Current Report No. **37/2022**

Report Date **21 December 2022**

Subject **Downgrade of credit rating by S&P Global Ratings**

The Management Board of Cyfrowy Polsat S.A. ("**Company**") hereby informs that on 21 December 2022 S&P Global Ratings ("S&P") downgraded the issuer credit rating of the Company from BB+ to BB, revising the rating outlook from negative to stable.

In its justification, S&P underlined that the downward revision reflects in particular its expectation that S&P-adjusted net leverage of Polsat Plus Group (the "**Group**") will increase to about 4.0x and remain on elevated levels in 2024, due to the investments in the new green energy business line. Moreover, S&P expects the Group to report negative free operating cash flow (FOCF) in 2023 as a result of high capital expenditure needs for the energy business. Additionally, S&P takes into account higher interest rates and refinancing risk on the Company's Polish zloty debt maturing in September 2024, given current turbulent market conditions, however it recognizes the Company's demonstrated ability to raise debt with the recent PLN 2.7 billion bond issuance. S&P also recognizes the relatively long period until the maturity of the Company's bank debt (2024).

The stable outlook reflects S&P's expectation that the Group's revenue will expand 5-7% in the next 12 months while EBITDA margin will remain subdued at 26-27% amid high energy prices.

S&P is of the opinion that the Group's diversification into the energy business could have a positive impact on the Group's condition in the long term. In parallel, S&P noted certain short-term execution risks associated with diversifying toward a brand-new industry, underlining that execution in achieving operational and financial goals will be key in the coming years.

S&P may raise the rating of the Group if leverage decreases to below 3.5x and FOCF to debt sustainably increases to above 5%, coupled with a successful refinancing of the Group's debt due in September 2024. On the other hand, a downward revision of the rating could take place, if leverage increases to 4.5x or above, or if S&P expects FOCF to debt to remain negative while FOCF to debt in TMT business turns well below 5%, or if S&P sees heightened refinancing risk for debt coming due in September 2024, leading to a material liquidity deterioration.

The rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Legal basis: Article 17 Section 1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

Signed by:

/-/ Mirosław Błaszczyk	/-/ Katarzyna Ostap-Tomann	/-/ Janusz Kaliszyk
Mirosław Błaszczyk President of the Management Board	Katarzyna Ostap-Tomann Member of the Management Board	Janusz Kaliszyk Proxy

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