Income tax liability	65.0	128.9	(63.9)	(49.6%)
Total current liabilities	**4,641.0**	**5,274.4**	**(633.4)**	**(12.0%)**
Liabilities held for sale	1,223.8	-	1,223.8	n/a
includes lease liabilities	*769.4*	-	*769.4*	*n/a*
Total liabilities	**17,959.9**	**18,688.8**	**(728.8)**	**(3.9%)**
Total equity and liabilities	**32,922.3**	**33,115.0**	**(192.7)**	**(0.6%)**

During the first half of 2021 **Equity** increased by PLN 536.2 million (+3.7%) to PLN 14,962.4 million as at June 30, 2021. This was the result of profit generated in the first half of 2021 in the amount of PLN 932.1 million and the reversal of the liability recognized as at December 31, 2020 in relation with the tender offer for shares of Netia, which resulted in re-recognition in equity of the value of non-controlling interest. Simultaneously, equity was reduced by the recognized liability related to the dividend in the amount of PLN 767.5 million.

Total liabilities decreased by PLN 728.9 million (-3.9%) and amounted to 17,959.9 million as at June 30, 2021, out of which current liabilities amounted to PLN 4,641.0 million and non-current liabilities were PLN 12,095.1 million (constituting 25.8% and 67.3% of total liabilities, respectively). Compared to the end of December 2020, the value of our current liabilities decreased by PLN 633.4 million (-12.0%) while non-current liabilities decreased by PLN 1,319.3 million (-9.8%), which resulted from the transfer of liabilities held for sale into a separate balance sheet item in connection with the ongoing at the balance date disposal of Polkomtel Infrastruktura (currently Towerlink Poland), the owner of the mobile part of Polsat Plus Group's telecommunication network. Moreover, a decrease in the value of current liabilities by PLN 548.0 million was impacted by the completion of the tender offer for shares of Netia S.A. and the settlement of the second tranche of the dividend for 2019.

In connection with the ongoing at the balance date disposal of our subsidiary Polkomtel Infrastruktura and the transfer into a separate balance sheet item of liabilities held for sale, which also include lease liabilities, as at June 30, 2021 the value of **lease liabilities** (short- and long-term) was lower by PLN 867.3 million (-55.1%) compared to December 31, 2020.

The value of **trade and other payables** decreased by PLN 412.8 million (-19.2%) as at June 30, 2021 compared to the end of December 2020. This decrease was driven by lower value of trade payables which resulted from the settlement of a part of payments related to investment outlays carried during the fourth quarter for 2020, as well as the transfer of liabilities held for sale into a separate balance sheet item.

As at June 30, 2021, we recorded a decrease in **income tax liabilities** by PLN 63.9 million (-49.6%) compared to their level as at December 31, 2020, mainly due to the payment of the corporate income tax which had been settled in the course of 2020 by advance payments.

Contractual obligations

Commitments to purchase programming assets

As at June 30, 2021 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	June 30, 2021 (unaudited)	December 31, 2020
within one year	332.4	182.9
between 1 to 5 years	842.2	315.6
more than 5 years	42.1	45.1
Total	**1,216.7**	**543.6**

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

[mPLN]	June 30, 2021 (unaudited)	December 31, 2020
within one year	75.7	22.1
between 1 to 5 years	-	0.2
Total	**75.7**	**22.3**

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 444.6 million as at June 30, 2021 (PLN 313.2 million as at December 30, 2020), of which PLN 269.9 million were related as at June 30, 2021 to contractual liabilities of Polkomtel Infrastruktura (a subsidiary we disposed of on July 8, 2021). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 107.2 million as at June 30, 2021 (PLN 64.9 million as at December 30, 2020).

Future contractual obligations

As at June 30, 2021 and December 31, 2020 the Group had future liabilities due for transponder capacity agreements. The table below presents future payments (total):

[mPLN]	June 30, 2021 (unaudited)	December 31, 2020
within one year	123.4	126.0
between 1 to 5 years	436.3	503.9
Total	**559.7**	**629.9**

3.2.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the six-month periods ended June 30, 2021 and June 30, 2020.

[mPLN]	for six months ended June 30		Change	
	2021	2020	[mPLN]	[%]
Net profit	932.1	474.5	457.6	96.4%
Net cash from operating activities	**1,618.7**	**1,353.2**	**265.5**	**19.6%**
Net cash used in investing activities	**(1,339.2)**	**(544.1)**	**(795.1)**	**146.1%**
Capital expenditures	*(670.0)*	*(535.7)*	*(134.3)*	*25.1%*
Capital expenditures /revenue	*10.9%*	*9.4%*	*n/a*	*1.5 p.p.*
Net cash from financing activities	**(879.3)**	**(243.2)**	**(636.1)**	**(>100%)**
Net increase/(decrease) in cash and cash equivalents	(599.8)	565.9	(1,165.7)	n/a
Cash and cash equivalents at the beginning of the period	1,365.8	753.1	612.7	81.4%
Cash and cash equivalents at the end of the period	**668.5**	**1,320.5**	**(652.0)**	**(49.4%)**

Net cash from operating activities

Net cash from operating activities amounted to PLN 1,618.7 million in the first half of 2021 and increased by PLN 265.5 million (+19.6%) YoY. The increase in net cash from operating activities was impacted by higher EBITDA generated in the first half of 2021, which increased by PLN 236.9 million, combined with a lower amount of income tax settled by cash (being an effect of a lower surcharge to the income tax which had been settled in the course of the prior year by advance payments than in the corresponding period). The above mentioned factors compensated for the negative impact of higher payments for film licenses and sports rights.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 1,339.2 million in the first half of 2021 and increased by PLN 795.1 million (+146.1%) YoY. The higher amount of cash used in our investing activities reflects in particular our decision to purchase a 10% stake in eObuwie.pl S.A. and the continued increase of our capital engagement in the ownership of our subsidiary Netia.

In turn, capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 670.0 million in the first half of 2021 and increased by PLN 134.3 million (+25.1%) YoY. In the first half of 2021, capital expenditures included, in particular, the deployment of the 5G network based on the 2600 MHz TDD band, expansion of fiber optic cables, radio links and transmission nodes, and expenditures related to the continued project of complex modernization and exchange of the IT environment of the Group, as well as costs related to the construction of a data center by Netia and the construction of an office building complex at Puławska St. in Warsaw. At the same time we also invested in the development of our media segment, including, among others, Internet projects, set-top boxes and the development of functionalities of applications and streaming platforms (Polsat Box GO – formerly IPLA and Cyfrowy Polsat GO), the purchase of another outside broadcast van, TV studios' equipment, and we also successively exchanged our car fleet and the interior design of our points of sales, and incurred other administrative expenses.

Net cash used in finance activities

Net cash used in financing activities amounted to PLN 879.3 million in the first half of 2021, up by PLN 636.1 million YoY. The increase of this item in the first half of 2021 was among others owing to the payout of the second tranche of the dividend for 2019 in the amount of PLN 415.7 million and the return to regular quarterly repayments of Tranche A of our Senior Credit Facility.

3.2.5. Liquidity and capital resources

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

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

The table below presents a summary of the indebtedness of the Group as at June 30, 2021.

	Balance value as at June 30, 2021 [mPLN]	Coupon / interest / discount	Maturity date
SFA (Tranche A and B)	9,117.0	WIBOR + margin	Tranche A - 2024 Tranche B - 2025
Revolving Credit Facility (RCF)	445.0	WIBOR + margin	-
Series B and C Bonds	1,998.7	Series B - WIBOR + 1.75% Series C - WIBOR + 1.65%	Series B – 2026 Series C – 2027
Leasing and other[1]	1,480.7	-	-
Gross debt	**13,041.4**	-	-
Cash and cash equivalents[2]	(764.0)	-	-
Net debt	**12,277.4**	-	-
EBITDA LTM[3]	4,433.2	-	-
Total net debt / EBITDA LTM	**2.77x**	-	-
Weighted average interest cost[4]	-	1.6%	-

(1) This item includes lease liabilities which were recognized separately as part of the liabilities held for sale.

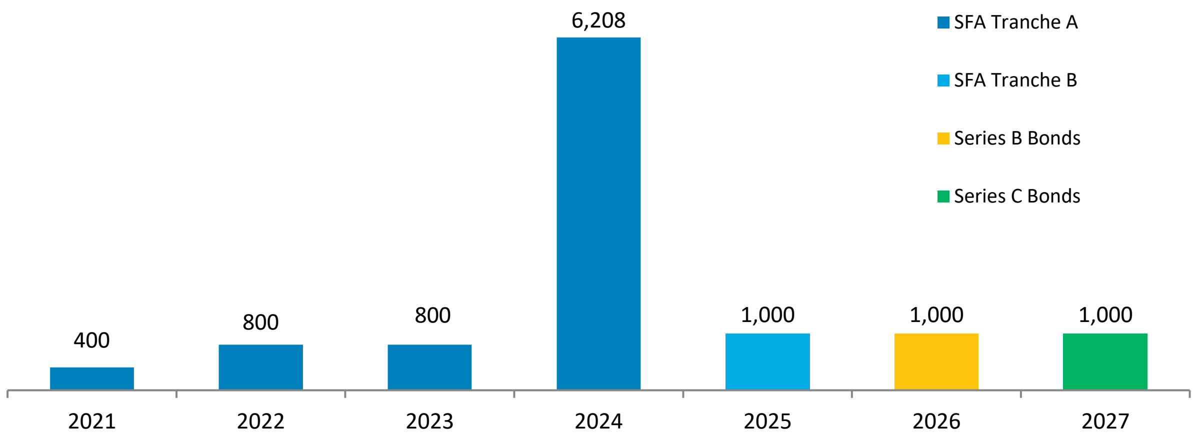
(2) This item comprises cash and cash equivalents, including restricted cash, as well as short-term deposits. Also includes cash and cash equivalents presented in the balance sheet as assets held for sale.

(3) In accordance with the requirement of the SFA, the EBITDA LTM calculation is based on adjusted EBITDA, i.e., without COVID19 related costs, including donations.

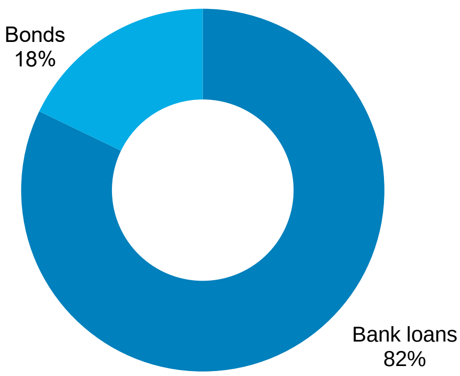
(4) Prospective average weighted interest cost of the SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at June 30, 2021 assuming WIBOR 1M of 0.18% and WIBOR 6M of 0.25%.

The graphs below present the debt maturity profile of Polsat Plus Group's debt as well as its structure according to instrument type and currency (expressed in nominal values and excluding the indebtedness under the RCF and leasing) as at June 30, 2021.

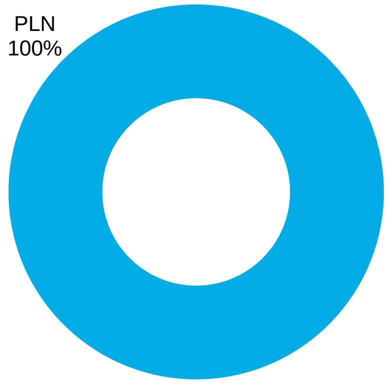
Debt maturing profile as at June 30, 2021 [mPLN]



Debt strucutre by instrument type as at June 30, 2021



Debt structure by currency as at June 30, 2021



In order to reduce exposure to interest rate risk related to interest payments on the SFA, as amended, based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular. As at June 30, 2021, transactions hedging the WIBOR interest rate changes, opened by companies from the Group and maturing in different periods in the years 2021-2023, amounted to a maximum of PLN 2,750.0 million.

The description of significant financing agreements executed by the Company and the Group companies, which remain in force as at the date of publication of this Report is presented in item 4.4.5. of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for 2020.

Ratings

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

Rating agency	Rating / perspective	Previous rating / perspective	Rating/outlook date	Last review date
Moody's Investor Service	Ba1 / stable	Ba2 / positive	11.06.2019	19.07.2021
S&P Global Ratings	BB+/ positive	BB+/ stable	18.12.2018	04.03.2021

On March 4, 2021, S&P Global affirmed the Group's rating at BB+ with a positive outlook. In the rationale S&P Global stated that the transaction to sell mobile infrastructure, which was announced on February 26, 2021, created an opportunity to execute on the Company's strategy aimed at reducing net debt/ EBITDA ratio to less than 2.0x by the end of 2024. In parallel, S&P Global pointed out that the final view on the transaction and its impact on the Company's results and credit ratios is not certain and depends on many factors, such as, among others, the use of resources and specific terms of the Master Services Agreement with Cellnex. The agency maintained its opinion that convergent services support higher ARPU levels, which translates into stable growth of revenue and EBITDA. Moreover, the agency underlined in its release that it expects positive impact from the upselling of 5G services, given a delay in the 5G frequency auction.

The positive outlook indicates that the Group's rating could be upgraded over the next few quarters if the transaction to sell mobile infrastructure of the Group would translate into a decline of the adjusted debt to EBITDA ratio below 3.0x (according to S&P's methodology) coupled with free operating cash flow to debt approaching 15%. Rating uplift would also depend on S&P Global's view of the impact on the Company's debt ratio and business risk profile following the transaction. On the other hand, a downward revision of the outlook from positive to stable could occur if the Group's adjusted debt to EBITDA remains above 3.0x (according to S&P's methodology) post transaction closing, which could stem from the significant increase in lease liabilities to more than offsets any potential deleveraging.

On July 19, 2021, Moody's Investors Service issued an update to its credit opinion about the Group, without changes in the rating or the outlook, i.e., the corporate family rating (CFR) was maintained at Ba1 with stable outlook. When updating its credit opinion, Moody's tightened the credit metrics required for the Ba1 rating level in order to reflect the operational liability arising from the long-term agreement between the Group and Cellnex Telecom. In parallel, Moody's stated that the rating of Polsat Plus Group reflects in particular: (1) its market leading positions in pay TV, online video, and fixed and mobile telephony and broadband services; (2) the benefits of being an integrated media and telecommunications group with a fully convergent commercial proposition; (3) its public commitment to reach a net debt/EBITDA leverage of 2.0x over the medium term; (4) its stable free cash flow generation; and (5) the high level of cash following the sale of Polkomtel Infrastruktura, which will enhance liquidity significantly and reduce net leverage. In Moody's opinion, positive rating pressure is unlikely in the medium term given the Group's small scale relative to similarly-rated peers, its concentration in Poland, and its high, in Moody's opinion, leverage. However, overtime, positive pressure could emerge if the Group demonstrates sustained revenue, EBITDA and margin improvement, and continues reducing debt. On the other hand, negative rating pressure could be exerted as a result of a significant weakening of its operating performance or a material increase in shareholder distributions, not offset by a debt reduction, resulting in increased debt levels above certain indicators defined by Moody's.

3.2.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Senior Facilities Agreement

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

(i) registered pledges over variable collections of movable property and rights comprised in the enterprises of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.; the security was released as a result of the transaction of sale of Polkomtel Infrastruktura shares on July 8, 2021) and Plus Flota Sp. z o.o., governed by Polish law.

(ii) financial and registered pledges on shares in Telewizja Polsat (with an aggregate nominal value of PLN 236,945,700), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company. The pledged shares represent 100% less 10 shares of the share capital of the company and are held by the Company as a long-term capital investment.

(iii) financial and registered pledges on shares in Polkomtel (with a total nominal value of PLN 2,360,068,800), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company. The pledged shares represent 100% less 10 shares of the share capital of the company and are held by the Company as a long-term capital investment.

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

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

(vi) financial and registered pledges on shares in Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o. with a total nominal value of PLN 29,494,600), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent approximately 28.50% of the share capital of the company (the security was released as a result of the transaction of sale of Polkomtel Infrastruktura shares on July 8, 2021).

(vii) financial and registered pledges on receivables under bank account agreements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o; the security was released as a result of the transaction of sale of Polkomtel Infrastruktura shares on July 8, 2021), governed by Polish law.

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

z o.o.; the security was released as a result of the transaction of sale of Polkomtel Infrastruktura shares on July 8, 2021) and Plus Flota Sp. z o.o., governed by Polish law.

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

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

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

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

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

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

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

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

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

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

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

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

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

(xxii) statements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel and Polkomtel Infrastruktura Sp. z o.o. (formerly PL 2014 Sp. z o.o.; the security was released as a result of the transaction of sale of Polkomtel Infrastruktura shares on July 8, 2021) on the submission to enforcement on the basis of a notarial deed, governed by Polish law, and

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

4. Other significant information

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

Transactions with parties related to Polsat Plus Group in the first half of 2021 have been concluded exclusively on market conditions and are described in Note 19 of the condensed consolidated financial statements for the six-month period ended June 30, 2021.

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

Polsat Plus Group had not published any financial forecasts.

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

Management believes that the provisions as at June 30, 2021 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

On December 30, 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision. On March 5, 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in the remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court. On April 1, 2021 SOKiK dismissed Polkomtel's appeal.

On December 30, 2016, the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 5.3 million and PLN 18.4 million, respectively. The Group appealed to SOKiK against the decision. On June 18, 2019, SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On August 7, 2019, the court dismissed the appeal of Cyfrowy Polsat. The Company appealed against the decision. Pursuant to the Court of Appeals verdict from March 11, 2021, the Company paid a penalty of PLN 5.3 million on March 26, 2021. On 24 June 2021 the Company filed a cassation appeal to the Supreme 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 sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company and Polkomtel was charged with a penalty in the amount of PLN 4.4 million and PLN 12.3 million, respectively. The Group appealed to SOKiK against the decision. On October 14, 2019 SOKiK dismissed the appeal. The Group appealed against the decision. On December 31, 2020 the Group appeal was dismissed. On January 14, 2021 Cyfrowy Polsat and Polkomtel paid the penalty. The Group plans to submit a cassation appeal to the Supreme Court.

On April 29, 2019 the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by charging for activating the services to consumers, despite not obtaining an explicit approval of the additional payment associated with these services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39.5 million. Polkomtel appealed to SOKiK against the decision. On May 26, 2021 SOKiK dismissed Polkomtel's appeal. It is planned to appeal against the SOKiIK judgment.

Other proceedings

On April 28, 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On January 10, 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on May 8, 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement. On May 6, 2020, the Company received a letter from the Court, included the mediator's position summarizing the course of mediation, with a request to refer to its content. On May 25, 2020, the Company submitted a response informing the Court about the settlement being impossible to reach by the parties. The next hearing is scheduled for October 20, 2021.

By lawsuit, delivered to the Company on December 16, 2019, the Association of Performing Artists (SAWP) filed two claims against the Company: information claim and claim for payment. The information claim relates to television programs rebroadcasted by the Company in the period from August 20, 2009 to August 20, 2019. In the claim for payment, SAWP claims PLN 153.3 million for the alleged violation of related rights to artistic performances of musical and verbal - musical works through their non-contractual cable rebroadcast. The Company filed for the dismissal entirely. The date of next hearing is scheduled for March 16, 2022.

The legal dispute in respect to the telecommunication concession

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

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

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

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

The initiation by the European Commission of the procedure based on Art. 108 sec. 2 of the European Union Treaty

In the beginning of October 2020, Cyfrowy Polsat and Sferia S.A. (Sferia), a company owned by Cyfrowy Polsat Plus Group in 51% since February 29, 2016, received from the Ministry of Digital Affairs a copy of the European Commission's decision dated September 21, 2020 regarding the initiation of the formal investigation procedure against the Republic of Poland concerning the alleged illegal state aid provided to Sferia. The alleged illegal state aid relates to granting in 2013 to Sferia the right to use a frequency block of 800 MHz range in place of the frequency 850 MHz range previously held by Sferia. According to the decision, the European Commission intends to investigate, whether the state aid was granted, and if so, whether it can be considered compatible with the internal market.

The Management Boards of Cyfrowy Polsat and Sferia believe that the company has acted in accordance with the regulations, and thus there cannot be any consideration of an illegal state aid. Additional information will be provided in the course of further proceedings.

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 were described in item 5.5. of the consolidated annual report of Cyfrowy Polsat S.A. Capital Group for 2020.

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, in 2020 and 2021 numerous restrictions were introduced both in Poland and worldwide which are adjusted on an as-needed basis to the current epidemic situation. Pandemic-related restrictions have, and shall continue to have in the future, a profound impact on the way in which societies and economies function worldwide. Based on the turn of events so far, we estimate that Polsat Plus Group’s business operations are relatively resistant to the adverse impact of the pandemic. Most of the operating activities of the Group companies rely on a business model involving a large base of contract customers, thanks to which the Group obtains stable and predictable revenue streams from subscription fees that translate into a strong positive cash generation.

Our **media segment** is more prone to the COVID-19 coronavirus epidemic and it recorded a significant decrease of revenue in spring 2020 when the first lockdown was imposed in Poland which translated into a high economic uncertainty. It can reasonably be expected that the implementation of further restrictions in connection with the potential next waves of the epidemic as well as potential negative economic consequences of such decisions for some sector of the economy may have a negative impact on the value of the advertising market and, consequently, on our stream of revenues derived from advertising, however, as of the date of publication of this Report, it is not possible to assess the probability of occurrence and scale of such an impact.

As for our **B2C and B2B services segment**, the COVID-19 epidemic had the most tangible impact on revenues from international roaming. Given the volatility of the pandemic situation worldwide, it seems unlikely that international tourist traffic will return to its pre-pandemic levels in the nearest quarters, hence it can reasonably be expected that the impact of the epidemic on roaming revenue will remain negative.

The state of epidemic and related restrictions, especially the closing of shopping malls and social distancing, also had a substantial impact on the functioning of our sales network. Starting from the end of 2020, we have been observing a change in the behavior pattern of customers, who visit physical points of sale less often despite full accessibility of our sales network,. If the current trend continues, it may translate into lower sales and lower churn in the quarters to come, depending on the scale and the duration of the potential next waves of the epidemic. In particular, it may translate into lower sales of equipment. Furthermore, it cannot be excluded that potential weakening of the labor market and related potentially lower consumer demand may in turn reduce the demand for more expensive and more advanced end-user equipment.

In parallel, it can be expected that the continuing state of epidemic may accelerate conversion of sales processes in the sector towards a steadily increasing share of remote channels. In 2020, we implemented solutions aimed at intensifying sales via remote sales channels, which recorded significant growth of customer traffic and sales.

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

4.4.2. Factors related to social-economic environment

Economic situation in Poland

Macroeconomic trends in the Polish economy as well as the global market conditions have thus far affected the operations and operating results of Polsat Plus Group, and are expected to continue affecting them in the future. The key factors that impact our operations, in particular the demand for advertisements, the level of expenditures for our services as well as demand for end-user devices that we sell, include GDP fluctuations, unemployment rate, dynamics of salaries in real terms, social transfers, household consumption, and capital expenditure incurred by enterprises.

The dynamics of events related to the coronavirus pandemic makes forecasting of the economic situation in Poland and worldwide highly uncertain. The initial data for 2020 signal a global economic downturn. In case of Poland, the estimated GDP decline was 2.7% (GUS, Statistics Poland, the OECD), while for 2021 it is forecasted that Polish GDP will return to a clear growth path (from 3.7% according to the OECD to 4.8% according to the European Commission).

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 to be a saturated market.

The high level of competition and the dynamically evolving market environment (including consolidation processes on the satellite and cable TV markets as well as the continued convergence of mobile and fixed-line services) impact promotional offerings addressed to our new customers. In addition, due to high competition, we continuously invest in customer retention programs and loyalty building.

Taking into consideration changes in our market environment and the growing importance of convergence, we offer TV services in fixed-line IPTV technology (a closed network) and OTT (over-the-top, an open network which enables access to television channels via Internet delivered by any service provider). Thus, our customers may use our 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. In addition, our subsidiary Netia offers its customers IPTV services under the "Telewizja Osobista" brand.

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content. This gives us a chance to attract a significant portion of migrating customers to our platform. What is more, we offer pay

TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix, Amazon Prime or NENT, is proof that Poland is considered an attractive market. During the coronavirus epidemic, due to the closing of cultural and entertainment establishments, some 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 after 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 systematically 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 and in the OTT open network in 2019 we have introduced to the market our own set-top boxes which are dedicated to those services.

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on our TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation. Assuming a gradual phasing out of the negative economic effects caused by the COVID-19 pandemic, and thus a return of the Polish economy to positive GDP growth dynamics in the years 2021-2022 (forecasted by the OECD at 3.7% and 4.7% in respective years), we believe that continued growth of the Polish advertising market can be expected.

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

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in 2020 online advertising expenditures increased at a rate of 4.9% YoY and reached the value of PLN 5.2 billion. This was principally the result of good second half of the year in which the market rebounded after the breakdown from the beginning of the pandemic. The two main segments of the online advertising in which we are present, i.e., display and video, were responsible for nearly 46% of total expenditures on the online advertising market and their total value increased by 3% YoY (+2.7% in display and +3.4% in video). We believe that following the acquisition of Interia Group and thus gaining a leading position on the online advertising market we can benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

Main general entertainment channels (FTA) are experiencing a gradual decline in audience shares as a result of the high penetration level of the Polish market by pay TV which provides viewers with an increasingly greater selection of thematic channels, as well as an offer of channels available via digital terrestrial television (DTT). According to data published by Nielsen Audience Measurement, in the first half of 2021 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 30.7%, while in the first half of 2020 it was equal to 31.9%.

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

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

In July 2018, we introduced to our offering the TV package "Polsat Sport Premium", thanks to which football fans can enjoy on our channels coverage of all the UEFA Champions League matches. 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. In parallel, bearing in mind these football games in particular, Polsat launched the most advanced and the biggest sports studio in Poland, allowing football fans to receive complete setting for the matches, in the highest visual quality and with an excellent journalist and reporter team of Polsat Sport. In March 2021 we extended the rights to air the football games of the UEFA Champions League for another three seasons (2021-2024).

Growing importance of convergent services

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

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

The acquisition of a controlling stake in the fixed-line operator Netia, finalized by the Polsat Plus Group in May 2018, can serve as an example of such a consolidation in Poland. Thanks to this transaction we combined within our Group all assets necessary to provide fully convergent services, which facilitates better adjustment of the offering to customers' needs and more effective cost management. Based on Netia's infrastructure, we introduced to sales a fixed-broadband access service branded as "Plus Internet Stacjonarny," which was subsequently expanded with the possibility to provide it on the lines of other operators who grant Netia access to their infrastructure based on wholesale terms. In turn, in the first quarter of 2019 we launched cable TV in IPTV technology, a service available to customers using fixed-line Internet offered by Plus, Netia and Orange networks. The next phase in the Group's development was the implementation, in July 2019, of the OTT television service which can be accessed via the Internet delivered by any service provider.

The introduction of the new Internet television services to our offering represents the next stage of development of our Group as well as our response to the ever changing needs and expectations of our customers, who can now choose themselves the most convenient form of content delivery.

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

Changes in ownerships and partnerships in our competitive environment

Orange Polska. In April 2021, Orange Polska informed that it established a joint venture with APG Group, a Dutch pension fund, in order to develop a fiber optic network reaching approximately 1.7 million households, mostly in the areas with a low or medium level of competition. The network will be constructed by Światłowód Inwestycje, a company controlled jointly by Orange Polska and APG (50/50). In July 2021 Orange Polska contributed to the company the existing telecommunications links to approximately 0.7 million households thus granting Światłowód Inwestycje wholesale access to over 170 thousand of Orange's active customers who are provided services over this network. The network would be open to all operators while Orange Polska will be providing to Światłowód Inwestycje such services as, among others, management of network roll-out and maintenance as well as lease of network elements to the joint venture.

We are of the opinion that the construction of the open fiber optic network by Światłowód Inwestycje may create a chance for certain telecommunication or pay TV operators to strengthen their convergent offers.

In June 2021, Orange Polska informed about entering into cooperation with Tauron, an electricity supplier, thanks to which it plans to cover over 200 thousand households in southern Poland with the fiber-optic network rolled out by Tauron, on the basis of its power line grid. Earlier Orange signed cooperation agreements with other wholesale operators, including Inea and Nexera. Orange informed in June 2021 that its services provided via fiber-optic network are now available to over 5 million households, ca. 20% of which constitute networks available through cooperation with other operators.

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

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

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

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

In June 2021, Play extended its national roaming agreement with Orange Polska until the end of 2025. On the basis of the agreement Play customers who are not within the home network coverage area will be able to use the services in 2G, 3G and 4G technologies via Orange's network.

In July 2021 Liberty Global, owner of UPC Polska, informed that Iliad, the owner of Play network, made a non-binding offer for purchasing 100% of shares for PLN 7.3 billion, which equals 9.3 times the adjusted EBITDA forecasted in 2021. UPC Polska serves over 1.5 million customers, and over 3.5 million households are within the coverage of its network.

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

From October 2020 UPC Polska provides services based on the fiber-optic networks built by the wholesale operator Nexera within the EU-funded Operational Program Digital Poland (POPC, *Progam Operacyjny Cyfrowa Polska*).

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

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

Changes in pricing of mobile services

A significant event on the mobile telephony market was the gradual introduction in the years 2019 -2021 by all major telecommunication operators of modifications to the retail pricelists for services which consisted in increasing monthly fees in exchange for higher data transmission packages (the more-for-more pricing strategy), cancelling selected low-end tariff plans or increasing rates for connections made above the packages. These changes were associated, among others, with increased demand for data transfer, a more stable competitive situation on the mobile market and a shift in strategies of certain operators towards greater than in the past focus on building customer value and fostering revenue and profitability, which were related, among others, with the planned investments in 5G network construction.

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

In the beginning of 2021 Plus introduced new 5G pricelists, addressed to both individual and business customers, which offer larger data packages than those provided under 4G tariff plans at simultaneously increased prices (the more-for-more strategy). Customers are able to choose from among the Internet-and-voice as well as Internet-only subscriptions. The new 5G tariffs assure access to the network with maximum technical speed of 600 Mbps during the entire term of the contract. Changes of similar nature, aimed at moving the customers who are using 5G services up on the pricing ladder, were also implemented by other operators. In our view, these changes reflect both the increasing demand for higher data packages and growing customer acceptance for paying more for services which are offered in the most advanced technological standards. We expect that the above mentioned changes, in connection with increasing demand for transfer in mobile devices and growing popularity of remote working and learning, shall translate favorably into the growth of the Polish mobile market in the medium- and long-term.

Demand for data transmission on smartphones

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

The growing popularity of smartphones is reflected in increasing demand for data transfer in the small screen equipment segment. According to the estimates presented in the Ericsson Mobility Report of June 2021, the scale of data transmission in the Central and Eastern Europe region, to which Poland was classified, will increase from 7.5 GB per month in 2020 to 29 GB per month in 2026, driven also by increasing popularity of 5G technology.

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

Implementation of 5G networks by mobile operators

In accordance with the European Digital Single Market strategy and guidelines of the European Commission, in 2020 there should have been a fifth generation (5G) telecommunication network operating in at least one city of each EU Member State. The technology is expected to speed up, among others, the development of the Internet of Things, telemedicine services, autonomous cars and intelligent cities. According to EU expectations, Member States should have wide network coverage in 5G technology by 2025.

The frequencies from the 700 MHz, 3.4-3.8 GHz and 26 GHz bandwidths have been designated for the purposes of development of 5G networks in Europe. At present, the processes of bandwidth allocation, depending on availability, are ongoing in respective European states.

On March 6, 2020, the Polish regulator, UKE, announced an auction for the spectrum reservation from the 3.4-3.8 GHz band thus starting the country's first allocation process in connection with deployment of the 5G network. The auctioned items were four blocks from the 3.6 GHz band with a width of 80 MHz each. The asking price per one block was set at PLN 450 million. Due to the state of epidemic announced on March 20, 2020, the auction process was suspended, with effect from March 31, 2020 until the cancellation of the state of epidemic. In turn, the 'Anti-Crisis Shield 3.0' act adopted by the Parliament on May 14, 2020 included provisions that gave ground to the cancellation of the 5G auction under discussion. The auction was formally cancelled in June 2020 and the reinitiation of the frequencies distribution process of is to be preceded by the development of guidances by the governmental body Cybersecurity Board (*Kolegium ds. Cyberbezpieczeństwa*). As at the date of publication of this Report there have not been any binding decisions with regard to the form, date or conditions, including coverage parameters and price, of distribution of frequencies from the 3.4-3.8 GHz band.

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

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

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

Plus's intention was to use the MIMO 4x4 and QAM256 technologies, enabling data transfer rates of up to 600 Mbps. The commercial start of Plus 5G network took place on May 11, 2020 and the network roll-out covered major Polish cities, including Warsaw, Gdańsk, Katowice, Łódź, Poznań, Szczecin and Wrocław. At of the date of this report Plus 5G network already included over 2,200 base stations covering with its reach more than 15 million people in nearly 500 locations (more detailed information is presented in item 2.2. – *Significant events – Business related events*).

Play and T-Mobile Polska informed about the introduction of 5G services to their offers in June 2020 and Orange Polska launched its 5G network in July 2020. It is worth mentioning that the 2100

MHz bandwidth, which serves as the base for providing 5G services by operators who compete with us, is used by them in parallel to provide other services (originally UMTS and later on LTE). These operators apply DSS (Dynamic Spectrum Sharing) technology which causes flexible in time allocation of frequency resources for providing services in various technological generations. This can lead effectively to obtaining visibly lower quality parameters of 5G services provided than in the case of 5G technology based on a dedicated frequency bandwidth and thus can lead to a lower level of customer satisfaction.

Information on seasonality

Our 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. It should be emphasized that in 2020 the seasonality on the advertising market was disrupted by the outbreak of the COVID-19 epidemic in Poland in the second quarter of 2020.

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

Other revenues are not directly subject to substantial seasonal fluctuations.

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, sales of photovoltaic installations or other solutions for the home. We are aspiring that our services meet the needs of every customer and are available everywhere. That is why we constantly work on expanding our offering and enter new distribution markets for our services.

Our bundled services offers, addressed both to our individual and business customers, enable our customers to combine products in a flexible way and benefit from attractive discounts that we offer. The loyalty program smartDOM, launched for the first time in 2014, is regularly adjusted to meet the needs and expectations of our customers and yields excellent sales results – at the end of the second quarter of 2021 we had nearly 2.1 million customers using our bundled offer. The possibility of selling additional products and services (cross-selling) to our customer base has a positive impact both on our stream of revenue and the level of ARPU per contract customer, and contributes to increasing the loyalty of customers, who use our bundled services.

Furthermore, we strive to meet the needs of our customers by offering a broad range of complementary services to every basic service. We combine our traditional pay TV services – which are currently provided in two technologies: satellite and Internet (OTT, IPTV) – with VOD, PPV, Multiroom, online video services and mobile television. We propose optional value added services (VAS) to our Internet access and mobile telephony services, which include, among others, entertainment, news, localization or insurance services.

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

Strengthening of our market position in integrated services

Thanks to the acquisition of Netia we have expanded our portfolio with a wide range of fixed-line products and services, in particular with fixed-line broadband Internet offered, among others, in fiber optic technologies. Netia' provides its services via its own access networks with approximately 2.8 million homes passed, out of which, as at the end of June 2021, approximately 1.87 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network covers approximately 180 locations and is supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed Internet services based on an access to Orange Polska, Nexera and Inea's infrastructures.

Netia's fiber optic, nationwide backbone infrastructure perfectly complements our own infrastructure. It allows for quick and efficient expansion of the capacity of our mobile network, thus strengthening our competitive advantage and improves flexibility in planning the development of our joint telecommunication network. At the same time, the reach of Netia's last mile network which allows for the provision of fixed-line broadband access in the NGA standard, opens a new market for Polsat Plus Group – large cities and urban areas. Thanks to this we gained 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, enabled us to significantly improve our competitive position on this market of convergent services for business customers. In particular, by working together we are be able to develop comprehensive offers tailored to customers' individual requirements while optimizing, or eliminating, additional costs associated with the construction of a dedicated telecommunication infrastructure for such customers, which offers us an opportunity to compete more effectively with other telecommunication operators.

Strengthening of our market position in online advertising

Thanks to the strategic acquisition of Interia Group in July 2020 we significantly strengthened our position on the dynamically growing Internet and online advertising market.

According to the Mediapanel survey, in the first half of 2021 the average number of users per month for the combined Polsat-Interia media group amounted to nearly 20.3 million, and the monthly average number of page views was around 1.9 billion.

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

Following the acquisition of Interia Group we gained an additional channel for distribution and monetization of the content produced by Telewizja Polsat's channels. We achieve cost optimization thanks to the insourcing of online marketing campaigns for the brands from Polsat Plus Group's portfolio. Moreover, we have increased efficiency of sales of advertising space by Interia Group thanks to its integration, from October 2020, with the advertising office of our Group – Polsat Media Biuro Reklamy.

Entering the photovoltaic market and the purchase of green energy for Polsat Plus Group and its customers

Along with the growing awareness, both globally and in Poland, of a need to preserve natural environment, grows the importance of renewable energy sources which allow to obtain energy while minimizing CO2 emissions. Solutions of this type are promoted, among others, by the European Union which set energy targets for its Member States with respect to the share of green energy in its total consumption. Energy production from renewable energy sources is often subsidized by states and declining installation costs made it a real alternative for traditional energetics which uses highly polluting fossil fuels.

Taking the above trend into consideration and meeting the demand for obtaining energy in an inexpensive way, in July 2020 we started to offer photovoltaic installations to our individual and business customers under a new brand ‘ESOLEO’. The installations are sold by Esoleo – a company belonging to Polsat Plus Group, which has extensive experience on the photovoltaic market in Poland. The ‘ESOLEO’ offer is available across Poland in our points of sale. It was promoted by an extensive marketing campaign aimed at raising awareness of benefits from owning a photovoltaic installation. The offer provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed under the “turn-key” model, including preparation of all required documents and a notification of the installation filed with the power grid on behalf of the customer. In the scope of the cooperation with ‘ESOLEO’ the customer may receive a loan for the investment under special offers prepared by banks. ESOLEO is also active in the B2B sector, among others, by installing photovoltaic panels for the store chain of DINO Polska.

In September 2020, ESOLEO signed, as a consortium leader, an agreement with ZE PAK S.A. to build the biggest photovoltaic farm in Poland. The subject of this agreement is the designing, installing and putting into operation of a solar power plant generating 70 MWp along with the necessary technical infrastructure. The Brudzew solar plant is being constructed on a plot covering 100 ha, on reclaimed lands which were previously exploited by the Adamów brown coal mine in the eastern Wielkopolska region.

In March Polkomtel and ZE PAK group concluded a long-term power purchase agreement (the PPA) for green energy produced by a photovoltaic farm Brudzew. Under the PPA, Polsat Plus Group will purchase the entire volume of energy produced and will receive certificates of origin. Te total value of the 15-year liability of Polkomtel under the PPA is estimated at ca. PLN 300 million.

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

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

Investments in network roll-out

In the first half of 2021, individual customers of Cyfrowy Polsat and Polkomtel transferred ca. 873 PB of data as compared to 727 PB transferred in the corresponding period of 2020, which represents a 20% growth YoY. Striving to maintain a high quality of provided services, we continue to invest in our telecommunications network roll-out. In particular, upon having approached the level of coverage of nearly 100% of the population with our LTE and HSPA/HSPA+ network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of the 5G technology, which at the end of the second quarter of 2021 covered with its reach 13 million people in over 400 locations.

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

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

Sale of Polsat Plus Group's mobile infrastructure

On February 26, 2021 Polsat Plus Group entered into a conditional share sale agreement with Cellnex Poland Sp. z o.o., a subsidiary of Cellnex Telecom S.A., concerning the sale of 99.99% of shares of Polkomtel Infrastruktura, the owner of the passive and active access layers of the mobile telecommunication infrastructure of Polsat Plus Group, consisting, as at December 31, 2021, of ca. 7 thousand sites, ca. 37 thousand various systems on-air and a transmission network.

The transaction was concluded on July 8, 2021 following the fulfilment of the agreed conditions precedent, including, among others, obtaining an antimonopoly clearance and consent of lenders under the SFA. The transaction settlement price exceeded PLN 7 billion (for details see item 2.1. – *Significant events – Corporate events*).

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

The closing of the transaction concerning the sale of the mobile infrastructure will have a significant impact on Polsat Plus Group's financial results in the future. In particular, as a result of the disposal of capital intensive assets such as the active and passive layers of the mobile infrastructure the scale of investments in mobile network construction, and thereby the Group's capex to revenue ratio, will decrease substantially. Simultaneously, Polsat Plus Group will effect payments to Cellnex for access to the mobile infrastructure on terms specified in the Master Service Agreement (MSA), which will be reflected mainly in an increase in technical costs, thereby translating into a lower EBITDA result of the Group. We would like to underline that the scale of payments which the Group will be making to Cellnex in the future will depend on, among others, the scale of orders for services placed with Cellnex, which in turn will result from the demand for telecommunication services observed among our customers. In parallel, following the transaction closing we expect a decrease of leasing payments, which are currently incurred by the Group in connection with, among others, land leases for elements of the mobile passive infrastructure and lease of lines in the transmission layer, as well as a decrease in the value of related leasing liabilities on the Group's balance sheet.

Development of Polsat Box Go (formerly 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 the IPLA web entertainment service prepared for its viewers attractive titles shortly after their cinema premieres, which contributed to higher interest of our customers in IPLA's offering. We also observe a growing interest in IPLA's offer, especially with regard to sports events, film and series content as well as entertainment shows.

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 Plus Group channels' portfolio consists of 39 channels. Moreover, there is a group of 6 cooperating channels which are related with Polsat Plus Group either by capital or joint broadcasting projects. The portfolio of our thematic channels includes general entertainment, music, sports, news, lifestyle, movie and children's channels. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as own concepts. Moreover, we have contracts with major film studios which provide access to a wide selection of the most attractive films and series.

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA European Championships and the FIFA World Championships, the football Nations League, big volleyball tournaments – the men's and women's World Volleyball Championships, new, attractive games of the volleyball Nations League, the World Cup, the men's and women's Europe Volleyball Championships, the club volleyball competitions of Polish Plus Liga and Tauron Liga and, starting from 2020/2021 season, also the volleyball CEV Champions League, boxing and mixed martial arts galas (UFC, KSW, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, we own rights to the most popular football club competitions – the UEFA Champions League (rights until the end of the 2023/2024 season). Thanks to taking control over the Polish company Eleven Sports Network in May 2018 we gained access to attractive sports rights which are sold as program packages to pay TV operators active on the Polish market as well as directly to customers through OTT applications (among others, ELEVEN SPORTS and Polsat Plus Box (formerly IPLA)). This premium sports content includes Spanish LaLiga Santander, Italian Serie A TIM, English The Emirates FA Cup, Carabao Cup and Championship, French Ligue 1 Uber Eats, Portuguese

Primeira Liga, F1™ and DTM races as well as Polish PGE Ekstraklasa speedway. Unique content represents an important element that builds the value of our pay TV offering.

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

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, in 2020 the European Commission issued a delegated act based on which the highest level of MTRs and FTRs that could be applied by operators in the European Union are specified. Ultimately, the cap rates are to amount to 0,2 euro cents/min for MTRs and 0,07 euro cents/min for FTRs. The delegated act adopted by the European Commission provides for a transition period with a time schedule for reducing the rates in order to reach their assumed level in January 2024 for MTEs and January 2022 for FTRs, respectively. The time schedule for reducing the rates came into force on July 1, 2021 and the cap rates which Polish operators are allowed to implement amount to 0,7 euro cents/min for MTRs and 0.5 grosz/min for FTRs (please see the table below for details).

[EUR/PLN per minute of a call]	Cap rates for termination of calls in other operators' networks in the EU (interconnect settlements) from:			
	July 1, 2021 to December 31, 2021	January 1, 2022	January 1, 2023	January 1, 2024
Mobile termination rate (MTR)	EUR 0.007	EUR 0.0055	EUR 0,004	EUR 0,002
Fixed termination rate (FTR)	PLN 0.005			EUR 0.0007

The gradual reduction of the MTR and FTR rates which was implemented by the EU will impact the results of Polsat Plus Group in the next time periods and years. In particular, the above mentioned regulation will translate into a decrease of wholesale revenue from interconnection settlements, both mobile and fixed-line, and a decrease of interconnection costs which are recognized under our technical costs. We estimate that from July 1, 2021 to December 31, 2021 the negative effect on the Group's revenue from this factor may amount to approximately PLN 150 million and will depend, among others, on the actual traffic outgoing from and incoming to our retail and wholesale customers. We point out that in the years 2022-2024 the pressure on revenue will be steadily growing along with the implementation of subsequent phases of the MTRs and FTRs reduction and due to the fact that the regulation will apply to the entire financial year periods. Due to the fact that the volume levels of the outgoing and incoming traffic in the interconnection settlements are similar we expect the impact of the regulation on Polsat Plus Group's EBITDA result to be relatively neutral.

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 were obligated to implement the provisions of the above mentioned directive to their national legislation by December 21, 2020. At present, the works are ongoing on preparation of a draft act the 'Electronic Communications Law' which is to implement the European Code of Electronic Communication into the Polish law order and replace the currently binding 'Telecommunications Law' act. In parallel, as part of work on the COVID-19 related Anti-Crisis Shield 3.0, amendments to the Telecommunications Law act were introduced and came into effect from December 21, 2020, part of which constitute the implementation of some of the obligations resulting from the European Code of Electronic Communication.

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

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

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

- 0.027 euro and 0.019 euro per minute of an outbound voice calls;
- 0.007 euro and 0.003 euro per SMS text message;
- 2 euro, 1.8 euro and 1.5 euro per gigabyte of Internet usage.

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

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

More flexible time limits for TV commercials

The amended Radio and TV Act which will, among others, modify the current time limits for commercials has been forwarded, after the Senate's amendments, to the parliamentary Committee on Culture and Media. The proposed amendments are intended to strengthen the TV advertising market, according to the authors of the draft. At present commercials may last up to 12 minutes per hour, while the amended law introduces a division of the day into three parts:

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

The draft amendment maintains the existing regulations with regard to the allowed frequency of interrupting programs with commercials, the regulations which prohibit to interrupt TV shows, series and movies with commercials as well as the regulations which prohibit any broadcaster to interrupt programs such as news programs, religious programs, journalistic and documentary programs shorter than 30 minutes or children shows with commercials. A possibility to interrupt with commercials children programs which last more than an hour will be a novelty in the regulation. According to the draft amendment, the act is to enter into force starting from November 1, 2021, with some exceptions which are to start binding from January 1, 2022.

Draft amendment to the National Cybersecurity Act

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

Continued cooperation with some of our external suppliers is important to us in order to maintain our operations without disruption. Should any of the largest telecommunications suppliers be considered a high risk supplier and consequently excluded from the supply chain, market competitiveness may be reduced and prices of the telecommunications equipment may rise. Furthermore, imposing an obligation on telecommunication operators to replace telecommunication equipment delivered by a supplier considered as a high risk vendor may lead to high costs of replacing such network equipment and, as a result, adversely affect the costs and pace of construction and modernization of a given operator's telecommunication network.

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 change in the future, and consequently foreign exchange rate fluctuations will continue to affect (positively or negatively) our operations and financial results. Considering our open exposure to currency exchange risk, we have in place a market risk management policy and use, *inter alia*, natural hedging and hedging transactions.

One of the effects of the coronavirus epidemic was the depreciation of Polish zloty. In case of prolonged duration of such a situation over the next months, it may adversely impact our costs denominated in foreign currencies, in particular in EUR and USD.

Interest rate fluctuations

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

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

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

Between March and May 2020 the National Bank of Poland reduced interest rates in Poland by 140 bps in total, with an aim to boost the economy remaining under strong pressure from the coronavirus pandemic. As a result of the above, we already realize and expect to continue to realize in the short-term significant savings in the area of financial costs. The Group's entire debt is PLN-denominated and based on WIBOR variable interest rates, with the Group's companies employing mid-term hedging instruments for up to approximately 30% of the interest rate exposure.

5. Risk factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We operate an organized and specialized nationwide sales network, which distributes the products and services offered by us. Because of strong competition with other pay TV providers and telecommunications services providers, as well as rapid increase in wages observed on the domestic labor market we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase on fees paid to distributors in our sales and distribution network may result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganization or reconstruction, we may face the need to incur substantial financial outlays. Furthermore, our sales network may be exposed to downtime in case of an occurrence of extraordinary events, which may result in the reduction of our revenue. For example, as an effect of the imposure of the state of epidemic in connection with the SARS-CoV-2 infections, the Polish government implemented restrictions which resulted either in the temporary closure of a significant part of our sales network or in reduced scale of visits of the existing or prospective customers caused by limitations imposed on the freedom to conduct business, which adversely impacted our levels of sales during that period. Moreover, after the end of the formal period of pandemic-related restrictions we continue to observe a lower number of customer visits than in the past, particularly in shopping malls and, consequently, in our points of sales located in these areas. As of the date of publication of this Report it is not possible to assess wheather such modification in our customers' behaviour is temporal or permanent,

Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

We collaborate with a number of third parties in providing our pay TV, broadband Internet access as well as mobile and fixed-line telephony services and our ability to deliver pay TV services to the customers depends on the correct operation of the infrastructure and equipment belonging to the entities with which we collaborate. For instance, starting from July 2021 the access layer of mobile network infrastructure used by our customers belongs to Towerlink Poland Sp. z o. o. (formerly Polkomtel Infrastruktura Sp. z o.o.), which was taken over by Cellnex group and our customers' antennas are usually adapted to receiving signals delivered through transponders of Eutelsat S.A.

Any potential persistent problems in cooperation with Cellnex group or Towerlink Poland's failure to fulfill the provisions of the service level agreement signed by us, which could lead to the lack of possibility to provide high quality services to our customers, could dispose us to exercise an option included in the buyback agreement which envisages that Polkomtel (and/or other members of the Company's group and third parties) will have the right (but not an obligation) to buy back the shares of Towerlink Poland for a price reflecting the fair market value of the shares being bought back, taking into account a discount agreed among the parties. There is no assurance that the buyback process would not adversely affect the continuity of services provided by us or our customers' satisfaction from the provided services. In addition, we cannot guarantee that Polsat Plus Group, in case of a necessity to exercise the buyback option, would possess adequate financial resources or would be able to acquire additional financing of appropriate scale and on acceptable terms. Therefore, we are not sure if the exercising of the buyback option could be effectively possible.

In order to switch the satellite operator in the event of our failure to extend a contract, or in the event of contract termination by Eutelsat S.A., or for other reasons, we would be forced to find an alternative provider of satellite transmission capacities and potentially reposition our customers' satellite antennas, which would be a cost- and time-consuming process considering the size of our customer base.

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

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

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

Continued cooperation with some of external vendors is important for us to maintain our operations without disruption. In particular, we are in the process of gradual implementing a new, integrated IT environment supporting sales and customer care as well as a convergent billing system for our products and services. The purpose of the implementation is to redefine and standardize the sales processes and the offers across Polsat Plus Group as well as to provide a single, consistent and effective tool which will enable the management of sales and customer relations in all possible spheres. The project is implemented in cooperation with Asseco Poland who is responsible for the supply of IT systems and, as the integrator of the system, for effecting the implementation. We cannot rule out that the replacement of the above menioned IT systems may temporarily adversely affect the Group's sales levels.

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

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

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

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

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

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

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

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

Furthermore, fixed-line broadband services are associated with a need for investments in modernization of access networks. Some market players are currently conducting large investments programs which allow to significantly increase throughput provided to end-users. In particular, Orange Polska, following the completion of the first phase of its fiber optic project, established a joint venture with APG Group, Dutch pension fund, to expand its FTTH (Fiber To The Home) network by ca. 1.7 million households. In parallel, a governmental program of construction of broadband fiber optic networks using subsidies from the European Union funds (POPC – Operating Program Digital Poland) is underway. Simultaneously, Iliad, the new owner of Play, announced the extention of Play's offer by convergent services without stating at the moment the method for execution of this strategy and, therefore, not excluding additonal investments in fiber optic links. Thereby, we are not able to guarantee that the demand for our broadband services will be sufficient to reach our revenue targets. Neither can we guarantee that the growing coverage of the less developed areas of Poland with fiber optic technologies giving the end users broader access to video content, will not adversely affect the demand for our pay TV satellite access services.

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

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

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

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

The actual or perceived risk of mobile telecommunications devices, press reports about risks posed by such devices or consumer litigation relating to such risks could result in decreased mobile usage or reduction in the number of customers. Such events may have a material adverse effect on the results of our operations, financial condition and prospects.

We are exposed to the risk of fraudulent activities by customers

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

We might be unable to maintain good name of the major brands in our portfolio

The good name of the major brands in our portfolio, including ‘Polsat Box’ (formerly ‘Cyfrowy Polsat,’) ‘Plus,’ ‘Polsat,’ ‘Polsat Box Go (formerly ‘IPLA,’) ‘Netia’ and ‘Interia.pl’ ‘brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. Currently we are in the process of implementing changes to the structure and visualization of our major brands and we cannot assure that the new communication strategy in this area will bring the expected results and, therefore, if the good name of our major brands will be maintained on the same high level as so far. Our reputation may also suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of our most important brands, will not materialize in the future. Any damage to our good name may have a material adverse effect on the results of our operations, financial condition and prospects.

Goodwill and brand values may be impaired

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

We may lose our management staff and key employees

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

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

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

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

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

Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation, which could have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

Due to the fact that the access layer of the mobile network infrastructure used by customers of the Group is owned by Towerlink Poland, a third party, any potential disputes between this entity and the Group companies, failure of Towerlink Poland to properly perform their contractual obligations (in particular, the respective provisions of the service level agreement), delays in entering into new orders or the lack of execution of existing orders concluded with Towerlink Poland in a timely manner, as well as a number of other factors and events may cause part of our network infrastructure to be inaccessible, which could adversely affect our ability to efficiently operate, maintain and upgrade the network infrastructure used by us for the provision of services to our customers.

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

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

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

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

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

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions). Trade union organizations are also active in Netia Group over which Cyfrowy Polsat Plus Group took control in 2018. As at June 30, 2021, ca. 6% of the total workforce of Polsat Plus Group (including Netia Group) were trade union members. Involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimize the employment level or labor costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or the Netia Group, or increase in employment costs may disrupt Polkomtel's or the Netia Group’s operations, preventing it from timely or cost-effective provision of services to its customers, which can have a material adverse effect on the results of our operations, financial condition and prospects.

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

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

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

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

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

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

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

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

Our broadcasting licenses may be revoked or may not be renewed

Our business operations in the broadcasting and television production segment require that we obtain licenses issued by the National Broadcasting Council (KRRiT). These licenses may be revoked or may not be renewed. In our B2B and B2C services segment, broadcasting of TV programs by pay TV service providers requires no license, only registration by the Chairperson of KRRiT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisitions we made in the past, in particular due to the acquisiiton of Telewizja Polsat and Polkomtel and completion of the related financial transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the event of the government issuing a recommendation to stay at home and work and learn online, traffic in telecommunications networks may increase significantly. A potential increase in voice traffic in terms of the announcement of the state of epidemic may result in higher costs associated with purchasing traffic from other operators while restrictions with regard to border closures and movement of individuals may lead to lower traffic volumes for international roaming services. Both factors mentioned above may result in a decrease of the margin on our telecommunications activities.

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

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

The Polish mobile telecommunications industry is highly competitive

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

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

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

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

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

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

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

Technological progress, as well as a number of various other factors expose our operations to growing competition for the time and form of customers' leisure and entertainment activities. In particular, we compete with entities offering such alternative forms of leisure and entertainment as cinema, radio, home video, printed media, as well as other non-media forms of leisure, including live events. Moreover, new technologies, such as video on demand (VoD), Internet streaming and downloading, have broadened and may continue to broaden the selection of entertainment options available to existing and potential users of our services. In particular, increasing activity of foreign players operating in the OTT model (Netflix, Amazon Prime, Apple TV or Viaplay which is getting ready for its debute in August 2021) can be observed on the Polish market recently. We may also assume that new franchises operating in this model may begin to offer their services on the market, e.g. Disney+ or Apple TV. The growing variety of leisure and entertainment options offered by our current and future competitors may bring about a decrease in demand for our products and services, and weaken the effect of television as an advertising medium. This may have a material adverse effect on the financial situation, results of our operations and growth prospects of the Group in the future.

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

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

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

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

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

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

Our main competitor on satellite TV market is the Canal+ (previously nc+) platform. We also compete with broadcasters using other technologies, such as terrestrial, cable and Internet television. Furthermore, we expect growing competition from joint ventures and strategic alliances between providers of cable and satellite TV and telecommunications operators. We also have to face foreign competitors entering the Polish market through services and OTT apps.

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

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

5.4. Factors relating to market risks

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

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

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

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

Detailed information about the Group's exposure to each of the above risk factors, the Group's objectives, policies and processes for measuring and managing risk were presented in Note 40 to the Company's consolidated financial statements for the financial year ended December 31, 2020.

Market risk management

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

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

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

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

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

Currency risk

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

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

We do not hold for trading any assets substantial in terms of their value which are denominated in foreign currencies.

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

Interest rate risk

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

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

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

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

5.5. Risk factors associated with the legal and regulatory environment

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax laws give rise to numerous interpretation uncertainties

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

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

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

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

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

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

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

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

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

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

The regulations relevant to the determination of the level of remunerations and labor costs have been recently undergoing profound changes which will affect the level of our costs of employment as well as our ability to employ employees in the future. In particular, on September 15, 2020 the Council of Ministers adopted an ordinance on the minimum salary in 2021, setting it at PLN 2,800, PLN 200 higher than the 2020 level. The minimum salary is expected to grow successively to reach PLN 4,000 in 2023.

Additionally, starting from 2019 selected Polish enterprises (including the Polsat Plus Group) have been obliged to launch Employee Capital Plans, a form of pension schemes which envisage additional financial contributions from the employer. Further changes are being pondered, including the lifting of pension insurance contribution caps, which would translate to higher pension insurance contributions payable by the employers as well as the increasing of health insurance contributions, preventing in parallel its deduction from the tax base, which may effectively impact the level of a real net income obtained by a significant part of our employees.

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

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

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

President of the Polish Office of Competition and Consumer Protection (UOKiK). If the regulator finds any of our practices or contract clauses to be in conflict with Polish or European competition and consumer protection laws, we may be subject to fines and our reputation could be harmed. In addition, if such practices or clauses are considered abusive, the President of UOKiK prohibits their application, may impose a fine and define the measures to remedy the subsisting effects of breaching the prohibition and compel us to take actions in order to amend the contracts already concluded with consumers.

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

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

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

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

As part of telecommunications market regulation in Poland, the President of UKE may determine rates in settlements between operators for termination of voice calls in mobile networks (MTR) and fixed-line networks (FTR). In the past, the regulator used this power several times, and reduced MTRs significantly. There can be no assurance that there will not be any further MTR reductions in the future. In particular, the new regulations of MTRs and FTRs binding from July 1, 2021 which were implemented by the European Commission under the provisions of the European Code of Electronic Communication, may impact our financial business performance, financial condition or prospects.

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

We are required to comply with Polish and EU laws, which impose limitations on the conduct of our business. Our operations are extensively regulated by government authorities and market regulators, especially the President of the Office of Electronic Communications (UKE) and the

National Broadcasting Council (KRRiT), the bodies responsible for overseeing compliance with the Polish Act on Television and Radio Broadcasting, the Telecommunications Law, and the terms of our broadcasting licenses. Decisions by the President of UKE, the Chairperson of KRRiT, or other regulators may place certain restrictions on the way in which our business can be run.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No assurance can be given that we will not be subject to a new tax on advertising revenue, which may adversely affect revenue generated by our media segment

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

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

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

In accordance with the initial draft of the new act, the advertising tax was to come into force in July 2021, however as at the date of this Report, it was not introduced. The Ministry of Finance estimated the national budget's revenue from that title to be ca. PLN 800 million in 2022. Assuming the tax threshold remains unchanged, the additional burden on Polsat Plus Group's income statement could be significantly in access of PLN 100 million per 12 months.

As at the date of this Report, details concerning potential new proposals with regard to the advertising revenue tax or a possible date of entry into force of a relevant act are not known. Nevertheless, we cannot rule out that the potential imposure of such tax on our Group's companies may have material adverse effect on the results of our operations, financial condition and prospects..

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

Risk factors associated with the Series B and C Bonds have been described in detail in the Information Note on the issuance of Series B Bonds dated May 24, 2019 and the Information Note on the issuance of Series C Bonds dated January 31, 2020 which are available in Polish on the Company's corporate website.

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

Warsaw, August 18, 2021

Glossary

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

Glossary of general terms

Term	Definition
Aero 2	Aero 2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Polkomtel.
Asseco	Asseco Poland Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000033391.
Act of Public Offering	Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies (Journal of Laws of 2019 Item 623)
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Cellnex Poland	Cellnex Poland spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court register under entry No. 0000819558, a subsidiary of Cellnex Telecom, S.A.
Cellnex Telekom	Cellnex Telecom, S.A. with its registered office in Madrid, Spain. A parent company for Cellnex Poland.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339, merged on April 30, 2021 (as an acquiree) with Liberty Poland S.A
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 30, 2024.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.

Term	Definition
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.
Eleven Sports Network	Eleven Sports Network spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000558277, a producer and distributor of sports content on the territory of Poland.
Esoleo	Esoleo spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000541114, operating previously under the company name Alledo Sp. z o.o.
the Group, Polsat Plus Group, Cyfrowy Polsat Plus Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Interia, Interia Group	Grupa Interia.pl Sp. z o.o. spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000324955 and Grupa Interia.pl Media Sp. z o.o. Sp.k. spółka z ograniczoną odpowiedzialnością spółka komandytowa entered in the register of entrepreneurs of the National Court Register under entry No. 0000392344 jointly with their subsidiaries.
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.

Term	Definition
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of June 30, 2024.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
Second Amendment and Restatement Deed	Agreement concluded on March 2, 2018 between the Company and UniCredit Bank AG, London Branch, amending and consolidating the CP SFA and the PLK SFA and amending the Amendment, Restatement and Consolidation Deed.
Senior Facilities Agreement, SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015, the Second Amendment and Restatement Deed of March 2, 2018 and the Third Amendment and Restatement Deed of April 27, 2020.
Series B Bonds	Dematerialized, interest-bearing, senior and unsecured Series B bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/29/01/2020 dated January 29, 2020.
Series C Bonds	Dematerialized, interest-bearing, senior and unsecured Series C bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 1/25/03/2019 dated March 25, 2019.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Plus Group, TV Polsat Plus Group	Telewizja Polsat together with its direct and indirect subsidiaries.

Term	Definition
Third Amendment and Restatement Deed	Agreement concluded on April 27, 2020 between the Company and UniCredit Bank AG, London Branch, amending the SFA along with the Amendment, Restatement and Consolidation Deed and the Second Amendment, Restatement and Consolidation Deed.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
Towerlink Poland sp. z o.o. (formerly Polkomtel Infrastruktura Sp. z o.o.)	Towerlink Poland spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court register under entry No. 0000476879, starting from July 2021 controlled by Cellnex group of Spain.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

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

Term	Definition
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).
FTE	Headcount expressed in full-time equivalents.
FTR	A wholesale charge for call termination in another operator's fixed-line telecommunications network (Fixed Termination Rate).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).

Term	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 Plus Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mbps (downlink, using MIMO 2x2 antennas).
LTE Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gbps (downlink, using MIMO 8x8 antennas).
Mbps	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Plus 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.

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

Management Board's representations

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

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

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2021 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board's report on the activities contains a true image of the Group's development, achievements, and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2021 pursuant to relevant provisions of the national law and industry norms.

Mirosław Błaszczyk	Maciej Stec	Jacek Felczykowski	Aneta Jaskólska
President of the Management Board	Vice-President of the Management Board	Member of the Management Board	Member of the Management Board

Agnieszka Odorowicz	Katarzyna Ostap-Tomann
Member of the Management Board	Member of the Management Board

Warsaw, 18 August 2021

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital Group (the 'Group'), for which the holding company is Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A street, containing: the interim consolidated balance sheet as at 30 June 2021, the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity for the period from 1 January 2021 to 30 June 2021 and notes to the interim condensed consolidated financial statements (the 'interim condensed consolidated financial statements').

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

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

Scope of review

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

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

Building a better working world

Conclusion

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

Warsaw, 18 August 2021

Key certified auditor

Podpisany certyfikatem wystawionym dla Jarosław Dac (Certyfikat kwalifikowany). Utworzony w dniu: 2021-08-18 17:24:09 +0200

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

Cyfrowy Polsat S.A. Capital Group

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2021

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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Approval of the Interim Condensed Consolidated Financial Statements

On 18 August 2021, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital 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 2021 to 30 June 2021 showing a net profit for the period of: PLN 932.1

Interim Consolidated Statement of Comprehensive Income for the period

from 1 January 2021 to 30 June 2021 showing a total comprehensive income for the period of: PLN 937.0

Interim Consolidated Balance Sheet as at

30 June 2021 showing total assets and total equity and liabilities of: PLN 32,922.3

Interim Consolidated Cash Flow Statement for the period

from 1 January 2021 to 30 June 2021 showing a net decrease in cash and cash equivalents amounting to: PLN 599.8

Interim Consolidated Statement of Changes in Equity for the period

from 1 January 2021 to 30 June 2021 showing an increase in equity of: PLN 536.2

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, 18 August 2021

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

Interim Consolidated Income Statement

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Continuing operations					
Revenue	8	3,159.7	2,862.7	6,147.1	5,711.2
Operating costs	9	(2,468.1)	(2,455.6)	(4,899.0)	(4,847.7)
Other operating income/(cost), net		(7.9)	(13.0)	(2.9)	(7.2)
Profit from operating activities		**683.7**	**394.1**	**1,245.2**	**856.3**
Gain/(loss) on investment activities, net	10	7.8	(1.2)	(14.6)	(75.4)
Finance costs, net	11	(60.5)	(47.7)	(117.6)	(201.5)
Share of the profit/(loss) of associates accounted for using the equity method		25.0	17.8	41.5	34.1
Gross profit for the period		**656.0**	**363.0**	**1,154.5**	**613.5**
Income tax		(114.3)	(72.3)	(222.4)	(139.0)
Net profit for the period		**541.7**	**290.7**	**932.1**	**474.5**
Net profit attributable to equity holders of the Parent		539.3	288.4	928.9	470.8
Net profit attributable to non-controlling interest		2.4	2.3	3.2	3.7
Basic and diluted earnings per share (in PLN)		**0.85**	**0.45**	**1.46**	**0.74**

(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 Comprehensive Income

	Note	for the 3 months ended 30 June 2021 unaudited	for the 3 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2021 unaudited	for the 6 months ended 30 June 2020 unaudited
Net profit for the period		**541.7**	**290.7**	**932.1**	**474.5**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	13	2.1	(2.4)	4.8	(8.7)
Share of other comprehensive income of associates		0.1	17.1	0.1	17.1
Other comprehensive income, net of tax		**2.2**	**14.7**	**4.9**	**8.4**
Total comprehensive income for the period		**543.9**	**305.4**	**937.0**	**482.9**
Total comprehensive income attributable to equity holders of the Parent		541.5	303.1	933.8	479.2
Total comprehensive income attributable to non-controlling interest		2.4	2.3	3.2	3.7

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2021 unaudited	31 December 2020
Reception equipment		288.6	293.4
Other property, plant and equipment		3,072.7	5,391.0
Goodwill	16,22	10,664.9	11,808.4
Customer relationships		1,208.0	1,412.7
Brands		2,095.2	2,031.7
Other intangible assets		2,462.9	2,616.4
Right-of-use assets		712.6	1,519.4
Non-current programming assets		243.3	282.5
Investment property		49.8	50.0
Non-current deferred distribution fees		82.1	93.5
Non-current trade receivables		774.0	832.0
Other non-current assets, includes:		1,779.7	1,283.6
shares in associates accounted for using the equity method		*1,740.2*	*1,257.8*
derivative instruments		*4.0*	*0.4*
Deferred tax assets		106.6	223.2
Total non-current assets		**23,560.4**	**27,837.8**
Current programming assets		477.0	413.2
Contract assets		476.2	537.7
Inventories		439.1	299.4
Trade and other receivables		2,441.5	2,390.4
Income tax receivable		11.8	9.0
Current deferred distribution fees		222.5	222.4
Other current assets, includes:		44.2	39.3
derivative instruments		*1.6*	*2.0*
Cash and cash equivalents		659.8	1,355.4
Restricted cash		8.7	10.4
Total current assets		**4,780.8**	**5,277.2**
Assets held for sale, includes:	22	4,581.1	-
cash and cash equivalents		*95.5*	-
Total assets		**32,922.3**	**33,115.0**

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2021 unaudited	31 December 2020
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Share of other comprehensive income of associates		21.3	21.2
Other reserves		(22.1)	99.7
Retained earnings		7,273.7	7,112.3
Equity attributable to equity holders of the Parent		**14,472.5**	**14,432.8**
Non-controlling interests		489.9	(6.6)
Total equity		**14,962.4**	**14,426.2**
Loans and borrowings	14	8,514.2	8,887.8
Issued bonds	15	1,960.1	1,959.2
Lease liabilities		504.2	1,140.5
UMTS license liabilities		135.7	136.7
Deferred tax liabilities		885.5	902.1
Other non-current liabilities and provisions, includes:		95.4	388.1
derivative instruments		*1.4*	*16.8*
Total non-current liabilities		**12,095.1**	**13,414.4**
Loans and borrowings	14	1,053.4	753.0
Issued bonds	15	38.6	38.7
Lease liabilities		201.5	432.5
UMTS license liabilities		125.8	126.7
Contract liabilities		646.7	675.6
Trade and other payables, includes:		1,742.5	2,155.3
derivative instruments		*24.4*	*39.2*
Liabilities to shareholders of the Parent Company related to dividend	22	767.5	415.7
Liabilities due to tender offer for shares in Netia S.A.[(1)]		-	548.0
Income tax liability		65.0	128.9
Total current liabilities		**4,641.0**	**5,274.4**
Liabilities held for sale, includes:	22	1,223.8	-
lease liabilities		*769.4*	-
Total liabilities		**17,959.9**	**18,688.8**
Total equity and liabilities		**32,922.3**	**33,115.0**

[(1)] The announcement of the tender offer for Netia's shares dated 23 December 2020 resulted in a financial liability for the Group resulting from the put option, defined as the Netia's share price in the tender offer (PLN 4.80 (not in millions)) and the number of shares in the tender offer (114,173,459 shares (not in millions)). Subscriptions for 84,868 shares (not in millions) were accepted in the tender offer until 26 February 2021. As a result, on 8 March 2021, the financial liability in the amount of PLN 547.6 was derecognized from the balance sheet. See note 22.

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

Interim Consolidated Cash Flow Statement

		for the 6 months ended	
	Note	30 June 2021 unaudited	30 June 2020 unaudited
Net profit		**932.1**	**474.5**
Adjustments for:		**953.8**	**1,232.3**
Depreciation, amortization, impairment and liquidation	9	978.4	1,130.4
Payments for film licenses and sports rights		(411.4)	(223.3)
Amortization of film licenses and sports rights		267.4	246.4
Interest expense		154.9	206.1
Change in inventories		(139.6)	(190.2)
Change in receivables and other assets		3.7	293.7
Change in liabilities and provisions		(78.3)	(265.5)
Change in contract assets		61.5	46.2
Change in contract liabilities		(28.9)	(26.7)
Foreign exchange (gains)/losses, net		(9.1)	29.4
Income tax		222.4	139.0
Net additions of reception equipment		(55.5)	(71.0)
Share of the (profit)/loss of associates accounted for using the equity method		(41.5)	(34.1)
Cumulative catch-up resulting from modification of the loan agreement		-	(44.8)
Other adjustments		29.8	(3.3)
Cash from operating activities		**1,885.9**	**1,706.8**
Income tax paid		(269.9)	(360.4)
Interest received from operating activities		2.7	6.8
Net cash from operating activities		**1,618.7**	**1,353.2**
Acquisition of property, plant and equipment		(567.4)	(441.3)
Acquisition of intangible assets		(102.6)	(90.2)
Concessions payments		(28.3)	(4.2)
Acquisition of subsidiaries, net of cash acquired	16,22	(181.2)	(48.8)
Acquisition of shares in associates	22	(500.0)	(7.4)
Proceeds from sale of property, plant and equipment		4.0	4.4
Investment funds outflows		-	(30.0)
Investment funds inflows		-	30.0
Loans granted		(5.7)	(8.3)
Acquisition of bonds		(27.8)	(8.3)
Bonds redemption with interest		8.6	1.4
Dividends received from associate		59.2	56.8
Other inflows		2.0	1.8
Net cash used in investing activities		**(1,339.2)**	**(544.1)**

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

		for the 6 months ended	
	Note	30 June 2021 unaudited	30 June 2020 unaudited
Bonds issue (Series C Bonds)	15	-	1,000.0
Loans and borrowings inflows	14	110.0	35.0
Repayment of loans and borrowings	14	(200.0)	(857.9)
Payment of interest on loans, borrowings, bonds, and commissions (1)		(111.3)	(193.4)
Payment of lease liabilities		(222.0)	(185.7)
Payment of interest on lease liabilities		(21.0)	(21.1)
Dividend payment		(415.7)	(7.4)
Other outflows		(19.3)	(12.7)
Net cash used in financing activities		**(879.3)**	**(243.2)**
Net increase/(decrease) in cash and cash equivalents		**(599.8)**	**565.9**
Cash and cash equivalents at the beginning of the period		**1,365.8**(2)	**753.1**(3)
Effect of exchange rate fluctuations on cash and cash equivalents		(2.0)	1.5
Transfer to assets held for sale		(95.5)	-
Cash and cash equivalents at the end of the period		**668.5**(4)	**1,320.5**(5)

(1) Includes impact of derivative instruments and amount paid for costs related to the new financing
(2) Includes restricted cash amounting to PLN 10.4
(3) Includes restricted cash amounting to PLN 9.6
(4) Includes restricted cash amounting to PLN 8.7
(5) Includes restricted cash amounting to PLN 10.1

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2021

	Share capital	Share premium	Share of other comprehensive income of associates	Other reserves	Retained earnings [1]	**Equity attributable to equity holders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2021	**25.6**	**7,174.0**	**21.2**	**99.7**	**7,112.3**	**14,432.8**	**(6.6)**	**14,426.2**
Dividend approved and share of profits	-	-	-	-	(767.5)	(767.5)	(0.4)	**(767.9)**
Put option valuation				(106.7)	-	(106.7)	654.7	**548.0**
Acquisition of subsidiary (see note 22)	-	-	-	(19.9)	-	(19.9)	(161.0)	**(180.9)**
Total comprehensive income	-	-	0.1	4.8	928.9	933.8	3.2	**937.0**
Hedge valuation reserve	-	-	-	*4.8*	-	*4.8*	-	***4.8***
Share of other comprehensive income of associates	-	-	*0.1*	-	-	*0.1*	-	***0.1***
Net profit for the period	-	-	-	-	*928.9*	*928.9*	*3.2*	***932.1***
Balance as at 30 June 2021 unaudited	**25.6**	**7,174.0**	**21.3**	**(22.1)**	**7,273.7**	**14,472.5**	**489.9**	**14,962.4**

[1] In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. As at 30 June 2021 the capital excluded from distribution amounts to PLN 8.5

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

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

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

[1] In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. As at 30 June 2020 the capital excluded from distribution amounts to PLN 8.5

Notes to the Interim Condensed Consolidated Financial Statements

General information

1. The Parent Company

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

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

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

These interim condensed consolidated financial statements comprise the Parent and its subsidiaries ('the Group') and joint ventures. The Group operates in two segments:

- B2C and B2B services which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes,
- media which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television 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

Composition of the Supervisory Board from 24 June 2021:

- Zygmunt Solorz — Chairman of the Supervisory Board,
- Marek Kapuściński — Vice-Chairman of the Supervisory Board,
- Józef Birka — Member of the Supervisory Board,
- Jarosław Grzesiak — Member of the Supervisory Board,
- Marek Grzybowski — Member of the Supervisory Board,
- Alojzy Nowak — Member of the Supervisory Board,
- Tobias Solorz — Member of the Supervisory Board,
- Tomasz Szeląg — Member of the Supervisory Board,
- Piotr Żak — Member of the Supervisory Board.

Composition of the Supervisory Board to 24 June 2021:

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

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

Statement of compliance

These interim condensed consolidated financial statements for the 6 months ended 30 June 2021 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting as adopted by the EU. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2020, 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 2020, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2021.

During the six-month period ended 30 June 2021 the following become effective:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments and interpretations that apply for the first time in 2021 do not have a material impact on the interim condensed consolidated financial statements of the Group.

Standards published but not yet effective:

a) Amendments to IFRS 3 Business Combinations,
b) Amendments to IAS 16 Property, Plant and Equipment,
c) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets,
d) Annual Improvements 2018-2020 – the amendments contain explanations and clarify the guidelines for recognition and measurement: IFRS 1 "Adoption of International Financial Reporting Standards for the first time," IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and examples to illustrate IFRS 16 "Leases",
e) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current,
f) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies,
g) Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates,
h) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction,
i) Amendment to IFRS 16 – Covid-19-Related Rent Concessions.

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

5. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2021 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2021	Share in voting rights (%) 31 December 2020
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 Investments Ltd. (formerly Polsat Brands AG)[(g)]	3, Krinou Agios Athanasios, 4103 Limassol, Cyprus	media	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, United Kingdom	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%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.[(e)]	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	100%	100%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2021	Share in voting rights (%) 31 December 2020
Subsidiaries accounted for using full method (cont.):				
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	call center and premium rate services	100%	100%
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	financial activities	*	*
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
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.[(e)]	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	telecommunication activities	-	100%

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	Entity's registered office	Activity	Share in voting rights (%) 30 June 2021	Share in voting rights (%) 31 December 2020
Subsidiaries accounted for using full method (cont.):				
Netia S.A.[(c)]	Poleczki 13, 02-822 Warsaw	telecommunication activities	74.29%	65.98%
Netia 2 Sp. z o.o.[(c)]	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	74.29%	65.98%
TK Telekom Sp. z o.o.[(c)]	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	74.29%	65.98%
Petrotel Sp. z o.o.[(c)]	Chemików 7, 09-411 Płock	telecommunication activities	74.29%	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. [(d)]	Kielecka 5, 81-303 Gdynia	retail sales	75.96%	75.96%
Pure Omni Wework Sp. z o.o. Sp.k.[(d)]	Kielecka 5, 81-303 Gdynia	retail sales	-	75.96%
Wework Sp. z o.o.[(d)]	Kielecka 5, 81-303 Gdynia	administrative services	-	75.96%
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	100%	100%
ISTS Sp. z o.o.[(c)]	Bociana 4a/68a, 31-231 Cracow	wired communication	74.29%	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%
Esoleo Sp. z o.o.	Al. Wyścigowa 6, 02-681 Warsaw	technical services	51.25%	51.25%
Alledo Express Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	rental services	51.25%	51.25%
Alledo Parts Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.14%	26.14%
Alledo Parts Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	wholesale	26.40%	26.40%
Alledo Setup Sp. z o.o.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	51.25%
Alledo Setup Sp. z o.o. Sp.k.	Broniwoja 3/85, 02-655 Warsaw	technical services	51.25%	51.25%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2021	31 December 2020
Subsidiaries accounted for using full method (cont.):				
IST Sp. z o.o. [(c)]	Księcia Janusza I 3, 18-400 Łomża	wired communication	74.29%	65.98%
Grupa Interia.pl Sp. z o.o.	Os. Teatralne 9a, 31-946 Cracow	holding activities	100%	100%
Grupa Interia.pl Media Sp. z o.o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	100%
Grupa Interia.pl Sp. z o.o. Sp.k.	Os. Teatralne 9a, 31-946 Cracow	web portals activities	100%	100%
Mobiem Polska Sp. z o.o.	Fabryczna 5a, 00-446 Warsaw	holding activities	100%	100%
Mobiem Polska Sp. z o.o. Sp.k.	Fabryczna 5a, 00-446 Warsaw	advertising activities	100%	100%
TV Spektrum Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.)[(a)]	Ludwika Solskiego 55, 52-401 Wroclaw	consulting	60%	60%
Polot Media Sp. z o.o. Sp.k. (formerly Tako Media Sp. z o.o. Sp.k.)[(b)]	Ludwika Solskiego 55, 52-401 Wroclaw	movie and TV production	60%	60 %
BCAST Sp. z o.o.	Rakowiecka 41/21, 02-521 Warsaw	telecommunication activities	70.02%	70.02%
Polsat Talenty Sp. z o.o.[(f)]	Ostrobramska 77, 04-175 Warsaw	cooperation with artists and presenters	100%	-

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

[(a)] On 2 February 2021 company's name change to Polot Media Sp. z o.o. was registered.

[(b)] On 18 February 2021 company's name change to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. was registered.

[(c)] On 8 March 2021 Cyfrowy Polsat S.A. acquired 0.0253% shares of Netia. On 23 April 2021 acquired approx. 3.40% shares. On 19 May 2021 acquired 0.02% shares. On 23 June 2021 acquired another 4.87% shares. Consequently, Cyfrowy Polsat held 74.29% of the Company share capital as at 30 June 2021.

[(d)] On 19 March 2021 merger of TVO Sp. z o.o. with Pure Omni Wework Sp. z o.o. Sp.k. and Wework Sp. z o.o. was registered. The company remaining is TVO Sp. z o.o.

[(e)] On 30 April 2021 merger of Liberty Poland S.A with Coltex ST Sp. z o.o. was registered. The company remaining is Liberty Poland S.A.

[(f)] On 18 May 2021 Polsat Talenty Sp. z o.o. was registered by the court.

[(g)] On 9 June 2021 company's name change from Polsat Brands AG to Polsat Investments Ltd. 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 (%) 30 June 2021	Share in voting rights (%) 31 December 2020
Polsat JimJam Ltd.	33 Broadwick Street Soho London W1F 0DQ, United Kingdom	media	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159 02-952 Warsaw	technical services	50%	50%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	24.47%	24.47%
Vindix S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	other financial services	46.27%	46.27%
Asseco Poland S.A.	Olchowa 14, 35-322 Rzeszów	software activities	22.95%	22.95%
eObuwie.pl S.A.[(a)]	Nowy Kisielin-nowa 9, 66-002 Zielona Góra	retail sales	10%	-

[(a)] On 22 June 2021 Cyfrowy Polsat S.A. acquired 10% shares of eObuwie.pl S.A.

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2021:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2021	Share in voting rights (%) 31 December 2020
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	21.43%[(2)]	21.43%[(2)]
InPlus Sp. z o.o.	Wilczyńskiego 25E, 216, 10-686 Olsztyn	infrastructure projects advisory	1.2%[(3)]	1.5%[(3)]
Pluszak Sp. z o.o.	Domaniewska 47, 02-672 Warsaw	retail sales	9%	9%
Exion Hydrogen Polskie Elektrolizery Sp. z o.o. (formerly PLCOM Sp. z o.o.)[(a)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	production of electrical equipment	10%	-

[(1)] Investment accounted for at cost less any accumulated impairment losses.
[(2)] Not included in investments accounted for under the equity method due to immateriality.
[(3)] Altalog Sp. z o.o. holds 1.75% share in voting rights in InPlus Sp. z o.o.
[(a)] On 23 April 2021 Cyfrowy Polsat S.A. acquired 10% shares of PLCOM Sp. z o.o. On 31 May 2021 company's name change to Exion Hydrogen Polskie Elektrolizery 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)

6. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 18 August 2021.

Explanatory notes

7. Information on seasonality in the Group's operations

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer.

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

8. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Retail revenue	1,664.8	1,592.0	3,328.9	3,196.5
Wholesale revenue	964.2	802.5	1,844.9	1,626.2
Sale of equipment	350.4	392.9	683.1	738.6
Other revenue	180.3	75.3	290.2	149.9
Total	**3,159.7**	**2,862.7**	**6,147.1**	**5,711.2**

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

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

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

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9. Operating costs

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Technical costs and cost of settlements with telecommunication operators		633.0	636.1	1,257.7	1,236.9
Depreciation, amortization, impairment and liquidation		457.2	565.9	978.4	1,130.4
Cost of equipment sold		289.2	334.8	565.9	617.1
Content costs		449.2	368.9	868.6	757.7
Distribution, marketing, customer relation management and retention costs		230.6	232.0	459.6	456.4
Salaries and employee-related costs	a)	227.9	210.2	464.8	432.1
Cost of debt collection services, bad debt allowance and receivables written off		22.7	36.6	52.5	80.9
Other costs		158.3	71.1	251.5	136.2
Total		**2,468.1**	**2,455.6**	**4,899.0**	**4,847.7**

a) Salaries and employee related costs

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Salaries	188.1	172.1	382.0	353.7
Social security contributions	31.0	29.3	65.6	62.2
Other employee-related costs	8.8	8.8	17.2	16.2
Total	**227.9**	**210.2**	**464.8**	**432.1**

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

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Interest on lease liabilities	(10.9)	(13.6)	(22.1)	(25.6)
Interest, net	1.0	(1.5)	0.6	1.9
Other foreign exchange gains/(losses), net	20.1	19.3	12.0	(43.4)
Other income/costs	(2.4)	(5.4)	(5.1)	(8.3)
Total	**7.8**	**(1.2)**	**(14.6)**	**(75.4)**

11. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Interest expense on loans and borrowings	51.6	64.1	102.7	152.8
Interest expense on issued bonds	10.3	11.1	20.5	23.2
Cumulative catch-up	-	(44.8)	-	(44.8)
Valuation and realization of hedging instruments	1.4	0.2	2.7	0.3
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(3.6)	15.1	(10.3)	67.4
Guarantee fees, bank and other charges	0.8	2.0	2.0	2.6
Total	**60.5**	**47.7**	**117.6**	**201.5**

12. Equity

Share capital

Presented below is the structure of the Company's share capital as at 30 June 2021 and 31 December 2020:

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

* not in millions

The shareholders' structure as at 30 June 2021 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:	308,619,094	12.3	48.26%	468,336,605	57.19%
Reddev Investments Ltd. [1]	308,619,084	12.3	48.26%	468,336,585	57.19%
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 [3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	264,762,801	10.6	41.40%	284,462,791	34.73%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

* not in millions
[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.

The shareholders' structure as at 31 December 2020 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 [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%**

* not in millions
[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.

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

	2021	2020
Balance as at 1 January	**(8.3)**	**(0.2)**
Valuation of cash flow hedges	6.0	(10.7)
Deferred tax	(1.2)	2.0
Change for the period	**4.8**	**(8.7)**
Balance as at 30 June unaudited	**(3.5)**	**(8.9)**

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14. Loans and borrowings

	30 June 2021 unaudited	31 December 2020
Short-term liabilities	1,053.4	753.0
Long-term liabilities	8,514.2	8,887.8
Total	**9,567.6**	**9,640.8**

Change in loans and borrowings liabilities:

	2021	2020
Balance as at 1 January	**9,640.8**	**10,509.5**
Loans and borrowings on acquisition of Alledo Sp. z o.o.	-	3.0
Revolving facility loan	110.0	35.0
Repayment of capital	(200.0)	(857.9)
Repayment of interest and commissions	(86.4)	(171.7)
Cumulative catch-up	-	(44.8)
Interest accrued and commissions	103.2	149.8
Balance as at 30 June unaudited	**9,567.6**	**9,622.9**

15. Issued bonds

	30 June 2021 unaudited	31 December 2020
Short-term liabilities	38.6	38.7
Long-term liabilities	1,960.1	1,959.2
Total	**1,998.7**	**1,997.9**

Change in issued bonds:

	2021	2020
Balance as at 1 January	**1,997.9**	**1,004.0**
Bonds issue (Series C Bonds)	-	1,000.0
Repayment of interest and commissions	(19.7)	(19.6)
Interest accrued and commissions	20.5	22.2
Balance as at 30 June unaudited	**1,998.7**	**2,006.6**

Other notes

16. Acquisition of subsidiaries

Acquisition of shares in Interia Group – final purchase price allocation

On 30 April 2020 Telewizja Polsat (Company's subsidiary) executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH the Preliminary Share and Rights Purchase Agreement concerning:

- an acquisition from Bauer Media Invest GmbH of 100 shares in Grupa Interia.pl Sp. z o.o. ("GIGO"), representing 100% of the share capital of GIGO and carrying the right to exercise 100% of the total number of votes at the shareholders' meeting of GIGO; and;

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

- an acquisition from Bauer Polen Invest GmbH of all rights and obligations of a limited partner of Grupa Interia.pl Media Sp. z o.o. Sp.k. ("GIKO") (the "Preliminary Agreement").

The closing of the Transaction depended on the satisfaction of a condition precedent that Telewizja Polsat obtains consent of the President of the Office for Competition and Consumer Protection (UOKiK) (the "UOKiK President") for the concentration.

On 2 July 2020 Telewizja Polsat received a decision of the UOKiK President granting the unconditional consent for the concentration consisting of the acquisition by Telewizja Polsat the exclusive control over the Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp. z o.o. Sp.k. The above consent concludes the satisfaction of the condition precedent set forth in the Preliminary Agreement.

On 8 July 2020 Telewizja Polsat executed with Bauer Media Invest GmbH and Bauer Polen Invest GmbH Final Share and Rights Purchase Agreement for the amount of PLN 420.

The above acquisition resulted in Telewizja Polsat acquiring exclusive control over Interia Group companies: GIGO, GIKO, Grupa Interia.pl Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp z o.o. Sp.k. (jointly the "Interia Group"), and an indirect acquisition of shares representing 16.67% of the share capital of Polskie Badania Internetu Sp. z o.o.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over Interia Group on 8 July 2020.

Consideration transferred

	Final value of consideration transferred
Consideration	420.5
Final value as at 8 July 2020	**420.5**

Reconciliation of transactional cash flow

Cash transferred	(420.5)
Cash and cash equivalents received	12.6
Cash decrease in the period of 12 months ended 31 December 2020	**(407.9)**

Final fair value valuation of net assets as at the acquisition date

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

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

Final fair value of assets and liabilities as at 8 July 2020:

	Fair value as at the acquisition date (8 July 2020)
Net assets:	
Other property, plant and equipment	11.2
'Interia' brand	82.7
Self-developed software	71.2
Other intangible assets	1.9
Right-of-use assets	14.8
Other non-current assets	0.4
Trade and other receivables	17.0
Other current assets	0.7
Cash and cash equivalents	12.6
Lease liabilities	(14.8)
Deferred tax liabilities	(23.7)
Trade and other payables	(13.6)
Value of net assets (100%)	**160.4**
Consideration transferred	**420.5**
Goodwill	**260.1**

Goodwill is allocated to the "Media" operating segment.

Following the completion of the purchase price allocation the fair value of identified assets and liabilities has been adjusted to reflect the final valuation. The adjustment includes, among others, identification of an umbrella brand 'Interia' and self-developed software.

The Group has not restated the amortization and income tax in the comparable income statement as the impact would have been immaterial.

During the purchase price allocation the Group identified the umbrella brand 'Interia'. The fair value of the brand in the amount of PLN 82.7 as at the acquisition date was estimated on the basis of relief from royalty method (income approach). Management estimates that the brand 'Interia' has a definite useful life and thus the brand is amortized over 30 years, i.e. until 2050.

The fair value of the self-developed software in the amount of PLN 71.2 as at the acquisition date was estimated based on the cost approach.

The revenue and net profit included in the consolidated income statement for the reporting period since 8 July 2020 to 31 December 2020 contributed by Interia Group amounted to PLN 57.5 and PLN 16.6, respectively. Had it been acquired on 1 January 2020 the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 12,011.5 and PLN 1,160.4 respectively.

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

On 18 September 2020 Telewizja Polsat (Company's subsidiary) acquired 50.52% shares in TV Spektrum Sp. z o.o. After this transaction Telewizja Polsat holds 100% shares of TV Spektrum Sp. z o.o.

The consideration for 50.52% shares in TV Spektrum Sp. z o.o. amounted to PLN 19.3.

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

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	29.7
Provisional value as at 18 September 2020	**29.7**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(19.3)
Cash and cash equivalents received	1.4
Cash decrease in the period of 12 months ended 31 December 2020	**(17.9)**

PROVISIONAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Provisional and temporary fair value of assets and liabilities as at 18 September 2020:

	Provisional fair value as at the acquisition date (18 September 2020)
Net assets:	
Other intangible assets	11.4
Programming assets	15.4
Trade and other receivables	10.7
Other current assets	0.1
Cash and cash equivalents	1.4
Loans and borrowings	(33.1)
Trade and other payables	(42.6)
Provisional value of net assets (100%)	**(36.7)**
Provisional consideration transferred	**29.7**
Provisional goodwill	**66.4**

Goodwill is allocated to the “Media” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 18 September 2020 contributed by TV Spektrum amounted to PLN 0.1 and PLN 10.3, respectively. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 11,959.3 and PLN 1,133.0, respectively.

Acquisition of shares in Polot Media Sp. z o.o. (formerly Tako Media Sp. z o. o.) and joining to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Tako Media Spółka z ograniczoną odpowiedzialnością Sp. k.) as a limited partner

On 23 December 2020 Telewizja Polsat (Company's subsidiary) acquired 60% shares in Tako Media Sp. z o. o. for the purchase price of PLN 3,000 (not in million).

On 23 December 2020 Telewizja Polsat (Company's subsidiary) joined Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. as a new limited partner. After this transaction, Telewizja Polsat holds directly and indirectly (through Tako Media Sp. z o. o.) 60% share in the profit of Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. Cash contribution amounted to PLN 75,000 (not in million).

On 23 December 2020 partners of Tako Media Sp. z o.o. Sp.k. adopted a resolution concerning a new policy of share in profit/loss. According to this resolution, Telewizja Polsat has 58.2% share in profit since 1 December 2020.

On 2 February 2021 company's name change from Tako Media Sp. z o.o. to Polot Media Sp. z o. o. was registered. On 18 February 2021 company's name change from Tako Media Spółka z ograniczoną odpowiedzialnością Sp.k. to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. was registered.

Taking into account the above mentioned circumstances Cyfrowy Polsat obtained control over Polot Media Sp. z o.o. and Polot Media Sp. z o.o. Sp.k. on 1 December 2020.

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	0.1
Provisional value as at 23 December 2020	**0.1**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(0.1)
Cash and cash equivalents received	2.5
Cash increase in period of the 12 months ended 31 December 2020	**2.4**

PROVISIONAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

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

Provisional and temporary fair value of assets and liabilities as at 1 December 2020:

	Provisional fair value as at the acquisition date (1 December 2020)
Net assets:	
Other property, plant and equipment	5.1
Other intangible assets	0.0
Other non-current assets	0.0
Programming assets	9.1
Trade and other receivables	4.9
Other current assets	0.2
Cash and cash equivalents	2.5
Trade and other payables	(9.2)
Contract liabilities	(10.3)
Provisional value of net assets (100%)	**2.3**
Provisional value of net assets attributable to non-controlling interest	**2.3**
Provisional value of net assets attributable to Cyfrowy Polsat S.A. Capital Group	**0.0**
Increase in share capital of purchased entities	**(0.1)**
Provisional consideration transferred	**0.1**
Provisional goodwill	**0.0**

Goodwill is allocated to the “Media” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 1 December 2020 contributed by Polot Media Sp. z o. o. and Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. amounted to PLN 0.4 and PLN 2.3. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 12,000.5 and PLN 1,150.4, respectively.

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

On 25 March 2020 the Company acquired 69.13% shares in BCAST Sp. z o.o. for the purchase price of PLN 7.4. From the date of acquisition of the shares, the Company had a significant influence over BCAST.

On 23 December 2020 the Company acquired additional 0.89% shares in BCAST Sp. z o.o. for the purchase price of PLN 0.1 and obtained control over the entity.

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

As at 31 December 2020 the Company holds a total of 70.02% of BCAST Sp. z o.o. shares.

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	7.3
Provisional value as at 23 December 2020	**7.3**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred for 69.13% shares	(7.4)
Cash transferred for 0.89% shares	(0.1)
Cash and cash equivalents received	0.5
Cash decrease in period 12 months ended 31 December 2020	**(7.0)**

PROVISIONAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Provisional and temporary fair value of assets and liabilities as at 23 December 2020:

	Provisional fair value as at the acquisition date (23 December 2020)
Net assets:	
Other property, plant and equipment	4.4
Right-of-use assets	4.0
Deferred tax assets	0.1
Trade and other receivables	0.7
Cash and cash equivalents	0.5
Loans and borrowings	(3.6)
Lease liabilities	(4.2)
Trade and other payables	(0.8)
Income tax liability	(0.1)
Provisional value of net assets (100%)	**1.0**
Provisional value of net assets attributable to non-controlling interest	**0.3**
Provisional value of net assets attributable to Cyfrowy Polsat S.A. Capital Group	**0.7**
Provisional consideration transferred	**7.3**
Provisional goodwill	**6.6**

Goodwill is allocated to the “B2C and B2B services” operating segment.

The revenue and net loss for the reporting period since 23 December 2020 contributed by BCAST Sp. z o.o. amounted to PLN 0.0 and PLN 0.0, respectively. Had it been acquired on 1 January 2020, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2020 would have amounted to PLN 11,968.1 and PLN 1,146.2, respectively.

17. Investment in associates

Acquisition of Asseco Poland S.A. shares

The transfer of ownership of the Asseco Polans S.A. (Asseco) 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 acquisition, the Company held a total of 22.73% Asseco shares as at 30 December 2019.

On 31 July 2020 Cyfrowy Polsat purchased from Reddev 184,127 (not in million) Asseco shares for the price of PLN 11.4. Following the transaction, the Company holds a total of 22.95% of Asseco shares.

The table below presents summary of Asseco'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 3 months ended
	31 March 2021
Revenue	3,339.1
Profit from operating activities	323.0
Net profit	233.2
Other comprehensive income, net	133.8
Total comprehensive income	**367.0**

	31 March 2021
Non-current assets	9,831.1
Current assets	7,028.4
Total assets	**16,859.5**
Non-current liabilities	3,019.5
Current liabilities	4,580.9
Total liabilities	**7,600.4**

Fair value of the investment held in Asseco as at 30 December 2019 amounted to PLN 1,226. Following the completion of the purchase price allocation process for the acquisition of Asseco as at 30 December 2019, the Group identified goodwill in the amount of PLN 644, included in the carrying amount of the investment.

18. Operating segments

The Group operates in the following two segments:

- B2C and B2B services segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the

Internet access services, the mobile TV services, the online TV services, set-top boxes production and assembly of photovoltaic installations, and

- Media segment.

The Group conducts its operating activities primarily in Poland.

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

B2C and B2B services segment includes:

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

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

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2021:

the 6 months ended 30 June 2021 (unaudited)	B2C and B2B services	Media: TV and online	Consolidation adjustments	Total
Revenues from sales to third parties	5,180.3	966.8	-	**6,147.1**
Inter-segment revenues	31.4	110.4	(141.8)	**-**
Revenues	**5,211.7**	**1,077.2**	**(141.8)**	**6,147.1**
EBITDA (unaudited)	**1,888.4**	**335.2**	**-**	**2,223.6**
Depreciation, amortization, impairment and liquidation	916.7	61.7	-	**978.4**
Profit from operating activities	**971.7**	**273.5**	**-**	**1,245.2**
Acquisition of property, plant and equipment and other intangible assets	610.9	59.1	-	**670.0**
Acquisition of reception equipment	55.6	-	-	**55.6**
Balance as at 30 June 2021 (unaudited)				
Assets, including:	27,203.9	5,778.7*	(60.3)	**32,922.3**
Investments in joint venture and shares in associates	1,740.2	5.9	-	**1,746.1**

* Includes non-current assets located outside of Poland in the amount of PLN 9.2.

All material revenues are generated in Poland.

It should be noted that the data for 6 months ended 30 June 2021 allocated to the "B2C and B2B services" segment are not comparable to the 6 months ended 30 June 2020 as 100% shares in IST Sp. z o. o. were acquired by Netia S.A. on 14 February 2020, shares of Asseco Poland S.A. were purchased from Reddev Investments Limited on 31 July 2020 (consequently, the Company holds 22.95% shares), additional 0.89% shares in BCAST Sp. z o.o. were acquired on 23 December 2020 (thus increasing shares held to 70.02%), additional 0.0253% shares of Netia S.A. were purchased on 8 March 2021 (consequently, the Company held 66% shares), additional 3.4% shares of Netia S.A. were purchased on 23 April 2021 (consequently, the Company held 69.4% shares), additional 0.02% shares of Netia S.A. were purchased on 19 May 2021 (consequently, the Company held 69.42% shares) and additional 4.87% shares of Netia S.A. were purchased on 23 June 2021 (consequently, the Company held 74.29% shares as at 30 June 2021), 10% shares in Exion Hydrogen Polskie Elektrolizery Sp. z o.o. were acquired on 23 April 2021 and 10% shares of eobuwie.pl S.A were acquired on 22 June 2021.

It should be noted also that the data for 6 months ended 30 June 2021 allocated to the "Media" segment are not comparable to the 6 months ended 30 June 2020 as 100% shares in Grupa Interia.pl Sp. z o.o. and all rights and obligations of limited partner in Grupa Interia.pl Media Sp. z o.o. Sp.k. were acquired on 8 July 2020 as well as additional 50.52% shares in TV Spektrum Sp. z o.o. were acquired on 18 September 2020 (thus increasing shares held to 100%), 60% shares in Polot Media Sp. z o.o. were acquired on 23 December 2020 and 60% shares (directly and indirectly) in Polot Media Sp. z o.o. Sp. k. were acquired on 23 December 2020.

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2020:

the 6 months ended 30 June 2020 (unaudited)	B2C and B2B services	Media: TV and online	Consolidation adjustments	Total
Revenues from sales to third parties	4,942.3	768.9	-	**5,711.2**
Inter-segment revenues	29.6	103.9	(133.5)	**-**
Revenues	**4,971.9**	**872.8**	**(133.5)**	**5,711.2**
EBITDA adjusted (unaudited)	**1,758.8**	**269.4**	**-**	**2,028.2**
Costs related to COVID (including donations)	37.8	3.7	-	**41.5**
EBITDA (unaudited)	**1,721.0**	**265.7**	**-**	**1,986.7**
Depreciation, amortization, impairment and liquidation	1,100.1	30.3	-	**1,130.4**
Profit from operating activities	**620.9**	**235.4**	**-**	**856.3**
Acquisition of property, plant and equipment and other intangible assets	497.8	37.9	-	**535.7**
Acquisition of reception equipment	71.1	-	-	**71.1**
Balance as at 30 June 2020 (unaudited)				
Assets, including:	27,210.3	5,482.2*	(69.7)	**32,622.8**
Investments in joint venture and shares in associates	1,271.6	18.4	-	**1,290.0**

* Includes non-current assets located outside of Poland in the amount of PLN 10.9.

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
EBITDA adjusted (unaudited)	**2,223.6**	**2,028.2**[(1)]
EBITDA (unaudited)	**2,223.6**	**1,986.7**
Depreciation, amortization, impairment and liquidation (note 9)	(978.4)	(1,130.4)
Profit from operating activities	**1,245.2**	**856.3**
Other foreign exchange rate differences, net (note 10)	12.0	(43.4)
Interest costs, net (note 10 and 11)	(137.1)	(267.4)
Share of the profit/(loss) of associates accounted for using the equity method	41.5	34.1
Cumulative catch-up (note 11)	-	44.8
Other	(7.1)	(10.9)
Gross profit for the period	**1,154.5**	**613.5**
Income tax	(222.4)	(139.0)
Net profit for the period	**932.1**	**474.5**

[(1)] EBITDA adjusted by costs related to COVID (including donations)

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

19. Transactions with related parties

Receivables

	30 June 2021 unaudited	31 December 2020
Joint ventures and associates	30.8	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.	25.7	7.5
Total *	**56.5**	**25.4**

* Amounts presented above do not include deposits paid (30 June 2021 – PLN 3.5, 31 December 2020 – PLN 3.5)

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

Other assets

	30 June 2021 unaudited	31 December 2020
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	2.3
Total	**3.3**	**2.3**

Liabilities

	30 June 2021 unaudited	31 December 2020
Joint ventures and associates	37.6	77.1
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.	671.9**	482.8*
Total	**709.5**	**559.9**

* Includes liabilities related to dividend paid on 11 January 2021 in the amount of PLN 236.8.
** Includes liabilities related to dividend for 2020 in the amount of PLN 447.1.

A significant portion of liabilities relates to liabilities for lease of premises and facilities.

Loans granted

	30 June 2021 unaudited	31 December 2020
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	9.0	6.9
Total	**9.0**	**6.9**

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

Loans received

	30 June 2021 unaudited	31 December 2020
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.	5.5	5.4
Total	**5.5**	**5.4**

Revenues

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
Joint ventures and associates	14.9	14.1
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.	81.7	12.2
Total	**96.6**	**26.3**

In the period of 6 months ended 30 June 2021 and 30 June 2020 the most significant transactions include photovoltaic installations.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
Joint ventures and associates	5.5	15.2
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.	117.4	119.3
Total	**122.9**	**134.5**

In the period of 6 months ended 30 June 2021 and 30 June 2020 the most significant transactions include *inter alia* cost of electrical energy and advertising services.

Gain/(loss) on investment activities, net

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
Joint ventures and associates	-	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.	(3.2)	(5.4)
Total	**(3.2)**	**(4.4)**

(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 6 months ended	
	30 June 2021 unaudited	30 June 2020 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	0.2
Total	**0.1**	**0.2**

20. Contingent liabilities

Management believes that the provisions as at 30 June 2021 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 30 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0. The company appealed to SOKiK against the decision. On 5 March 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court. On 1 April 2021 SOKiK dismissed Polkomtel's appeal.

On 30 December 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 5.3 and PLN 18.4, respectively. The Group appealed to SOKiK against the decision. On 18 June 2019 SOKiK annulled the decision of the President of UOKiK in relation to Polkomtel. The President of UOKiK appealed against the SOKiK verdict. On 7 August 2019 the court dismissed the appeal of Cyfrowy Polsat. The Company appealed against the decision. Pursuant to the Court of Appeals verdict from 11 March 2021, the Company paid a penalty of PLN 5.3 on 26 March 2021. On 24 June 2021 the Company filed a cassation appeal to the Supreme 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 sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 4.4 and PLN 12.3, respectively. The Group appealed to SOKiK against the decision. On 14 October 2019 SOKiK dismissed the appeal. The Group appealed against the decision. On 31 December 2020 the Group's appeal was dismissed. On 14 January 2021 Cyfrowy Polsat and Polkomtel paid the penalty. The Group plans to submit a cassation appeal to the Supreme Court.

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

President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 39.5. Polkomtel appealed to SOKiK against the decision. On 26 May 2021 SOKiK dismissed Polkomtel's appeal. The company plans to appeal against the SOKiK judgment.

Other proceedings

On 28 April 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on 8 May 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement. On 6 May 2020, the Company received a letter from the Court, included the mediator's position summarizing the course of mediation, with a request to refer to its content. On 25 May 2020, the Company submitted a response informing the Court about the settlement being impossible to reach by the parties. The next hearing is scheduled for 20 October 2021.

By lawsuit, delivered to the Company on 16 December 2019, the Association of Performing Artists (SAWP) filed two claims against the Company: information claim and claim for payment. The information claim relates to television programs rebroadcasted by the Company in the period from 20 August 2009 to 20 August 2019. In the claim for payment, SAWP claims PLN 153.3 for the alleged violation of related rights to artistic performances of musical and verbal - musical works through their non-contractual cable rebroadcast. The Company filed for the dismissal entirely. The date of next hearing is scheduled for 16 March 2022.

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 2020 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 2020. There have been no significant changes in any risk management policies since the end of year 2020.

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,

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

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

			30 June 2021 unaudited		31 December 2020	
	Category according to IFRS 9	The level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	13.5	13.5	7.8	7.8
Trade and other receivables	A	*	3,115.6	3,115.6	3,121.6	3,121.6
Cash and cash equivalents and short-term deposits	A	*	755.3	755.3	1,355.4	1,355.4
Restricted cash	A	*	8.7	8.7	10.4	10.4
Loans and borrowings	B	2	(9,622.0)	(9,567.6)	(9,796.2)	(9,640.8)
Issued bonds	B	1	(2,037.0)	(1,998.7)	(2,023.1)	(1,997.9)
UMTS licence liabilities	B	2	(267.8)	(261.5)	(274.2)	(263.4)
Lease liabilities	B	2	(1,475.1)	(1,475.1)	(1,573.0)	(1,573.0)
Accruals	B	*	(767.5)	(767.5)	(970.4)	(970.4)
Liabilities to shareholders of the Parent Company related to dividend	B	*	(767.5)	(767.5)	(415.7)	(415.7)
Liabilities due to tender offer for shares in Netia S.A.	B	*	-	-	(548.0)	(548.0)
Trade and other payables and deposits	B	*	(973.5)	(973.5)	(969.9)	(969.9)
Total			**(12,017.3)**	**(11,918.3)**	**(12,075.3)**	**(11,883.9)**
Unrecognized loss				(99.0)		(191.4)

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.

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.

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

As at 30 June 2021 and 31 December 2020 loans and borrowings comprised bank loans and other loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the credit risk. When determining the fair value of bank loans as at 30 June 2021 and as at 31 December 2020, forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loans obtained in 2015, changed in 2018 and changed in 2020) and to 31 March 2025 (assumed date of repayment of the additional loan obtained in 2019 and changed in 2020).

The fair value of issued bonds as at 30 June 2021 and 31 December 2020 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

As at 30 June 2021, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 June 2021 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**5.5**	**-**
Interest rate swaps		-	4.9	-
Forward transactions		-	0.6	-
Hedging derivative instruments		**-**	**0.1**	**-**
Interest rate swaps		-	0.1	-
Investments in equity instruments		**-**	**0.2**	**-**
Total		**-**	**5.8**	**-**

Liabilities measured at fair value

	30 June 2021 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(21.3)**	**-**
Interest rate swaps		-	(21.3)	-
Hedging derivative instruments		**-**	**(4.5)**	**-**
Interest rate swaps		-	(4.5)	-
Total		**-**	**(25.8)**	**-**

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

ASSETS MEASURED AT FAIR VALUE

31 December 2020	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments	**-**	**2.4**	**-**
Forward transactions	-	2.0	-
Interest rate swaps	-	0.4	-
Investments in equity instruments	**-**	**0.2**	**-**
Total	**-**	**2.6**	**-**

LIABILITIES MEASURED AT FAIR VALUE

31 December 2020	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments	**-**	**(45.8)**	**-**
Interest rate swaps	-	(45.8)	-
Hedging derivative instruments	**-**	**(10.2)**	**-**
Interest rate swaps	-	(10.2)	-
Total	**-**	**(56.0)**	**-**

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

22. Important agreements and events

Acquisition of shares in Netia S.A.

On 23 December 2020, the Company announced a tender offer for 114,173,459 (not in million) shares issued by Netia S.A. entitling to 114,173,459 (not in million) votes at Netia's general meeting, representing ca. 34.02% of Netia's share capital and ca. 34.02% of the total number of votes at Netia's general meeting. The share price in the tender offer was set at PLN 4.80 (not in million) per Netia's share.

As a result of the tender offer, on 8 March 2021, the Company acquired 84,868 (not in million) Netia's shares for the amount of PLN 0.4, representing ca. 0.0253% of its share capital and carrying the right to ca. 0.0253% of total votes at Netia's general meeting. As of 8 March 2021 the Company held 221,489,753 (not in million) Netia's shares representing ca. 66.0024% of its share capital and carrying the right to ca. 66.0024% of total votes at Netia's general meeting.

In April 2021, the Company acquired 11,405,739 (not in millions) Netia's shares for the amount of PLN 65.8, representing ca. 3.40% of total votes at Netia's general meeting. After the change Cyfrowy Polsat held directly 232,895,492 (not in millions) Netia's shares representing ca. 69.40% Netia's share capital and carrying the right to ca. 69.40% of total votes at Netia's general meeting.

On 19 May 2021, the Company acquired 58,714 (not in millions) Netia's shares for the amount of PLN 0.3, representing ca. 0.02% of total votes at Netia's general meeting. After the change

Cyfrowy Polsat held directly 232,954,206 (not in millions) Netia's shares representing ca. 69.42% of its share capital and carrying the right to ca. 69.42% of total votes at Netia's general meeting.

On 23 June 2021, the Company acquired 16,332,115 (not in millions) Netia's shares for the amount of PLN 114.4, representing ca. 4.87% of total votes at Netia's general meeting. After the change Cyfrowy Polsat held directly 249,286,321 (not in millions) Netia's shares representing ca. 74.29% of its share capital and carrying the right to ca. 74.29% of total votes at Netia's general meeting.

All above transactions as at 30 June 2021 were recognized in equity as transactions with non-controlling shareholders.

On 6 July 2021, the Company acquired 78,989,066 (not in millions) Netia's shares for the amount of 552.9, representing ca. 23.54% of total votes at Netia's general meeting. After the change Cyfrowy Polsat held directly 328,275,387 (not in millions) Netia's shares representing ca. 97.82% of its share capital and carrying the right to ca. 97.82% of total votes at Netia's general meeting.

On 6 August 2021, the Company acquired 7,298,980 (not in millions) Netia's shares for the amount of PLN 51.1, representing ca. 2.18% of total votes at Netia's general meeting. After the change Cyfrowy Polsat holds directly 335,574,367 (not in millions) Netia's shares representing ca. 99.999% of its share capital and carrying the right to ca. 99.999% of total votes at Netia's general meeting. The Company applied to the Management Board of Netia for the registration in the name of Cyfrowy Polsat of 3,977 (not in millions) ordinary bearer shares of Netia, which were not dematerialized and the binding force of which expired by law on 1 March 2021.

Execution of sale agreement for shares in subsidiary

On 26 February 2021 the Parent and its subsidiary Polkomtel Sp. z o. o. (together "Sellers") concluded a conditional sale agreement ("Sale Agreement") of shares in Polkomtel Infrastruktura Sp. z o. o. ("Polkomtel Infrastruktura"), currently Towerlink Poland Sp. z o.o..

According to the Sale Agreement, Sellers agreed to sell shares representing 99.99% of the share capital of Polkomtel Infrastruktura for the total price of PLN 7,070. The sale price was to be reduced by certain payments made by Polkomtel Infrastruktura to Group entities as well as by the amount of so-called profitability uplift related to the Master Service Agreement (as defined below) and increased by the interest accruing at 6% per annum.

The completion of the transaction is conditional on the fulfillment of the following conditions precedent: the buyer must obtain consent of the President of the Office of Competition and Consumer Protection for the concentration and the Sellers must obtain consents required under the financing documentation of the Sellers, as well as conditional or unconditional release of security interests encumbering the shares of Polkomtel Infrastruktura. On 9 June 2021 the President of the Office of Competition and Consumer Protection gave consent for concentration.

The transaction was completed on 8 July 2021. Total cash inflows related to the transaction amounted to PLN 7,111.9 and included adjusted price in the amount of PLN 7,026.9 and repayment of the borrowing by Polkomtel Infrastruktura in the amount of PLN 180.5 reduced by cash and cash equivalents held by Polkomtel Infrastruktura in the amount of PLN 95.5. After the transaction completion Polkomtel Sp. z o. o. retains 207 shares of Polkomtel Infrastruktura representing 0.01% of the share capital of Polkomtel Infrastruktura.

As at 30 June 2021 the Group recognized assets and liabilities of Polkomtel Infrastruktura as held for sale. Assets held for sale include mainly other property, plant and equipmetn (PLN 2.6 billion (not in millions)), allocated goodwill (PLN 1.0 billion (not in millions)) and right-of-use assets (PLN 0.7 billion (not in millions)). Liabilities of Polkomtel Infrastruktura held for sale include mainly lease liabilities (0.8 billion (not in millions)). Polkomtel Infrastruktura's financial results were presented in the "B2C and B2B services" segment.

Upon completion of the transaction, Group's entities (Polkomtel Sp. z o.o. and Aero 2 Sp. z o.o.) concluded a framework service agreement (Master Service Agreement) with Towerlink governing Towerlink's further cooperation with the Group for the next 25 years subject to renewals for successive 15-year periods, at the Group's discretion. The Master Service Agreement obliges Towerlink to continue providing for the Group the transmission of radio signals of a cellular telecommunication network, signal transmission services to the network's core and base stations, as well as providing access to Towerlink's passive and accompanying infrastructure. Master Service Agreement also defines required quality level of services provided by Towerlink, financial settlements as well as minimum contract services from Towerlink, resulting in Group's future payment committments.

Acquisition of shares in eObuwie.pl S.A.

On 31 March 2021 Management Board decided to acquire 10% of the share capital in eObuwie.pl S.A. within the scope of a pre-IPO investment for a consideration of PLN 500. As a result of the above, on 31 March 2021 the Company signed a preliminary agreement regarding acquisition of shares and a shareholders' agreement regulating, among others, the future corporate governance principles of eObuwie.pl S.A. This agreement had a conditional nature, in particular the seller was obliged to obtain relevant consents of banks financing the operating activities of the seller's capital group as well as the consent of the general shareholders meeting of eObuwie.pl S.A. for the sale of company's shares.

The Company completed transaction of acquisition of 10% of the shares in eObuwie.pl S.A. on 22 June 2021.

Acquisition of shares in PLCOM Sp. z o.o.

On 23 April 2021 Cyfrowy Polsat acquired 10% of shares in PLCOM Sp. z o.o. for the amount of PLN 500 (not in millions). On 31 May 2021 company's name change to Exion Hydrogen Polskie Elektrolizery Sp. z o.o. was registered.

Distribution of profit and dividend payment

On 24 June 2021 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2020 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 767.5. The dividend day was scheduled for 15 September 2021 and the dividend payout shall be made in two tranches as follows:

- Tranche I: PLN 255.8 on 28 September 2021,
- Tranche II: PLN 511.7 on 10 December 2021.

Merger of Liberty and Coltex

On 30 April 2021 a merger of Liberty Poland S.A. (acquiring company) and Coltex ST Sp. z o.o. (company being acquired) was registered by the court.

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

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

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

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

23. Events subsequent to the reporting date

Acquisition of shares

In July 2021, Polkomtel (Company's subsidiary) acquired 81.7% of share capital of Premium Mobile Sp. z o.o. representing 75.53% of total votes, for the amount of PLN 103.6. After the acquisitions, Polkomtel holds 99.4% share capital of Premium Mobile Sp. z o.o. (representing 98.97% of votes) and Aero2 (Company's subsidiary) holds 0.6% share capital of Premium Mobile Sp. z o.o. (representing 1.03% of votes). Premium Mobile Sp. z o.o. holds 100% shares in Visignio Sp. z o.o., Saveadvisor Sp. z o.o. and Mobi Dealer Sp. z o.o.

On 29 July 2021, Netia (Company's subsidiary) acquired 100% of share capital of Logitus Sp. z o.o. for the amount of PLN 10.1. Logitus Sp. z o.o. hold 100% shares in Market Software Sp. z o.o.

On 6 August 2021, Polkomtel (Company's subsidiary) acquired 100% of share capital of TMS Ossa Sp. z o.o. for the amount of PLN 47.0 and 100% share capital of Horest, Hotel pod Żaglami Sp. z o.o. for the amount of PLN 2.2.

Other significant events after the balance sheet date are described in the explanatory notes to these interim condensed consolidated financial statements.

24. Other disclosures

Security relating to loans and borrowings

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 3.2.6.

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

Commitments to purchase programming assets

As at 30 June 2021 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2021 unaudited	31 December 2020
within one year	332.4	182.9
between 1 to 5 years	842.2	315.6
more than 5 years	42.1	45.1
Total	**1,216.7**	**543.6**

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

	30 June 2021 unaudited	31 December 2020
within one year	75.7	22.1
between 1 to 5 years	-	0.2
Total	**75.7**	**22.3**

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 444.6 as at 30 June 2021 (PLN 313.2 as at 31 December 2020), of which PLN 269.9 as at 30 June 2021 related to the contractual liabilities of Polkomtel Infrastruktura (a subsidiary sold on 8 July 2021). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 107.2 as at 30 June 2021 (PLN 64.9 as at 31 December 2020).

Future contractual obligations

As at 30 June 2021 and 31 December 2020 the Group had future liabilities due to transponder capacity agreements.

The table below presents future payments (total):

	30 June 2021 unaudited	31 December 2020
within one year	123.4	126.0
between 1 to 5 years	436.3	503.9
Total	**559.7**	**629.9**

25. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs.

Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

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

Detailed description of the accounting estimates is presented in the annual consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the interim condensed financial statements of Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A street, containing: the interim balance sheet as at 30 June 2021, the interim income statement, the interim statement of comprehensive income, the interim cash flow statement, the interim statement of changes in equity for the period from 1 January 2021 to 30 June 2021 and notes to the interim condensed financial statements (the 'interim condensed financial statements').

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

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

Scope of review

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

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

Building a better working world

Conclusion

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

Warsaw, 18 August 2021

Key certified auditor

Podpisany certyfikatem wystawionym dla Jarosław Dac (Certyfikat kwalifikowany). Utworzony w dniu: 2021-08-18 17:24:41 +0200

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

Cyfrowy Polsat S.A.

Interim Condensed Financial Statements for the 6 months ended 30 June 2021

prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”

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Approval of the interim condensed financial statements

On 18 August 2021, 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 2021 to 30 June 2021 showing a net profit for the period of: PLN 369.8

Interim Statement of Comprehensive Income for the period
from 1 January 2021 to 30 June 2021 showing a total comprehensive income for the period of: PLN 374.6

Interim Balance Sheet as at
30 June 2021 showing total assets and total equity and liabilities of: PLN 15,651.1

Interim Cash Flow Statement for the period
from 1 January 2021 to 30 June 2021 showing a net decrease in cash and cash equivalents amounting to: PLN 696.8

Interim Statement of Changes in Equity for the period
from 1 January 2021 to 30 June 2021 showing a decrease in equity of: PLN 392.9

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, 18 August 2021

(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 30 June 2021 unaudited	for the 3 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2021 unaudited	for the 6 months ended 30 June 2020 unaudited
Revenue	7	609.4	587.8	1,227.9	1,177.3
Operating costs	8	(506.2)	(486.2)	(998.0)	(965.9)
Other operating income/(costs), net		(5.8)	0.6	(5.8)	0.6
Profit from operating activities		**97.4**	**102.2**	**224.1**	**212.0**
Gain on investment activities, net	10	214.5	68.5	234.0	81.1
Finance costs, net	11	(22.4)	(15.3)	(44.9)	(45.3)
Gross profit for the period		**289.5**	**155.4**	**413.2**	**247.8**
Income tax		95.0	(18.3)	(43.4)	(40.1)
Net profit for the period		**384.5**	**137.1**	**369.8**	**207.7**
Basic and diluted earnings per share (in PLN)		**0.60**	**0.21**	**0.58**	**0.32**

(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 Comprehensive Income

	Note	for the 3 months ended 30 June 2021 unaudited	for the 3 months ended 30 June 2020 unaudited	for the 6 months ended 30 June 2021 unaudited	for the 6 months ended 30 June 2020 unaudited
Net profit for the period		**384.5**	**137.1**	**369.8**	**207.7**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	12	2.1	(2.4)	4.8	(8.7)
Other comprehensive income/(loss), net of tax		**2.1**	**(2.4)**	**4.8**	**(8.7)**
Total comprehensive income for the period		**386.6**	**134.7**	**374.6**	**199.0**

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

Interim Balance Sheet - Assets

	Note	30 June 2021 unaudited	31 December 2020
Reception equipment		338.0	343.1
Other property, plant and equipment		113.5	112.8
Goodwill		197.0	197.0
Brands		7.8	7.8
Other intangible assets		74.1	72.1
Right-of-use assets		21.1	23.0
Investment property		35.3	36.4
Shares in subsidiaries and associates, includes:	18	11,816.6	13,428.8
shares in associates		*1,760.2*	*1,260.2*
Non-current deferred distribution fees		22.9	26.5
Other non-current assets, includes:		154.6	87.1
derivative instruments		*0.1*	-
Total non-current assets		**12,780.9**	**14,334.6**
Contract assets		143.5	160.2
Inventories		53.4	46.7
Trade and other receivables		152.5	118.7
Income tax receivables		3.7	-
Current deferred distribution fees		63.6	64.2
Other current assets		21.8	16.1
Cash and cash equivalents		138.6	835.4
Total current assets		**577.1**	**1,241.3**
Assets held for sale		**2,293.1**	**-**
Total assets		**15,651.1**	**15,575.9**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2021 unaudited	31 December 2020
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Other reserves		(3.7)	(8.5)
Retained earnings		3,321.9	3,719.6
Total equity		**10,517.8**	**10,910.7**
Loans and borrowings	13	1,314.1	1,387.1
Issued bonds	14	1,960.1	1,959.2
Lease liabilities		18.3	19.9
Deferred tax liabilities, includes:		92.7	84.6
Other non-current liabilities and provisions		2.0	6.3
derivative instruments		*0.4*	*4.7*
Total non-current liabilities		**3,387.2**	**3,457.1**
Loans and borrowings	13	287.9	140.9
Issued bonds	14	38.6	38.7
Lease liabilities		3.7	3.7
Contract liabilities		247.3	246.1
Trade and other payables, includes:		397.7	353.3
derivative instruments		*4.1*	*5.5*
Liability to shareholders related to dividend		767.5	415.7
Income tax liability		-	6.4
Deposits for equipment		3.4	3.3
Total current liabilities		**1,746.1**	**1,208.1**
Total liabilities		**5,133.3**	**4,665.2**
Total equity and liabilities		**15,651.1**	**15,575.9**

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

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2021 unaudited	for the 6 months ended 30 June 2020 unaudited
Net profit		**369.8**	**207.7**
Adjustments for:		**(79.8)**	**32.8**
Depreciation, amortization, impairment and liquidation	8	90.2	84.1
Interest expense		38.1	45.4
Change in inventories		(6.7)	6.7
Change in receivables and other assets		(13.1)	3.1
Change in liabilities and provisions		39.1	15.7
Change in contract assets		16.7	12.3
Change in contract liabilities		1.2	3.3
Income tax		43.4	40.1
Net increase in reception equipment		(64.9)	(83.8)
Dividends income and share in the profits of partnerships	9	(230.5)	(79.5)
Cumulative catch-up resulting from modification of the loan agreement		-	(7.4)
Other adjustments		6.7	(7.2)
Cash from operating activities		**290.0**	**240.5**
Income tax paid		(46.6)	(72.7)
Interest received from operating activities		0.1	1.9
Net cash from operating activities		**243.5**	**169.7**
Received dividends and shares in the profits of partnerships		214.5	72.0
Acquisition of shares in subsidiary and associates	18	(680.9)	(14.3)
Acquisition of property, plant and equipment		(8.6)	(16.8)
Acquisition of intangible assets		(10.7)	(11.8)
Proceeds from sale of property, plant and equipment		-	0.2
Loans granted		(71.2)	(50.8)
Other inflows		4.2	3.2
Net cash used in investing activities		**(552.7)**	**(18.3)**

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

	Note	for the 6 months ended 30 June 2021 unaudited	30 June 2020 unaudited
Bonds issue	14	-	1,000.0
Loans inflows	13	110.0	-
Repayment of loans and borrowings	13	(39.0)	(454.4)
Payment of interest on loans, borrowings, bonds and commissions (1)		(36.8)	(50.6)
Dividend paid		(415.7)	-
Other outflows		(6.1)	(3.7)
Net cash from/used in financing activities		**(387.6)**	**491.3**
Net decrease/increase in cash and cash equivalents		**(696.8)**	**642.7**
Cash and cash equivalents at the beginning of period		**835.4**	**142.1**
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at the end of period		**138.6**	**784.8**

(1) Includes impact of IRS instruments, amount paid for costs related to the new financing

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

Interim Statement of Changes in Equity for the 6 months ended 30 June 2021

	Share capital	Share premium	Other reserves	Retained earnings [1]	**Total Equity**
Balance as at 1 January 2021	**25.6**	**7,174.0**	**(8.5)**	**3,719.6**	**10,910.7**
Dividend approved	-	-	-	(767.5)	(767.5)
Total comprehensive income	-	-	4.8	369.8	**374.6**
Hedge valuation reserve	-	-	*4.8*	-	***4.8***
Net profit for the period	-	-	-	*369.8*	***369.8***
Balance as at 30 June 2021 unaudited	**25.6**	**7,174.0**	**(3.7)**	**3,321.9**	**10,517.8**

[1] In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. The capital excluded from distribution amounts to PLN 8.5 as at 30 June 2021.

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

	Share capital	Share premium	Other reserves	Retained earnings [1]	**Total Equity**
Stan na 1 stycznia 2020	**25.6**	**7,174.0**	**(0.2)**	**3,954.1**	**11,153.5**
Total comprehensive income	-	-	(8.7)	207.7	**199.0**
Hedge valuation reserve	-	-	*(8.7)*	-	***(8.7)***
Net profit for the period	-	-	-	*207.7*	***207.7***
Balance as at 30 June 2020 unaudited	**25.6**	**7,174.0**	**(8.9)**	**4,161.8**	**11,352.5**

[1] In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. The capital excluded from distribution amounts to PLN 8.5 as at 30 June 2020.

Notes to the Interim Condensed Financial Statements

General information

1. The Company

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

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

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

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). As at 30 June 2021, 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., Mese Sp. z o.o., Esoleo Sp. z o.o. and its subsidiaries and BCAST Sp. z o.o.

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

Composition of the Supervisory Board from 24 June 2021:

- Zygmunt Solorz — Chairman of the Supervisory Board,
- Marek Kapuściński — Vice-Chairman of the Supervisory Board,
- Józef Birka — Member of the Supervisory Board,
- Jarosław Grzesiak — Member of the Supervisory Board,
- Marek Grzybowski — Member of the Supervisory Board,
- Alojzy Nowak — Member of the Supervisory Board,
- Tobias Solorz — Member of the Supervisory Board,
- Tomasz Szeląg — Member of the Supervisory Board,
- Piotr Żak — Member of the Supervisory Board.

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

Composition of the Supervisory Board to 24 June 2021:

• Marek Kapuściński	Chairman of the Supervisory Board,
• Józef Birka	Member of the Supervisory Board,
• Marek Grzybowski	Member of the Supervisory Board,
• Robert Gwiazdowski	Member of the Supervisory Board,
• Aleksander Myszka	Member of the Supervisory Board,
• Leszek Reksa	Member of the Supervisory Board,
• Tomasz Szeląg	Member of the Supervisory Board,
• Paweł Ziółkowski	Member of the Supervisory Board,
• Piotr Żak	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 6 months ended 30 June 2021 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting as adopted by the EU. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2020, 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 18 August 2021). 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 2020, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2021.

During the six-month period ended 30 June 2021 the following became effective:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform

Amendments and interpretations that apply for the first time in 2021 do not have a material impact on the interim condensed financial statements of the Company.

Standards published but not yet effective:

a) Amendments to IFRS 3 Business Combinations
b) Amendments to IAS 16 Property, Plant and Equipment
c) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
d) Annual Improvements 2018-2020 – the amendments contain explanations and clarify the guidelines for recognition and measurement: IFRS 1 "Adoption of International Financial Reporting Standards for the first time," IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and examples to illustrate IFRS 16 "Leases"
e) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
f) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
g) Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

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

h) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
i) Amendment to IFRS 16 – Covid-19-Related Rent Concessions

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 18 August 2021.

Explanatory notes

6. Information on seasonality in the Company's operations

Revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Retail revenue	560.5	538.2	1,125.6	1,083.7
Wholesale revenue	27.6	25.9	54.8	50.6
Sale of equipment	3.7	6.9	12.6	9.4
Other revenue	17.6	16.8	34.9	33.6
Total	**609.4**	**587.8**	**1,227.9**	**1,177.3**

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

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

8. Operating costs

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Content costs		204.1	189.2	401.0	377.1
Technical costs and costs of settlements with telecommunication operators		132.0	120.6	246.8	241.9
Distribution, marketing, customer relation management and retention costs		71.0	77.8	147.2	153.7
Depreciation, amortization, impairment and liquidation		45.0	42.4	90.2	84.1
Salaries and employee-related costs	a)	30.2	27.1	61.7	56.1
Cost of equipment sold		3.0	6.2	11.2	8.6
Cost of debt collection services, bad debt allowance and receivables written off		1.6	4.5	5.0	8.1
Other costs		19.3	18.4	34.9	36.3
Total		**506.2**	**486.2**	**998.0**	**965.9**

a) Salaries and employee-related costs

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Salaries	25.1	22.2	51.0	46.3
Social security contributions	3.9	3.8	8.4	8.0
Other employee-related costs	1.2	1.1	2.3	1.8
Total	**30.2**	**27.1**	**61.7**	**56.1**

9. Gain on investment activities, net

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Dividends	198.9	56.8	198.9	56.8
Share in the profits of partnerships	15.8	10.3	31.6	22.7
Other	(0.2)	1.4	3.5	1.6
Total	**214.5**	**68.5**	**234.0**	**81.1**

10. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited	30 June 2021 unaudited	30 June 2020 unaudited
Interest expense on loans and borrowings	8.6	9.1	17.1	24.4
Interest expense on issued bonds	10.3	11.1	20.5	23.2
Cumulative catch-up	-	(7.4)	-	(7.4)
Valuation and realization of hedging instruments	1.4	0.2	2.7	0.3
Guarantee fees	1.9	1.9	3.8	4.2
Bank and other charges	0.2	0.4	0.8	0.6
Total	**22.4**	**15.3**	**44.9**	**45.3**

11. Equity

Share capital

Presented below is the structure of the Company's share capital as at 30 June 2021 and 31 December 2020:

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**	

* not in millions

The shareholders' structure as at 30 June 2021 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:	308,619,094	12.3	48.26%	468,336,605	57.19%
Reddev Investments Ltd. [1]	308,619,084	12.3	48.26%	468,336,585	57.19%
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 [3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Others	264,762,801	10.6	41.40%	284,462,791	34,73%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

* not in millions
[1] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz.
[2] Entity is controlled by Mr. Zygmunt Solorz
[3] the Company under the presumption of the existence of an agreement referred to in Art. 87 Section 1 Item 5 of the Public Offering Act

The shareholders' structure as at 31 December 2020 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 [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%**

* not in millions
[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

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

	2021	2020
Balance as at 1 January	**(8.3)**	**(0.2)**
Valuation of cash flow hedges	6.0	(10.7)
Deferred tax	(1.2)	2.0
Change for the period	**4.8**	**(8.7)**
Balance as at 30 June unaudited	**(3.5)**	**(8.9)**

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

13. Loans and borrowings

	30 June 2021 unaudited	31 December 2020
Short-term liabilities	287.9	140.9
Long-term liabilities	1,314.1	1,387.1
Total	**1,602.0**	**1,528.0**

Change in loans and borrowings liabilities:

	2021	2020
Balance as at 1 January	**1,528.0**	**1,993.3**
Revolving facility loan	110.0	-
Repayment of capital	(39.0)	(454.4)
Repayment of interest and commissions	(14.3)	(30.5)
Cumulative catch-up	-	(7.4)
Interest accrued	17.3	23.5
Balance as at 30 June unaudited	**1,602.0**	**1,524.5**

14. Issued Bonds

	30 June 2021 unaudited	31 December 2020
Short-term liabilities	38.6	38.7
Long-term liabilities	1,960.1	1,959.2
Total	**1,998.7**	**1,997.9**

Change in issued bonds:

	2021	2020
Balance as at 1 January	**1,997.9**	**1,004.0**
Bonds issue	-	1,000.0
Repayment of interest and commissions	(19.7)	(19.6)
Interest accrued and commissions	20.5	22.2
Balance as at 30 June unaudited	**1,998.7**	**2,006.6**

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

15. Transactions with related parties

Receivables

	30 June 2021 unaudited	31 December 2020
Subsidiaries	64.6	46.5
Joint ventures and associates	0.3	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.	0.1	0.5
Total	**65.0**	**47.3**

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

	30 June 2021 unaudited	31 December 2020
Subsidiaries	13.1	8.5
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.3	0.6
Total	**13.4**	**9.1**

Other current assets comprise mainly advances for the unbilled revenue from InterPhone Service (sale of set-top box design).

Liabilites

	30 June 2021 unaudited	31 December 2020
Subsidiaries	141.5	97.0
Joint ventures and associates	1.6	1.4
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.	465.6	255.6
Total	**608.7**	**354.0**

A significant portion of liabilities is represented by liabilities related to dividend, Polkomtel services, programming licence fees, and lease liabilities.

Loans granted

	30 June 2021 unaudited	31 December 2020
Subsidiaries	167.7	94.4
Total	**167.7**	**94.4**

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

Revenues

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
Subsidiaries	78.0	65.2
Joint ventures and associates	-	1.5
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.8	1.3
Total	**78.8**	**68.0**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, programming fees, advertising and property rental services.

Expenses

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2020 unaudited
Subsidiaries	359.1	355.6
Joint ventures and associates	0.9	3.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	10.8	9.3
Total	**370.8**	**368.5**

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, telecommunication services with respect to the Company's customer call center and advertising production.

Gain/(loss) on investment activities, net

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2021 unaudited
Subsidiaries	177.6	27.5
Joint ventures and associates	59.2	56.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	(0.3)	(2.0)
Total	**236.5**	**82.3**

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

	for the 6 months ended	
	30 June 2021 unaudited	30 June 2021 unaudited
Subsidiaries	3.8	4.2
Total	**3.8**	**4.2**

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 30 June 2021 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed. as in the opinion of the Company's Management such disclosure could prejudice the outcome of the pending cases.

On 30 December 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 5.3. The Company appealed to SOKiK against the decision. On 7 August 2019 the court dismissed the appeal of the Company. The Company appealed against the decision. Pursuant to the Court of Appeals verdict from 11 March 2021, the Company paid a penalty of PLN 5.3 on 26 March 2021. On 24 June 2021 the Company filed a cassation appeal to the Supreme Court.

On 30 December 2016 the President of UOKiK issued a decision stating that the Company's operations were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 4.4. The Company appealed to SOKiK against the decision. On 14 October 2019 SOKiK dismissed the appeal. The Company appealed against the decision. On 31 December 2020 the Company's appeal was dismissed. On 14 January 2021 the Company paid the penalty. The Company plans to submit a cassation appeal to the Supreme Court.

Other proceedings

On 28 April 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The last hearing took place on 8 May 2019. Both parties have submitted an application for re-referral to the mediation proceedings for a period of three months. The court approved application and postponed the hearing without a deadline. Mediation ended without a settlement. On 6 May 2020, the Company received a letter from the Court, included the mediator's position summarizing the course of mediation, with a request to refer to its content. On 25 May 2020, the Company submitted a response informing the Court about the settlement being impossible to reach by the parties. The next hearing is scheduled for 20 October 2021.

By lawsuit, delivered to the Company on 16 December 2019, the Association of Performing Artists (SAWP) filed two claims against the Company: information claim and claim for payment. The information claim relates to television programs rebroadcasted by the Company in the period from 20 August 2009 to 20 August 2019. In the claim for payment, SAWP claims PLN 153.3 for the alleged violation of related rights to artistic performances of musical and verbal - musical works through their non-contractual cable rebroadcast. The Company filed for the dismissal entirely. The date of next hearing is scheduled for 16 March 2022.

Other significant proceedings described in the financial statements for the year ended 31 December 2020 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 2020. There have been no significant changes in any risk management policies since the end of year 2020.

Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

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

			30 June 2021 unaudited		31 December 2020	
	Category according to IFRS 9	Level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	167.6	168.4	95.9	95.2
Trade and other receivables	A	*	112.2	112.2	105.7	105.7
Cash and cash equivalents	A	*	138.6	138.6	835.4	835.4
Loans and borrowings	B	2	(1,612.6)	(1,602.0)	(1,542.9)	(1,528.0)
Issued bonds	B	1	(2,037.0)	(1,998.7)	(2,023.1)	(1,997.9)
Lease liabilities	B	2	(22.0)	(22.0)	(23.6)	(23.6)
Accruals	B	*	(158.5)	(158.5)	(179.2)	(179.2)
Liabilities to shareholders related to dividend	B	2	(767.5)	(767.5)	(415.7)	(415.7)
Trade and other payables and deposits	B	*	(207.5)	(207.5)	(142.0)	(142.0)
Total			**(4,386.7)**	**(4,337.0)**	**(3,289.5)**	**(3,250.1)**
Unrecognized loss				**(49.7)**		**(39.4)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost
* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

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

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

As at 30 June 2021 loans and borrowings comprised term and revolving facility loan. As at 31 December 2020 loans and borrowings comprised term facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 June 2021 and 31 December 2020, forecasted cash flows from the reporting date to 30 September 2024 (assumed date of repayment of the loan obtained in 2015, changed in 2018 and changed in 2020) and to 31 March 2025 (assumed date of repayment of the additional loan obtained in 2019 and changed in 2020).

The fair value of bonds as at 30 June 2021 and 31 December 2020 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 30 June 2021 the Company held the following financial instruments measured at fair value:

ASSETS MEASURED AT FAIR VALUE

	30 June 2021 unaudited	Level 1	Level 2	Level 3
Hedging derivative instruments				
IRS		-	0.1	-
Total		**-**	**0.1**	**-**

LIABILITIES MEASURED AT FAIR VALUE

	30 June 2021 unaudited	Level 1	Level 2	Level 3
Hedging derivative instruments				
IRS		-	(4.5)	-
Total		**-**	**(4.5)**	**-**

As at 31 December 2020 the Company held the following financial instruments measured at fair value:

LIABILITIES MEASURED AT FAIR VALUE

	31 December 2020	Level 1	Level 2	Level 3
Hedging derivative instruments				
IRS		-	(10.2)	-
Total		**-**	**(10.2)**	**-**

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

Acquisition of shares in Netia S.A.

On 23 December 2020, the Company announced a tender offer for 114,173,459 (not in million) shares issued by Netia S.A., entitling to 114,173,459 (not in million) votes at Netia's general meeting, representing ca. 34.02% of Netia's share capital and ca. 34.02% of the total number of votes at Netia's general meeting. The share price in the tender offer was set at PLN 4.80 (not in million) per Netia’s share.

As a result of the tender offer, on 8 March 2021 the Company acquired 84,868 (not in millions) Netia’s shares for the amount of PLN 0.4, representing ca. 0.0253% of its share capital and carrying the right to ca. 0.0253% of total votes at Netia’s general meeting and held, as at that date, in total 221,489,753 (not in millions) Netia’s shares representing ca. 66.0024% of its share capital and carrying the right to ca. 66.0024% of total votes at Netia’s general meeting.

In April 2021, as a result of concluding on the regulated market of the Warsaw Stock Exchange a number of block trade transactions the Company acquired 11,405,739 (not in millions) Netia’s shares for the amount of PLN 65.8, representing ca. 3.40% of total votes at Netia’s general meeting. After the change in share Cyfrowy Polsat held directly 232,895,492 (not in millions) Netia's shares representing ca. 69.40% of its share capital and carrying the right to ca. 69.40% of total votes at Netia's general meeting.

On 19 May 2021, the Company acquired 58,714 (not in millions) Netia's shares for the amount of PLN 0.3, representing ca. 0.2% of total votes at Netia's general meeting. After the change in share Cyfrowy Polsat held directly 232,954,206 (not in millions) Netia's shares representing ca. 69.42% of its share capital and carrying the right to ca. 69.42% of total votes at Netia's general meeting.

On 23 June 2021, the Company acquired 16,332,115 (not in millions) Netia's shares for the amount of PLN 114.4, representing ca. 4.87% of total votes at Netia's general meeting. After the change in share Cyfrowy Polsat held directly 249,286,321 (not in millions) Netia's shares representing ca. 74.29% of its share capital and carrying the right to ca. 74.29% of total votes at Netia's general meeting.

On 6 July 2021, the Company acquired 78,989,066 (not in millions) Netia's shares for the amount of PLN 552.9, representing ca. 23.54% of total votes at Netia's general meeting. After the change in share Cyfrowy Polsat held directly 328,275,387 (not in millions) Netia's shares representing ca. 97.82% of its share capital and carrying the right to ca. 97.82% of total votes at Netia's general meeting.

On 6 August 2021, the Company acquired 7,298,980 (not in millions) Netia's shares for the amount of PLN 51.1, representing ca. 2.18% of total votes at Netia's general meeting. After the change in share Cyfrowy Polsat holds directly 335,574,367 (not in millions) Netia's shares representing ca. 99,999% of its share capital and carrying the right to ca. 99,999% of total votes at Netia's general meeting. The Company applied to the Management Board of Netia for the registration in the name of Cyfrowy Polsat of 3,977 (not in millions) ordinary bearer shares of Netia, which were not dematerialized and the binding force of which expired by law on 1 March 2021.

Execution of sale agreement for shares in subsidiary

On 26 February 2021 Company and its Subsidiary Polkomtel Sp. z o. o. (together "Sellers") concluded a conditional sale agreement ("Sale Agreement") of shares in Polkomtel Infrastruktura Sp. z o. o. ("Polkomtel Infrastruktura"), currently Towerlink Poland Sp. z o.o.

According to the Sale Agreement, Company agreed to sell all shares held representing 74.98% of the share capital of Polkomtel Infrastruktura for the price of PLN 5,302.1, while Polkomtel Sp. z o. o. agreed to sell shares representing 25.01% of the share capital for the price of PLN 1,768.2. The sale price was to be reduced by certain payments made by Polkomtel Infrastruktura to Group entities as well as by the amount of so-called profitability uplift related to master service agreement and increased by the interest accruing at 6% per annum.

The completion of the transaction was conditional on the fulfillment of the following conditions precedent: the buyer must obtain consent of the President of the Office of Competition and Consumer Protection for the concentration and the Sellers must obtain consents required under the financing documentation of the Sellers, as well as conditional or unconditional release of security interests encumbering the Shares. On 9 June 2021 the President of the Office of Competition and Consumer Protection gave consent for concentration. The Sale Agreement was completed on 8 July 2021. The cash inflows related to the transaction amounted to PLN 5.3 billion (not in millions).

Upon completion the transaction, Group's entities (Polkomtel Sp. z o.o. and Aero 2 Sp. z o.o., the Company's subsidiaries) concluded a framework service agreement with Towerlink governing Towerlink's further cooperation with the Group. Detailed information in respect to the framework service agreement is presented in the interim condensed consolidated financial statements for the 6 months ended 30 June 2021.

Acquisition of shares of eObuwie.pl S.A.

On 31 March 2021 Management Board decided to acquire 10% of the share capital of eobuwie.pl S.A. within the scope of a pre-IPO investment for a consideration of PLN 500. As a result of the above, on 31 March 2021 the Company signed a preliminary agreement regarding acquisition of shares and a shareholders' agreement regulating, among others, the future corporate governance principles of eobuwie.pl S.A. This agreement had a conditional nature, in particular the seller was obligated to obtain relevant consents of banks financing the operating activities of entities from the seller's capital group as well as the consent of the general shareholders meeting of eobuwie.pl S.A. for the sale of company's shares.

The Company completed transaction of acquisition of 10% of the shares in eobuwie.pl S.A. on 22 June 2021.

Acquisition of shares of PLCOM Sp. z o.o.

On 23 April 2021 the Company acquired 10% shares in PLCOM Sp. z o.o. for the amount of PLN 500 (not in millions). On 31 May 2021 company's name change to Exion Hydrogen Polskie Elektrolizery Sp. z o.o. was registered.

Distribution of profit and dividend payment

On 24 June 2021 the Annual General Meeting of the Company adopted a resolution on the distribution of the Company's net profit for the financial year 2020 and a part of the profits earned in the previous years for a dividend payout. In accordance with the provisions of the resolution, the dividend amounts to PLN 767.5. The dividend day was scheduled for 15 September 2021 and the dividend payout shall be made in two tranches as follows:

- Tranche I: PLN 255.8 on 28 September 2021,
- Tranche II: PLN 511.7 on 10 December 2021.

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

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

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

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

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

19. Other disclosures

Security relating to loans and borrowings

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 3.2.6.

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 0.1 as at 30 June 2021 (PLN 0.2 as at 31 December 2020). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software was PLN 0.3 as at 30 June 2021 (PLN 0.3 as at 31 December 2020).

Future contractual obligations

As at 30 June 2021 and 31 December 2020 the Company had future liabilities due to transponder capacity agreements. The table below presents future payments (total):

	30 June 2021 unaudited	31 December 2020
within one year	120.0	122.5
between 1 to 5 years	423.4	489.9
Total	**543.4**	**612.4**

20. Events subsequent to the reporting date

Loan agreement

On 23 July 2021 Cyfrowy Polsat concluded the loan agreement with Netia S.A. On the basis of the loan agreement Cyfrowy Polsat paid out to Netia S.A. on 26 July 2021 and 29 July 2021 two tranches of the loan in a total amount of PLN 348.5.

Other significant events after the balance sheet date were disclosed in the other notes to the theses interim condensed financial statements.

21. Judgments, financial estimates and assumptions

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

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

Detailed description of the judgements, accounting estimates and assumptions is presented in the annual financial statements.