Grupa Polsat Plus

Cyfrowy Polsat S.A. Capital Group

Annual Consolidated Report for the financial year ended December 31, 2021

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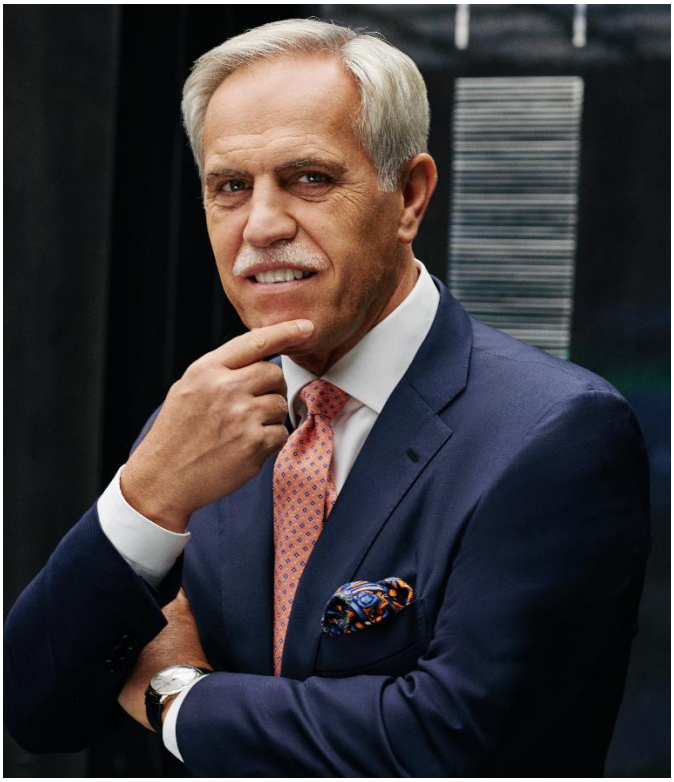

Ladies and Gentlemen,

The Annual Report of Polsat Plus Group for the year 2021 is being released in extraordinary circumstances of the ongoing Russian aggression against Ukraine, which is not without impact on political, economic and social life in Poland and around the world, as well as on our company and our immediate environment. Following the coronavirus pandemic, this was yet another experience that required us to take immediate, unconventional and, at the same time, solidarity-based actions. Since the first days we have been supporting Ukrainian citizens by distributing starters at border crossings, providing free telecommunication services, distributing Ukrainian TV channels or providing in-kind and financial assistance. As always, employees of our Group opened their hearts to the needs of others - many of them help personally and in the headquarters of their companies they collect the most needed food, chemical and medical products, which are then delivered to those in need. In turn, the companies of our Group donated PLN 5 million to the "Polsat Foundation for Children of Ukraine" campaign, which anyone can support financially or in-kind. Thanks to the courage and commitment of Telewizja Polsat reporters who are in Ukraine we can follow the events on the ground along with all the Poles, and our news channels Polsat News and Wydarzenia 24 present this subject matter 24 hours a day.

I wish to thank each and every one for your attitude full of empathy, professionalism, solidarity, dedication and help - I am proud to work with such a team. Once again, we prove what a cohesive and committed team we are and that we are not indifferent to the fate of others. The current events once again emphasize the importance of corporate social responsibility and confirm our conviction that activities of this nature, which we have been undertaking as a Group for nearly 30 years, are absolutely right.

Beside our immediate commitment to help the citizens of Ukraine, we consistently pursue our plans, and last year was yet again a time of many challenges, strategic changes and decisions for us.

As promised and in execution of our assumption to achieve further, long-term development of our Group, in December last year we announced the new Strategy 2023+, as part of which we added a third segment - Clean Energy - to the two main business pillars of our Group - Connectivity under the Plus brand and Content under the Polsat brand. We want to provide Poles with cheap and clean, green energy, which is essential for everyday life and which, alongside telecommunication and media services, is a basic service in every household.

We have created a stable and financially strong Polish media and telecommunication group, effectively building its value for our Shareholders. At the same time, we know that Poland faces a huge challenge of energy transition. We still generate about 70% of our energy from coal and emit the equivalent of 400 million tons of CO_2 annually, which entails heavy social costs, such as respiratory diseases, strokes, heart attacks, allergies, absenteeism from work and school, and shorter life spans.

We believe that the energy transition is necessary, and even essential for us as a society, to breathe clean air and live in a better environment. We need cheap and clean energy as part of a balanced energy mix for our families and in order to build the competitiveness of our companies. Our Group wants to contribute to that. We want to supply cheap and clean energy - from the sun, wind or biomass. Today more than 60% of energy used by Polsat Plus Group companies comes from renewable sources and next year it will already be 100%.

Another new area we plan to expand into is green hydrogen production. As a Group, we want to change the world, and Europe and the world are turning their attention to green hydrogen. As the fuel of the future, it will play an important role in the global energy transition. Green hydrogen can be used in many branches of the economy, which will accelerate the reduction of emissions of CO_2 and other harmful substances. Polsat Plus Group wants to build a full value chain for green hydrogen: from production in the electrolysis process from clean energy and water, through storage and transport, building a network of hydrogen filling stations, production of buses, to its widespread use in Poland. The fleet of Polsat Plus Group has already grown by one hundred zero-emission hydrogen cars.

As the leader of 5G technology, we do not stop in our efforts to make it available to as many Poles as possible. Today 5G in Plus network reaches over 19 million inhabitants of our country and we continue building our best and fastest 5G network. 5G technology will be of great importance for all the inhabitants of Poland in the future. It will strongly support the development of economy 4.0, cybersecurity, electronic payments or cloud and big data solutions, which will allow our country to enter the next stage of digital and civilization development. This is currently a priority for us. As a leader in cutting-edge technologies we are responsible for the digital development of our country, the quality of education, providing society and businesses with reliable tools to, respectively, work remotely and develop their operations online.

On behalf of the Supervisory Board of Cyfrowy Polsat I would like to thank our Customers for another year together, for their loyalty and trust in our services and products that we create with them in mind, and for motivating us to introduce further innovations. I would like to thank the Management Boards and Supervisory Boards, under whose leadership we finalized the next significant milestones in the development of our Group. I would like to extend my special appreciation to all the Group's employees, who once again prove that thanks to their commitment, hard work, high motivation and efficiency, all projects and tasks are successfully completed and our Group remains a leader.

I would like to thank investors for their trust and willingness to continue to participate with me as Shareholders in building the future of Polsat Plus Group. I stand by my declaration that I will act with equal commitment and care for the value of the Group for all its stakeholders, as I have been doing for the past 30 years.

Yours faithfully,

Zygmunt Solorz

Chairman of the Supervisory Board

Letter of the President of the Management Board

Ladies and Gentlemen,

We are publishing the Annual Report of Polsat Plus Group for the year 2021 at an exceptional moment, not only from the perspective of our company, but also from the standpoint of the entire global economy, society, our employees, their friends and loved ones.

In 2020, our organization was tested by the pandemic. This time we are dealing with Russia's attack on Ukraine. We demonstrated our responsible approach by getting involved in the fight against the coronavirus and now, by being in solidarity with Ukraine. From the first days of the invasion we have been providing a range of free telecommunication services to refugees from Ukraine and have donated PLN 5 million to the “Polsat Foundation for Children of Ukraine” campaign. I would like to thank all the employees of Polsat Plus Group for their enormous personal involvement in providing assistance to the Ukrainian citizens.

Last year was a time of implementing projects which are crucial for our Group's further development.

As part of the Strategy 2023+ announced by us in December 2021, in addition to our operating segments which we have been successfully developing for many years, i.e., Connectivity under the Plus brand and Content under the Polsat brand, we have defined a new, future-oriented business segment of Clean Energy. Our goal is to produce and supply Poles with clean, green energy, including energy derived from, among others, the sun, the wind and biomass.

We are convinced that the energy transition is essential for the society, the economy and the environment, and we want to participate in this change. To achieve this goal, we plan to invest PLN 5 billion in green energy over 5 years, allocate PLN 0.8 billion to the purchase of ZE PAK's green assets and another PLN 0.5 billion to investments in green hydrogen, which is the zero-emission fuel of the future. Our planned total production capacity from renewable sources will reach 1,000 MW and will provide us with the ability to produce over 2 TWh of clean electricity every year. We estimate that this will contribute to the reduction of CO_2 emissions by over 2 million tons annually.

What is more, our Group companies have been using green energy for several years. Today, more than 60% of the energy that we consume comes from renewable sources, and this share is growing every year. We plan to use energy solely from renewable sources starting from 2023 and we consistently strive to achieve this goal.

As always, we reach for the most advanced solutions. In connection with the necessity of conducting a global energy transformation, green hydrogen is indicated as a strategic fuel of the future. Apart from the possibility of using it in many branches of the economy, green hydrogen will accelerate the reduction of CO_2 and other harmful particles emissions. As Polsat Plus Group we want to become the leading Polish producer of green hydrogen and build its complete, nation-wide value chain - from production in the electrolysis process using clean energy and water, through storage and transport, to its universal use.

Apart from investing in new business areas, we are committed to the further development of our Connectivity and Content segments. We continue to prioritize the development of the largest and best 5G network in Poland. Thanks to intensive work on 5G technology development, carried out in cooperation with our strategic partner Cellnex Telecom, more than 19 million people, i.e. more than half of Poland's population, already live within the reach of Plus' 5G network. At the end of 2021, the number of Plus 5G stations increased to 3,000, providing 5G coverage in 800 towns and cities, both large and small. Plus' 5G network, as the only one in Poland, operates in the 2600 MHz TDD band, dedicated exclusively for this technology. This solution enables Plus to offer the fastest 5G in Poland with the maximum technological speed of up to 600 Mb/s.

Last year, our Group also underwent a major change in its visual identification and marketing communications. The Polsat and Plus brands gained new logotypes, while the Cyfrowy Polsat brand was replaced by a new brand - Polsat Box. Ipla and Cyfrowy Polsat GO merged into one service - Polsat Box Go. A new service with Polsat content, Polsat Go, was also launched. Our Group has acquired a new name of Polsat Plus Group and a new logotype. A strategic harmonization of brands took place in the visual and communications area - the logotypes come from the same family and are similar, which facilitates their identification with our Group. The slogans "You rule. Choose your everything." are also common and consistent, as are the characteristic graphic themes used by each of our brands.

In line with the assumed development of services in every available technology, we systematically increase the availability of fiber-optic Internet access services offered by Netia, one of the top providers of such services. We are in the process of modernizing our network, we invest in connecting numerous new housing estates and, occasionally, we acquire networks of smaller local operators. The fastest access options are rapidly gaining popularity among our customers and, in consequence, a growing number of them use our IPTV services.

Polsat Plus Group, which creates unique Polish content, has a strong position on the market of TV broadcasters and Internet publishers. Telewizja Polsat, which provides 39 TV channels, is among the most popular TV stations and, in line with its strategic assumptions, maintains a share in viewership of 23-25%. In turn, Polsat-Interia Group occupies a strong position among the three largest domestic players in the area of Internet services.

Our services are present in every second Polish home. We have over 6 million contract customers and provide a total of over 20 million telecommunication and TV services, as well as a range of additional services, such as electricity sales, installation of photovoltaic systems or insurance. In our popular service bundling program – smartDOM - you can choose from products available in various technologies, in line with our idea of "For everyone. Everywhere." We offer fixed Internet in fiber optic technologies, LTE home Internet, 5G mobile Internet, satellite TV, cable IPTV and Internet TV with an OTT set-top box, as well as numerous mobile and fixed voice offers. Our two new streaming services, Polsat Box Go and Polsat Go, which combine live channels with an extensive library of on-demand content, enjoy growing popularity.

The execution of all these ambitious plans and projects would not be possible without the fantastic and extremely committed employees of Polsat Plus Group, the trust of our shareholders and partners who finance the development of our operations, as well as the full support of the Supervisory Boards and Management Boards of the Group's companies. I would like to thank everyone for their great ambitions, full professionalism and hard work.

This year has begun with many challenges which will certainly not be lacking in the coming months. I am convinced that together we will overcome them all successfully, developing our Polsat Plus Group and providing our customers with the services they expect, while at the same time keeping in mind our social commitment, which is particularly necessary at a time such as now.

Yours faithfully,

Mirosław Błaszczyk

President of the Management Board, Cyfrowy Polsat S.A

This document is a conversion to pdf format of the official Report of the Management Board on the activities of Cyfrowy Polsat Group issued in xhtml format.

Report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 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 under the 'Polsat Box' brand by Cyfrowy Polsat – the largest pay TV provider in Poland – 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 modern OTT services and Multiroom. We also provide online video services through online services 'Polsat Box Go' and 'Polsat Go', the leaders 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 under the 'Plus' brand 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 mainly under the 'Plus' brand. 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, and concurrently the largest and fastest 5G network in Poland, thanks to which our customers enjoy the best quality of services,
- fixed-line broadband Internet, offered under the 'Netia' and 'Plus' brands based on the infrastructure of our subsidiary Netia whose own access networks reach approximately 3.2 million homes passed as well as based on access to networks of other fixed-line operators,
- 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 a member of our Group, as well as 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 offer high quality commodities for a reasonable price to the inhabitants of Poland. For everyone. Everywhere.

We believe that high-speed and reliable Internet within easy reach means freedom for everyone and everywhere. We believe in locally produced, unique content available wherever, whenever and on whatever device you want. We believe that the transition towards clean and affordable energy, in particular energy produced from renewable sources, is what our country needs and that it creates new development opportunities for our Group.

Our mission is to create and deliver high quality commodities: high-speed and reliable connectivity, the most attractive and unique content and entertainment, clean and affordable energy and other services and commodities for the home and for individual and business customers, using state-of-the-art technologies to provide top quality services that meet the changing needs and expectations of our customers, so as to maintain the highest possible level of their satisfaction. Concurrently, in line with the concept of ESG, we want to create the value of our Group in a sustainable manner taking into account and addressing environmental, social, responsible and transparent business issues, to the benefit of local society and all our Stakeholders.

The superior goal of the strategy of Polsat Plus Group is the permanent, long-term growth of the value of Cyfrowy Polsat S.A. for its Shareholders. We intend to achieve this goal by implementing the key elements of our operating strategy based on three main pillars and supported by an effective financial policy.

<table>
<tr><th>PILLAR I - CONNECTIVITY</th><th>PILLAR II - CONTENT</th><th>PILLAR III – CLEAN ENERGY</th></tr>
<tr><td>High-speed and reliable connectivity is critical to our work, education and entertainment. Easy communication with friends and family</td><td>Attractive content and excellent user experience ensure entertainment wherever, whenever and on whatever device you want</td><td>Affordable, clean energy is essential to the daily functioning and further development of the Polish society and economy</td></tr>
<tr><td colspan="2">• growth of revenue from services provided to individual and business customers through the 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 and simultaneously increasing average revenue per user (ARPU) and maintaining a high level of customer satisfaction</td><td rowspan="3">• building a position on the clean, energy market, in particular from the sun, wind, biomass, thermal waste treatment and building a complete value chain of a hydrogen-based economy, which creates opportunities to build a new stream of revenues for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction
• analysis of additional development opportunities in other prospective directions such as Small Modular Reactors (SMR)</td></tr>
<tr><td colspan="2">• 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</td></tr>
<tr><td colspan="2">• use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services</td></tr>
<tr><td colspan="3">• effective management of the cost base of our integrated capital group by exploiting its inherent synergies and economies of scale</td></tr>
<tr><td colspan="3">• effective management of the Group’s finances, including its capital resources</td></tr>
</table>

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 70 and 71 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 Polsat Plus Group apply to Cyfrowy Polsat S.A., while all references to the Group or Polsat Plus 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 financial statements for the financial year ended December 31, 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 audited by an independent auditor.

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

Forward-looking statements

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

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

In this Report, we disclose important 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 twelve-month periods ended December 31, 2021 and December 31, 2020. This information should be read in conjunction with the consolidated financial statements for the twelve-month period ended December 31, 2021 (including notes thereto) constituting part of this Report and the information included in item 4 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 December 31, 2021 and December 31, 2020 have been converted into euro at a rate of PLN 4.6204 per EUR 1, (average exchange rate in the fourth quarter of 2021 announced by the National Bank of Poland - NBP)
- from the consolidated income statement and the consolidated cash flow statement for the twelve-month periods ended December 31, 2021 and December 31, 2020 have been converted into euro at a rate of PLN 4.5674 per EUR 1.00, (average exchange rate in the period from January 1, 2021 to December 31, 2021 announced by the NBP)
- from the consolidated balance sheet data as at December 31, 2021 and December 31, 2020 have been converted into euro at a rate of PLN 4.5994 per EUR 1 (average exchange rate on December 31, 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 twelve-month periods ended December 31, 2021 and December 31, 2020 are not fully comparable due to acquisitions and changes to the Group's structure in the period from January 1, 2020 to December 31, 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*, as well as in item 1.2. of the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the twelve-month period ended December 31, 2020.

Consolidated income statement

	for the three-month period ended December 31				for the twelve-month period ended December 31			
	2021		2020		2021		2020	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	**3,265.0**	**706.6**	**3,248.2**	**703.0**	**12,444.0**	**2,724.5**	**11,962.9**	**2,619.2**
Retail revenue	1,730.7	374.6	1,660.1	359.3	6,767.0	1,481.6	6,480.4	1,418.8
Wholesale revenue	1,006.8	217.9	1,043.9	225.9	3,678.8	805.4	3,526.7	772.2
Sale of equipment	408.1	88.3	424.4	91.9	1,450.3	317.5	1,596.7	349.6
Other sales revenue	119.4	25.8	119.8	25.9	547.9	120.0	359.1	78.6
Total operating cost	**(2,810.6)**	**(608.3)**	**(2,731.3)**	**(591.1)**	**(10,305.5)**	**(2,256.3)**	**(10,073.8)**	**(2,205.6)**
Technical costs and cost of settlements with telecommunication operators	(801.7)	(173.5)	(615.0)	(133.1)	(2,849.7)	(623.9)	(2,460.9)	(538.8)
Depreciation, amortization, impairment and liquidation	(461.2)	(99.8)	(602.3)	(130.4)	(1,903.2)	(416.7)	(2,305.7)	(504.8)
Cost of equipment sold	(337.2)	(73.0)	(359.5)	(77.8)	(1,200.7)	(262.9)	(1,338.2)	(293.0)
Content costs	(531.4)	(115.0)	(484.0)	(104.7)	(1,826.9)	(400.0)	(1,638.4)	(358.7)
Distribution, marketing, customer relation management and retention costs	(284.8)	(61.7)	(259.4)	(56.1)	(1,025.0)	(224.4)	(963.2)	(210.9)
Salaries and employee-related costs	(271.3)	(58.7)	(265.8)	(57.5)	(946.9)	(207.3)	(905.9)	(198.4)
Cost of debt collection services and bad debt allowance and receivables written off	(12.5)	(2.7)	(25.2)	(5.5)	(95.4)	(20.9)	(128.9)	(28.2)
Other costs	(110.5)	(23.9)	(120.1)	(26.0)	(457.7)	(100.2)	(332.6)	(72.8)
Gain on disposal of a subsidiary	**(10.2)**	**(2.2)**	**-**	**-**	**3,680.6**	**805.9**	**-**	**-**
Other operating income/(cost), net	**(24.4)**	**(5.3)**	**7.1**	**1.5**	**(22.7)**	**(5.0)**	**(2.9)**	**(0.6)**
Profit from operating activities	**419.8**	**90.9**	**524.0**	**113.4**	**5,796.4**	**1,269.1**	**1,886.2**	**413.0**
Profit/(loss) on investment activities, net	4.2	0.9	(11.5)	(2.5)	(26.9)	(5.9)	(113.1)	(24.8)
Financial costs, net	(6.5)	(1.4)	(64.9)	(14.0)	(178.8)	(39.1)	(333.0)	(72.9)
Share of the profit/(loss) of associates accounted for using the equity method	11.4	2.4	(45.6)	(9.9)	75.4	16.5	2.0	0.4
Gross profit for the period	**428.9**	**92.8**	**402.0**	**87.0**	**5,666.1**	**1,240.6**	**1,442.1**	**315.7**
Income tax	(95.2)	(20.6)	(75.3)	(16.3)	(1,251.6)	(274.0)	(295.9)	(64.8)
Net profit for the period	**333.7**	**72.2**	**326.7**	**70.7**	**4,414.5**	**966.5**	**1,146.2**	**250.9**
Net profit attributable to equity holders of the Parent	337.5	73.0	324.9	70.3	4,408.8	965.3	1,141.6	249.9

	for the three-month period ended December 31				for the twelve-month period ended December 31			
	2021		2020		2021		2020	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Net profit/(loss) attributable to non-controlling interest	(3.8)	(0.8)	1.8	0.4	5.7	1.2	4.6	1.0
Basic and diluted earnings per share in PLN (not in millions)	**0.54**	**0.12**	**0.51**	**0.11**	**6.95**	**1.52**	**1.79**	**0.39**
Weighted number of issued shares (not in millions)	621,258,207		639,546,016		634,936,486		639,546,016	
EBITDA(1)	**881.0**	**190.7**	**1,126.3**	**243.8**	**7,699.6**	**1,685.8**	**4,191.9**	**917.8**
EBITDA margin	27.0%	27.0%	34.7%	34.7%	61.9%	61.9%	35.0%	35.0%
COVID-related costs (incl. donations)	-	-	(1.1)	(0.2)	-	-	(45.9)	(10.0)
One-off gain on disposal of Polkomtel Infrastruktura	(10.2)	(2.2)	-	-	3,680.6	805.9	-	-
adjusted EBITDA(2)	**891.2**	**192.9**	**1,127.4**	**244.0**	**4,019.0**	**879.9**	**4,237.8**	**927.8**
adjusted EBITDA margin	27.3%	27.3%	34.7%	34.7%	32.3%	32.3%	35.4%	35.4%
EBITDA result of Polkomtel Infrastruktura	-	-	177.7	38.5	366.9	80.3	672.5	147.2
EBITDA adjusted excluding the result of Polkomtel Infrastruktura	**891.2**	**192.9**	**949.7**	**205.5**	**3,652.1**	**799.6**	**3,565.3**	**780.6**
EBITDA adjusted margin excluding the result of Polkomtel Infrastruktura	27.3%	27.3%	29.2%	29.2%	29.3%	29.3%	29.8%	29.8%
Operating margin	12.9%	12.9%	16.1%	16.1%	46.6%	46.6%	15.8%	15.8%

(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 the one-off gain on disposal of shares in our subsidiary Polkomtel Infrastruktura Sp. z o.o. in 2021 as well as costs related to the COVID-19 epidemic, including donations, incurred in 2020.

Consolidated cash flow statement

	for the twelve-month period ended December 31			
	2021		2020	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	3,234.3	708.1	3,251.7	711.9
Net cash used in investing activities	4,327.9	947.6	(1,786.3)	(391.1)
incl. capital expenditures[1]	*(1,158.8)*	*(253.7)*	*(1,217.9)*	*(266.7)*
Net cash used in financing activities	(5,282.9)	(1,156.7)	(856.0)	(187.4)
Net increase/(decrease) in cash and cash equivalents	2,279.3	499.0	609.4	133.4

(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 balance sheet

	December 31, 2021		December 31, 2020	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents[1]	3,644.3	792.3	1,365.8	297.0
Assets	32,237.0	7,009.0	33,115.0	7,199.9
Non-current liabilities	11,226.1	2,440.8	13,414.4	2,916.6
Non-current financial liabilities	10,111.4	2,198.4	11,987.5	2,606.3
Current liabilities	5,626.3	1,223.3	5,274.4	1,146.8
Current financial liabilities	1,340.2	291.4	1,224.2	266.2
Equity	15,384.6	3,344.9	14,426.2	3,136.5
Share capital	25.6	5.6	25.6	5.6

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

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 TV 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 transmission 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, which belongs 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 online 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 accessible 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.

In December 2021, we adopted the *Strategy 2023+* for our Group, which envisages the expansion of existing operating activities to a new area - clean energy production. The new operational pillar will open the possibility of building an additional revenue stream for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction. In line with the concept of ESG, we want to create the value of our Group in a sustainable manner taking into account and addressing environmental, social, responsible and transparent business issues, to the benefit of the local society and all our Stakeholders. The superior goal of Polsat Plus Group's strategy remains the sustained, long-term growth of the value of Cyfrowy Polsat S.A. for its Shareholders.

In 2021 we operated 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 December 2021 we had ca. 6 million B2B and B2C contract customers and companies from our Group provided a total of over 20 million active services.

Our media segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcasting 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. At the same time, as part of the media segment, we independently sell advertising and sponsorship, mainly on TV channels and in the Internet media.

1.2. Composition and structure of Polsat Plus Group

The following table presents the companies from Polsat Plus Group as at specific dates, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 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%
Towerlink Poland Sp. z o.o. (formerly Polkomtel Infrastruktura Sp. z o.o.)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	-	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Visignio Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	sales network management	100%	-
Saveadvisor Sp. z o.o.	Warszawska 18, 35-205 Rzeszów	call center services	100%	-
Mobi Dealer Sp. z o.o.	Warszawska 18, 35-205 Rzeszów	sales network management	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%
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	99.999%	65.98%
Netia 2 Sp. z o.o.	Poleczki 13, 02-822 Warsaw	telecommunication activities	99.999%	65.98%
TK Telekom Sp. z o.o.	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	99.999%	65.98%
Petrotel Sp. z o.o.	Chemików 7, 09-411 Płock	telecommunication activities	99.999%	65.98%
ISTS Sp. z o.o.	Bociana 4A / 68A, 31-231 Cracow	wired communication	99.999%	65.98%
IST Sp. z o.o.	Księcia Janusza I 3,	wired communication	99.999%	65.98%

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 2021	December 31, 2020
	18-400 Łomża			
Logitus Sp. z o.o.	Orzechowa 5, 80-175 Gdańsk	wired communication	99.999%	-
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%
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	(1)	(1)
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%
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%

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 2021	December 31, 2020
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and television activities	100%	100%
CKS Ossa Sp z o.o.(formerly TMS Ossa Sp. z o.o.)	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	hotel activities	100%	-
Ossa Medical Center Sp. z oo. (formerly Horest, Hotel pod Żaglami Sp. z o.o.)	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	hospital activities	100%	-
Stork 5 Sp. z o.o.	Łubinowa 4A, 03-878 Warszawa	holding activities	100%	-
Swan 5 Sp. z o.o.	Łubinowa 4A, 03-878 Warszawa	agriculture activities	100%	-
Subsidiaries consolidated using the equity method				
Premium Mobile Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	-	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%
Modivo S.A. (formerly eObuwie.pl S.A.)	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%

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 2021	December 31, 2020
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. (formerly Tako Media Sp. z o.o.)	Solskiego 55, 52-401 Wrocław	consulting	60%	60%
Polot Media Sp. z o.o. Sp.k. (formerly Tako 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 Warszawa	cooperation with artists and presenters	100%	-
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%
Polsat Boxing Promotion Sp. z o.o. (formerly TMS Kraków Sp. z o.o.)	Ostrobramska 77, 04-175 Warsaw	movie and TV production	24%	-

(1) Cyfrowy Polsat indirectly holds 100% of certificates.

Additionally, the following entities were included in the consolidated financial statements for 2021:

Company	Registered office	Activity	Share in voting rights (%) as at	
			December 31, 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 lok. 216, 10-686 Olsztyn	complex servicing of investment process	-	1.5%
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%	-
Towerlink Poland Sp. z o.o. (formerly Polkomtel Infrastruktura Sp. z o.o.)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	0.01%	-
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	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.

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. March 24, 2022 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	
February 2, 2021	Registration of the change of the company name from Tako Media Sp. z o.o. to Polot Media Sp. z o.o.
February 18, 2021	Registration of the change of the company name from Tako Media Sp. z o.o. Sp.k. to Polot Media Sp. z o.o. Sp. k.
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 the 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. On January 21, 2022, a change of the company's name to Modivo S.A. was registered.
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 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. On December 15, 2021 a change of the company's name to CKS Ossa Sp. z o.o. was registered.
August 6, 2021	Acquisition of 100% of shares in Horest, Hotel pod Żaglami Sp. z o.o. by Polkomtel. On December 17, 2021 a change of the company's name to Ossa Medical Center Sp. z o.o. was registered.
August 11, 2021	Sale of all shares held by Altalog in InPlus Sp. z o.o.
November 2, 2021	Disposal of 90% of shares held in Mese Sp. z o.o. by Cyfrowy Polsat.
November 24, 2021	Acquisition of 100% of shares in Stork 5 Sp. z o.o. and its subsidiary Swan 5 Sp. z o.o. by Cyfrowy Polsat.

November 30, 2021	Merger of Polkomtel Sp. z o.o. (acquiring company) with Aero 2 Sp. z o.o. (acquired company).
December 2, 2021	Merger of Logitus Sp. z o.o. (acquiring company) with Market-Software Sp. z o.o. (acquired company).
December 22, 2021	Disposal of all shares held by Cyfrowy Polsat in TVO Sp. z o.o. to the benefit of Polsat Investments Ltd.
January 19, 2022	Acquisition of additional 53.73% of shares in Vindix S.A. by Cyfrowy Polsat.
Media segment: television and online	
April 20, 2021	Acquisition of 24% of shares in TMS Kraków Sp. z o.o. by Telewizja Polsat. On September 28, 2021 a change of the company's name to Polsat Boxing Promotion Sp. z o.o. was registered.
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

We are the largest pay TV provider in Poland. Since 2006, we are the leader on the Polish market in terms of the number of customers and active services, as well as DTH market share and we actively expand our pay TV offer by adding both new forms of service provisioning (IPTV and OTT). Moreover, we actively develop additional services which build customer value, such as Multiroom, VOD or paid video online subscriptions.

We provide pay TV services in various technologies under the ‘Polsat Box’ brand, in IPTV technology under the “Netia’ brand and in the form of online video under the ‘Polsat Box Go’ brand. As at December 31, 2021, we provided 5.4 million pay TV services to B2C customers in both the contract and prepaid model.

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 Polsat Box Go, VOD/PPV, online video and music services, catch-up TV and Multiroom HD services.

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

Online video

Our VOD and online television services and apps – Polsat Box Go and Polsat Go – offer viewers a wide selection of online content accessible at any time, wherever viewers are and on a device of their choice. As of September 2021, our popular web services IPLA and Cyfrowy Polsat Go were replaced by Polsat Box Go. Moreover, we launched a new service called Polsat Go in August 2021.

Polsat Box Go offers content produced by the Group and external broadcasters, including over 120 TV channels, sports, movies, series, entertainment, news and cartoons, also in a subscription-based model without commercials. In turn, Polsat Go offers its viewers free of charge content from various Telewizja Polsat channels, including among others popular films, series and entertainment shows, and generates income from commercials.

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 December 31, 2021 we provided ca. 8.7 million mobile telephony services to B2C customers in both the contract and prepaid model.

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 Premium Mobile and Netia. 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 mainly on the landline infrastructure of our subsidiary Netia. The dedicated retail offering of fixed-line telephony 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.

In turn, 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 December 2021 covered already more than 19 million inhabitants of Poland in around 800 locations with the total number of 5G base stations exceeding 3,000. Thanks to that already more than half of the inhabitants of Poland live within the coverage of our 5G network.

We provide a comprehensive array of mobile broadband Internet access services to both individual and business customers under the brands: 'Plus,' 'Premium Mobile' and 'Netia.' We offer mobile 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 based on wireless technology 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, we provide 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, Home LTE Internet 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 3.2 million homes passed. Moreover, we offer fixed-line Internet services based on wholesale access to networks of Orange Polska, Nexera and Fiberhost. In total, there are currently ca. 4.8 million homes passed within the reach of our fixed broadband Internet access services offered over both our own network and access to fiber optic networks of other operators.

Internet services to individual customers are sold mainly in bundles with TV and voice services, including a mobile offering. The offer is supplemented by a number of value added services which support ARPU levels and the loyalty of our customers.

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, including IPTV and OTT, telephony and broadband Internet access offered both in mobile and fixed-line technologies, complemented by additional services, which can be combined freely by customers 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.

Wholesale business

As part of our wholesale business we provide services to other telecommunication operators. These services include voice 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 from/to Polkomtel's customers to/from all operators domestically and abroad.

Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures and acquisitions carried out in the past, our Group has an extensive telecommunications infrastructure, which allows us to handle constantly increasing usage of telecommunications products and services. In order to optimize costs of maintenance of our infrastructure, we take in parallel steps to 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 utilize telecommunications infrastructure owned by our entities, thus gaining synergies by the replacement, where it is economically justified, 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 multimedia messages (SMSs and MMSs) 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' partners 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 technical and business 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 network 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 (SMS) 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 our billing platform, customer support, handling claims of MVNOs' customers, access to SIM cards, telephone devices and Plus'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 own 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	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	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions from the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
Polsat 2	Channel broadcasting reruns of programs that premiered on our other channels.
TV4	Nationwide entertainment channel, the programming offer of which includes feature movies, series, entertainment and popular science programs and sports. Available in digital terrestrial television.
TV6	Nationwide entertainment channel broadcasting popular foreign formats, as well as series, entertainment programs and feature movies from Polsat's library. Available in digital terrestrial television.
Nowa TV	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.
Sports	
Polsat Sport	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	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon.
Polsat Sport News	Sports channel dedicated to sports news.
Polsat Sport Fight	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 **Eleven Sports 1 4K**	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. Since November 2017 the channel is also available in 4K technology.
Eleven Sports 2	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	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	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.

Channel	Description
Polsat Sport Premium 1	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League. The channel is offered in a package with four Polsat Sport Premium PPV services aired during matches. Broadcasts without ads, in Super HD quality.
Polsat Sport Premium 2	Premium sports channel. Launched in August 2018 in connection with the Group's acquisition of rights to the UEFA Champions League. The channel is offered in a package with four Polsat Sport Premium PPV services aired during \ matches. Broadcasts without ads, in Super HD quality.
Movies	
Polsat Film	Movie channel broadcasting movie hits 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	Channel created for and dedicated to women. The programming offer includes feature movies as well as popular Polish and foreign series.
Music	
Eska TV	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	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	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.
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 festive music.
News	
Polsat News	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.
Wydarzenia24	News channel broadcasting since September 1, 2021, produced in cooperation with Polsat News, *'Wydarzenia'* news service and Interia.pl. Provides the most up-to-date information about events in Poland and abroad. The channel replaced the 'Superstacja' channel.
Lifestyle	
Polsat Cafe	Channel dedicated to women, focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult TV series.
Polsat Games	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	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.

Channel	Description
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 DTT technology.
Polsat Doku	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	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	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	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	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	Channel broadcasting Polish and foreign comedy series and cabaret programs, launched in March 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.

The key factor impacting 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, Multimedia and Vectra, and by all major satellite platforms (with the exception of selected sports channels, which are exclusive to the Polsat Box platform), as well as using the IPTV technology (Polsat Box, Orange Polska, Netia) and selected OTT platforms. 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 the most important role is played by the portals 'PolsatNews.pl' and 'PolsatSport.pl'. In turn, Interia.pl Group, acquired by us in July 2020, is a leading player on the Polish market of new generation media.

The portal 'Interia.pl', which belongs to the Group, is one of the three largest horizontal portals in Poland and reaches 42% of Poles, 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 non-domain thematic websites, such as 'Pomponik.pl,' 'Smaker.pl' and 'Deccoria.pl,' as well as one of country's first mail services with approximately 2.5 million users per month. In parallel, thanks to the 'Pogoda.Interia.pl' weather forecast service, which is one of the leaders in its category, we became one of top online weather forecast services in Poland.

Since the acquisition of Interia.pl Group, the monthly average number of page and app users for the combined Polsat-Interia media group increased from 18 million in the third quarter of 2020 to over 20.5 million in the fourth quarter of 2021. In the same period, the average monthly number of page and app views increased from about 1.5 billion to over 1.9 billion (data for the third quarter of 2020 according to the Gremius/PBI study; data for the fourth quarter of 2021 according to the Mediapanel study). We intend to continue to strengthen our position on the Polish Internet and online advertising market.

The largest of Polsat–Interia Group's monetized portals, websites and services 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)	A TV Everywhere-type service offering access to streaming of linear channels as well as to a variety of VOD materials. Available also through a mobile app and Smart TV solely in a paid model.
Polsat Go	VOD service offering access to VOD materials produced by Telewizja Polsat and certain partners and to two of our linear channels: Polsat and TV4. All materials are available in a VOD model (with commercials). Available also through a mobile app and Smart TV.
Sports	
Polsatsport.pl	A portal constituting 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	Portal with weather forecasts: daily, long-term and 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 2.5 million users per month at present. Available also through a mobile app.
Popular science	
Geekweek.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.
Opracownia.pl	Service for elementary and high school students, containing helpful descriptions and elaborations of readings, exam topics, as well as sought information and explanations on issues 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	

Internet portal (1)	Description
Polsatnews.pl	One of the top news portals in Poland, with latest 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.interia.pl	Interia's top service which presents news and recent trends in fashion, beauty, beauty care, cuisine, diets and many other popular topics from daily life.
Deccoria.pl	Almanac of interior inspirations, ideas for interior design in small and large apartments, houses and residences. A source of ideas for home renovation or design lifting.
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 advice for all who need help. Simple and brief tips from various fields.
Zdrowie.interia.pl	Health service answering questions about how to live in a healthy way, use diets, prevent illnesses and take care of your body.
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 starring in them. It includes information about ca. 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.
Commercials	
Ding.pl	Service with store fliers and catalogues of stores and large shopping chains. Thanks to geolocation users can receive offers mainly from stores in their neighborhood.
Okazjum.pl	Service with store fliers and catalogues of stores and large shopping chains by cities in which the stores are located.

(1) Includes websites with over half a million of average monthly number of users in the fourth quarter of 2021.

1.5. Strategy of Polsat Plus Group

1.5.1. Our Strategy 2023+

We are a Polish company and we offer high quality commodities for a reasonable price to the inhabitants of Poland. For everyone. Everywhere.

We believe that high-speed and reliable Internet within easy reach means freedom for everyone and everywhere. We believe in locally produced, unique content available wherever, whenever and on whatever device you want. We believe that the transition towards clean and affordable energy, in particular energy produced from renewable sources, is what our country needs and that it creates new development opportunities for our Group.

We want to create and deliver high quality commodities: high-speed and reliable connectivity, the most attractive and unique content and entertainment, clean and affordable energy and other services and commodities for the home and for individual and business customers, using state-of-the-art technologies to provide top quality services that meet the changing needs and expectations of our customers, so as to maintain the highest possible level of their satisfaction. Concurrently, in line with the concept of ESG, we want to create the value of our Company in a sustainable manner taking into account and addressing environmental, social, responsible and transparent business issues, to the benefit of local society and all our Stakeholders.

The superior goal of our strategy is the permanent, long-term growth of the value of Cyfrowy Polsat S.A. for its Shareholders. We intend to achieve this goal by implementing the key elements of our operating strategy based on three main pillars and supported by an effective financial policy.

<table>
<tr><th>PILLAR I - CONNECTIVITY</th><th>PILLAR II - CONTENT</th><th>PILLAR III – CLEAN ENERGY</th></tr>
<tr><td>High-speed and reliable connectivity is critical to our work, education and entertainment. Easy communication with friends and family</td><td>Attractive content and excellent user experience ensure entertainment wherever, whenever and on whatever device you want</td><td>Affordable, clean energy is essential to the daily functioning and further development of the Polish society and economy</td></tr>
<tr><td colspan="2">• growth of revenue from services provided to individual and business customers through the 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 and simultaneously increasing average revenue per user (ARPU) and maintaining a high level of customer satisfaction
• 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
• use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services</td><td>• building a position on the clean, energy market, in particular from the sun, wind, biomass, thermal waste treatment and building a complete value chain of a hydrogen-based economy, which creates opportunities to build a new stream of revenues for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction
• analysis of additional development opportunities in other prospective directions such as Small Modular Reactors (SMR)</td></tr>
<tr><td colspan="3">• effective management of the cost base of our integrated capital group by exploiting its inherent synergies and economies of scale</td></tr>
<tr><td colspan="3">• effective management of the Group’s finances, including its capital resources</td></tr>
</table>

Growth of revenue from services provided to individual and business customers through the 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 and simultaneously increasing average revenue per user (ARPU) and maintaining a high level of customer satisfaction

Our goal is to effectively build revenue from the sale of products, services and commodities to our customers. By actively predicting new trends and reacting to the occurring market changes, we will continue to create products that will satisfy the evolving needs of our customers.

The factor that will have a positive impact on revenue is the possibility of cross-selling our existing and future products and services to the customer base of Polsat Plus Group. We create a unique portfolio of products and services which is targeted at customer bases of companies composing our Group. Properly addressed, both through the sale of additional single products or a multiplay offer, this potential may gradually increase the number of services per individual user, thus increasing revenue per customer and at the same time favorably impacting the level of satisfaction of our customers.

The integrated services market in Poland is still developing, especially outside big cities and therefore it has substantial growth potential. We intend to continue expanding our portfolio of products and services, relying both on own projects, as well as on strategic alliances or acquisitions. We trust that a comprehensive and unique offer of combined services (television offered in diversified access technologies including a model based on online applications, mobile Internet based in particular on the cutting-edge 5G technology, high-speed fixed broadband with high throughputs and voice services) and the possibility of up-selling additional services (e.g. clean energy from renewable sources, premium content services, entertainment services, financial products as well as other services or solutions for the home), when provided via diversified distribution platforms, will be decisive from the point of view of our competitive edge. It will also enable us to retain our existing customer base and offer an opportunity to acquire new customers on the pay TV, telecommunication and energy markets as well as in the area of other services for the home and for individual and business customers.

Growth of revenue from produced and purchased video content by expanding its distribution, including a search for new channels of exploitation of rights and maintaining the audience shares of the channels that we produce

The channels we produce and broadcast enjoy strong, well-established positions on the Polish TV and high ratings in their respective target groups. Our goal is to maintain our audience share at a stable level and consistently enhance our viewer profile. We believe that by making sensible investments in programming and wider distribution of our own content we will be able to gradually improve our viewer profile. This in turn will have a positive effect on the pricing of advertising airtime that we offer.

The second crucial element in building the segment's value is the widest possible distribution of produced and purchased TV content, both in terms of the customer groups it reaches (FTA, pay TV and online access) and the technologies they use (terrestrial, satellite, Internet, mobile). We want to invest in development and build the market position of our content brands, which will then be distributed via a number of channels adjusted to the evolving needs of our customers. These efforts, in our opinion, will not only allow us to maximize benefits of the wide-scale distribution of our video content, but will also ensure a higher level of satisfaction among our customers and viewers, who will have more freedom to decide what, where and when to watch.

Use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services

We seek to offer wide accessibility to our products and services to each of our existing and potential new customers. Therefore, beside the continuous development of technologies which have built the scale of our company in the past, we pay attention to the development of new products which are meant to facilitate the availability of our content and the services we offer. For everyone. Everywhere.

The intertwining of the telecommunication and media worlds, in particular the wide availability of high speed mobile transfer technologies as well as the constantly improving quality of fixed-broadband connections, allows us to develop equipment and technologies which break the limitations with regard to accessibility or ownership of certain telecommunication infrastructure. The OTT (over-the-top) technologies are expanding distribution markets for content producers and we intend to actively leverage on that. We invest in new technologies, equipment and applications, and we pursue opportunities to enter into strategic alliances or acquisitions, with a view to facilitating access to the content we produce for our customers. We also intend to leverage on the changes on the Polish content market and take advantage of the opportunities presented by the evolving needs and expectations of Polish consumers, as well as changes in the ways of media consumption triggered by cutting-edge data transmission technologies in order to offer our customers an extensive range of services adjusted to their needs and expectations. By developing our content and telecommunication offer and expanding it to include complementary products and services, we seek to acquire new customers, build ARPU and improve customer satisfaction and loyalty.

An effective combination of telecommunication and content products provides new opportunities for distribution of content. Thanks to this combination, attractive content and a wide range of our services can be delivered through a variety of reliable distribution channels – via satellite (DTH), digital terrestrial television (DVB-T), Internet television (OTT), Internet platforms, applications and portals (video online), mobile (LTE and 5G) and fixed-line (IPTV) technologies – to all consumer devices from TV sets through PCs and tablets to smartphones.

Modern technology advancement is also a critical factor contributing to the transition in our country towards clean, zero and low-emission energy. We want to be an active participant of this transition. We intend to take advantage of emerging market opportunities and invest in technological innovations because we believe that they are essential in order to accelerate the energy transition and decarbonization in Poland. We set ourselves ambitious goals with respect to the construction of zero and low-emission sources of electric energy that on the one hand constitute an opportunity to continue the development of our business in the mid and long-term, and on the other support the sustainable development of the Polish society and economy.

Concurrently, we will analyze in detail emerging market and investment opportunities, such as investments in unique real estate or prospective business projects that have potential to generate high rates of return in the mid-term. We believe that such projects present an attractive opportunity to invest available funds.

Building a position on the clean energy market, in particular from the sun, wind, biomass, thermal waste treatment and building a complete value chain of a hydrogen-based economy, which creates opportunities to build a new stream of revenues for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction

With a view to strengthening our unique offer of integrated services we have decided to establish a new, third strategic pillar based on affordable and clean energy. We believe that the transition towards clean, zero and low-emission energy in Poland is a perfect moment to enter this prospective market by new players and creates new development possibilities for Polsat Plus Group. We believe that investments in the development of clean, renewable energy sources constitute a practical implementation of the ESG concept and can bring our Group, our Stakeholders and the local society tangible economic and social benefits, in particular in the

form of greenhouse gas emissions reduction. According to our estimates, our current investment plan, consisting in the installation of ca. 1000 MW of clean power generation capacity in the years 2022-2026, will contribute to the reduction of greenhouse gas emissions by over 2 million tons of CO2 equivalent annually.

We want to build a new stream of revenue from the sale of clean energy to business and individual customers. We expect that demand for clean energy in Poland will exhibit a strong, upward trend in the following years. This trend will be supported by a set of factors, including the consistent regulatory policy implemented at the European Union level and directed at achieving climate neutrality by 2050, the changing geopolitical situation and increasing demand for energy resulting from Poland's economic growth. In order to build and successively strengthen our position on the energy market in Poland we intend to invest in projects related to the production of energy from photovoltaics, biomass, wind farms and thermal waste treatment. We also want to invest in the future by building a complete value chain of a hydrogen-based economy, which may contribute significantly to the reduction of harmful substance emissions (including CO2). Furthermore, we want to actively analyze the possibilities of investing in other prospective sources of energy such as Small Modular Reactors (SMR).

In the years 2022-2026 we plan to invest approximately PLN 5 billion in order to achieve ca. 1000 MW of clean power generation capacity and approximately PLN 0.5 billion in the construction of the value chain of an economy based on the fuel of the future - hydrogen.

Effective management of the cost base of our capital group by exploiting its inherent synergies and economies of scale

We are convinced that building a closely integrated group that combines connectivity, content and energy services offers an opportunity for tangible synergies and for securing significant competitive advantages. We implement numerous projects aimed at simplifying the Group's structure by integrating relevant teams and harmonizing business processes and IT systems in the entire Group, which enables us to achieve tangible cost synergies. On a continuous basis we pursue optimization efforts aimed at adapting our cost base to current market conditions and our Group's situation.

We believe that our engagement in the clean energy sector will also generate sizeable synergies and in the mid- and long-term will support operating in-line with a sustainable business-model. In particular, access to clean energy at lower prices will allow us to further optimize the costs of our operating activities and will also help us strengthen our relationships with B2B and B2C customers interested in purchasing clean energy, which will have a positive impact on the results of our strategy.

Effective management of the Group's finances, including its capital resources

The financial policy and capital resources management policy that we adopted define the method of using funds generated from our operations. To guarantee the continuity and stability of the Group's operations the generated free cash flow is used in the first place for financing current operations and for investments indispensable for the development of the Group. Simultaneously, we continually exploit arising development possibilities and investment opportunities, which allow us to make our products and services more attractive, provide new methods of their distribution or create additional value for our Shareholders.

Our capital resources management policy assumes maintaining a balance between leveraging on emerging market and investment opportunities and regular dividend payouts to Shareholders of the Company in accordance with the applicable dividend policy of Cyfrowy Polsat S.A. Concurrently, we intend to maintain the indebtedness of Polsat Plus Group at a safe level, ensuring an optimal structure of financing of our operating activities through the use of debt financing. When formulating the financing structure the Management Board will take into account in particular the expectations of the Shareholders of the Company expressed in the Articles of Association of Cyfrowy Polsat S.A.

1.5.2. Our ESG strategy

Along with the announcement of the Strategy 2023+, we have also structured our sustainable growth strategy which includes ESG (environmental, social responsibility and corporate governance) factors.

We take responsibility for preventing further climate changes and actively undertake steps to improve air quality in Poland.

E

(Environmental)

- New investments – by producing over 2 TWh of green energy per year we will contribute to the reduction of CO_2 emissions in Poland by more than 2 million tons yearly.
- Renewable energy sources – by 2023 we will use the energy solely from low or zero emission sources[(1)].
- Car Fleet – we successively increase the share of low-emission vehicles in the car fleet of Polsat Plus Group (currently over 5% share).
- Circular economy – set-top boxes used by our customers, are coming back to the market after they are returned and refurbished while other equipment is being recycled.

(1) Applies at least to main operations operating companies of Polsat Plus Group: Cyfrowy Polsat, Telewizja Polsat, Polkomtel and Netia.

We are an active member of local society and – at the same time – we stimulate Poland's economic and social development through our investments in digitization.

S

(Social)

- Counteracting digital divide – we dynamically develop the reach of modern, fast 5G Internet.
- Polsat Foundation – we are a key partner of the Foundation which during the last 25 years has helped to finance medical treatment and rehabilitation for 40 thousand suffering children.
- Responsible employer – we ensure friendly and safe working environment as well as equality and diversity to all our employees.
- Protection and safety of children – safety is DNA of our operations, therefore we take care of safety of the children and youth (among others, safety in the network and television content).

We develop our business in a transparent and sustainable manner to the benefit of all our stakeholders.

G

(Governance)

- Codes of Ethics – implemented codes of business conduct as well as internal procedures and systems guarantee the highest standard of integrity.
- Transparency – we ensure high quality financial and ESG reporting in combination with regular, transparent and direct communication with all our stakeholders.
- Cybersecurity – while being aware of challenges in this area, we aim at the best possible data security and protection for our customers and employees (ISO 27001 certificate).
- Experience, trust, reputation – our companies' Management Boards are served by individuals with many years of work experience in the Group.

1.6. Competitive advantages

We are the leading integrated media and telecommunications group in the region

Our major competitive advantage is that we have gathered and manage autonomously all key assets within our Group. Thanks to this we can efficiently operate a diversified business comprising pay TV in DTH and online (IPTV, OTT), mobile and fixed-line telephony, mobile and fixed-line broadband Internet, wholesale business as well as TV broadcasting and production and on-line services of content, news and video sharing.

We are a leading player in the markets in which we operate. Since 2006, we are the leader of the Polish pay TV market both in terms of customers and the number of active services and market share. Our subsidiary, Polkomtel, which focuses on the provision of mobile telecommunication services under the 'Plus' brand, is one of the leading telecommunication operators in terms of generated revenues and the scale of the base of mobile telephony and the mobile broadband Internet access services. In turn, our subsidiary Netia is a leading provider in fixed-line services, including broadband Internet offered mainly in fiber optic technologies. At the same time we are the leading TV group in Poland in terms of advertising revenues and audience share and, starting from 2020, following the acquisition of Interia.pl Group we became one of the major Internet publishers in Poland.

Additionally, our advantage is that we have an extensive nationwide distribution network through which we sell most of the services offered by our Group. We simultaneously offer our services in alternative telemarketing, door-to-door channels as well as online in our own online stores. Furthermore, both Polkomtel and Netia have their own separate B2B sales and service channels and, additionally, Polkomtel has an extensive prepaid distribution network.

We have strong brand recognition and enjoy good reputation among our customers

Our core brands – 'Plus,' 'Polsat,' and 'Polsat Box' – are well recognized by Polish consumers and we believe they are associated with high quality and value-for-money services addressed to the entire family.

We believe that our position as the largest pay TV operator in Poland and good relations with programming licenses providers give us a competitive advantage in obtaining high quality content on attractive market terms. Therefore, we are able to offer attractive programming packages at competitive prices which translates favorably into viewers' opinions on us. At the same time, through investing in the latest technologies which allow to offer high quality telecommunication services, we constantly increase attractiveness of our services which contributes to high satisfaction levels among our customers. We also enjoy the viewers' trust in the objectivity of the information we provide, and the programs of Telewizja Polsat have been recognized for many years as the most reliable and unbiased source of information among the main TV stations in Poland.

We own the largest advertising office in Poland

Biuro Reklamy Polsat Media, our advertising sales office, is currently the largest broker on the television market with 79 TV channels in its portfolio, including a large nationwide TV station and a wide package of thematic channels belonging to Polsat Plus Group and other Polish and foreign broadcasters. Polsat Media is currently the largest advertising office not only in terms of the number of channels served, but also in terms of audience share (38% in a target group aged 16-49 years) and its share in the TV advertising market (45%).

Polsat Media is responsible for all advertising services and sales of advertising space in website services of Interia.pl Group.

We have a significant customer base to which we can up-sell a broad portfolio of services

Polsat Plus Group has a significant base of individual, business and corporate customers, as well as prepaid users. This base includes 6 million unique individual customers, bound by contracts for definite or indefinite periods of time, which generate a regular monthly revenues stream. We provide retail services to nearly every second household in Poland, which makes us one of the largest Polish service providers for residential customers.

Our strategy assumes up-selling to this base of an extensive portfolio of telecommunication, television and other services and products by our companies independently or in partnership with other entities, in order to increase revenues generated by every customers. We believe that up-selling services to our own base will enable us to increase revenue in a cost-effective way, while simultaneously offering to our customers attractive price terms, which should translated into an improvement of customer satisfaction and loyalty.

We offer a unique combination of integrated services

We provide multiplay services combining mainly pay TV, Internet access and telecommunication services. In addition, we offer our customers the option to purchase other services essential for the home and business at attractive prices. The *Strategy 2023+* that we adopted in December 2021 assumes the further expansion of our portfolio with new services related to the production and sale, at affordable prices, of clean energy from zero and low-emission sources. The ability to provide a comprehensive range of multi-play services represents our significant competitive advantage on the pay TV market in Poland. At the same time we are a telecommunication operator who offers bundled services comprising a rich pay TV offer provided using our own assets and infrastructure, which ensures greater price elasticity and more operational effectiveness on this highly competitive market.

The provision of services in an integrated model enables us to offer attractive price terms to our customers, while simultaneously simplifying the process of customer service, which translates into the improvement of customer satisfaction and loyalty, thus decreasing the churn rate. We believe that, similarly to highly-developed European countries, preferences of Poles will gradually move into integrated services direction, which will strengthen our competitive advantage.

We are the country's leader in development of 5G technology

We develop our telecommunication network on an ongoing basis in order to provide the most technologically advanced services to our customers. We were the first operator in Poland to implement LTE technology, which enabled our customers to benefit from its advantages already in 2011. In turn, in 2020 we offered Poland's first commercial 5G network.

The network went operational in May 2020 and then our first customers in selected cities were able to start using the 5G technology in the 2.6 GHz TDD bandwidth. Thanks to intensive work at the end of 2021 the footprint of our 5G network covered over 19 million of people, i.e. more than half of the population of Poland, and the total number of base stations exceeded 3,000.

The 5G technology is currently at an early stage of development in Europe whereas, in our opinion, it will gradually gain popularity. According to the estimates presented in the *Ericsson Mobility Report* of November 2021, the scale of penetration with this technology among users of mobile devices in the Central and Eastern Europe region will reach approximately 41% in 2027. Thus Ericsson expects that the 5G technology will be gaining popularity significantly faster than the LTE technology at the time of its implementation a decade ago. Simultaneously, by 2027 data transmission in 5G technology is expected to outrank the total data transmission in networks built in 2G/3G/4G technologies. Rapidly increasing usage of data in smartphones is to be the main driver for data transmission growth in mobile networks, with forecasted growth rate of 22% CAGR in 2021-2027 in Central and Eastern Europe and expected target level of 32 GB per month (compared

to 9.9 GB in 2021). We want to actively benefit from this increasing demand by leveraging on our investment in 5G technology.

For the purpose of our 5G network we are presently using the unique 2.6 GHz TDD bandwidth, which ensures a significant advantage over other operators in our country. 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. Thus it offers balance between data transmission speed (up to 600 Mbps) and coverage (wide availability) while maintaining the highest quality of both parameters. In the future, as the 5G network develops, current use of the 2.6 GHz band will guarantee better land mass coverage than when using the 3.4-3.8 GHz bands only, and it will enable us to maintain a competitive edge during further stages of 5G network roll out by offering the possibility of aggregating 5G frequency bands.

We are also working on the development of the 5G technology using other radio frequencies and technologies. For example, in December 2021, we successfully tested the 5G technology in the Standalone standard. This will enable us to strengthen our position as the 5G technology leader in Poland in the future and offer the services to even more customers in even a bigger number of locations.

Multi-platform distribution of online video content and proprietary technology for video online content distribution

Our Polsat Box Go and Polsat Go online video services are leading platforms of video content distribution via the Internet in Poland. They offer access to unique content through a wide range of end-user devices, including computers/notebooks, tablets, smartphones, TV sets with Internet connections and set-top boxes, in line with our principle: “For everyone. Everywhere”. Our objective is to provide access to an extensive range of audio-visual content through any type of device for playing online multimedia files. We strive to ensure that each type of platform is supported by all major equipment manufacturers and operating systems.

Polsat Box Go and Polsat Go strengthen our position as an aggregator and distributor of content and ensure an important competitive advantage. We continue to develop our services using our experience in sales of pay TV, which helps us achieve synergies in terms of costs and revenues.

We have also developed unique technological competences in encoding and streaming audio-visual content, as well as optimizing distribution of this type of signal. Unlike our competitors, we apply proprietary solutions to our online video platforms, which enables us to provide services that are optimally adjusted to the limited Internet infrastructure in Poland and the capacities of external systems with which our applications are integrated. In this way, we may offer services of higher quality than the widely used solutions, for instance, our system of HD video stream encoding helps reduce the broadband required to deliver the signal by half as compared with solutions implemented by other operators on the Polish market. Hence, the optimized technology has a direct effect on our projects, their coverage potential and the number of concurrent viewers.

We own the biggest portfolio of TV channels in Poland, offering attractive programming content for each family member

We offer the largest and most diversified portfolio of channels on the Polish market, which gives us a leading position in terms of audience share among television groups in Poland and advertising market share. Polsat Plus Group portfolio consists of 39 own channels. Moreover, there is a group of 6 cooperating channels which are related with the Group either by equity links 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 is focused on news, documentary and entertainment programs, series based on international formats and own concepts.

We have contracts with major film studios, such as Sony Pictures Entertainment Inc., 20th Century Fox International Television, Inc., The Walt Disney Company, Paramount Pictures International Limited or Kino Świat Sp. z o.o. This guarantees access to a wide selection of the most attractive films and series.

We believe that our rich portfolio of Polish language TV channels and our assets, which enable us to produce diversified and attractive Polish language video content dedicated to Polish viewers, constitute our key competitive differentiators and will allow us to successfully build our revenue on many fields of exploitation. Thereby, Polsat Plus Group will be in a position to successfully compete not only with companies which offer media or communication services in Poland, but also with the competitive pressure emerging from global content producers operating in the OTT model.

We successfully monetize a rich portfolio of sports rights

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. Our offer is exceptionally attractive for fans of football and volleyball. We offer football fans broadcasts of qualifiers to the UEFA European Championships and the FIFA World Championships as well as the football Nations League. Additionally, we own rights to the world's most popular football club competitions – the UEFA Champions League. As for volleyball, we offer the biggest and most prestigious volleyball tournaments – the men's and women's World Volleyball Championships, exciting 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 also the volleyball CEV Champions League. We also offer boxing and mixed martial arts galas (UFC, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others. Following the acquisition of a controlling stake in 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 Box Go). This premium sports content includes Spanish La Liga Santander, Italian Serie A, English The Emirates FA Cup, Carabao Cup and Championship, French Ligue 1 Uber Eats, Portuguese Liga Portugal, Formula 1® and speedway races of the Polish PGE Ekstraliga and Swedish Bauhaus-Ligan. Since November 2017 the Eleven Sports 1 channel is available also in 4K technology - viewers can watch selected events in their native UHD quality, e.g. Formula 1® races or selected La Liga Santander matches. Unique sports content represents an important element that builds the value of our pay TV offering.

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

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

We have a high quality telecommunication infrastructure and broad portfolio of frequency bands

We provide telecommunication services including voice, data transmission and wholesale services, as well as a broad array of added services based on the integrated 2G/3G/4G/5G mobile network. These services are provided based on frequencies and core network owned by us, while our partner in the maintenance and expansion of the mobile access network is Towerlink Poland, a specialized company from Cellnex Group.

The network used by our customers supports the following technologies: GSM/GPRS/EDGE (2G), UMTS/HSPA/HSPA+/HSPA Dual Carrier (3G), LTE/LTE Advanced (4G) and 5G. We own spectrum reservations in an extensive portfolio of telecommunication frequencies, including 420 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2600 MHz FDD and 2600 MHz TDD bands. Our rich frequency resources not only guarantee flexibility in bandwidth management, but also open up many possibilities for network reconfiguration in the future. In particular, in 2011, as the first operator in Poland, we introduced services based on LTE and LTE

Advanced technologies and in May 2020 we offered our customers Poland's first commercial 5G network. Currently, practically the entire population of Poland is within the coverage of our 2G/3G/4G mobile services while the coverage of our 5G network already reaches over 19 million of Poles.

As the only operator in Poland we provide 5G services based on the unique 2.6 GHz TDD band, which ensures visibly better technical parameters of the offered technology than in the case of other mobile operators in the country. At present, other mobile operators offer 5G services using the 2100 MHz band, which is used simultaneously to provide services in the LTE technology. These operators apply the DSS (Dynamic Spectrum Sharing) technology which causes variable in time allocation of frequency resources for providing services in various technological generations. This can lead effectively to visibly lower quality parameters of 5G services provided as compared to services provided in 5G based on a dedicated frequency bandwidth and, in consequence, can lead to a lower level of customer satisfaction.

Thanks to the extensive footprint of the mobile network that we use, we are able to reach with our telecommunication services customers who live in less populated suburban and rural areas of Poland, while incurring substantially lower costs than cable TV or fixed-line operators. This enables us to build a strong position in smaller cities and less urbanized areas of Poland and provide telecommunication services – in a cost-effective way – to the existing customers of Cyfrowy Polsat, who are located mainly in the aforementioned areas. Due to the high cost of network roll-out, starting of operations and regulatory barriers related to obtaining access to frequencies, we will continue to profit from our strong market position.

New entrants must overcome significant regulatory and operational barriers and acquire access to radio spectrum or incur very significant investment outlays to compete effectively in the markets in which we operate

We believe that we benefit from significant market entry barriers that will aid us in maintaining our leading positions in the competitive Polish pay TV, telecommunication and TV broadcasting markets. Unlike potential entrants to the Polish pay TV market, we benefit from economies of scale and a loyal customer base, and we can spread the relatively high cost of the necessary technologies over our large customer base and leverage the stronger bargaining power that comes with a leading market position.

On the other hand, entry to the telecommunication market requires obtaining direct access to telecommunication frequencies and very expensive and time-consuming investments into telecommunication network or obtaining paid access to radio frequencies via one of the four mobile operators. However, at present the majority of radio spectrum allocated to mobile technologies is nearly fully distributed among the current market players and a scenario assuming the emergence of a new infrastructure operator seems unlikely. Operators who provide mobile services based only on paid access to the existing mobile networks so far have failed to achieve a scale of business in Poland which could create a significant competitive threat to us. As for fixed-line telecommunications services, in particular broadband Internet access, entry barriers include time- and capital-consuming outlays which new players would need to incur to develop their network infrastructure.

We have strong, stable and diversified cash flows

In 2021 we generated revenue through two business segments: the B2C and B2B services segment and the media segment: TV and online. In the B2C and B2B services segment our large retail customer base, stable monthly subscription revenue and low churn rates provide us with significant predictability of future revenue and strong recurring cash flows, which have historically proven to be resilient, even during periods of challenging economic conditions, such as the COVID-19 pandemic.

In the case of our cost base, we focus on improving the efficiency while maintaining high quality by carrying out initiatives aimed at the development of in-house services and systems. Examples include our own set-top-boxes manufacturing plant or the gradual centralization of back-office processes within the Group.

We have experienced managing staff

Our management team consists of executives who were members of the management boards or served in other managerial positions within the media, TV and telecommunications industries and have extensive experience in these industries. In addition, our operations in both business segments are managed by teams of experienced senior managers who provide expertise and a deep understanding of the markets in which we operate. What distinguishes us is a low factor of rotation among our key managing staff, which positively reflects on the stability of our business and excellent operating results. Our senior managers have a significant track record of increasing our customer base and market share and introducing new products in competitive environments while managing costs and increasing free cash flow.

1.7. Market opportunities

We believe that Poland is an attractive market for our current and planned products and services for a number of reasons. Key market opportunities are presented below.

Growing importance of bundled services

Convergence, understood as a combination of at least two services from different base groups of telecommunications services, is one of the strongest trends both on the Polish media and telecommunications market and worldwide. Operators develop their bundled offerings in response to changing preferences of customers, who more and more often seek media and telecommunications services provided at competitive prices by a single operator under a single contract, a single invoice and a single fee. 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 the fixed-line operator Netia by Polsat Plus group in May 2018 can serve as an example of such consolidation in Poland. Thanks to this transaction we combined all assets necessary to provide fully convergent services within our Group. As a result we can adjust our offering to better match customers' needs and we manage costs more effectively. Based on Netia's infrastructure, we launched the fixed-line broadband Internet access offer under the 'Plus' brand. This offer was further expanded when we gained the possibility to provide services using networks of other operators who grant Netia access on wholesale terms. In turn, in the first quarter of 2019 we introduced the cable TV service in IPTV technology, which is available to customers of fixed-line Internet services offered by Plus, Netia and Orange. As a next step, in July 2019, we implemented our OTT television service, which can be accessed via the Internet delivered by any service provider.

The introduction of new Internet television services to our offering represents the next phase of the development of our Group and is our response to the changing needs and expectations of our customers who can now decide which content delivery channel suits them best.

Low penetration rate of multi-play services, in particular in low-urbanized areas

In the past integrated services in Poland were provided by cable TV operators and selected fixed-line telecommunication operators and were offered mainly in large and medium-sized cities, which among others results from the geographical coverage of their infrastructure telecommunications and cable infrastructure.

According to a report by the analytical company PMR, in 2017 45.6% of households in Poland declared using more than one service from the same provider, while in 2021 this indicator increased to 51.3%. Due to the low saturation with integrated services and the still underdeveloped fixed-line broadband access infrastructure in low-urbanized areas, Polsat Plus Group is gradually building its position of a leading provider of high-quality integrated services in Poland.

Development of the Internet access market in Poland

Based on data published by the European Commission in the Digital Scoreboard, in 2020 the penetration rate of fixed-line broadband access among Polish households was 67.7%. For 27 member states the average penetration was 77% of households. The lower penetration rate in Poland results from, among others, the fact that according to the General Statistical Office 53% of Poles reside in rural areas and small towns of up to 20 thousand inhabitants. These areas represent low profitability areas from the perspective of the cost of construction of a fixed line to the end user due to the low land development density in Poland. Low saturation with fixed broadband Internet access in Poland combined with the progressing development of mobile technologies, including the emergence of 5G, make the Polish broadband access market a continuously growing segment of the telecommunication market.

According to PMR estimates, in 2020 there were approximately 16.4 million users of broadband Internet, out of which 49% used mobile connections. PMR forecasts that by 2026 the total number of broadband users, of both dedicated mobile access through a modem/SIM card and fixed-line, is expected to grow annually by ca. 1.4% on average.

The main growth drivers of the mobile Internet segment in the long term will include: increased speeds of data transmission, accelerated by the implementation of the 5G technology, growing popularity of mobile devices (laptops, smartphones, tablets), as well as a relatively low cost of rolling-out mobile infrastructure in low urbanized areas. The driver behind the growth of fixed-line broadband will be the modernization and roll-out of existing infrastructure. In the area of fixed-line broadband access fiber optic technology (FTTx) is going to rapidly gain importance, which is successively replacing obsolete copper infrastructure as a result of large scale investments of fixed-line operators (including the investments executed under the POPC program *(Program Operacyjny Polska Cyfrowa)* subsidized by the EU). The significant popularization of remote work and learning, caused by the necessity to adjust the society and the economy to the restrictions resulting from the COVID-19 pandemic, will also accelerate the development of the Internet market in Poland.

Growing market for new technologies and equipment and the resultant increase in access to and consumption of audiovisual content

As the market for innovative technologies is growing at a fast pace, the number of mobile devices (smartphones, notebooks and tablets or Smart TV sets) owned by consumers is on the rise as well. This has spurred a sharp increase in access to video content, and hence in video viewership. Consumers expect service providers to offer them the possibility of watching TV on any screen, anywhere and at any time. We perceive this group as a prospective customer segment for television services, opening also the opportunity for the monetization of our audiovisual content. At the same time, the above mentioned trend will translate into an increased demand of our customers for data transmission on mobile devices, which in turn will result in a growing stream of revenues from the sale of these services to our customers.

Changes in pricing of mobile services

A significant event on the mobile telephony market in the years 2019 -2021 was the introduction 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 package limits. These changes were associated, among others, with increased demand for data transmission, a more stable competitive situation on the mobile market and a shift in strategies of certain operators towards greater focus than in the past on building customer value and fostering revenue and profitability, which were related, among others, with the investments in 5G network construction.

The gradual launch of 5G networks has also enabled operators to apply different prices to offers based on the latest technology as it 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 transmission in a comfortable manner. However, intensive usage of 5G technology will require larger data packages, which can be offered in higher-end tariff plans.

We expect that the above mentioned changes combined 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 and sales of smartphones are 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, models of smartphones operating in 5G technology are gaining popularity. The prices of such devices, which were originally relatively high, decreased quickly and at present models of 5G devices priced at less than PLN 1,000 are available.

The growing popularity of smartphones is reflected in increasing demand for data transmission in the small screen equipment segment. According to estimates presented in the Ericsson Mobility Report of November 2021, the scale of data transmission in Central and Eastern Europe, which Poland is a part of, will increase from 9.9 GB per month in 2021 to 32 GB per month in 2027, driven also by increasing popularity of 5G technology.

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

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation, which is also affected by extraordinary events, such as COVID-19 pandemic or the war in Ukraine.

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 following years should 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 the three quarters of 2021 online advertising expenditures increased at a rate of as much as 22.6% YoY and reached the value of PLN 4.3 billion. This was principally the result of a rebound after last year's breakdown due to the pandemic. The two main segments of the online advertising market in which we are present, i.e., display and video, were responsible for 45% of total expenditures on the online advertising market and their total value increased by 26% YoY (+25.3% in display and +28.6% in video). We believe that following the acquisition of Interia.pl Group and thus gaining a leading position on the online advertising market we will be one of the beneficiaries from the growth of these promising advertising market segments.

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). In turn, the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing.

According to data published by Nielsen Media, in 2021 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the 16-49 age group was 30.4%, while in 2020 it was equal to 31.3%. In the 16-59 age group, the above share was 30.5% compared to 31.4% in 2020.

In order to maintain total audience shares and advertising market shares, we focus on developing our thematic channels portfolio and increasing the attractiveness of 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 strengthened the music programming of 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 turn, 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 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 entering into strategic cooperation with Eleven Sports in Poland in May 2018. By taking control over its Polish subsidiary, 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 consistently creating the best programming offering for our viewers.

In July 2018, we introduced the TV package "Polsat Sport Premium" to our offering. Thanks to it football fans are able to enjoy live 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. 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.

Necessity of an energy transformation in Poland towards production of clean energy

The Polish energy sector is currently at the threshold of a transformation that consists in the need to replace coal in the national electricity generation mix with clean, renewable energy sources and in building energy independence. An important driving force behind the changes in the Polish energy sector is the consistent climate policy of the European Union, which, on the one hand, offers significant support for the development of renewable energy sources, and on the other hand, strongly limits the possibilities of financing investments based on conventional fuels.

At present, the share of hard coal and lignite in energy generation in Poland remains high at over 70%, which translates into greenhouse gas emissions at a constant level of over 400 million tons of CO_2 equivalent yearly. Taking into account the rapidly increasing costs of CO_2 emissions resulting, *inter alia*, from EU regulations, as well as the high cost of mining domestic coal, the energy mix based on coal reduces the competitiveness of electricity production in Poland. As a result, electricity prices in Poland are currently experiencing a strong increase.

At the same time, the huge development potential of renewable energy sources in Poland is worth noting. According to estimates of the Energy Development Agency, in 2020 the share of renewable energy sources in energy production in Poland reached less than 18%, while the target in this scope set in the European Union climate strategy is 31% for Poland in 2030.

We believe that Poland's energy transformation towards clean, zero- and low-emission energy constitutes an excellent moment for new players to enter this promising market and creates new development opportunities for Polsat Plus Group. We believe that solar and wind power plants as well as stable low-emission sources, such as biomass boilers, will dynamically gain in importance. At the same time we believe that in order to strengthen the energy independence of Europe and Poland a step into the future is already necessary, towards an economy and society based on green hydrogen. In our opinion, hydrogen technologies will play an important role in reducing greenhouse gas emissions on a global scale due to their wide applications in industry, transport and power generation.

We believe that investments in the development of clean, renewable energy sources put the concept of ESG into practice and can bring real economic and social benefits to the Group, to our stakeholders and the local society, in particular in the form of a significant reduction in greenhouse gas emissions. Therefore, in December 2021, we expanded our strategy to include a new business pillar based on clean energy production. Between 2022 and 2026, we want to invest about PLN 5 billion to install about 1,000 MW of clean energy production capacity and about PLN 0.5 billion to build the full value chain of a hydrogen-based economy. According to our estimates, our investment plan will contribute to the reduction of greenhouse gas emissions by over 2 million tons of CO_2 equivalent per year, while creating an additional recurring EBITDA stream of PLN 500-600 million per year by in 2026.

1.8. Development prospects

Development prospects in the B2C and B2B services segment

As the largest media and telecommunications group in Poland we have gathered under one roof key assets which allow us to offer customers a unique portfolio of products and services. In line with our strategy, we focus on marketing and sales activities aimed at cross-selling standalone products and services to the customer base of Polsat Plus Group and at selling our bundled services offer. We see our future development path in this strategy. We think that along with the development of modern fixed-line and nationwide radio infrastructures, connectivity will continue to shape not only the telecommunications market but also the content distribution market. We believe that broadband Internet access services that we offer in 5G and

advanced fixed-line technologies will allow us to grow our customer base, with an emphasis on the integrated services customer base.

We develop our portfolio of integrated services. The Polish bundled services market is characterized by a low level of development. According to research conducted by the European Commission, saturation with bundled services in Poland is still significantly lower compared to the average saturation in the European Union. Concurrently, our customers are increasingly interested in bundled services, a trend reflected in the excellent sales results of our bundled services offer. We are convinced that our combination of pay TV and telecommunication services, including in particular broadband Internet access in both high quality 5G as well as fiber optic technologies, will allow us to benefit from the growth potential of the Polish bundled services market. By increasing the number of services sold to each customer we are able to generate growth of average revenue per customer (ARPU) and effectively increase our customers' loyalty.

We are a leader in 5G development in Poland. At the beginning of 2020 we began the construction of Poland's first commercial 5G network based on the unique 2.6 GHz TDD band that we own. Our 5G network became operational in May 2020 and at the end of 2021 it covered over 19 million people, i.e., more than half of the population of Poland, and the total number of active based stations increased to 3,000.

Simultaneously, we are working on the development of our 5G network using other radio frequencies and technologies. This will enable us to maintain our competitive edge in the next phases of 5G development due our ability to combine various bandwidths and, therefore, strengthen Plus's position as the technology leader in Poland.

We invest in the development of new generation fixed broadband Internet. We currently reach approximately 3.2 million households in Poland with our own fixed-line access infrastructure. The saturation of Netia's access infrastructure with services for B2C customers continues to stand on a relatively low level of approximately 14%, which gives us wide opportunities for development. We believe that thanks to the modernization of Netia's access network combined with a convergent offering for Netia's customers that includes attractive video content from the Group's portfolio we will successively increase the scale of commercialization of Netia's existing access network. In addition, we are gradually transferring Netia's fixed-line customers to whom the services are provided over the leased infrastructure onto our own infrastructure and we contemplate possibilities for expanding the reach of our fixed-line network not excluding selective acquisitions in this regard.

We address our convergent offering to new target groups. Furthermore, we use our infrastructure to expand the reach of services provided by Polsat Plus Group in fixed-line technologies. In particular, Netia's access network reach opened a new market of large cities and urban areas for us, which so far has been accessible mainly to cable network operators. We develop new TV products, such as, for example, television in IPTV and OTT technologies, which, in our opinion, will become an attractive alternative to offers of cable operators. We are of the opinion that assets owned by Polsat Plus Group, such as a widespread sales network and own advertising channels, shall allow us to achieve satisfying sales results on our fixed-line services while maintaining high cost efficiency of operations.

We consistently strive to strengthen our position as the aggregator and distributor of content. We believe that as a Group we have a unique, hard to duplicate and at the same time highly attractive programing offer. Currently, the attractive content and wide range of Polsat Plus Group's services are delivered through a variety of reliable distribution channels – via satellite (DTH), digital terrestrial television (DVB-T), LTE and 5G mobile technologies and fixed-line technologies (FTTH, HFC, ETTH, OTT, IPTV) – to all consumer devices, from TV sets and PCs to tablets and smartphones. We closely study the evolution of our customers' expectations and work to satisfy their growing needs. We believe that the introduction of our IPTV and OTT television offers in 2019 represents a significant step in Polsat Plus Group's continued development on the

pay TV market. The services live up to customers' expectations by offering an access to a wide range of the unique content in flexible tariff plans and short subscription periods.

Development prospects in the media segment

We are the leading group on the Polish TV broadcasting market in terms of audience shares, advertising revenue and advertising market share, which oscillates at slightly below 30%. At the same time, Polsat Media Biuro Reklamy advertising sales office is currently the largest broker on the television market with around 80 TV channels in its portfolio and full advertising service of Interia.pl Group web services.

The audience shares of thematic channels are growing continuously as the process of fragmentation of the Polish television market continues to progress. We believe that we can profit from this fragmentation by strengthening our wide portfolio of channels targeted at the entire family, and by extending and strengthening our distribution network on cable and satellite platforms, including also through our B2C and B2B services segment within which we own the largest pay TV customer base in Poland. We believe that our presence on all significant satellite platforms and distribution by cable TV operators will result in maintaining high audience shares of our channels, and, consequently, give us the opportunity to grow at least in line with the TV advertising market, and increase revenues from cable and satellite operators. Currently, our channels portfolio includes 39 own channels, and their total audience share remains at the strategically targeted by us level of 23-25%.

Our strategy is aimed at the widest possible distribution of content using the latest devices and technologies. That is why we monetize our content also through distribution via our Polsat Box Go and Polsat Go online video services which are leading streaming platforms in Poland, as well as through Internet portals belonging to the Group, in particular those associated with Interia.pl. In parallel, we are open to partnerships and cooperation with other entities distributing TV channels either in the traditional or online pay TV models. Therefore, Polsat Plus Group's TV channels can be found in the offers of the majority of cable, satellite or IPTV operators in Poland. In addition, access to our Polsat Box Go service can also be found in the offer of selected telecommunication operators who prefer to build their content offerings in the OTT application model. The wholesale sales of content produced by Telewizja Polsat's channels represents a significant and, at the same time, increasing revenue stream of the media segment.

We invest in the attractiveness of our TV channels by continuously building our viewer's profile. We place great weight on offering content in Telewizja Polsat's channels that meets preferences of viewers from our target groups. We constantly invest in producing the most attractive entertainment, film or news content and, simultaneously, we closely monitor the market of sports rights and film licenses. These actions are aimed at maintaining high viewership of our channels while building an attractive, from the advertisers' perspective, profile of our viewers. We also believe that thanks to possible synergies within the largest integrated media and telecommunication group in Poland in fields such as purchase of content, distribution, sales and marketing, we are able to strengthen our position on the broadcasting and television production market.

We expand our presence on the media market beyond the TV segment. We expand thematic portals which use the unique content produced by our TV channels and dedicated editorial offices. We invest in the development of our portals, especially "Polsatnews.pl" and "Polsatsport.pl". In turn, Interia.pl Group, acquired by us in July 2020, is the leading player on the Polish online media market. Following the acquisition of Interia we became one of the key entities on the Polish online and television advertising market, offering unique marketing and cross-media solutions. In parallel, we believe that strengthening the cooperation between Telewizja Polsat - a top video content producer, Interia.pl Group - a leading entity on the online media market in the country and Biuro Reklamy Polsat Media – the largest broker on the Polish advertising market, will bring additional synergies solidifying our position on the perspective online advertising market.

Development prospects in the energy segment

We expect demand for clean energy in Poland to show a strong upward trend in the coming years. This development will be supported by a number of factors, in particular a consistent regulatory policy at the European Union level aimed at achieving climate neutrality by 2050, the changing geopolitical situation, as well as growing demand for electricity resulting from the economic development of our country.

We believe that Poland's energy transition towards clean, zero- and low-emission energy is an excellent time for new players to enter this promising market and creates new growth opportunities for Polsat Plus Group. In an effort to strengthen our unique offering of bundled services, we have decided to build a new, third strategic pillar based on cheap and clean energy.

In order to build and successively strengthen our position on the clean energy market in Poland we intend to invest in projects focused on energy production from photovoltaics, biomass, onshore wind farms or thermal waste treatment. We also want to invest in the future. We want to build a complete value chain of a hydrogen-based economy, which can significantly contribute to the reduction of emissions of harmful substances (including CO_2). We also want to actively explore the possibility of investing in other promising energy sources such as offshore wind farms and small nuclear reactors (SMRs).

According to the assumption of our Strategy 2023+, announced in December 2021, in the years 2022-2026 we plan to invest ca. PLN 5 billion in the development of zero- and low-emission energy sources with a view to achieving ca. 1,000 MW of installed production capacity from biomass, solar and wind farms, and thermal waste processing. We estimate that the implementation of our investment plans may translate into annual incremental EBITDA of ca. PLN 500-600 million by 2026, while contributing to the reduction of greenhouse gas emissions by over 2 million tons of CO_2 equivalent yearly.

2. Business overview of Polsat Plus Group

2.1. Activities on the pay TV market

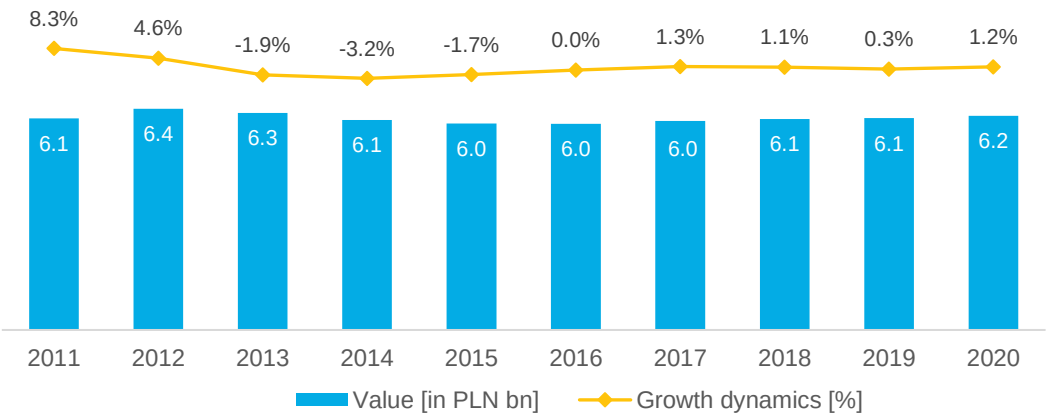
2.1.1. Pay TV market in Poland

Market value and growth dynamics

The Polish pay TV market is a mature market characterized by a high degree of penetration. On the one hand, a high level of market penetration with pay TV services (estimated by PMR at ca. 70% of households) leads to a low growth potential. On the other hand, pay TV operators actively increase the loyalty of their subscriber bases, mainly through service packaging, i.e. by combining pay TV with telecommunication services (Internet, phone), or developing and offering to customers their own online video services, enabling users to consume content on demand on a wide range of mobile devices. This trend leads to an increasingly strong interpenetration of pay TV and telecommunication markets.

Both in terms of the number of subscribers and value, the situation on the Polish pay TV market is stable. According to PMR estimates, in 2020 the market was worth PLN 6.2 billion (+1.2% YoY), with a stable customer base at the level of approximately 10 million subscribers. At the same time ARPU from pay TV services in Poland continues to be among the lowest in Europe. In this context the strategy of competing for customers with the merit and quality of the offered content rather than with price is one of the key trends affecting the value of the pay TV market. Operators expand their offers by adding premium packages and proposing attractive film or sports content, which leads to higher ARPU from a stable base. Also the dynamically growing IPTV segment, and the systematically increasing penetration of customer base with multiroom services, are the factors influencing the value of pay TV market.

Value and growth dynamics of the pay TV market in Poland



Source: PMR, Pay TV and VOD market in Poland, 2021

Competitive environment

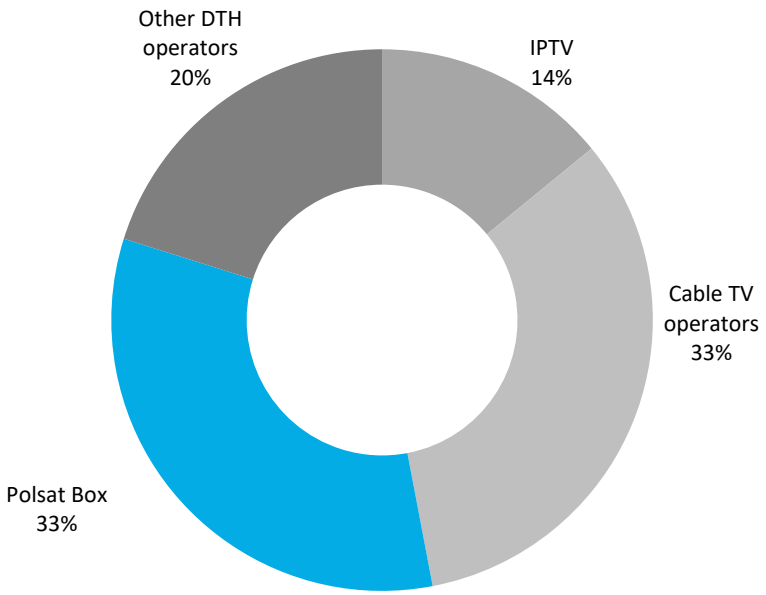
Pay TV services in Poland are offered by satellite platform operators (DTH), cable TV operators as well as by IPTV providers. According to our estimates, sector data and PMR forecasts, in 2020 operators of satellite TV platforms had the dominant share, both in terms of the number of subscribers and revenue, on the pay TV market – approximately 51% in terms of subscriber base, followed by cable TV operators with approximately 32%. IPTV is the pay TV market segment which demonstrates the strongest growth and its

market share increased to 13% in 2020. Pay TV services provided by operators of satellite platforms and cable TV are in principle substitutes. At the same time competition between the two technologies of access to pay TV services is restricted due to different geographical reach of each of these services. DTH operators are able to provide their services to both, the customers who live in cities as well as to those living in less densely populated and rural areas without incurring significant additional costs, whereas cable TV operators concentrate on the inhabitants of densely inhabited areas where highly developed fixed-line network infrastructure already exists or in locations where the establishment of such infrastructure involves a relatively low cost per customer. Since cable infrastructure in Polish towns with up to 20 thousand inhabitants, as well as in suburban and rural areas which are inhabited by more than half of Poland's population, is poorly developed, hence these areas are not attractive for cable TV operators and they remain the natural target markets for DTH.

DTH operators. According to our estimates and PMR forecasts, the subscriber base of the DTH market in Poland remains under moderate pressure and in 2020 was amounted to around 5.3 million (-4% YoY). DTH platforms are losing users in favor of the more advanced technologically IPTV offers, especially in areas with access to high quality broadband infrastructure.

Three DTH platforms operate in Poland: Polsat Box (until August 2021 it operated under the Cyfrowy Polsat brand), Canal+ (operating until September 2019 under the nc+ brand) and Orange, while the market is practically divided between the first two. Orange does not offer pay TV as a standalone service but only as an add-on to its integrated offer.

Pay TV market in Poland in 2020 in terms of the number of subscribers



Source: Based on own estimates, sector data and PMR estimates

Polsat Box is the market leader in terms of the number of pay TV customers. We actively expand our offer by selling paid access to online television in our Polsat Box Go service or the Multiroom HD option, as a result of which as at December 31, 2021 we provided over 5 million contract pay TV services (together with the services of paid access to online television). We have also actively entered the Internet TV market (IPTV, OTT with a set-top box). Based on own and PMR forecasts, we estimate that at the end of 2020 the share

held in the Polish pay TV market by our platform Polsat Box, in terms of the number of subscribers, was approximately 33%.

The second player in terms of subscriber base was the platform Canal+ which provided services to approximately 1.9 million subscribers in 2020, according to PMR data. This translated into a share of ca. 20% in the pay TV market.

In less populated rural and suburban areas, where cable and broadband infrastructure is underdeveloped, digital terrestrial TV with around 30 channels in the DVB-T standard, presents a real alternative to satellite pay TV services. Rapid growth of interest in this form of access to television occurred in 2013, as the process of digitization of terrestrial TV in Poland reached its completion, and it has continued on a slight upward trend since. According to PMR estimates, in 2020 a little under 34% of households in Poland used the free-to-air DVB-T television only, while in 2026 this share is expected to increase to 37%, according to PMR forecasts. However, it is worth noting that the pay TV offer surpasses alternative solutions, such as DVB-T digital terrestrial TV, in terms of the quality of the programming offer. Dedicated and premium content, exclusive content available only from a given operator, live programs, or coverage of attractive sports events remain the key distinctive features.

Cable TV operators. The Polish cable TV market is strongly fragmented, with ca. 300 companies operating on it, according to UKE. The three dominating players, however, are: Vectra Group, UPC Polska and Inea. PMR estimates that in 2020 the combined share held in the Polish cable TV market by these three operators exceeded 80% in terms of the number of subscribers.

Possibilities of acquiring new subscribers are limited due to high penetration with cable TV in urban areas as well as the reluctance of cable TV operators to make investments in cable TV infrastructure in less urbanized and rural areas of Poland.

Consolidation continues on the Polish cable TV market. In February 2020, as a result of the finalization of the acquisition of 100% of shares of Multimedia Polska by Vectra, the second and the third biggest cable TV operator consolidated and hence Vectra Group surpassed the to-date leader, UPC, in terms of the number of subscribers. Consolidation of cable TV operators increases chances for larger scale transactions between sectors, and subsequently the construction of convergent offers (combining mobile and fixed-line services) by mobile operators. Taking control by Polsat Plus Group over Netia in 2018 or the ongoing process of taking control over UPC by the mobile operator Play can serve as examples of such transactions.

Digital television through the IP protocol (IPTV). The leading IPTV providers in Poland are Orange Polska and Netia, a company belonging to Polsat Plus Group. The remaining part of the IPTV market is fragmented between Vectra Group and local Internet service providers (ISPs). The predominant model of sale of IPTV services on the market relies on bundling of the service, especially with broadband Internet access. In 2020, Cyfrowy Polsat also introduced an IPTV offer to the market – the offer is available through broadband Internet access offered by Plus, Netia or Orange.

IPTV is the most rapidly growing segment of the pay TV market, among others due to the improving quality of broadband connections, fiber optic networks in particular, following infrastructural investments. In spite of the high growth dynamics, IPTV market still encounters barriers, mainly due to technological obstacles which result from still restricted coverage of advanced infrastructure capable of offering sufficient data throughputs for providing IPTV services, especially outside big cities.

IPTV development enhances competition between IPTV operators and cable TV operators, especially in big cities where high quality broadband infrastructure exists, including fiber optic links. In less populated areas, on which DTH operators focus their activities, the influence of the expansion of IPTV is less pronounced due to the underdeveloped infrastructure for broadband Internet access. At present, it is difficult to estimate whether and when operators will be able to develop, to a substantial degree, their IPTV offer in rural, suburban

areas and small and medium sized towns, and the impact of such a development on the operations of DTH providers. At the same time it is worth stressing that the effect of outflow of DTH and cable TV subscribers is to some extent compensated for by the migration of these customers to the IPTV standard, as a result of which the total pay TV subscriber base in Poland remains stable.

Simultaneously, mobile operators who strive to propose convergent offerings to their customers become players on the pay TV market through entering into cooperation with operators who own fixed-line broadband infrastructure. An example of such cooperation can be seen in the agreement signed between Orange Polska and T-Mobile Polska, thanks to which T-Mobile has been providing its services on part of the FTTH network owned by Orange since July 2019. Moreover, mobile operators strive to offer TV products based on similar partnerships, currently mostly in the form of IPTV or OTT services built by themselves (Play Now TV) or purchased directly from content providers (e.g. Polsat Box Go or HBO Go offered by T-Mobile).

Video on demand

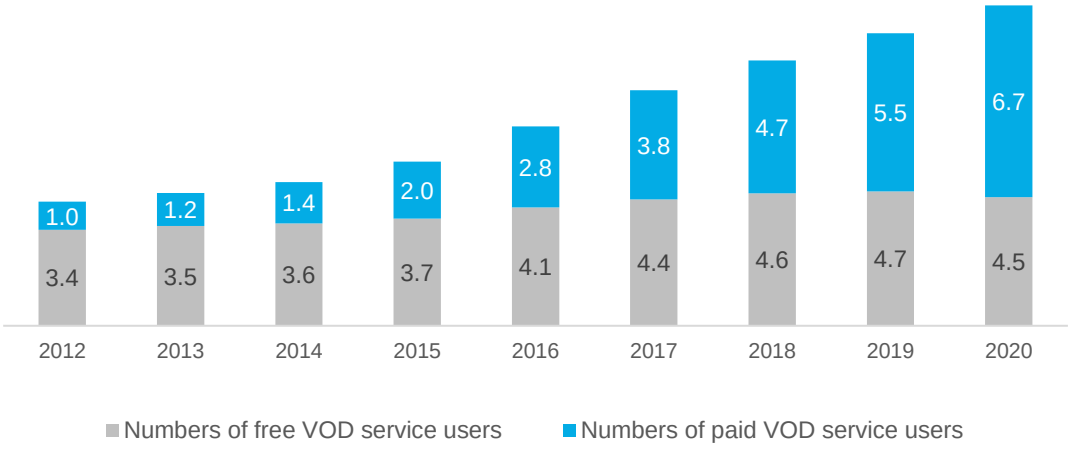
Poland has also seen the successive development of the video-on-demand market – VOD (*video on demand) and* OTT (*over the top*). Video content is supplied to customers directly as a stand-alone service, offered via Internet connection, or as an element of pay TV packages. Progressing improvement of the quality of broadband Internet connections, and consequently of data transmission speed offered to customers, as well as changing preferences of consumers who wish to have access to their favorite content at the time, the device and place of their choice are the factors that have a positive influence on the growth of the OTT and VOD services market in Poland.

The Polish VOD market is highly fragmented. Several dozen online services operate on the market, including those offered by TV broadcasters, DTH satellite platform operators, cable TV networks or telecommunication operators as well as by global players (like US giants Netflix or Amazon Prime Video). In terms of the number of users, the most popular online services include Netflix, Polsat Box Go, player.pl, cda premium, HBO GO and Canal+. At the same time new players are successively entering the market – Viaplay started its operations in 2021, HBO MAX in 2022, and the launch of Disney+ is expected shortly.

It is difficult to estimate the size of the Polish VOD market due to the lack of publicly available data from service operators, multiple distribution platforms for a given service or the so-called overlap, i.e., the simultaneous use of many services by the same user. Nevertheless, PMR estimates that in 2020 there were approximately 11 million users of VOD services, up by around 10% year–on-year.

At the same time, the trend of Poles becoming increasingly accustomed to paying for online video content is becoming more distinct, which is reflected by the growing number of users of paid VOD services. According to PMR in 2020 nearly 60% of VOD users in Poland decided to use the services in a paid model. The trend of migration of users to paid services is, among others, the outcome of the attractive premium content offered by these services and it is also reinforced by the social isolation due to the COVID-19 pandemic. According to PMR, penetration of households by paid VOD services is approximately 40% and demonstrates systematic growth, which points to a high potential of monetization of services of this type. At the same time, at present the growing interest in paid services in Poland does not translate into a visible, in terms of scale, phenomenon of *cord-cutting*, i.e., giving up traditional pay TV services.

VOD market evolution in terms of the number of users (in millions)



Source: PMR, Pay TV and VOD market in Poland, 2021

As per PMR estimates, the value of the Polish VOD market was PLN 1.3 billion in 2020 and demonstrated year-on-year growth dynamics of approximately +24%. The dynamic growth is primarily associated with the growing acceptance of Poles to pay for content on the Internet and the rapid development of the paid access model. In particular, the segment of the VOD market which developed fastest in Poland was the segment of subscription-based services, generating 65% of the total revenue on the VOD market in 2020.

OTT and VOD services exert limited substitution pressure on the pay TV market in Poland. PMR studies show that at this point VOD is rather a service which is complementary to traditional pay TV – more than 2/3 of households that use paid subscription services simultaneously have traditional TV subscriptions. This trend is influenced to a significant extent by the popularity of distributing VOD services via the operator channel. A majority of the most popular VOD services are available from the offers of telecom and pay TV operators. According to PMR data, 39% of the total number of subscription service users used their services via another operator in 2020. Moreover, pay TV operators effectively compete against global VOD players by developing their own VOD platforms and offering Polish-language content which is better adapted to local viewers, premium content or exclusive coverage of sports events. Bundling of services, in particular by combining TV services with Internet access, is important and has a positive influence on the loyalty of pay TV services users.

Development forecasts for the pay TV market

According to PMR forecasts, in the years 2022-2026 the pay TV market in Poland will remain stable, both in terms of the number of customers and market value, with low average yearly change dynamics, not exceeding -1%. The market should remain under the influence of three major trends: high market penetration of pay TV services, dynamic growth of IPTV technology and high saturation of the target group for terrestrial TV services with DVB-T standard.

According to PMR, in the years 2022-2026 satellite platforms will remain the biggest segment of the pay TV market in Poland, reaching market share of ca. 44% in terms of subscriber numbers at the end of the forecast period. Cable TV operators will remain the second major segment, with a market share of approximately 33% at the end of the forecast period. Thanks to the highest growth dynamics IPTV services will systematically gain importance, on the back of the dynamic development of broadband Internet access networks, including fiber optic networks. According to PMR by the end of 2026 IPTV operators will have a market share of around

24% in terms of the number of subscribers, however growth of the market share measured in terms of market value will be slower.

Pay TV operators will aim to increase their competitiveness by proposing unique offers to their customers. Bundled offers containing telecommunication and content services combined with sales of equipment (tablets, smartphones, laptops, TV sets) and supplementary services as well as an extended offer of exclusive content are of key importance for the enhancement of customer loyalty and own customer base retention. Access to broadband Internet, including fiber optic access, is a particularly important element, which at the time of the pandemic became key from the point of view of maintaining customer loyalty. Offering premium content will continue to be crucial, as, on the one hand, it will attract subscribers looking for unique, high quality content, and on the other it will support ARPU growth.

State-of-the-art technologies will continue to gain in importance at a fast pace as they enable operators to provide personalized content (such as content on demand) via the Internet, to mobile devices in particular. Substitution pressure from independent providers of OTT and VOD services present on the market (e.g., Netflix, CDA, HBO MAX or Amazon Prime) will still continue to be limited in Poland. Moreover, pay TV providers will compete with the offers of the above mentioned services by developing their own VOD platforms, which are complementary to traditional TV services, and by introducing mobile solutions. We think that in upcoming years VOD services will supplement and extend the offers available on the market instead of substituting linear TV. According to PMR estimates, the number of VOD service users will stabilize at the level of ca. 13 million in 2026, whereas the pace of growth of this segment will successively decelerate due to the high level of market saturation with pay TV services.

It can be expected that the Polish pay TV market will continue to see consolidation trends, both within the sector as well as between cable TV and telecommunication operators, which can be exemplified by the acquisition of UPC cable TV by P4, telecommunication operator.

2.1.2. Our pay TV offer

We build customer loyalty by offering a wide array of channels at competitive prices, attractive additional services, state-of-the-art set-top boxes and a variety of ways to deliver TV services - in line with our principle: “For everyone. Everywhere". In order to meet the changing trends in television content consumption, we provide our customers with TV services in both satellite technology (DTH) and Internet technologies (IPTV and OTT). We make sure that our pay TV packages offer very good value for money. Currently, our customers have access to over 150 TV channels which focus on diverse topics: general, sports, movie, lifestyle, education, music, information and children’s channels. Premium content is an important element that builds the value of our pay TV offer, and this is one of the reasons why we have introduced sports and film TV packages to our offer, such as Polsat Sport Premium, Eleven Sports, Canal+ Sports 3 and 4, HBO and FilmBox.

We offer our customers, who decide to select satellite television or cable TV in IPTV technology, four basic packages for a period of 24 months - *S,M, M Sports* and *L* – and 9 additional packages, available for a defined or undefined period of time, which offer freedom in setting up an offering.

- *S Package* (at PLN 20 per month) offers 51 channels, including basic channels and a package of Polsat channels;
- *M Package* (at PLN 30 per month) offers 73 channels, including channels from the *S Package* + channels from the TVN Discovery portfolio (including Eurosport channels) + TVP Seriale and TVP HD + TV Republika;

- *M Sports Package* (at PLN 60 per month) offers 79 channels, including channels from the *M Package* + Polsat sports channels (including Eleven Sports) + promotional sports channels Canal+ Sport 3 and 4;
- *L package* (at PLN 60 per month) offers 131 channels, including channels from the *M Package* + over 50 additional channels with movies, cartoons and educational programs.

In addition to the basic and additional channels, our offer also provides access to the Polsat Box Go service and application. Polsat Box Go offers paid (also subscription-based and without advertisement) content of the Group and external producers and broadcasters (including an extensive library of VOD content and online channels). As part of the subscription fee Polsat Box customers have free access to content of Polsat Box Go corresponding to their subscription package.

In order to offer our TV customers a better insight into our programming offer and enable them to tailor our offer to their individual needs and expectations, each of our basic packages comes with various bonuses, such as providing access to the full TV offer free of charge for up to several months. In addition, we offer our satellite TV customers a VOD package, which enables paid on-demand access to new movies and hits via set-top boxes.

In order to meet the changing trends in television content consumption, we offer cable TV service in IPTV technology, thanks to which viewers are able to watch TV channels over fixed broadband Internet offered by certain operators, that is without the need to install a satellite antenna. We also offer OTT television service, which enables access to television channels via the Internet provided by any service provider in any technology, both wireless (via Wi-Fi or mobile network) and fixed-line. Moreover, we offer our satellite TV customers the video on demand (VOD) “Home Film Rental” service which allows paid access to the latest novelties and film hits through a set-top box. The service does not require additional technological solutions, it is available through the TV set.

As part of our pay TV offer we lease set-top boxes to our customers. The price of a purchased set-top box depends on the pay TV package chosen by the customer. The higher the price of the package the lower the price of the set-top box and the higher set-top box subsidy incurred by us. We view subsidizing of set-top boxes as a necessary component of acquiring new customers. We have a professional set-top box warranty service designed to help ensure customer satisfaction. All new set-top boxes are produced in-house at our manufacturing plant in Mielec. We constantly work on developing the portfolio of available set-top boxes. In 2021 we launched two new models on the market - Polsat Box 4K and Polsat Box 4K Lite - with the *Duo* functionality which enables easy change of the TV signal reception technology.

2.1.3. Offer of the Polsat Box Go and Polsat Go entertainment services

Our online entertainment service Polsat Box Go offers the most versatile database of legal video content and live broadcasts in Poland and over 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. Polsat Box Go offers on average several hundreds of hours of live coverage per month from the largest sports events nationwide and worldwide.

In 2021, the platform's sports content offer was expanded to include the broadcasts of PKO BP Ekstraklasa football matches, and we are the only company to broadcast all football matches of Fortuna 1 Liga and volleyball games of Tauron Liga. The offer also began to regularly and exclusively present full seasons of premium series.

Polsat Box Go provides users with content in one of two paid models. The first one is single access, in which the customer pays a fixed amount for access to a specific material. The second model includes access to

a package of materials and/or channels in return for a periodic (e.g. monthly) access fee. Polsat Box Go also offers the possibility to download selected content and view it offline.

Thanks to the www.polsatboxgo.pl website and dedicated applications the content of Polsat Box Go is available on a wide array of consumer devices, including the most popular Internet browsers on computers and mobile devices as well as in native mobile apps powered by iOS, Android, on TV sets with Internet connections and via set-top boxes.

In August 2021, Telewizja Polsat launched the new **online entertainment service Polsat Go** with the best series, entertainment programs and other content known from Telewizja Polsat channels. The content is available in one service on various devices - computers, smartphones, tablets and TV sets - free of charge, while revenue is generated from advertising.

Polsat Go is available in applications on mobile devices (Android, HMS and iOS) as well as Smart TVs, Android TVs and Apple TVs.

2.1.4. Technology and infrastructure pay TV services

Conditional access system

Access to TV channels offered in our pay TV packages is secured with a conditional access system that we lease from the company Nagravision SA. We use this system to control access to particular paid programming packages. Upon signing a contract for our services, the customer receives a set-top box together with an access card, which allows him/her to receive the paid programming offer. We routinely undertake activities to identify unauthorized access to our service because of the significant risks that unauthorized access poses to our business and revenues. According to our agreement with Nagravision, in the event of a breach of our systems, which cannot be remedied, Nagravision is obligated, under certain conditions, to replace the conditional access system together with the cards provided to our customers and, if necessary, to adapt the set-top boxes to the new system. Nagravision is paid a monthly fee on a per-customer basis.

Moreover, we cooperate with another provider of a conditional access system - the company Irdeto B.V. Beside securing digital content transmitted using DVB-T technology, the Irdeto system also provides security of the satellite system (DHT) and IPTV. Furthermore, Irdeto provides us with specialized and complete monitoring of the Internet enabling the collection and analysis of occurrences that may infringe copyrights of entities in our Group.

Satellite

We have signed a long-term contract with Eutelsat S.A. regarding the use of capacity on Hot Bird satellites. In September 2017 we have prolonged this agreement and we have extended the satellite capacity available to us by 33 MHz. As a result we currently dispose of capacity on 8 transponders dedicated to HD, SD, and 4K TV channels.

Broadcasting center

Our broadcasting center is located in Warsaw and enables us to transmit TV channels to the transponders we use on the Hot Bird satellites. The center is equipped with up-to-date information, audio and video systems, which allows us to broadcast TV channels in SD, HD and 4K quality.

We also have a backup broadcasting center located in Radom, which guarantees broadcasting continuity in the event of bad weather conditions or the necessity to carry out maintenance operations in our broadcasting center.

To mitigate risks of failure or shutdown of our broadcasting center or any of its parts, our broadcasting, transmission and multiplexing equipment has redundancy solutions on critical nodes of our broadcasting network. In addition, if necessary, Eutelsat S.A. is obligated to provide us with replacement capacity.

Compression and TV signal multiplexing systems

Compression and TV signal multiplexing systems allow for efficient use of satellite capacity by digital edition of the signal. We regularly modernize our compression systems dedicated to service 8 transponders. Thanks to such operations we gain capacity for additional TV channels without incurring additional costs related to transponder capacity and we maintain a very high quality of broadcas programs.

Services for television and radio broadcasters

We provide signal broadcast services to television and radio broadcasters. These services include the provision of transponder bandwidth, broadcasting and encoding the signal and its distribution to networks of other operators, including cable operators.

We also consequently develop our system of broadcasting chosen TV programs to the main Internet Exchange Point in Warsaw – Equinix. Thanks to this solution we can distribute our TV programs to other operators as well as receive TV programs from other broadcasters through dedicated fiber optic lines.

Services provided in DVB-T technology

Our Mobile TV services are provided in DVB-T technology on the multiplex dedicated to mobile television. The service is provided on 470-790 MHz frequencies (assigned to provide mobile audio-visual media services including broadcasting of radio and television nationwide channels in the radio communication broadcasting service) owned by our subsidiary INFO-TV-FM Sp. z o.o.

Set-top boxes

In order to reduce costs we manufacture our own set-top boxes through our subsidiaryInterphone Service Sp. z o.o. Interphone Service's portfolio includes telecommunications equipment designed for data transmission in LTE technology and consumer electronic equipment, such as set-top boxes, measuring devices, samples, electronic components and others. The manufacturing plant is located in the EURO-PARK MIELEC Special Economic Zone.

In-house manufacturing of set-top boxes has allowed us to reduce both unit production costs compared to the purchase of equipment from foreign suppliers as well as the costs of servicing the equipment. Given full control over the software and interface of the set-top boxes, we can maintain the logic of navigation in all our solutions, which is convenient for our customers if they switch between set-top box models and gives us greater flexibility in adapting the software to customer needs.

Applying the *"smart followers"* approach to the modern technologies used in the products of world-class providers, we have developed a new line of set-top boxes in which we have introduced hybrid solutions that allow switching between different alternative methods of TV signal delivery. These technologies provide the basis for value-added services and products that expand the Group's service portfolio.

The vast majority of set-top boxes provided to customers are manufactured by us. We cooperate with external partners, mainly Samsung, ADB and Sagem, Teleste, Edgeware, Vector, Dell to develop our solutions. We work with leading TV manufacturers to enable reception of our satellite signal. We also provide services to other operators interested in modern, functional devices at attractive prices.

Internet content distribution

In 2021, our IPLA online television was merged with the Cyfrowy Polsat Go service to form a completely new, modern streaming platform Polsat Box Go, whose applications were built using modern UX/UI (User Experience and User Interface) trends. Polsat Box Go uses our own platform adapted to the most important operating systems and a wide range of consumer devices. We have developed unique technological competences in encoding and streaming audiovisual content on the Internet, as well as optimizing distribution of this type of signal. Unlike our competitors, we apply proprietary solutions, which enable us to provide services optimally adjusted to the limitations of Internet infrastructure in Poland and the capacities of external systems with which our applications are integrated. We use our own servers and our own CDN (Content Distribution Network) infrastructure. Additionally, we use technologies that make us independent in the choice of any distribution system. As a result we can offer services of the highest quality while optimizing transmission costs. It is particularly important in the case of broadcasting over 100 linear channels or carrying out PPV transmissions. Our platform uses a proprietary system of recommendations that enable us to deliver content tailored to the customer's individual preferences. Our Multi DRM protection system also enables us to offer paid content on different browsers, mobile devices, smart TV sets and independent set-top boxes. This makes our platform meet the trends and expectations of our customers to watch video content regardless of the place, time and device they are using.

2.2. Operations on the telecommunications market

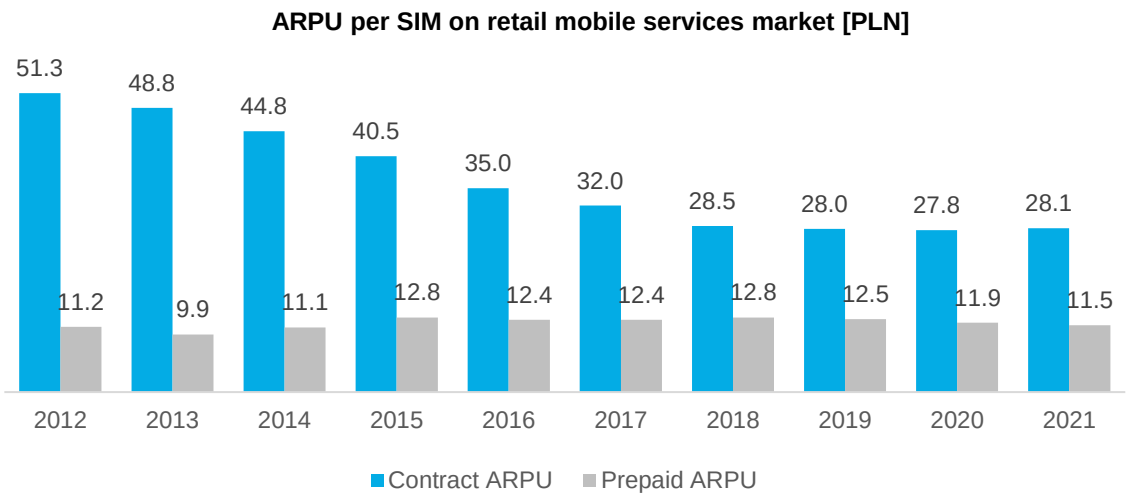
2.2.1. Mobile telephony market in Poland

Market value and growth dynamics

The Polish mobile telephony market is a mature market characterized by a high level of saturation with services and competition. Based on the estimates published by PMR, the number of mobile telephony SIM cards per capita amounts statistically to over 1.4. Over the past years, the reported rate of penetration with SIM cards in Poland has decreased considerably. This was the result of gradual realigning of the number of reported SIM cards by operators in order to reflect only those SIM cards which are active and generate revenues, as well as of the introduced requirement to have all prepaid SIM cards registered by February 1, 2017. At the same time, the share of postpaid SIM cards in the structure of the Polish mobile market has been clearly growing and at the end of 2020 it exceeded 70%. The trend is, among others, supported by the operators pursuit of a strategy which involves bundling of services. Furthermore, the high saturation with mobile services is driven by the SIM cards used in the m2m segment (machine-to-machine communication) and by the segment of dedicated mobile Internet services.

Mobile telephony remains the largest segment of the Polish telecommunications market, with a share in the total market revenue of 59% in 2020 (including revenue from mobile Internet access). According to PMR, the estimated value of the mobile telephony market in Poland in 2020, expressed as the sum of operators' retail and wholesale revenues (including revenue from sales of equipment and other revenue) was PLN 26.2 billion (+1% YoY), demonstrating average yearly growth rate at the level of 1% CAGR over the past 5 years.

In recent years average revenue per SIM in mobile voice services (ARPU per SIM) decreased systematically as a result of competitive pressure stimulated by regulatory reductions of wholesale voice and SMS termination rates (MTR) and the regulations relating to international roaming. According to PMR, in 2021 the average revenue per contract SIM on retail market amounted to PLN 28.1, which is one of the lowest levels recorded among EU Member States. However, it should be noted that according to PMR, in 2021 the ARPU level per contract SIM showed a slight upward trend for the first time in many years.



Source: Own estimates based on PMR, Telecommunication market in Poland in 2021

The breaking of the long-term downward trend in ARPU levels is due to changes in the offering tactics of individual MNOs noted in recent years. Adjustment of price lists, done in-line with the *more-for-more* strategy, was one of the most important events on the Polish mobile telephony market in the years 2019-2021. For many years telecoms have carried on an aggressive price war, which resulted in the current level of prices for telecommunication services, which is the lowest in Europe. Current strategies of main mobile telecommunication operators are evolving towards building value and increasing revenue and profitability, which is related to a large degree to extensive infrastructure investments into frequencies as well as LTE and 5G networks. In our opinion, this is a very positive change which should have a positive impact on the value of the mobile telephony market in the years to come, thus enabling the continuation of the investments aimed at expanding mobile network coverage and data throughputs to cope with the growing demand for data transmission. The impact of these changes on price levels was visible already at the end of 2020 when PMR estimated that the value of the mobile telephony market reached PLN 14.9 billion, up by 2% YoY.

Growing revenues from postpaid services are one of the key trends that are visible on the market. According to PMR, customers using contract services generated nearly 85% of retail revenues from mobile telephony services in 2020. The operators' focus on the contract service customers helps, on the one hand, to reduce customer base turnover, and on the other it supports stabilization of revenue streams in the mid-term. Bundling of voice services with non-mobile services, like pay TV (VOD) or broadband Internet access via fixed-line connections, usually on the basis of wholesale agreements, is an equally important trend.

Dynamic growth of use of mobile Internet access on smartphones is becoming an increasingly important market trend. According to PMR, mobile data transmission increased by nearly 39% YoY in 2020 and reached 5.6 billion GB. This means that in 2020 a mobile network customer consumed an average of 8.9 GB of data monthly, or by 2.3 GB more than in 2019 and nearly two times more than in 2018. Mobile data consumption also increased significantly during 2020, which resulted from growing popularity of remote work and learning, caused by the restrictions that were introduced as a result of the COVID-19 pandemic.

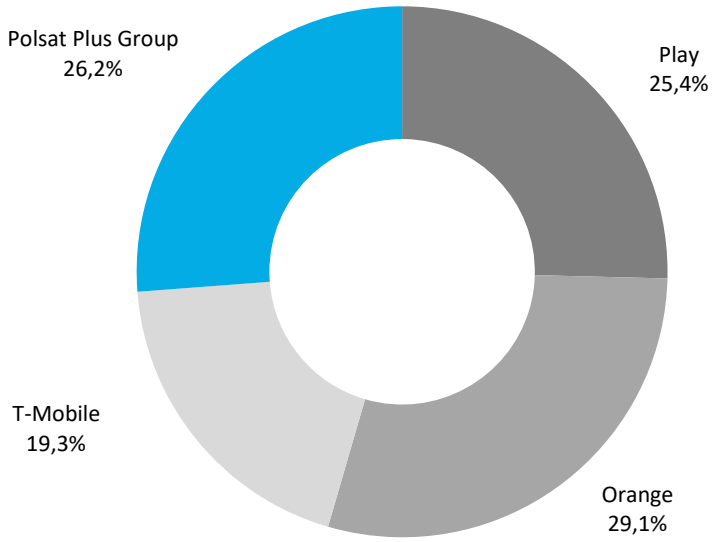
Competitive environment

The Polish mobile telephony market is relatively polarized and highly competitive. Four leading infrastructural operators operate on the Polish market: Polkomtel (Plus network) which is part of Polsat Plus Group, Orange Polska (Orange network), T-Mobile Polska (T-Mobile network) and P4 (Play network). According to UKE's report, at the end of 2020 there were also 99 mobile virtual network operators (MVNOs), but their market

share in terms of revenue and customer base is relatively low (while excluding MVNOs belonging to Polsat Plus Group, according to PMR the remaining virtual operators held jointly ca. 1.3 million SIM cards at the end of 2020).

The graph below presents market shares of the major MNOs in terms of the number of contract SIM cards at the end of 2021.

Market shares in 2021 in terms of the number of reported contract SIM cards



Source: Own estimates based on data published by operators, excluding M2M cards

Mobile Network Operators (MNO). Four MNOs operate commercially in Poland based on allocated frequency bands and the infrastructure necessary to provide mobile telephony services on their own, that is Polkomtel, Orange, T-Mobile and P4.

According to our estimates, Polkomtel, Orange, T-Mobile and P4 together accounted for approximately 97% of total revenue generated on the Polish mobile telephony market in 2020. Polkomtel operates under the umbrella Plus brand and also owns an alternative Plush brand. Since 2014 it has been a member of Polsat Plus Group. In 2021 Polkomtel merged with Aero2, taking over an obligation to provide, in line with its license obligations, free-of-charge broadband Internet access and retail services in the prepaid model based on “wRodzinie” brand.

Orange Polska operates under Orange umbrella brand and also has Orange Flex and nju.mobile sub-brands. Apart from the operations on the mobile market, Orange Polska is also the leading Polish fixed-line telephony operator, currently focusing its strategy on the development of broadband access services based on the fiber optic infrastructure delivered to retail and wholesale clients.

P4 operates under Play umbrella brand and also owns several additional sub-brands, i.e. PLAY Next, Red Bull Mobile, Fakt Mobile and Virgin Mobile (in August 2020 P4 finalized the acquisition of Virgin Mobile MVNO which operated while using P4 infrastructure). In November and December 2020 the French group Iliad acquired in total 100% of shares of Play Communications, a company which controls P4. Iliad simultaneously announced that it planned to revise the strategy of P4, which has so far focused on mobile services, by adding

operations on the convergent services market, including fixed-line broadband services. The next step in the execution of the announced strategy was the agreement for the acquisition of 100% shares in UPC Polska, whose finalisation is anticipated in April 2022. Play's operations on the fixed-line Internet access market has so far relied on wholesale purchase of access lines from cable network operator Vectra and wholesale operator Fiberhost.

T-Mobile operates under the T-Mobile umbrella brand and also uses additional brands such as Heyah and tuBiedronka. T-Mobile currently provides fixed-line telephony services addressed to business customers based on the infrastructure of GTS Poland, a company it acquired in 2014. At present, based on the cooperation with Orange Polska, Nexera and Fiberhost, T-Mobile offers access to a fiber optic network for its individual customers.

Frequency allocations. The following table presents key information on the frequencies allocated to MNOs.

MNO	Frequency band	Size of allocated band	Date of issue of first allocation decision	Allocation decision expiry date
Polkomtel	900 MHz	2x5 MHz	December 9, 2008	December 31, 2023
		2x9 MHz	February 23, 1996	February 24, 2026
	1800 MHz	2x19,8 MHz	November 30, 2007	December 31, 2022
		2x9,6 MHz + 1x0,8 MHz	September 13, 1999	September 14, 2029
	2100 MHz	2x14,8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	1x50 MHz	November 10, 2009	December 31, 2024
		2x20 MHz	January 25, 2016	January 25, 2031
	420 MHz	2x2,5 MHz	May 25, 2006	December 31, 2035
Orange	800 MHz	2x10 MHz	January 25, 2016	January 25, 2031
	900 MHz	2x6,8 MHz	July 5, 1999	July 6, 2029
	1800 MHz	2x9,6 MHz + 2x0,4 MHz	August 21, 1997	August 22, 2027
	2100 MHz	2x14,8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	2x15 MHz	January 25, 2016	January 25, 2031
T-Mobile	800 MHz	2x10 MHz	January 25, 2016	June 23, 2031
	900 MHz	2x9 MHz	February 23, 1996	February 28, 2026
	1800 MHz	2x9,6 MHz	August 11, 1999	August 12, 2029
	1800 MHz	2x10 MHz	June 14, 2013	December 31, 2027
	2100 MHz	2x14,8 MHz + 1x5 MHz	December 20, 2000	January 1, 2023
	2600 MHz	2x15 MHz	January 25, 2016	January 25, 2031
P4	800 MHz	2x5 MHz	January 25, 2016	June 23, 2031
	900 MHz	2x5 MHz	December 9, 2008	December 31, 2023
	1800 MHz	2x15 MHz	June 14, 2013	December 31, 2027
	2100 MHz	2x14,8 MHz + 1x5 MHz	August 23, 2005	December 31, 2022
	2600 MHz	2x20 MHz	January 25, 2016	January 25, 2031

Source: Own analysis based on UKE's summary dated January 17, 2020.

Mobile infrastructure. In recent years the worldwide trend of separation and monetisation of mobile infrastructure has intensified, among others due to operators' expectations that the development of state-of-the-art 5G technology will entail a need of intensive roll-out of the mobile network, thus requiring considerable capital expenditures. The cooperation of mobile operators and possible involvement of independent infrastructure operators may help to significantly decrease costs related to the development of mobile technology, most of all as a result of infrastructure sharing and its optimum roll out.

In Poland, the first example of the above mentioned trend was the infrastructural cooperation established between two MNO operators. For the purpose of planning, building and maintaining a mobile telecommunications network, and participating in related tenders, Orange Poland and T-Mobile formed a joint venture in 2011 under the name NetWorks! The agreement, related to sharing of RAN resources, was signed for a period of 15 years with an option for further extension. In the following year these operators extended their cooperation enabling Orange to provide LTE services using the 1800 MHz spectrum owned by T-Mobile. In 2016, both operators signed an agreement under which they undertook to develop their own LTE networks based on the 800 MHz band, jointly using the network of NetWorks! transmitters, however without sharing the owned RAN resources. In May 2018, both operators signed an annex to the agreement based on which they terminated cooperation with regard to sharing frequencies in the 900 MHz and 1800 MHz bands.

Recently, the global telecommunication market, to a larger degree than before, moved towards involvement of specialised, independent infrastructure operators for cooperation in order to optimize and develop mobile telecommunication infrastructure. In Poland, Cellnex Telecom is successfully building the position of an independent infrastructure operator. In March 2021, Cellnex acquired from Play a 60% stake in On Tower Poland which controls the passive mobile infrastructure built by Play (ca. 7.4 thousand sites). Furthermore, in July 2021 Cellnex acquired mobile infrastructure in passive and active layers (ca. 7 thousand sites) from Polsat Plus Group. It is expected that the cooperation between mobile operators and independent infrastructure operators should contribute to increasing the pace of 5G network roll-out in a cost-effective way.

Mobile virtual network operators (MVNOs) are the operators who provide mobile telephony and/or mobile data transmission services but do not hold any frequency allocations on their own and do not need to have their own infrastructure to provide such services. Under the MVNO business model existing infrastructural operators provide frequency resources and the necessary infrastructure to MVNOs. According to the UKE report, 99 operators provided mobile services under the MVNO model in 2020, whereas in 2017 operations of this type were declared by 31 entities. A nearly triple growth of the number of MVNO operators is due to the appearance on the market of companies that have agreements with a mobile operator (MNO) and re-sell services to other smaller operators.

Despite a substantial number of MVNOs operating on the Polish market, none of them has significant market power. According to the UKE report, in 2020 the joint share of all MVNOs in the mobile market was 3.8% in terms of the number of users, whereas total revenue of all MVNOs accounted for a mere 2.3% of the total value of the Polish mobile telephony market in 2020.

At the same time, it should be noted that some MVNOs build the scale of their operations with the intention of re-selling their businesses to MNOs. Such decisions may be made in particular when, despite a relative market success, MVNOs are not able to ensure satisfying profitability of their business. This phenomenon was apparent when P4 took control over Virgin Mobile in 2020, or when Polkomtel took control over Premium Mobile in 2021.

Development forecasts for the mobile telephony market

The upward repositioning of prices, initiated in mid-2019, will continue to be a key factor setting the direction of further development of the mobile market in Poland in the years to come. This trend is likely to be supported

by the implementation and commercial launch of 5G services. What is also important is the extension of mobile operators' activities to new areas, including sale of dedicated equipment and bundling of voice services with TV or fixed-line Internet access services.

At the same time, until the end of 2024, revenues of telecommunication operators will remain under regulatory pressure resulting from a successive reduction of maximum MTR and FTR rates, in accordance with the EU regulation on uniform wholesale charges. What is important, this factor will have a limited impact on the level of profitability of telecommunication operators, in particular mobile operators.

PMR forecasts that the mobile market measured by operators' total revenue, including revenue from sale of equipment and other revenues, will be growing at an average yearly rate of 1.1% (CAGR 2021-2026) until 2026 when its value will reach PLN 28.0 billion. The growth drivers over the next years will be data transmission and growing revenues from sale of equipment, whereas revenue from voice calls will continue to show negative growth dynamics, and wholesale revenues will continue to decrease until 2024. Growth of roaming revenue in the subsequent years should be an additional positive factor, after their considerable decrease in 2020 as a result of the COVID-19 pandemic. However, looking at the retail mobile services market only (excluding wholesale revenue and revenue from the sale of equipment) PMR expects clear, positive dynamics in the years 2021-2026 (CAGR +3.2%), which is derived from the mobile services pricing increases initiated in the years 2019-2021, as well as migration of users to more expensive 5G tariffs.

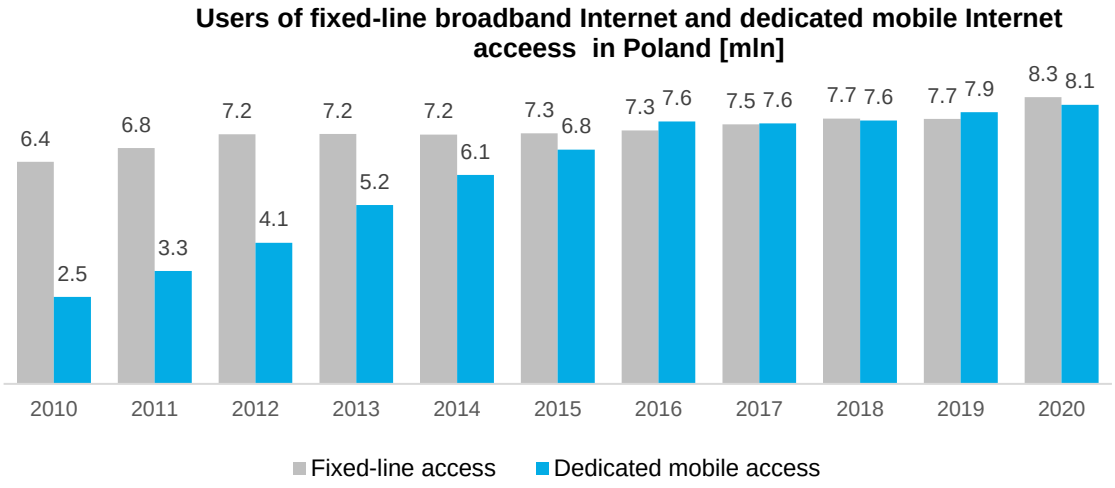
According to PMR estimates, the SIM card base in Poland will grow organically in the years 2021-2026, and in the long term the market will stabilize (annual volume growth rates at the level of approx. 2%). In PMR's opinion, growth will be generated mainly by the business segment, *machine-to-machine* cards and, to some extent, also by the data transmission segment. The share of the prepaid segment in volumes of SIMs reported by operators will continue to decline.

Due to the high level of competition on the market and high penetration with services, taking over customers from competitors will be the main factor driving the growth of mobile customer bases, in PMR's opinion. Number porting between networks is possible since 2009. According to the data published by UKE, 1.4 million users changed operators in 2021. It should be noted that, following a few years of downward trend observed on the MNP market, in 2021 the volume of phone numbers ported between networks stabilized. In our opinion, it is proof of market maturity and equalization of price levels between individual operators' offers, as well as of the increasing loyalty of customers bases to their operator, resulting from the popularization of bundled offers.

2.2.2. Broadband Internet access market in Poland

Broadband Internet access services can be provided through a wide range of different solutions based on fixed-line technologies, including, among others, xDSL, cable modems, LAN-Ethernet, fiber optic links and WLAN, or mobile technologies such as mobile modems or routers operating, for example, in the LTE ,5G or satellite technologies. In Poland broadband Internet access is provided through fixed-line and wireless networks.

Based on the estimates found in the PMR report, there were 8.3 million active lines of fixed-line broadband Internet access in Poland in 2020 (+7.7% YoY) while 8.1 million customers used dedicated mobile Internet through a dedicated mobile data transmission card (excluding data transmission in smartphones made under voice tariff plans). According to PMR, penetration of dedicated mobile Internet access, excluding data transmission in smartphones, reached 50% in 2020, however when data transmission offered as part of voice tariff plans was included, mobile Internet penetration increased to 83%.



Source: Own estimates based on PMR, Mobile Internet and VAS market in Poland 2020, Telecommunication market in Poland in 2021

A visible slowdown in the growth dynamics of the dedicated mobile Internet access is related to the growing popularity of data transmission in voice tariff plans, driven by the growing sizes of data packs offered to customers as well as higher penetration of these offers. Over ¾ of smartphone users actively use mobile data transmission. PMR estimates the number of mobile Internet users using mobile data transmission in 2020 at 23.7 million with continued strong growth (+11% YoY).

Despite increasing popularity of data transmission service in smartphones, dedicated wireless access will remain, in our view, a meaningful segment of the Internet market due to the fact that it is widely used in Poland in the mobile-for-fixed model. This is caused by Poland's low urbanization level and relatively underdeveloped fixed-line infrastructure, which means in practice that in many locations wireless Internet is the only available option of access. For the same reason, dedicated mobile access and fixed-line access are rather complementary than substitutional services in Poland.

PMR estimates that the value of fixed-line Internet access market was PLN 4.3 billion in 2020, demonstrating a record growth rate of 8.5% compared to 2019. The main driver behind this growth was the increasing number of Internet users resulting from COVID-19 pandemic and substantially higher need to ensure access to high speed links in the conditions of remote work and education. At the same time market value growth was driven by higher service prices which were among others associated with higher throughput of lines offered to customers thanks to the popularization of fiber optic solutions, as well as the price increases implemented by mobile operators in connection with the "more-for-more" strategy. The above factors resulted in high growth dynamics of ARPU from fixed-line Internet access (+4.2% YoY) which, according to PMR, amounted to PLN 45 in 2020. In turn, the value of dedicated mobile Internet access market (excluding data transmission using voice tariffs on smartphones) was nearly PLN 2.2 billion (+2% YoY) in 2020.

Fixed broadband Internet access

In Poland, availability of fixed-line broadband Internet access services is limited mainly to urban areas. Outside urban areas, fixed-line broadband services are offered only to a limited extent, which is due to historical underinvestment resulting primarily from the high cost of build-out of local loops and the strategies adopted by leading fixed-line operators. Cable technology (CATV) remains the most popular fixed-line access technology (ca. 35% of market share in 2020, on a market defined as comprising solely fixed technologies).

UPC Polska and Vectra Group (following the acquisition in January 2020 of Multimedia Polska) are the major operators on this market.

The second most popular fixed-line access technology in 2020 was fiber (FTTx), with a 29% market share in the fixed-line access according to PMR's estimates. The popularity of this technology rises at the fastest pace, at the expense of other fixed access technologies. The reason for the increasing popularity of fiber optic lines is the highest data throughput ensured currently by this technology, offering data transmission speed of up to 1 Gbps (Netia, Orange Polska) or even as much as 10 Gbps (Inea), as well as the operators' sales strategies which are focused on promoting fiber optic Internet access, also as part of their multiplay offers. At present fiber optic technology is the investment priority for a majoroty of telecommunication operators. Orange Polska, the dominant market player on the fixed-line Internet access market, owns currently the most extensive fiber optic infrastructure which was reaching 5.8 million of households as of end of 2021 (including paid access provided to Orange by third parties). Netia is successively executing its investment plan consisting in a comprehensive modernization of its access network, which currently covers approximately 3.2 million households and is dominated by the fiber optic technology.

The factor which stimulates investments in fiber optic technologies are projects implemented as part of the government's "Digital Poland Operating Program" (*Program Operacyjny Polska Cyfrowa – POPC*), an initiative which is subsidized from European Union funds. The main goal of the program is to strengthen the digital foundations for social and economic development of the country, such as broadband Internet access, effective and user-friendly public e-services and constantly growing level of the society's digital competence. One of the priorities is to eliminate differences in access to fast broadband networks between rural and urban areas, resulting in all Polish households gaining access to fast broadband connections. Most of the investments covered by this program assume providing access to the broadband network with at least 30 Mbps throughput capacity. Orange Polska, Fiberhost (Inea's infrastructural unit), Nexera and Tauron are among the players carrying out investments in broadband networks under the POPC program.

As indicated in PMR's report, the market of Internet access relying on fiber optic technology is currently significantly fragmented, which is demonstrated by the fact that the four largest providers who operate on this market (Orange, Inea, Netia and Multimedia Polska) control only about 45% of the market in 2020. Hence, telecommunication operators are currently seeking possibilities of acquisition of smaller local companies. At the same time, models of commercial cooperation between operators in the field of use of existing fiber optic network resources are sought. Granting wholesale access to fiber optic infrastructure to mobile operators, whose strategies are based on convergence, constitutes an increasingly visible trend on the Polish market. At present, wholesale access services are provided by Orange (to T-Mobile and Netia), Inea (to Orange, T-Mobile, UPC and Netia), Netia (to Polkomtel) and Vectra (to Play). Also Nexera and Tauron, who operate solely in the wholesale model, grant access to their fiber optic networks to MNOs.

At the same time, it is worth mentioning that thanks to recent substantial investments in fiber optic infrastructure roll-out and the popularization of this type of infrastructure in times of the COVID-19 pandemic, Poland has been closing the gap to European Union countries. According to the ranking published by the FTTH Council Europe, Poland is among the European leaders in terms of fiber optic networks roll out, with penetration of 20.2% as of September 2021, compared to the average penetration for the 27 EU states and the United Kingdom of 26%. In the most advanced European countries (Island, Sweden, Spain) penetration with FTTH reached 67-73%.

The xDSL technology continues to be a very popular fixed-line access type in Poland, with a share on the fixed-line Internet market estimated by PMR at 21% in 2020. Orange is the dominant player operating in this technology. Simultaneously, Orange consistently pursues the strategy of developing its fiber optic networks. The second largest xDSL operator is Netia, a Polsat Plus Group company.

Mobile broadband Internet access

The market of broadband Internet access based on mobile technologies (defined as access via modems or dedicated SIM cards integrated with laptop computers or tablets) is dominated by the four mobile MNO operators: Polkomtel, T-Mobile, Orange and P4. According to PMR estimates, in 2020 these four operators jointly held ca. 90% of the market in terms of quantity while the remaining 10% was divided among MVNO operators.

A clearly visible trend on the market is the dynamic growth of users of mobile Internet access on mobile phones under voice tariff plans, at the expense of dedicated mobile Internet access (via a modem or a SIM card). According to PMR estimates, the number of users of mobile Internet on smartphones exceeded 23.7 million in 2020, with the growth rate of nearly 11% YoY, generating nearly 65% of the value of the mobile market in Poland. The dynamic growth of this market segment is driven mainly by the popularization of smartphones and increasingly bigger data packs offered in voice tariffs, supported by the “more-for-more” strategy, which has been pursued by mobile operators since 2019, growing demand for data transmission on mobile devices as well as investments carried out by mobile operators with the view to increasing quality parameters of their networks, including the roll out of 5G networks. COVID-19, and the associated lockdowns which led to remote work and education, formed an additional factor which has had positive influence on the growth of this market segment.

Compared with other EU Member States, the Polish mobile broadband market is quite extensive. This is related to a relatively low quality of the existing fixed-line infrastructure in Poland, which makes mobile broadband technology more attractive to numerous Internet users as it offers better quality parameters in their respective areas of residence. Moreover, Poland's low urbanization level often makes mobile access the only technology available in a given location. Therefore, in our opinion, dedicated mobile Internet access will remain an important segment of the Internet access market in Poland. Especially as in 2020 the MNO operators started preparations and commenced construction of the first 5G networks in Poland. Due to the cancellation of the auction for the spectrum from the 3.6-3.8 GHz band in 2020, mobile operators decided to commence construction of their commercial 5G networks based on frequency resources they already had (2600 MHz TDD in case of Polkomtel and 2100 MHz co-shared with LTE technology in case of P4, Orange and T-Mobile).

As forecasted by PMR, the years 2021-2026 will see strong growth of the segment of Internet access on mobile phones (CAGR 2021-2026 at the level of 6.3% in terms of value growth), At the same time PMR expects data transmission traffic in mobile networks to grow threefold in the years 2021-2026 – from ca. 6 EB in 2020 to ca. 20 EB. The forecasted strong traffic growth, in combination the growing mobile ARPU (the more-for-more strategy), will translate into growth of mobile operators’ revenues in further years.

Development forecasts for the broadband Internet access market

According to PMR forecasts, the 50:50 ratio between the number of subscribers of fixed Internet access and dedicated mobile access will be preserved in the coming years. PMR forecasts that in 2026 around 9.1 million Internet users will be using fixed-line access while mobile access technologies will be used by ca. 8.9 million users. Further investments in the roll-out of the last mile, by both mobile and fixed-line operators, in particular investments in developing fiber optic networks as well as further development of the LTE and 5G technologies, will be the most significant factors. According to PMR forecasts, in 2021-2026 the value of the fixed-line broadband market will demonstrate continuous positive average annual dynamics of ca. 3.8% (CAGR 2021-2026), reaching the level of PLN 5.4 billion in 2026. In case of dedicated mobile Internet access (excluding data transmission in voice tariff plans), PMR forecasts that the market will grow at 2.2% per year on average (CAGR 2021-2026) and it will reach the value of PLN 2.5 billion in 2026.

In the area of fixed-line broadband access, fiber optic technology (FTTx) is going to gain importance rapidly. It will replace the obsolete copper infrastructure to a significant extent as a result of large scale investments of fixed-line operators. In our opinion, in the coming years these investments will lead to a gradual growth of the number of users of fixed links with higher quality parameters. PMR estimates that the share of fiber optic technologies in the total number of fixed lines will amount to 46% in 2026, compared to 25% in 2019. The second most popular technology will be lines offered by cable TV operators, reaching a market share of ca. 35% in 2026.

2.2.3. Offer of telecommunication services

We offer a wide range of telecommunication services addressed to both individual and business customers, including mobile and fixed-line Internet access services, mobile and fixed-line telephony services and ICT services.

We provide services through, among others, the 5G network of our subsidiary Polkomtel, the operator of Plus network, which is the only operator on the Polish market to dedicate the 2600 MHz band in TDD technology to 5G. This solution allowed for the implementation of 5G without the accelerated shutdown of older technologies (mainly 3G), giving the possibility of uninterrupted use of Internet access to customers who use existing data transmission technologies. 5G in the additional 2600 MHz band guarantees the customers of Plus network the highest speed parameters confirmed in tests by independent experts and organizations. As at December 2021, over 19 million people in Poland were within the coverage of our 5G network. We also use the broadband fixed-line infrastructure of our subsidiary Netia and fixed-line networks of other operators.

Solutions for individual customers

We provide **mobile and fixed-line voice services** to individual customers through our subsidiaries Polkomtel, Netia and Premium Mobile. Our contract offer for individual customers is standardized and includes a variety of contract plans. Moreover, our mobile services are also available in the prepaid model as well as in the mix offer (a combination of prepaid and contract offers). Contract mobile voice services may be combined by our customers with other services of Polsat Plus Group as part of the SmartDOM loyalty program.

Our mobile voice offer is marketed under our main brand Plus and sub-brand Plush, as well as under the Premium Mobile, a2mobile and Netia brands. Our fixed-line voice offer is marketed under the Netia brand.

Mobile voice services. Our mobile voice contract offer is based on a monthly subscription fee which includes minutes for voice calls and other services such as text and multimedia messaging, data packages, packages of minutes and data in roaming, online video services available on the handset, such as Polsat Box Go or Polsat Go, or finally Internet protection, device repair and other value added services. Similarly to other offers available on the Polish market, our offer is currently based on unlimited tariffs which allow the customer to make unlimited calls in both mobile and fixed networks and send unlimited text messages and multimedia messages (MMS). We also offer our customers data packages within a subscription fee, the size of which depends on the value of the commitment. As a rule, the higher the fee, the larger the data package available without additional costs. Customers who choose to pay a lower subscription fee can purchase additional services not included in the subscription such as additional data packages or roaming packages. Our offer also includes a solution dedicated to families with an additional discount.

In January 2021, for the first time, we offered 5G tariffs under the Plus brand, and then in August 2021 we included the 5G technology in all Plus tariffs. Successively, 5G was also added to the offer of other brands in our portfolio.

Contracts are concluded for a fixed term - typically 24 months, while in our sub-brands Plush and Premium Mobile contracts can be concluded for an indefinite period of time. Customers can select a tariff without a handset or choose from a broad selection of handsets offered in the installment plan model. At present monthly subscription fees for one SIM card range from PLN 35 to PLN 85.

Prepaid offers allow customers to gain access to our mobile network upon the purchase and registration of a starter pack (SIM card with a fixed amount of credits to be used for mobile services). Prepaid offers do not entail fixed monthly subscription fees and customers are obligated to make a top-up only when they wish to use our services. Prepaid voice services are offered both under our key brand Plus and our sub-brands Plush and a2mobile. In June 2021, we introduced to our *Plus na kartę* prepaid voice offer a new *Bez limitu (Unlimited)* package dedicated to 5G technology with a 20GB data package for PLN 40/30 days.

Fixed-line voice services. Netia offers contract fixed-line voice services, including unlimited calls to fixed and mobile phones in Poland and international calls to selected countries, in particular to the USA and Canada.

We provide **mobile and fixed-line Internet access services** to individual customers through our subsidiaries Polkomtel, Netia and Premium Mobile. Cyfrowy Polsat also has mobile Internet customers, however in 2021 we stopped selling this service under the Cyfrowy Polsat brand and are gradually migrating the existing customer base to the Plus brand.

Our broadband Internet offering is universal and provides broadband Internet access via all supported mobile and fixed-line technology platforms for a single monthly fee. Currently, almost 100% of Poles are within the reach of our LTE Internet network, nearly 97% within our LTE Plus Advanced Internet service and over 50% are within the coverage of our 5G network. Currently around 36% of inhabitants of Poland are within the reach of our fixed broadband Internet offered based both on Netia's extensive, nationwide fixed-line infrastructure and fiber optic broadband networks of other operators.

We offer several data plans with different allowances and price tiers, tailored to customers' individual needs. Customers who decide to use our data services may choose between dedicated contract plans, prepaid plans and promotions, as well as data packages offered as an addition to voice tariffs. Contract Internet access services may be combined with other services of Polsat Plus Group as part of the SmartDOM loyalty program.

Mobile Internet access in the contract model. Dedicated contract tariff plans offer basic mobile broadband Internet access. These contract plans are based on a monthly subscription and allow for a defined data transmission limit or, as an additional service, unlimited data transmission. Under our contract plans customers may purchase or lease Internet access devices (including dongle modems, fixed and mobile routers, Home Internet Sets). In addition, our offer includes tablets laptops and other devices, which can be purchased in an installment plan, as well as tariffs without equipment.

Our offer includes data packages ranging from 30 GB to 1000 GB. Monthly subscription fees range from PLN 30 for a 30 GB package in the SIM-only model to PLN 200 for a 1000 GB package. Contracts are usually concluded for a fixed term of 24 months.

Mobile Internet access in the prepaid model. Customers who prefer prepaid services can choose a prepaid tariff plan that allows customers to receive a data package, whose size and period of validity are determined by the value of the top-up. The top-ups range from PLN 5 to PLN 200 and include a bonus from 2 GB to 100 GB and an account validity period from 5 to 180 days. For the top-up money the customer can buy additional packages priced from PLN 20 to PLN 40, which offer, depending on the selected package, unlimited calls, text and multimedia messages, as well as additional data packs.

Home Internet Set. We have created a unique Home Internet Set, thanks to which we can offer our customers a product that constitutes a substitute for fixed-line Internet. The Home Internet Set works perfectly

in non-typical locations where the signal strength is low, as well as in all the places where no fixed-line access to the Internet is offered via cable connection.

Based on a special technical solution ODU-IDU (Outdoor Unit Indoor Unit), the Home Internet Set consists of an external modem (ODU) and a Wi-Fi router (IDU). ODU/IDU devices can be installed separately, or they can be integrated with the existing satellite or terrestrial TV antenna systems, thus reducing the amount of cabling fed into a home. The signal is transmitted from the ODU modem to a Wi-Fi IDU router over a concentric cable. The router, in turn, distributes the signal to all the rooms ensuring wireless access to the Internet.

When choosing the Home Internet Set, the customer buys an ODU-IDU device in the installment plan and selects the Internet package. The tariff plans available for the Home Internet Set offer start from PLN 40 for 90 GB per month and reach PLN 100 for 500 GB. The standard offer is accompanied by various types of bonuses, depending on the value of the subscription fee.

Fixed-line Internet access. The fixed-line Internet offer promoted under the Netia and Plus brands includes access to high speed Internet, provided mostly in fiber optic technologies. The service is provided based on Netia's extensive, nationwide fixed-line infrastructure, which comprises both a backbone network and an access network. This network currently reaches approximately 3.2 million households across the country, and over 800 largest office buildings. In addition, we have agreements for wholesale access to fixed-line networks with Orange Polska, Nexera and Fiberhost, which further extends the range of our fixed-line Internet access service. Currently, we are able to reach 4.8 million households with our fixed-line Internet access offer.

The service is provided in four technologies depending on the available infrastructure: copper (CU), Ethernet (ETTH), cable (HFC) and fiber optic (PON). The offering includes four subscriptions plans to select from, depending on the Internet speed offered: up to 150 Mbps at the price of PLN 40, up to 300 Mbps at the price of PLN 50, up to 600 Mbps at the price of PLN 60 and up to 1 Gbps at the price of PLN 70. The subscription fee covers a Wi-Fi router and an additional SIM card for mobile Internet service with the data package of 5 GB. The offering is concluded for a 24-month period, including from one to three months free of charge.

Solutions for business customers

Our Group offers business customers comprehensive solutions: Internet access, phone and value added services *(VAS)* ensuring long-term relationships and stable business management. We work individually with each customer, providing professional support by dedicated business advisers with broad interpersonal and product competences.

Within our Group, there is synergy of actions targeted to meet customers' expectations and expand the portfolio of services. Our resources and potential allow to prepare cutting-edge telecommunication and ICT solutions that respond to the needs of the most demanding business partners. Competent, efficient and dedicated sales teams, dispersed all over the country, are a strong link that allows to collect information about the expectations of the business market and directions of its development.

The B2B portfolio includes a wide range of services that ensure reliable connectivity (voice services, data transmission, text and multimedia messages) and quick access to the Internet. We focus on security by implementing solutions for *Mobile Device Management* in our customers' companies, network services guaranteeing the stability of links *(SDI - Serial Digital Interface)* with private APNs *(Access Point Names*) for the protection of corporate data or by offering *Data Centers* with extensive security certificates. We ensure the confidentiality of contacts based on the *UseCrypt* encrypted messenger, and thanks to the *AntyDDoS* service, we protect customers' servers against cyber-attacks. As part of individual projects, we use 5G technology to build campus and industrial networks.

We systematical expanding the Group's product offer in the area of M2M and IoT, including for particularly demanding utilities-type sectors. We also pay a lot of attention to solutions dedicated to the banking and insurance sectors, systematically modernizing the offer of communication registration services.

Netia is a strong partner of Plus in expanding ICT services for business customers. Netia has a wide portfolio of convergent, cybersecurity, IT outsourcing and IoT services and solutions based on data analysis (big data, business intelligence). The projects carried out together show that the policy of using Polsat Plus Group's business development opportunities is a direction that allows us to meet the needs of each B2B sector.

Our B2B offer includes telecommunication services, high quality data transmission services, information services, mobile solutions, location-based solutions, electricity offer, photovoltaics and many other modern solutions tailored to the needs of each industry. We also offer equipment (phones, routers and other devices) in cooperation with a number of well-known and reputable suppliers.

International roaming

As part of retail services, we provide our customers with international roaming services, thanks to which our customers can use telecommunications services while abroad and logged into foreign networks.

While developing the scope of international roaming services, above all we focused on the activation of access to ultrahigh speed 5G and LTE Internet in European Union countries most willingly visited by our customers. As regards the remaining roaming services (voice calls and text messages), our priority is to expand the reach of roaming services so that our customers can use our services in any place in the world. Simultaneously, we took steps aimed at promoting our Plus network as the first choice network for roaming customers visiting Poland.

2.2.4. End-user devices offer

The year 2021 was characterized by limitations in the availability of consumer electronics in many hardware categories. These limitations were primarily due to shortages of components used in the production of electronic devices, as well as disruptions in supply chains. At the same time, the year 2021 was the time of intensive development of our 5G network and the resulting expansion of the offer of devices supporting this standard. Therefore, we focused our efforts on ensuring the continuous availability of equipment of all product categories with special emphasis on 5G devices.

Handsets

Since the launch of our 5G network we have been dynamically expanding our offer of smartphones enabling access to this technology. From December 2020 we offer, on a permanent basis, phones priced below PLN 1,000. We reached the highest share of 5G equipment sales on the operator and retail markets. The 5G phones that we offer are both renowned brands, such as Samsung, Xiaomi or Motorola, and market newcomers, such as Oppo, Realme or Vivo.

Internet equipment

In order to popularize 5G services, we have introduced to our offer a new, cheaper Oppo 5G router. We also offer solutions based on LTE-Advanced technology (with speeds up to 300Mbps). The portfolio of LTE-A routers consists of two mobile routers, two home devices and one IDU-ODU device. The Home LTE-Advanced Internet set, based in the ODU-IDU (Outdoor Unit-Indoor Unit) technology, is a combination of an LTE-A modem for installation outdoors, which is able to operate in difficult conditions, and a router which distributes the signal inside the house via Wi-Fi network. This solution provides much better signal power and consequently higher quality transfer than traditional modems and routers. For customers living in large

apartments or houses, Plus offers Wi-Fi signal extenders and D-Link's Mesh kit - both of which improve Wi-Fi signal quality in rooms far from the main 5G/LTE router.

Laptops

With limited supply, the demand for laptops for remote work and education, as well as home entertainment has increased. This resulted in an increase in the prices of these devices. In 2021, this category of equipment was very popular with customers. Our offer includes laptops for study, work, entertainment (games) or universal. We offer equipment of well-known brands (Lenovo, HP, Acer, Huawei).

Other device categories

Apart from handsets and Internet access devices, we intensively develop sales of other categories of equipment. The TV offer was expanded by cheap Smart TV devices with a 43" screen and advanced models with a 55" QLED screen. We also expanded the offer of wearable electronics: sports bands, smartwatches, wireless headphones and accessories for smartphones that include protective glass for phone screens, cases, charging and data cables in various variants, corded headphones, car chargers. The range of devices offered to customers of Polsat Plus Group has also been extended by smart home devices.

End-user equipment is offered both under an installment model and in full price retail sales. Modems and set-top boxes are also available to rent. On the B2B market segment we use subsidized sales.

2.2.5. Technology and infrastructure of telecommunication services

Mobile Network

Our mobile telecommunication network enables nationwide access to a number of various technologies, including GSM/GPRS/EDGE (2G technologies), UMTS/HSPA +/HSPA + Dual Carrier (3G technologies), LTE/LTE Advanced (4G technologies) and the most modern 5G technology. We provide these services on the basis of frequency bands and a core network owned by our subsidiary Polkomtel, while in the radio and transmission area we closely cooperate with Towerlink Poland, a member of the Spanish Cellnex Group.

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. Based on this concept, in July 2021 Polsat Plus Group finalized the sale of 99.99% of shares of its subsidiary Polkomtel Infrastruktura to a specialized infrastructure operator, Cellnex Group. The assets of the sold company included in particular the passive and active layers of the mobile infrastructure of Polsat Plus Group.

We believe that our partnership with Cellnex will enable us to launch modern communications services, particularly in 5G technology, even faster and more cost-effectively. Moreover, we believe that the open model of cooperation with more tenants in the area of network sharing will contribute to cheaper and more optimal development of telecommunication networks in Poland in the future.

The Master Services Agreement signed by us was concluded for 25 years, with an option of extension for additional 15-year periods. Under the terms of the agreement, our mobile telecommunications network is developed in the radio and transmission areas using services provided by Towerlink Poland. These services provide access to infrastructure enabling our customers to use all currently available technologies (2G, 3G, 4G and 5G) on the basis of all frequency bands held by Polsat Plus Group. Towerlink Poland’s monthly remuneration is dependent mainly on the number of sites and active infrastructure systems ordered and used within the active layer of the infrastructure. In parallel to the service agreement, a detailed Service Level Agreement has been concluded, which ensures the highest quality both in terms of implementing new

network projects and maintaining the existing services provided to Polsat Plus Group. Effective enforcement of the quality parameters required by the SLA is possible at the level of the systems monitoring the condition of the network on an ongoing basis contained in our core network, which invariably remains the property of Polsat Plus Group. This allows us to continuously provide our customers with the highest quality of service.

The table below shows the number of emission services provided by Towerlink Poland to our customers at the end of December 2021:

Technology	Number of systems on-air as at December 31, 2021	Change YoY
2G technology, including:	**7,684**	
GSM 900	7,116	75
GSM 1800	568	-54
3G technology, including:	**11,114**	
WCDMA 2100	3,914	8
WCDMA 900	7,200	147
4G technology, including:	**18,680**	
LTE 1800	7,139	256
LTE 2600 TDD	334	8
LTE 2600 FDD	2,769	471
LTE 2100	1,122	426
LTE 900	7,316	170
5G technology, including:	**3,002**	
2600 TDD	3,002	3,002

Our core network ensures central handling of customer services, integrating them for the 2G/3G/4G/5G technologies (Single Core). In this way, we are able to provide customers with access to our services irrespective of the radio technology applied, enabling an evolutionary transition of voice services from 2G (GSM), through 3G (including higher quality voice services), to 4G (with voice services based on CSFB or VoLTE) and 5G. The same strategy is used for data transmission services, enabling customers to use the broadband Internet access both in the 3G (HSPA+, HSPA+ Dual Carrier) as well as the 4G (LTE/LTE Advanced) and 5G (2600 MHz TDD) networks. The core network architecture facilitates effective and easy capacity expansion to match the growth of the customer base and increased service demand.

Fixed-line network

Our fixed-line network is based on DWDM transport, which in its backbone layer contains 260 nodes, including 190 nodes with automatic GMPLS protection/restoration, thus guarantying very high network reliability. The maximum throughput of a single DWDM span is 34TB.

The modern DWDM network is characterized by higher channel throughout and band capacity which ensures links with speeds of 100G/200G/400G and ultra-low latency. service channels, and can carry 1TB channels. The network is equipped with automatic fault location diagnostics (GPS coordinates) with integrated OTDR components, which enables significant reduction of fault clearing time.

There are over 700 DWDM/CWDM access nodes enabling connections to end users in metropolitan networks and to B2B customers in operation.

As part of the DWDM transmission network, international links to Frankfurt, Berlin, Prague and Lviv were launched, and DWDM access to the main data centers in Poland was provided.

Additionally, our transmission network has the possibility of encrypting client connections and establishing virtual transport networks for other operators.

The IP layer of our network is based on 8 backbone nodes which provide interconnection points to Tier1 operators, XSP operators, IP traffic exchange points, content providers and Cloud infrastructure. The IP backbone aggregates Carrier Ethernet traffic, B2C customer traffic and its own CDN for the purposes of the IPTV services provided by the Polsat Plus Group.

The Carrier Ethernet layer, based on IP MPLS technology, consists of 220 distribution routers connected by 100G lines and over 2,500 access switches with 10G ports. This allows us to reach customers throughout the country and abroad with our services. Within the Carrier Ethernet network we provide services compliant with MEF CE 2.0 certification/standard.

We provide Internet access services for B2C customers via an access network comprising 1,400 DSLAM access nodes (in xDSL and SuperVector technologies), two metropolitan areas with the cable HFC network (DOCSIS 3.x), nearly 10,000 access switches performing ETTH access and 820 FTTH nodes.

Currently, we are in the process of upgrading our access network based on two main fiber optic technologies: FTTH (Fiber to the Home, i.e. fiber optic access to every apartment) using GPON (passive optical network) technology and FTTB (Fiber to the Building), in which fiber reaches every building and subscriber access is provided using Gigabit Ethernet technology. Together with a modern, constantly developed HFC DOCSIS 3.x network in Warsaw and Kraków, this will enable the provision of services with a capacity of 1 Gbps to all customers being within the reach of these networks.

Frequency reservations for the purpose of provision of telecommunication services

Currently, there is no regulatory requirement to hold a license to provide telecommunications services and the right to use frequencies results from issued frequency allocation decisions and can be extended for further periods by the President of the Office of Electronic Communications (UKE).

At present, based on frequency allocations issued by the President of UKE Polkomtel is entitled to use frequencies in the 900 MHz band until February 24, 2026, in the 1800 MHz band until September 14, 2029, in the 2100 MHz band until January 1, 2023 and in the 2600 MHz band until January 25, 2031 (see chapter 2.2.1. – *Business overview of Polsat Plus Group – Mobile telephony market in Poland*). All frequency allocations are technology neutral and can also be used to provide services in each of the technologies currently in use (2G, 3G, 4G or 5G). Furthermore, as a result of the merger with Nordisk Polska, Polkomtel is entitled to use the frequency in 420 MHz band (until December 31, 2035) and as a result of the merger with Aero2, Polkomtel is entitled to use frequencies in the 900 MHz band (until December 31, 2023), in the 1800 MHz band (until December 31, 2022) and in the 2600 MHz TDD band (until December 31, 2024), based on the reservation decisions issued by the President of UKE initially to those entities.

Based on applicable Polish law, the price for an extension of a frequency reservation is calculated by the President of UKE depending on the price paid for the frequency in question in the last process of frequency allocation or prolongation, which is increased by cumulative inflation. An entity interested in extending a frequency reservation shall submit an appropriate application between 4 years and 1 year before the reservation expiration date. The valuation comes from the regulator ca. 6 months prior to expiration of the frequency allocation and the party interested in prolonging the spectrum reservation then decides whether to accept the price and other conditions proposed by UKE. Usually, the entire prolongation process is finalized before the expiration of the existing reservation decision.

Development of the 5G technology

Compared to earlier generation technologies, 5G is characterized by much lower latency and has the capacity to support a significantly greater number of users. The potential of the 5G technology is based on greater capacity and transmission speed with lower latency, which enables its users to enjoy such capabilities as a significantly higher download speed, smooth streaming in ultrahigh image resolution or comfortable usage of services based on the VR and AR technologies.

In May 2020 we launched the first in Poland 5G network under the Plus brand using spectrum from the 2.6 GHz TDD frequency band. The TDD technology implemented at the current stage of development of our 5G network enables data transmission while using one common block of spectrum for alternating downlink/uplink transmission. It therefore offers balance between data transmission speed (up to 600 Mbps) and coverage (i.e. wide availability), while maintaining the highest quality of both parameters.

In the future, as the 5G network develops, current use of the 2.6 GHz band will guarantee better land mass coverage than when using the 3.4-3.8 GHz bands only, and it will enable us to maintain a competitive edge during further stages of 5G network roll out by offering the possibility of aggregating 5G frequency bands. Currently, more than 19 million people, that is over half of Poland's population, are already within range of our 5G network. We are also working on the development of 5G technology using further radio frequencies and technologies. This will enable us to strengthen our position as the 5G technology leader in Poland in the future and offer services to even more customers in more locations.

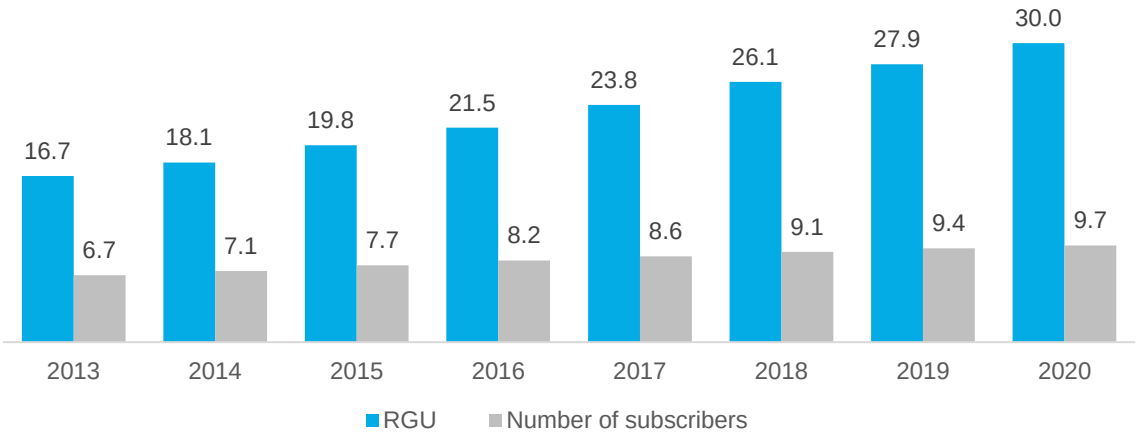
2.3. Activities on the bundled services market

2.3.1. Bundled services market in Poland

Bundling of services is one of the strongest trends on Polish media and telecommunications market. Operators develop their offers of bundled services in response to the changing preferences of customers, who seek media and telecommunications services from one provider at affordable prices, under one contract, with one subscription fee and one invoice. At the same time, given the high level of saturation of the pay TV and mobile telephony markets, bundling of services plays an increasingly important role in retaining existing customers. Offering bundled services allows operators to increase customer loyalty and, consequently, reduce churn rates. It also contributes to the growth of average revenue per customer.

The Polish multi-play services market has been growing systematically and recorded an average annual growth rate of nearly 9% in terms of the number of services sold in packages in the years 2013-2020. According to PMR estimates, at the end of 2020 the number of services sold in bundles increased to over 30 million, while the total number of subscribers (both individual and business) using bundled services amounted to approximately 9.7 million. As a result, at the end of 2019 the number of services per subscriber was 2.5.

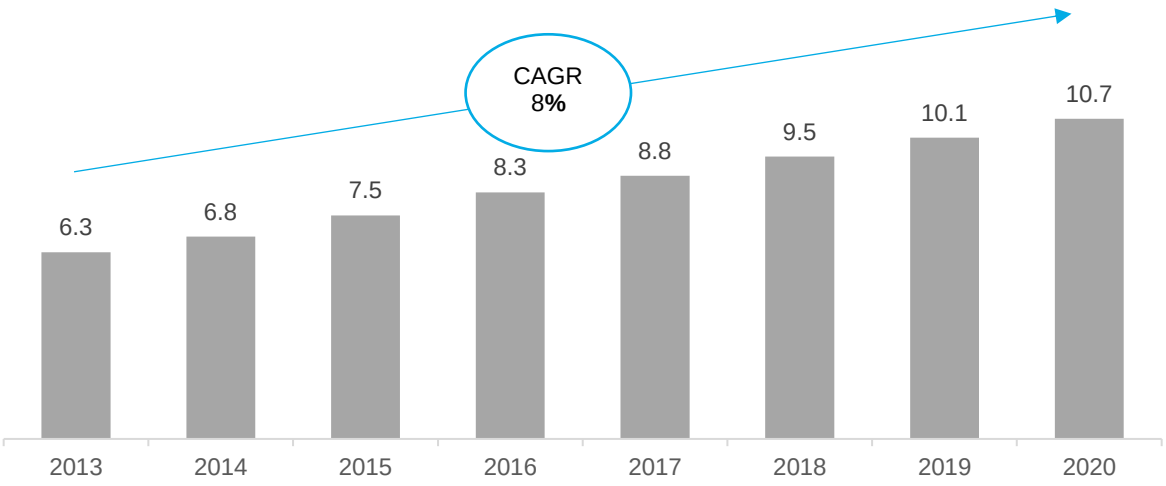
Number of RGUs and subscribers of bundled services (in millions)



Source: Own study based on PMR Report on bundled telecommunication services in Poland, 2021

Similarly to growth in quantitative terms, the bundled services market in Poland has been also demonstrating consistent growth in terms of value. According to PMR estimates, in 2020 the value of the bundled services' market in Poland grew at the pace of ca. 8% year-on-year, and reached PLN 10.7 billion. Service bundling is a strong tool supporting increase of the customer base's loyalty and customer value building. This is confirmed by the ARPU figures which continued on an upward trend and exceeded PLN 93 at the end of 2020 (CAGR 2013-2020 +2.4% YoY).

Value and growth dynamics of bundled services market in Poland [in PLN billion]



Source: Own study based on PMR's Report on bundled telecommunication services in Poland, 2021

Bundled services in Poland are provided primarily by cable TV operators and telecommunications service providers. According to PMR, at the end of 2019 three quarters of the bundled services market, in terms of the number of subscribers, was held by six major players – Polsat Plus Group, Play-UPC partnership, Orange, T-Mobile, and combined group of Vectra and Multimedia. With respect to the number of subscribers,

the share that Polsat Plus Group held on the bundled services market in Poland at the end of 2019 was approximately 23.5%, according to PMR estimates.

When analyzing the structure of bundled services in Poland, one should bear in mind that the majority of operators provide multiplay services on the basis of wholesale agreements with other operators since they themselves do not have the relevant infrastructure or supporting business services to be able to create a complete portfolio of convergent services. For example, T-Mobile provides fixed-line broadband Internet access using the infrastructure of Orange Polska. Cable TV operators, in turn, offer mobile voice services in an MVNO model and acquire the entire content for their TV services from third party TV production companies. Our important competitive advantage on this market comes from the fact that within Polsat Plus Group we have all the assets which are required to be able to offer customers a fully convergent offer of telecommunication and TV services, enriched with unique content which we produce ourselves.

Both fixed-line telecommunication and cable TV operators offer their bundled services mainly in large and medium sized cities, mainly due to the geographical limitations of their landline access infrastructure. The multi-play services market in Poland is, in turn, relatively underdeveloped in less urbanized areas and therefore has the potential to grow rapidly in the suburbs, small towns and rural areas. In addition to the low penetration rate of multi-play services in less densely populated areas, Internet services provided by cable operators typically suffer in quality of service due to the limitations of the existing infrastructure. This creates an opportunity for satellite pay TV providers, such as Polsat Box, who are not bound by geographic reach, to become the leading providers of high quality multi-play services to consumers in suburbs, small towns and rural areas in Poland.

According to PMR, in 2017, 45.6% of households declared that they use more than one service provided by the same supplier, while in 2021 this ratio increased to 51.3%.

Research by PMR demonstrates that a bundle combining two services remains the most popular option. It was chosen by 52% of households in Poland in February 2021. At that time, 26% of Poles used triple-play services, while 14% of customers decided to purchase a bundle containing four services. Only 8% of households purchased five or more services in a bundle.

As for the structure of the bundles, 95% of the bundles contained mobile telephony in a contract or prepaid model, pay TV was included in 70% of packages and fixed Internet in 61%. 45% of purchased bundles included mobile Internet access and only a third a fixed line service. The importance of services other than telecommunication is growing in bundling, although their popularity is still low. A clear upward trend can be seen in the case of VOD services (included in 43% of packages in 2020) and electricity (23% of packages).

Development forecasts for the bundled services market

According to PMR forecasts, the bundled services market will consistently grow in subsequent years, both in terms of the number of subscribers and value, which results from the fact that service bundling has become a strategic goal for telecommunication and pay TV operators. According to PMR expectations, the growth rate of the bundled services market in Poland will slow down in coming years and the expected average annual compound growth rate will be 3.3% in 2020-2025. A factor supporting further growth of the bundled services market will be an increase in the quality of services stimulated by the development of fiber optic networks and the expansion of 5G networks.

In subsequent years, the development of the Polish market of bundled services will be influenced not only by the low level of saturation of this market with services but also by the systematic roll out of fixed-line infrastructure and improving quality of network access, in particular higher throughput. COVID-19 pandemic is an important factor which, in our opinion, will have a positive influence on the bundled services market. As a result of a substantial part of the society migrating to a remote work and learning model, in the years 2020-2021 we observed significant growth of demand for higher speed Internet connections, which creates a bigger

potential for upselling additional services as an element of service bundles. For example, the prospect of offering video-on-demand content is improving.

Operators' strategies based on combining telecommunication and media services with services from outside the telecommunications sector are also an important factor. The bundled offers of leading operators on the Polish market comprise, among others, additional services, such as the sale of electricity, as well as financial and insurance products. Consolidation trends, observed on the media and telecommunications market, may also affect the development of the bundled services market.

2.3.2. Bundled services offer

Our bundled services offer is an important tool, which strategically helps us to retain existing customers and expand our customer base, while simultaneously increasing customer satisfaction and loyalty. In day-to-day business the multi-play offer enables us to increase ARPU and further reduce our churn rate.

SmartDOM and smartFIRMA are unique savings programs that offer a wide array of products and services and enable our customers to create a comfortable, safe and modern home or effectively run a business. They are 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. Thanks to the unique formula of the smartDOM and smartFIRMA programs, the customer can create a tailor-made set of services for the family or the company, additionally ensuring savings on each service purchased.

Currently, under the smartDOM and smartFIRMA programs customers enjoy a wide selection of basic services and a variety of additional services which play an important role in the household and in the company. Our flagship and core products and services include mobile telephony (including wireless home telephony), LTE/5G and fixed Internet, also in fiber optic technology, and television services in any technology (satellite TV, cable IPTV, Internet TV and digital terrestrial TV).

2.4. Sales and marketing

Marketing and branding

Company image and brand recognition have a significant impact on purchasing decisions of most of our customers. We strive to continuously improve our customers' satisfaction, particularly in terms of products and services available, the quality, usability and accessibility of our customer service department and the usability of automated information and self-service channels. We continuously expand our brand portfolio and build products tailored to customer needs.

The year 2021 in Polsat Plus Group was marked by the strategic harmonization of our key brands. The brand harmonization and rebranding project implemented by the Group was a very complex marketing project, carried out by the Group's employees with the support of a leading global strategic consulting firm.

This project resulted in the development of a new strategic direction for the Group as well as for its leading brands – Polsat, Plus and Polsat Box. In the course of the conducted strategic analyses and extensive marketing research (performed in cooperation with the research company IPSOS), the strategic direction proposed by the American consulting company Straightline was selected.

Our aim and ambition is to use the new brand strategy, building on the heritage and strength of our brands, to lead Polsat Plus Group and its customers into the future. A future that is already increasingly and strongly intertwining two worlds: technology and content. The strategic direction itself has emerged from the observation of customers who expect the brand to respond to their individual needs. It is the customers who

want to decide - to have a wide range of choices according to their expectations and needs. We, as the Group, respond to this by saying: *"In Plus, Polsat and Polsat Box you can choose your everything. You can rule the Internet, 5G technology, entertainment, emotions, series or sports, among others."*

The assumptions of the strategy were translated into a new visual language of the brands by the renowned international agency Saffron Brand Consultants, which was responsible for creating new logotypes, coherent signet rings and the so-called "skins". The developed system of our identification sets a new canon in the history of creating a unique language of visual communication which will be characteristic for individual brands (Plus, Polsat, Polsat Box) as well as for the corporate brand - Polsat Plus Group.

The new logos of the strategic and key brands Plus (responsible for connectivity) and Polsat (responsible for content) identify them consistently with the Group. They were designed with an eye to the future, transparency and use a customized typography, a characteristic graphic element (the so-called "skins") and consistent colors, designed especially for the Group. The green color of Plus stands for innovation and development as well as care for the environment and a better life. The yellow color of Polsat represents energy, joy and optimism coming from the sun - inextricably linked with Polsat . Thanks to this the brands are associated with the Group in a simple and clear way, while retaining their individual character and message.

The changes also included the creation of a new brand Polsat Box which replaced the existing Cyfrowy Polsat brand. At the same time, the Polsat Box Go service and application replaced Ipla and Cyfrowy Polsat Go, and a completely new Polsat Go service and application were created in parallel, featuring Polsat TV channels, offered free of charge under an advertising-based financing model.

We want to reach a wide range of customers with our offer, therefore we are also investing in additional brands. We run independent marketing campaigns for Netia, a brand strongly associated with fiber optic Internet access, IPTV and a broad B2B offer. We established a dedicated brand Plush addressed to a younger target group, which complements our offer in the prepaid and postpaid segment. In 2021, we acquired the company and brand Premium Mobile, whose offer is targeted primarily at price-sensitive customers. Moreover, we have created and we are developing a completely new brand – Esoleo – for the purposes of our operations on the photovoltaic market.

To promote our services we use mainly TV advertising (spots, sponsorship billboards and product placement activities), Internet and outdoor advertising. We also run a number of nationwide campaigns on the radio and in the cinema. We support key national campaigns with local activities. Each campaign regarding our products and services is supported by social media.

Commercial websites of our brands are an important channel of communication with new and existing customers. In addition, we maintain communication with our existing customers using telemarketing tools, email bulletins, a dedicated customer channel and the Internet Customer Service Center.

Retail sales channels

We sell our services through a number of diversified channels.

Physical sales network. As at December 31, 2021, the sales network of the Group covered 1,017 physical points of sale nationwide. These points of sales offer pay TV, mobile telephony and mobile and fixed broadband access services, as well as a number of other products and services which play an important role in the household and in the company. Our points of sale offer products under many brands, including products and services of Polsat Box, Plus, Netia and Esoleo.

Direct sales. Our Group's B2B area has an extensive sales structure adjusted to support various segments of business customers. Our business customers are served by key account managers, dedicated account managers and authorized business advisers.

Moreover, we use the direct door-to-door sales channel (D2D) for distribution of our pay TV products and services, which enables us to directly access selected customer groups, to maintain direct contact with customers, and to expand the reach of the sales network.

Call center. We provide call center numbers of Polsat Box, Plus and Netia in materials promoting our services in various media to enable potential customers to obtain information about our services, place orders or ask for directions to the nearest point of sale.

Within the Group we have approximately 1,650 operator stands as well as approximately 920 back-office stands which handle written and electronic requests (including technical requests). Our call center services are available to our present and potential customers 24 hours a day, seven days a week, and are responsible for providing comprehensive and professional customer service. The call center operators provide information on our services, enter into service agreements with customers, accept customer complaints and provide information on payments, technical support and other support for customers.

Telemarketing. As at December 31, 2021 the Group had 8 telemarketing centers (own and external), whose role was customer retention and the sale of core products.

Online communication. In the era of the pandemic and the associated numerous restrictions and lockdowns, online sales channels play an increasingly important role in the commercial area, ranging from the presentation of a rich offer to the possibility of conducting the full purchase process and after-sales service on-line. Online communication provides users with a quick and easy opportunity to familiarize themselves with the programming, multimedia and telecommunication offers of Polsat Plus Group, order services or selected equipment together with a package of their choice without leaving their home or finding the nearest point of sale.

Our commercial websites contain detailed information on respective products and services offered by companies and brands belonging to Polsat Plus Group. On our website www.polsatbox.pl customers can find information about the current pay TV offer, the Group's bundled offer and additional TV services, such as, for example, VOD or Polsat Box Go and HBO Max online services. The websites www.plus.pl, www.plushbezlimitu.pl and www.premiummobile.pl are devoted to the Group's telecommunication offer. They also contain a versatile offer of devices for end users, such as telephones and Internet equipment (tablets, laptops, routers, consoles) and information on additional services.

On the website www.netia.pl we present the offer of products and services promoted under the Netia brand, including telecommunication and television services. Netia's website also includes an extensive section addressed to B2B customers, where topics related to the broadly understood business of the future are discussed, including cybersecurity, artificial intelligence (AI), Internet of things (IoT), cloud solutions or blockchain.

Sales of prepaid telecommunication services take place through other channels of distribution. As at December 31, 2021, we had 30 active agreements with non-exclusive independent dealers of our prepaid services, with a total of approximately 60 thousand outlets selling starter kits and scratch cards and approximately 150 thousand outlets selling electronic top-ups. Prepaid top-ups are also executed online via our own websites: www.doladuj.plus.pl and www.doladuj.plushbezlimitu.pl, via the dedicated websites of our partners and via Internet banking services.

2.5. Customer relations and retention management

Customer relations management

We consistently improve the quality of our customer service using the latest technologies. An experienced and committed staff with a highly flexible approach and supported by a quick decision making process is our strong side.

We use an advanced customer relationship management IT system developed by our specialists based on an integrated platform handling telephone, e-mail, SMS, TTS (text to speech) communications and mail. Our customer relationship management system makes it possible to comprehensively document and handle all requests placed by customers in a timely and effective manner.

The core of the Group's customer service is the customer service call center. This system comprises eight separate call centers integrated through an intelligent call routing system. It guarantees reliability and an uninterrupted twenty-four hour, seven-day a week phone service. The intelligent distribution system handles calls depending on the subject matter and forwards the call to appropriate agents, which reduces customer service time. We actively develop alternative forms of contact through social media and chat. The post-sale telephone customer service also involves active up-selling of products and increasing customer loyalty.

We also provide customer service using advanced self-service solutions to manage subscriber accounts. These solutions are offered in a form of such online services and mobile applications as iPolsatBox (dedicated to customers of our TV services), iPlus (dedicated to customers of telecommunication services) and Netia Online (dedicated to Netia customers), while the functionalities available within each service and application vary slightly. These tools include, among others, constant and free-of-charge access to up-to-date information on billing, current offers, current usage, they allow to purchase additional packages and services, effect online payments and modify contact details. Moreover, our services include a technical support section including, among others, technical specifications and user manuals for the equipment, automatic diagnosis and repair of technical issues, FAQs, an online contact form based on the mechanism that ensures automated analysis of customers' queries and automatic response sent to the customer prior to forwarding the question to an agent, and an online communication channel offering customer support via electronic mail and Live Chat.

Since 2000, Polkomtel has an implemented and consistently improved quality management system and since 2012 - an environmental management system. To confirm the above, Polkomtel obtained international certification ISO 9001:2015 and ISO 14001:2015 issued by DEKRA Certification Sp. z o.o. The scope of the certificates comprises sales of telecommunication products and services, sales of electric energy and customer management and retention. In September 2021, Polkomtel was successfully audited by DEKRA Certification Sp. z o.o. for compliance of quality management and environmental management systems. In June 2021, the information security management system in place at Polkomtel was confirmed by obtaining the international ISO 27001:2017 certificate, also issued by DEKRA Certification Sp. z o.o.

Customer retention management

Customer retention is one of our key business areas. Our goals in this field are to minimize churn in terms of both volume and value, thus securing revenue from Polsat Plus Group's customer base.

As part of the customer retention process we constantly develop our offer, processes and methods of operations to obtain the highest possible effectiveness while ensuring high quality of provided services. We carry out activities both in reactive and proactive processes. The proactive process is initiated by us. It starts prior to the expiration of the basic term of a contract with an aim to encourage customers to extend their contract on new terms. The reactive process is initiated by the customer who expresses the intention to resign from using our services. Under this program, a dedicated team of consultants contacts the customer and presents new, attractive terms of further cooperation in order to encourage such a customer to stay in our

Group. Retention activities under both processes are carried out based on analyses of the customer's current portfolio of services. We make all efforts to present the best possible offer, tailored to specific needs of the customer.

We put great emphasis on popularizing 5G technology by making it available in the retention process in each subscription and selling a rich portfolio of 5G-enabled phones at prices around PLN 1,000. We enable the possibility of changing contract terms and increasing data packages at any time during the duration of the contract, so that an increasing number of customers can take advantage of this technology, and to meet our customers' needs and expectations with regard to the use of our services. Constant development of new categories of equipment is also important and allows us to offer customers, upon the extension of their contract, not only a classical smartphone, but also a wide range of consumer electronics and Smart Home components in a convenient system of installments.

Our retention offers can be executed via any sales channel – through the Internet, by phone with home delivery, or at any point of sales where, during the pandemic, we put the safety of our customers and employees first. In addition, we strive to enhance our communication, working constantly on its efficiency and adjustment to our customers' preferences.

2.6. Wholesale business

As part of our wholesale business we offer network interconnection, international and national roaming, services to MVNOs, shared access to network assets, lease of network infrastructure, as well as other telecommunications and non-telecommunications services provided to other telecommunications companies in Poland and abroad.

Exchange of traffic between operators (network interconnection)

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to networks of all operators domestically and abroad. As at December 31, 2021, Polkomtel was party to 22 interconnection agreements with national and foreign operators with respect to voice calls. Such a number of interconnection relations allows for reducing our costs of call termination in the networks of other operators, while maintaining the highest quality of telecommunication services for our end-users with respect to traffic, both initiated and terminated in our network.

In 2021, we implemented new terms of wholesale settlements in all our interconnection relations following the implementation of uniform maximum Union-wide mobile voice termination rates (MTR) and a single maximum Union-wide fixed voice termination rates (FTR).

In parallel, just as in previous years, active steps were taken in relations with domestic and foreign operators in order to reduce the costs of wholesale termination of voice calls and text messages incurred by us. An additional element aimed to reduce costs of national voice call termination was the the optimization of traffic directing to the transferred fixed-line numbers and numbers of intelligent network services and audio-text services.

In 2021, we continued the project of migrating Polkomtel's points of interconnection with other operators to IP technology using the SIP (Session Initiation Protocol) signaling protocol which enables the internetwork provision of voice calls in HD quality. This technology is used by Polkomtel to carry the telecommunication traffic in relations with all domestic mobile operators and with the largest international carriers.

International roaming

In 2021, we continued our policy of reducing the wholesale roaming costs in the networks of foreign operators, among others by focusing on the reduction of costs of voice and data transmission services, while at the same time increasing wholesale revenues from the sale of inbound roaming service in our network to current or newly-acquired partner foreign networks.

The COVID-19 pandemic continued to impact international roaming traffic levels in 2021. While voice and data roaming traffic completed by our network subscribers in both EU and non-EU countries increased significantly compared to 2020, their volumes still did not return to 2019 levels.

In 2021, the situation was similar in the case of sales of roaming traffic to foreign networks from EU countries. During 2021, data traffic incoming to our network from customers of foreign networks increased significantly year-on-year, indicating a slow recovery from previous trends. However, traffic from customers from outside the EU countries still remains at low levels and is recovering slowly along with the removal of travel restrictions.

A new trend in the roaming market is the extinction of 2G and 3G networks by our roaming partners. In the future, it could result in limitations in the quality of service for our roaming customers and, in a few cases, the prevention of access to voice services on certain networks in the U.S. and Europe. In 2021, we began deploying the VoLTE roaming service, which enables voice calls over LTE networks without our customer having to use legacy 2G and 3G technologies. The first commercial launches of the Roaming VoLTE service are planned for 2022. Thus, we want to guarantee the continuity of roaming services to our customers and the customers of MVNO partners.

We offer our individual and business customers the most competitive and safe roaming data packs on the Polish market, that is the “Atlantic” pack which includes 35 European countries as well as Andorra, USA and Turkey, and the “Oriental” pack which includes 101 most popular, in terms of travel destinations of Poles, countries in the world outside Europe. We systematically reduce the costs of roaming in exotic countries thanks to the active policy of acquisition of new roaming partners in discount agreements, mainly outside the EAA, i.e. in areas where costs of wholesale international roaming have been high so far. As a result our customers can use our services in these countries at lower prices.

As at December 31, 2021, our network offered international roaming services for voice calls in 661 networks in 220 countries and designated areas. In addition, our international roaming service offers roaming data transmission packages in 596 networks in 207 countries and designated areas. Access in LTE technology is possible in 275 networks in 140 countries and designated areas, while access in 3G was offered in 469 networks in 190 countries and designated areas.

In 2020, as the first operator in Poland we launched commercial 5G roaming for our customers , in the first EU countries as part of our strategy of providing Polish customers with access to the best 5G network in Poland. Currently, 5G roaming is available to our customers and customers of MVNO partners in 33 foreign networks in 25 countries. These networks are available to our customers unattended - it is sufficient to possess a proper hand-set in order to use 5G technology for international roaming. Moreover, we make roaming available in the 5G technology to foreigners logging in our network, thus building the position of Plus as a leader of the 5G technology in Poland also among foreign customers and operators.

Virtual operators (MVNOs)

In 2021, we continued to dynamically strengthen our position on the wholesale MVNO market. We supported the development of MVNO wholesale partners by providing them with the latest technology.

The best 5G network on the Polish market was made available to all our MVNO partners in 2021. In addition, customers of MVNO partners operating on our network are able to use the 5G networks of roaming partners with whom we have agreements. This means that in 2021 customers of MVNO partners had access to 5G technology both domestically and in 33 foreign networks in 25 countries.

Another product implemented by us and made available to all interested MVNO wholesale partners is the eSIM service - very promising due to lower logistics costs (no shipping or storing of physical SIM cards), facilitation of the service activation process for the customer and perception of the MVNO partner brand as technologically modern and environmentally friendly.

The pandemic and regulatory changes contributed also to the development of two other services: virtual numbers and SMSC access.

The virtual number service allows, among others, to offer temporary numbers to customers who need a mobile phone number for a short period of time in order to contact other people or potential business customers. The temporary mobile phone number can be used in a dedicated application on a customer's phone without having to use a second phone. It also allows companies to offer mobile number workstations where an employee can present himself with different numbers using one phone.

Access to SMSC (Short Message Service Center) allows to reach customers in a cheap and effective manner with information sent via text messages.

Our broad scope of services and creation of dedicated solutions for the needs of our wholesale partners allow us to cooperate under various wholesale business models, from technologically advanced models for partners who have their own telecommunications infrastructure (for instance, their own points of interconnection with operators and IT platforms), through interim models to models that require only marketing and sales channels from MVNO partners while technical implementation is limited to an absolute minimum. We actively develop our wholesale product in order meet the requirements of our MVNO partners and quickly respond to the dynamically changing business conditions.

2.7. Media segment: television and online

2.7.1. Market overview

The Polish **TV broadcasting market** consists of state-owned and private commercial broadcasters airing both at the regional and national levels. A significant number of stations are offered through paid channels, such as cable networks and DTH platforms.

In 2013, the process of implementing digital terrestrial television (DTT – Digital Terrestrial Television) had ended. Currently, DTT offers free access to 28 channels and the outreach of the multiplexes exceeds 99% of Poland's population.

The Polish TV broadcasting market is supervised by the National Broadcasting Council (KRRiT) which grants broadcasting licenses and supervises the operations of Polish TV broadcasters (such as checking compliance with license terms for specific channels).

The Polish **online market** consists of a mix of various entities, starting from large international corporations, through large Polish media groups and smaller publishers, to small websites owned by companies and private individuals.

The online market is not regulated, any company or a physical person can create an own website and the only requirement is that a website address which is currently not in use must be registered in a proper domain.

NASK (Research and Academic Computer Network) is the body which serves in Poland as a register for the 'pl' Internet domain.

Polish advertising market. According to the estimates of Zenith media house, in 2021 Poland was the third largest advertising market in Central-Eastern Europe (after Russia and Turkey) with total net advertising expenditure exceeding PLN 2.6 billion (after discounts) growing by 13% compared to 2020.

In 2021, TV was the dominant advertising medium in Poland with a 43% share in total advertising expenditure. According to Zenith forecasts, this share is expected to remain stable in upcoming years with a slight downward tendency. The increase of the share of Internet as an advertising medium does not influence television's position in a substantial way, due to the decline of advertising expenditures in printed media.

Advertising expenditure by medium from 2016 to 2023f:

	2016	2017	2018	2019	2020	2021	2022f	2023f
TV	48%	47%	46%	45%	44%	43%	42%	41%
Internet	30%	32%	34%	36%	41%	42%	43%	44%
Radio	8%	8%	8%	8%	8%	8%	8%	8%
Reklama zewnętrzna	6%	6%	5%	6%	4%	4%	4%	4%
Prasa	7%	6%	5%	5%	3%	3%	2%	2%
Kino	2%	2%	2%	2%	0,4%	0,5%	1%	1%

Source: Zenith, "*Advertising Expenditure Forecasts - December 2021". In the aforesaid report Zenith introduced changes in the methodology resulting in minor recalculation of market shares for historical periods.*

The Polish TV ad market is characterized by a continuously high level of TV consumption. In 2021, the average daily TV viewing time among the surveyed population remained at a very high level, estimated at 255 minutes. Considering such a high average TV viewing time, it is justified to assume that the TV market will continue to be an attractive communications platform for advertisers. Moreover, when analyzing the relation between advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, in our opinion there is still substantial growth potential for TV advertising in Poland. The Polish advertising market constitutes 0.4% of GDP, representing a substantially lower value as a percentage of GDP than in other European markets such as the United Kingdom (1.4%), Slovakia (0.7%), Germany (0.6%) or the Czech Republic (0.5%).

Key TV channels

The Polish TV market remains dominated by the four largest terrestrial channels: POLSAT, TVN, TVP1 and TVP2. In parallel, in 2021 further significant fragmentation of the TV market was observed. The importance of smaller broadcasters available on multiplexes was growing, mainly at the expense of the abovementioned four largest TV channels. According to Nielsen Media data, in 2021 the collective audience share in the 16-49 age group for the four leading channels totaled 30.4%, compared to 31.3% in 2020.

In 2021, our main channel POLSAT had an all-day audience share of 9.0% in the 16-49 age group. Average annual technical coverage was 99.9%. Other channels of the Polsat Group had a 14.3% combined audience share. The channels of Polsat Group, apart from the main channel, include 38 channels with competitive offers on various market segments (including sports, channels dedicated to female and male audiences, information, music, games, e-sport). They include channels distributed by cable and satellite networks, as well as eight channels available through DTT (digital terrestrial television).

In 2021, POLSAT's main competitor, TVN achieved an 9.6% all-day audience share in the 16-49 age group and had 99.9% average annual technical coverage. TVN channel, launched in 1997, currently belongs to TVN Discovery Polska Group. Discovery Group's thematic channels achieved a 16.1% combined all-day audience share in 2021.

TVP Group broadcasts 14 channels, including TVP1 and TVP2, and is also one of the main players on the Polish TV advertising market. In 2021, the main channels of TVP Group had 6.0% (TVP1) and 5.9% (TVP2) all-day audience shares in the 16-49 age group. The technical coverage of these channels reached 100% (TVP1) and 99.9% (TVP2) of households in Poland. In 2021, TVP's thematic channels had a 7.5% audience share. Except advertising revenue, as the national state-owned broadcaster, TVP receives additional revenue from license fees mandatorily charged to Polish TV viewers under the License Fees Act of April 21, 2005, as well as compensation granted by the National Broadcasting Council. Revenue from license fees and compensation from the National Broadcasting Council constituted 64% of total revenue of TVP group in 2020.

Digital Terrestrial TV

Starting from July 2013, terrestrial television is broadcast digitally in the Digital Video Broadcasting – Terrestrial (DVB-T) technology. Digital TV systems use an electronic program guide, which enables viewers to compile their own sets of favorite programs and exercise parental control and allow broadcasters to offer new multimedia services such as adding additional soundtracks for individual channels (e.g. additional narration for the visually impaired – audio description, or the original soundtrack) or the possibility to add subtitles for people with hearing disabilities.

A multiplex, or MUX, is a term used to describe the package of radio and TV channels, possibly enriched by additional services, transmitted digitally on a specific band. Currently, digital television is offered in Poland on four free multiplexes (MUX-1, MUX-2, MUX-3, MUX-8) and one paid multiplex (MUX-4), dedicated for TV reception on mobile devices, as well as on several local multiplexes. The DTT offer includes free-of-charge access to 28 channels, with multiplex coverage exceeding 99% of Poland's population. It is expected that ultimately six multiplexes may function on the Polish market.

In the spring of 2022, the standard of terrestrial TV broadcasting will be changed to the newer and more efficient DVB-T2/HEVC standard nationwide, where HEVC stands for the new standard of TV signal compression. DVB-T2 is a standard that offers better efficiency in the use of the available frequency band, allowing, among others, for broadcasting more TV programs in higher quality. As a result, all terrestrial TV programs could be broadcast in HD quality, and some even in Ultra HD. The switchover to the new DVB-T2/HEVC terrestrial TV broadcasting standard will take place between March and June 2022.

Key players on Polish online market

Key players on Polish online market include two types of entities: international technological giants, who offer their products and services globally and dominate the world's online market (including, among others, Google, YouTube and Facebook and large local media groups.

Polsat-Interia Group is among the leading online media groups defined as Internet publishers producing editorial content.

No.	Media Group	Number of real users	Coverage	Page views	Average time per user	Average time per visit
1	Grupa RAS Polska	23,171,832	69.95%	2,511,551,516	2h 11m 4s	4m 31s
2	Grupa Wirtualna Polska	20,879,856	63.03%	3,612,144,023	3h 11m 52s	4m 46s
3	Grupa Polsat-Interia	20,601,054	62.19%	1,948,569,758	1h 38m 35s	5m 58s
4	Grupa Agora	18,004,518	54.35%	614,525,553	48m 38s	2m 52s
5	Grupa Polska Press	17,221,086	51.98%	842,164,382	16m 0s	1m 29s
6	Grupa ZPR Media	15,393,078	46.47%	269,382,892	38m 59s	6m 47s
7	Grupa TVN	12,888,720	38.91%	257,074,288	1h 8m 16s	9m 21s

8	Grupa Eurozet	11,132,640	33.61%	68,163,493	6m 59s	1m 38s
9	Grupa RMF	9,681,768	29.23%	102,871,923	3h 22m 19s	39m 47s
10	Grupa TVP	8,268,318	24.96%	124,179,916	1h 17m 31s	14m 52s

Source: Mediapanel, December 2021

2.7.2. Offer

Channels

We have a portfolio of channels that appeal to important audience segments, we maintain a strong position in the news television segment and a leading position in sports programming. At the end of December 2021 the Group's portfolio comprised 39 own channels and 6 cooperating channels. With a view to maintaining our overall audience and advertising market share, we focus on developing our portfolio of thematic channels and increasing the appeal of the content we offer to our viewers.

Channels portfolio of Cyfrowy Polsat Group

Channel	First broadcasting	Thematic group	Signal distribution	Availability	Technical reach [1]
POLSAT	December 5, 1992	general interest	terrestrial/cable/ satellite	FTA	99.9%
Super Polsat	January 2, 2017	general interest	terrestrial/cable/ satellite	FTA	98.6%
Polsat 2	March 1, 1997	general interest	cable/satellite	non-FTA	60.9%
Polsat 1	December 18, 2015	general interest	satellite	non-FTA	n/a
TV4	April 1, 2000	general interest	terrestrial/cable/ satellite	FTA	99.9%
TV6	May 30, 2011	general interest	terrestrial/cable/ satellite	FTA	95.6%
Nowa TV	November 9, 2016	general interest	terrestrial/cable/ satellite	FTA	89.4%
Polsat X	April 1, 2021	general interest	satellite	non-FTA	n/a
Polsat Reality	April 1, 2021	general interest	satellite	non-FTA	n/a
Polsat Sport	August 11, 2000	sport	cable/satellite	non-FTA	45.2%
Polsat Sport Extra	October 15, 2005	sport	cable/satellite	non-FTA	37.7%
Polsat Sport News	June 1, 2011	sport	cable/satellite	non-FTA	31.2%
Polsat Sport Fight	August 1, 2016	sport	satellite	non-FTA	21.7%
Eleven Sports 1	August 2, 2015	sport	cable/satellite	non-FTA	16.1%
Eleven Sports 2	August 22, 2015	sport	cable/satellite	non-FTA	16.2%
Eleven Sports 3	September 12, 2016	sport	cable/satellite	non-FTA	n/a
Eleven Sports 4	November 20, 2017	sport	cable/satellite	non-FTA	n/a
Polsat Sport Premium 1	August 21, 2018	sport	satellite	non-FTA	n/a
Polsat Sport Premium 2	August 21, 2018	sport	satellite	non-FTA	n/a
Polsat Film	October 2, 2009	movie	cable/satellite	non-FTA	53.2%
Polsat Film 2	April 1, 2021	movie	satellite	non-FTA	n/a
Polsat Seriale	September 1, 2013	movie	cable/satellite	non-FTA	48.6%
Eska TV	August 8, 2008	music	terrestrial/cable/ satellite	FTA	99.1%
Eska TV Extra	June 16, 2017	music	cable/satellite	non-FTA	62.0%
Eska Rock TV	September 1, 2017	music	cable/satellite	non-FTA	49.1%

Channel	First broadcasting	Thematic group	Signal distribution	Availability	Technical reach (1)
Polo TV	May 7, 2011	music	terrestrial/cable/ satellite	FTA	99.1%
Polsat Music	September 26, 2014	music	cable/satellite	non-FTA	48.9%
VOX Music TV	April 28, 2014	music	cable/satellite	non-FTA	58.2%
Disco Polo Music	May 1, 2014	music	cable/satellite	non-FTA	50.6%
Polsat News	June 7, 2008	news	cable/satellite	non-FTA	65.2%
Polsat News 2	February 8, 2007	news	cable/satellite	non-FTA	55.6%
Wydarzenia24	October 2, 2006	news	terrestrial/cable/ satellite	FTA	58.1%
Polsat Cafe	October 6, 2008	lifestyle	cable/satellite	non-FTA	54.2%
Polsat Play	October 6, 2008	lifestyle	cable/satellite	non-FTA	52.0%
Polsat Games	October 15, 2018	lifestyle	cable/satellite	non-FTA	34.3%
Polsat Rodzina	October 16, 2018	lifestyle	cable/satellite	non-FTA	31.5%
TV Okazje	October 2, 2017	lifestyle	cable/satellite	non-FTA	n/a
Fokus TV	April 28, 2014	educational	terrestrial/cable/ satellite	FTA	99.0%
Polsat Doku	February 10, 2017	educational	cable/satellite	non-FTA	38.1%

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)

Channel	Start date	Thematic group	Signal distribution	Availability	Household coverage (1)
Polsat Jim Jam	August 2, 2010	children	cable/satellite	non-FTA	44.6%
CI Polsat	November 24, 2011	criminal	cable/satellite	non-FTA	44.4%
Polsat Viasat Explore	March 1, 2013	lifestyle	cable/satellite	non-FTA	43.7%
Polsat Viasat Nature	March 1, 2013	nature	cable/satellite	non-FTA	44.1%
Polsat Viasat History	March 1, 2013	history	cable/satellite	non-FTA	50.6%
Polsat Comedy Central Extra	March 3, 2020	series & entertainment	cable/satellite	non-FTA	51.1%

(1) Nielsen Media, average TV household coverage, arithmetic average of monthly coverage in 2021.

Audience share for our channels for 2018-2020(1)

Channel	Audience share (SHR % A 16-49)		
	2019	2020	2021
POLSAT	10.99%	9.51%	**8.95%**
TV4	3.50%	3.38%	3.00%
TV6	1.63%	1.68%	1.2%
Polsat 2	1.28%	1.33%	1.33%
Polsat News	0.73%	1.77%	1.23%
Polsat Sport	0.35%	0.18%	0.24%
Polsat Film	0.73%	0.79%	0.63%
Polsat Play	0.63%	0.64%	0.70%
Polsat Cafe	0.39%	0.40%	0.47%
Polsat Sport Extra	0.08%	0.06%	0.10%
Polsat Sport News	0.04%	0.03%	0.06%
Polsat News 2	0.04%	0.05%	0.06%
Polsat Seriale	0.14%	0.22%	0.18%

Disco Polo Music	0.18%	0.15%	0.16%
Polsat Music	0.04%	0.06%	0.10%
Polsat 1(2)	n/a	n/a	n/a
Polsat Sport Fight	0.04%	0.04%	0.04%
Super Polsat	1.09%	1.26%	1.12%
Polsat Doku	0.11%	0.11%	0.11%
Eska TV	0.66%	0.63%	0.65%
Eska Rock TV	0.04%	0.03%	0.04%
Eska TV Extra	0.07%	0.09%	0.08%
Polo TV	0.99%	0.62%	0.72%
VOX Music TV	0.09%	0.12%	0.06%
Wydarzenia24(3)	0.06%	0.03%	0.29%
Eleven Sports 1(	0.25%	0.20%	0.19%
Eleven Sports 2	0,05%	0,04%	0,05%
Eleven Sports 3(2)	n/a	n/a	n/a
Eleven Sports 4(2)	n/a	n/a	n/a
Polsat Sport Premium 1(2)	n/a	n/a	n/a
Polsat Sport Premium 2(2)	n/a	n/a	n/a
Polsat Games	0,04%	0,05%	0,04%
Polsat Rodzina TV	0,03%	0,05%	0,07%
TV Okazje(2)	n/a	n/a	n/a
Fokus TV(4)	0,87%	1,09%	1,11%
Nowa TV(4)	0,27%	0,26%	0,26%
Polsat X(2)	n/a	n/a	n/a
Polsat Reality(2)	n/a	n/a	n/a
Polsat Film 2(2)	n/a	n/a	n/a

Source: Nielsen Media, target group: all aged 16-49, all day

(1) Data accounts from Time Shift Viewing, live+2, starting from September 2021 includes also In-Home Consolidated +2d plus OOH Live.

(2) Channel not included in the telemetric panel.

(3) Channel included in Polsat Group's portfolio since September 1, 2021, replaced Superstacja channel.

(4) Channel included in Polsat Group's portfolio since September 18, 2020.

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)(1)

Channel	Audience share (SHR % A 16-49)		
	2019	2020	2021
Polsat JimJam	0.19%	0.18%	0.16%
CI Polsat	0.20%	0.13%	0.14%
Polsat Viasat Explore	0.11%	0.12%	0.12%
Polsat Viasat History	0.18%	0.14%	0.10%
Polsat Viasat Nature	0.03%	0.04%	0.04%
Polsat Comedy Central Extra (2)	0.23%	0.29%	0.29%

Source: Nielsen Media, target group: all aged 16-49, all day

(1) Data accounts from Time Shift Viewing, live+2, starting from September 2021 includes also In-Home Consolidated +2d plus OOH Live.

(2) Channel in Polsat Group's portfolio since March 2020, previously aired as Comedy Central Family mily.

Scheduling

We tailor our programs and programming schedules to the interests of the group, that considering its demographic characteristics, we believe is most attractive to advertisers. We analyze data relating to our audience share in detail, and, by identifying audience interests and general market trends, we attempt to ensure that our programming remains responsive to the expectations of the target audience and advertisers.

Our scheduling is based on two schedules that are key from the point of view of generating advertising revenue: the spring (March-May) and autumn (September-November) schedules. That is when we broadcast premieres. In the summer and winter, we schedule mainly re-runs of the content premiering in the high season, although recently it has become a custom to introduce premieres into the programming offer also outside the regular season scheduling.

Our programming schedule is designed to maintain viewer loyalty so that the attractive programming keeps the viewer watching the specific channel. It is especially important in the time slot between early afternoon and 'prime time'. To achieve this goal, each day (from Monday to Friday) we plan stable slots so that the viewer can remember the programming scheme of the channel. This strategy is implemented between 3pm and 8pm. From 8pm, the channel proposes a strong offer including movies (i.e. Monday, Tuesday and Saturday), talent shows (Tuesday, Wednesday, Friday and Sunday) and popular series (Thursday).

Sources of Polish programming

We aim to diversify sources of Polish content, enabling us to efficiently manage production costs. Thanks to that we are able to choose those offers from a wide range of proposals which are both attractive and cost-effective in order to ensure successful scheduling. In case of formats owned by us, we organize tenders in order to select the most cost-effective producers that ensure high quality. Polish programs are primarily commissioned to independent external producers. However, we also create programs in-house. Approximately 60% of our programming hours consist of Polish content.

Commissioned programs are sub-contracted, when justifiable, to third-party production companies to provide us with additional production capacity, thereby reducing overhead costs related to production employees, facilities and equipment. Our external producers include approximately 50 Polish and foreign producers. To provide content for Polsat Play, Polsat Cafe, Super Polsat, Polsat Rodzina and Polsat Games, we use the services of smaller local production companies. Polsat News relies mainly on Polsat Plus Group's own production resources. Sport channels rely mainly on broadcasts of sports events to which we have acquired broadcasting rights and are supported by in-house production.

In most cases we use a standard template for all production contracts we enter into. When the production of TV programs is commissioned to external producers, the contracts generally provide that the producer transfers to us all the copyrights and related intellectual property rights of the covered programs with the exclusive right to exercise the derivative copyright. The producer's fees include production fees as well as fees for the transfer of copyrights, related intellectual property rights to the program (or, alternatively, for granting the license) and for granted authorizations and consents. All production agreements have definite terms, typically covering the time of production with the possibility for extensions.

Programs supported by in-house production include sports, news ad journalistic programs as well as special events.

Sources of foreign programming

We purchase programming licenses from foreign providers primarily for films, series and sports.

Our key partners for movie and series licenses are major movie studios such as Sony Pictures TV International, 20th Century Fox TV, The Walt Disney Company, Warner Bros International TV Distribution,

CBS Studios, Paramount Pictures Corporation, GroupM Norway AS, NBC Universal, LLC. We also cooperate with Monolith Films, who offers foreign productions to us. Usually, these contracts have terms of two to three years and are denominated in U.S. dollars or euro. We acquire broadcasting rights under one of two types of contractual arrangements. The first are the so called volume contracts, which involve the acquisition of a specified volume of films or series, while the second constitute spot contracts, which involve the acquisition of the right to broadcast individual series or films.

Purchase of sports broadcasting rights

Important sports licenses purchased by Polsat Group include broadcasting rights to the FIVB Volleyball competitions (Men's and Women's Nations League, World Cup, World Championships) as well as competitions of Infront/CEV (European Championships in Volleyball, Champions League in Volleyball). The duration of these contracts usually relates to playing seasons for each event. Typically, they are denominated in euro. Once we obtain the required programming licenses for certain sports events, we provide our viewers with locally-customized programming either in the form of complete productions or studio commentary.

In 2020, despite the unusual market situation due to the COVID-19 pandemic, Telewizja Polsat signed a new agreement with Infront/CEV for a number of volleyball events, including the volleyball Champions League, two editions of European Championships or qualifiers to 2024 Olympic Games.

Under the existing agreement with the International Volleyball Federation FIVB in the upcoming several years we will broadcast the most important events in the world and national team volleyball. The package of acquired rights includes the Volleyball Nations League (260 matches in total during the season and qualifying tournaments to the Volleyball Nations League), Challenger Cup, qualifying tournaments to the 2020 and 2024 Olympic Games, men's and women's 2022 World Championship, and 2019 and 2023 World Cup.

Furthermore, we have been holding broadcasting rights purchased from PLPS (Polish Professional Volleyball League) to Plus League and Tauron League matches already for a decade. In 2020, we extended this contract for another four seasons until 2027/2028.

Polsat Plus Group also offers its viewers and subscribers the matches of the most prestigious football club games - the UEFA Champions League for all channels of distribution, including television, the Internet, and mobile devices. The games are broadcast in dedicated to them channels Polsat Sport Premium. Currently, we hold broadcasting rights to the UEFA Champions League until the season 2023/2024.

Sale of advertising and sponsoring on the TV market

There are two main forms of advertising on the TV market: advertisements broadcast in advertising breaks and sponsoring broadcast alongside trailers of the sponsored program, before and after the sponsored program and during advertising breaks in-between the sponsored program.

Advertising time is sold by broadcasters in two forms: GRP sales and monthly rate-card sales. GRP sales are based on delivering a specified audience to the advertiser based on viewership results. The valuation of the service is based on fixed price per one rating point. Rate-card sales are based on a broadcaster's official rate-card for individual advertising breaks. Customers purchase specific advertising breaks at a price determined by the given rate-card.

GRP prices for specific months and rate-card discounts applied, as well as annual minimum purchase commitments are set out in annual contracts negotiated with media agencies and customers. Pricing and discounts depend on the level of the annual minimum purchase commitment.

Sponsor projects are sold throughout the year on the basis of a project created together with a client. Prices and discount conditions are negotiated individually for each customer and each sponsor campaign.

Pricing of commercials is based on maximizing revenue from the commercial time that is available to us according to the law and on the estimated level of attractiveness of specific programming content next to which the advertising breaks are located. Forecasts of advertising break audience are prepared for each month based on the overall TV audience, the channel's share in the overall audience and seasonality (prices of commercials are highest from October to November, before Christmas season, and lowest from January to February and from July to August).

In order to provide flexibility to advertising customers, we offer advertising priced either on a rate card basis or per GRP point.

Rate-card prices of commercials are set and published each month by our advertising sales team at Polsat Media Biuro Reklamy. Advertisers select commercial breaks based on their assessment of which programs target the audience demographic they wish to reach (the channel is not accountable for the audience actually generated by the program).

GRP prices are established for specific channels each month during a calendar year by Polsat Media Biuro Reklamy advertising sales team and GRP delivery is guaranteed. Advertising sold on a cost per GRP basis is scheduled on the basis of available resources after the booking of sales based on rate-cards. According to the team managing trading policy at the advertising office, this sales model is the most profitable way to sell our advertising breaks. In 2021, rate-card sales accounted for 77% of all advertising sales on our main channel, POLSAT.

Pricing of sponsoring of specific programs is set with the objective of maximizing our revenue taking into account the programming offer and legal regulations regarding sponsoring limits. Our pricing is based on the relevance of the subject matter of the program to the sponsor's needs and the target group, the quality of our programs, recognition of brands and the attractiveness of the broadcast slot. In order to provide flexibility to advertising customers, we negotiate sponsoring contracts on a case-by-case basis, taking into account all the factors mentioned above.

Sponsoring revenue is primarily dependent on programming quality and marketing attractiveness for the product and its target audience. As a result, sponsoring is not as dependent on the strength of the economy as advertising.

Sale of advertising in the Internet

There are several basic forms of online advertising which are offered by Polsat Media Biuro Reklamy.

Display advertising – graphical elements of various size and shape are displayed in a defined place on a website. These formats can be floating (moving along when scrolling a website and thus always staying in the same place of a screen) or unwinding (changing their size when hovered with a mouse). Display advertising includes various types of invasive advertising shown, for example, as a new layer totally covering a webpage which is being viewed.

Video advertising – in the form of spots similar to advertising spots broadcast on TV, which are played before, during and/or after a video content.

Email marketing - a form designed to advertise a specific product by disseminating emails with an advertising message to users of email services.

Online advertising is also found in untypical forms, such as **sponsored articles** – commissioned materials which, beside their merit value, include an advertising message, and **influencer marketing** – a form of advertising used in social media by product placement made in posts and video reports by famous and influencing individuals.

There **are two basic models of selling advertising space.** In the **direct model** Polsat Media Biuro Reklamy sells advertising space to an advertiser directly, and in the **programmatic model** advertising space is put up for auction in which a given advertisement can be purchased by any advertiser (open market) or by selected advertisers only (private marketplace).

Polsat Media Biuro Reklamy sells display advertisements and video advertisements in two payment settlement models. In the **page view model**, a customer purchases a defined number of advertisement issues or buys constant presence of the advertisement in a certain place of a website for a defined period of time. In the **efficiency model**, an advertiser pays only for specified actions of a user, e.g., clicking an advertisement, filling in a form, making a payment etc., regardless of the number of advertisements displayed in total to achieve this target. In case of non-standard formats, the prices are set individually.

2.7.3. Sales

Sale of TV/online advertising and sponsorship

The key source of revenue in our media segment is advertising and sponsorship revenue (approximately 66% in 2021). Almost all of our advertising revenue is collected through our media house Polsat Media Biuro Reklamy, which acts as our advertising agent (sales house). Polsat Media Biuro Reklamy is responsible for the sale of all forms of advertising: spot advertisements, online advertising, sponsoring services and contracts connected therewith.

In 2021, Polsat Media Biuro Reklamy carried out the sale of advertising time on our TV channels and 49 channels of other broadcasters outside our Group. Polsat Media Biuro Reklamy often works with international media houses that operate as intermediaries, negotiating purchase conditions and conducting campaigns for their customers. The sale of advertising time is carried out both through annual contracts entered into with media houses, as well as individual direct customers. In 2021, ten largest media houses collectively accounted for approximately 68% of net advertising and sponsorship revenue of Polsat Media Biuro Reklamy. Similarly to other nationwide broadcasters in Poland, Polsat Media Biuro Reklamy has a stable group of advertisers that it works with.

Polsat Media also offers a comprehensive array of non-TV products, including: Polsat Media Online (video and display advertising) including comprehensive advertising services to Interia.pl Group, Polsat Media AdScreen (digital OOH media), Polsat Media AdTube (a platform which group popular Internet authors), Polsat Media Digital Audio (audio advertising in the Internet) and inter-regional radio station Muzo.fm.

In connection with acquisition of Interia.pl Group companies by Polsat Plus Group, from October 1, 2020 Polsat Media executes a full scope of advertising services and all orders for purchasing advertising space on portals that which belong to Interia.pl Group.

Starting from January 2021, Polsat Media is the sole sales representative of Telewizja Puls with regard to sale of advertising spots. Telewizja Puls is the third largest commercial TV in Poland, broadcasting two nationwide TV channels: TV Puls and PULS 2, with a total share in viewership in the A16-49 group at the level of 6.4%. Following the addition of Telewizja Puls channels to Polsat Media's portfolio we are the largest TV broker on the market, with the largest share in viewership (37.7% in the A16-49 group) and the largest share in the TV advertising market (45%).

Sale of broadcasting rights to Polsat Plus Group's channels

The second largest source of revenue in our media segment are agreements with cable TV networks and satellite TV operators to broadcast our channels, which comprised 28% of total revenue in this business segment in 2021. Our agreements with cable TV networks and satellite TV operators are generally non-

exclusive licenses for the broadcasting of our channels. Under typical licenses, operators agree to pay us a monthly license fee, the amount of which generally depends on the number of customers who receive our programs and set rates for a package or channel.

Distribution of content online

Sales of content online, through our services Polsat Box Go and Polsat Go, is another source of revenue of Polsat Plus Group. Our services are at the forefront of the online video market in Poland both in terms of availability on different devices (computers/laptops, tablets, smartphones, Smart-TVs) and in terms of content offered. Online access to our services' programming is based on two settlement models. Polsat Box Go is intended only for subscribers. Polsat Box subscribers and users who purchase access to Polsat Box Go via the Internet have access to a wide VOD offer and a number of linear TV channels completely without advertising. In turn, Polsat Go is based entirely on the advertising model in which users have access to VOD materials for free, but advertisements are broadcast before, during and after the material.

Sales team

Polsat Media Biuro Reklamy is responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, Polsat Media Biuro Reklamy sales force cooperates closely with advertisers to design special campaigns, such as sponsorship campaigns and related cross-promotional opportunities. Together with the programming department, Polsat Media Biuro Reklamy advertising sales department obtains TV audience ratings data from the Nielsen Media telemetric panel on a daily basis, which is supplemented from September 2021 by out-of-home viewership figures from the Mediapanel survey provided by Gemius. They analyze this data and compare it with audience ratings of our competitors to determine the most effective strategy for scheduling advertising slots to reach advertiser's preferred audience in the most efficient manner. The department is also responsible for ensuring that advertising slots are allocated in accordance with client specifications regarding context and timing.

Since 2009, Polsat Media Biuro Reklamy uses the Provys Sales system, sales and optimization software compatible with our fully-integrated ERP system, Provys Office, used by the Group to manage i.a. program broadcasting. Provys Sales enables to simultaneously sell airtime on 79 channels serviced by Polsat Media Biuro Reklamy in 2021 with fully automated broadcasts of commercial airtime, as well as campaign results verification based on daily uploaded data.

In 2017, the Provys Sales system was integrated with the platform Polsat Media AdFlow, which allows advertisers and media agencies for the transfer and management of advertising materials. Thanks to this Polsat Media Biuro Reklamy customers have direct contact and technical support of a team dedicated to service the flow of broadcasted materials. This integration enables the automatization of a majority of processes related to billing and sending electronic invoices to users of the platform.

In 2022, the Provys Sales system was integrated with the Polsat Media AdSign platform, which enables media agencies to commission campaigns, sign orders and download e-invoices. It enables Polsat Media Biuro Reklamy customers to quickly and independently commission a campaign in any medium from the Polsat Media portfolio, as well as to eliminate paper workflow. This integration automates selected processes concerning sales and invoicing of Polsat Media services.

In addition, Polsat Media Biuro Reklamy advertising sales department conducts a wide range of market analyses based on external independent industry reports, including research conducted by Starcom and Zenith. Polsat Media Biuro Reklamy also uses data from TGI consumer research held by KANTAR,

Mediapanel which provides information on the behavior of Internet users in Poland and other dedicated tools provided by Gemius group (AdReal, Prism, AdOcean).

Polsat Media Biuro Reklamy is a member of EGTA (international trade association of TV and radio sales houses), which gives us the opportunity to interact and cooperate with sales houses from most European countries.

2.7.4. Technology and infrastructure

Broadcasting of TV channels

We broadcast TV channels through digital terrestrial television, cable TV and digital satellite platforms. Certain channels are available as online streams on our platform Polsat Box Go.

Terrestrial transmission. POLSAT, our main channel, and the channels Super Polsat, TV4 and TV6 are broadcast via a nationwide network of digital terrestrial transmitters within the MUX-2 and on local multiplexes: MUX-L4 and MUX-TVS. Polsat Plus Group's other channels - Eska TV, Polo TV and Focus TV - are available on MUX-1 while the channel Eska TV Extra is broadcast on local multiplexes MUX-L1, MUX-L2, MUX-L3, MUX-L4. In addition, our channel Nowa TV is broadcast on the nationwide MUX-8. Moreover, MUX-4 is reserved for INFO-TV-FM (owned by Polsat Plus Group), which broadcasts TV to mobile devices. Since the beginning of September 2021, our new news channel - Wydarzenia24 -has been test broadcast on the MUX-4 multiplex using the HEVC codec. The remaining channels of Telewizja Polsat are broadcast via digital satellite platforms, cable TV networks and IPTV distributors.

Satellite transmission. As a Group we have several agreements for the use of transponders belonging to Eutelsat S.A. (see chapter 2.1.4 - *Business overview of Polsat Plus Group - Technology and infrastructure pay TV services* – Satellite. Through Cyfrowy Polsat, TV Polsat has access to seven Eutelsat transponders.

Technology and infrastructure

As the leading commercial broadcaster and producer of TV content, TV Polsat uses state-of-the-art technologies and relies on latest equipment. The main picture format is the High Definition 1080i50 standard. The key components of our technical resources include:

- four TV studios, all of which are equipped with cutting-edge, new or recently modernized HD equipment, including a fully automated news production studio working for the channel Wydarzenia24,
- a versatile Podcast studio used for the production of small journalistic forms, recording online interviews with guests, making live entries to programs hosted in other studios,
- two production halls of 1,200m^2 and 1,600m^2 dedicated to the production of medium to large entertainment shows or TV game shows,
- three production halls: 2 x 500m^2 and 700m^2 for the production of journalistic, entertainment, sports and e-sports programs, including two production control rooms in HD technology with advanced multimedia elements of scene design and use of VR and AR technologies as well as virtual studio,
- six fully digital outside broadcast HD vans,
- a 14-camera UHD truck made with state-of-the-art IP technology and compliant with SMPTE ST-2110 standards
- a 2-camera Slow Motion HD van for replays during sports events,
- 13 digital satellite news trucks ensuring on-site signal feed in HD standard,

- mobile kits for producing simple sports commentary and journalism, which enable both working on-site with transmissions of final signal over IP or remote production from Telewizja Polsat's office,
- a multi-channel automatic TV broadcasting system for broadcasting our channels,
- a multiplex system ensuring the effective transmission of the signal to viewers,
- a digital switching system for TV signals in the hub,
- IT systems and networks designed to handle technological tasks in the fields of production of news and sports programs, auto-promotional materials and postproduction,
- data centers (the main and a backup ones) with virtualization platforms for servers and client stations,
- digital program archive with a modern Media Asset Management system for content management,
- HD editing systems connected via IT and SDI networks,
- virtual journalistic and assembly stations for the information channels' needs, enabling remote access,
- more than 80 HD cameras for reporters,
- technological systems for signal exchange between head office and between the station and production halls and regional offices across the country,
- a twin-engine EC-135 helicopter with a gyro-stabilized camera, used for realization of programs and offering the possibility transmitting HD signal up to 100 km.

2.7.5. Broadcasting licenses

In our media segment we currently dispose of 36 broadcasting licenses, including 6 universal broadcasting licenses and 30 broadcasting licenses for thematic TV channels. 4 broadcasting licenses are for terrestrial broadcasting only (POLSAT, TV4, NOWA TV and Fokus TV channels), 4 broadcasting licenses are for terrestrial broadcasting DTT and satellite broadcasting (Super Polsat, TV6, Polo TV and Eska TV channels) and 28 broadcasting licenses are for satellite broadcasting only. Our current broadcasting licenses were granted by the National Broadcasting Council (KRRiT).

The table below sets out the broadcasting licenses currently held by the Group:

Channel	License holder	Type of broadcasting license	Date of expiration
POLSAT	TV Polsat	Terrestrial (digital)	March 2, 2024
Super Polsat	TV Polsat	Satellite / Terrestrial (digital)	August 29, 2030
Polsat 2	TV Polsat	Satellite	January 18, 2024
Polsat Sport	TV Polsat	Satellite	January 18, 2024
Polsat Cafe	TV Polsat	Satellite	July 28, 2024
Polsat Sport Extra	TV Polsat	Satellite	October 26, 2025
Polsat Play	TV Polsat	Satellite	November 15, 2025
Polsat News	TV Polsat	Satellite	May 18, 2028
Polsat Film	TV Polsat	Satellite	June 4, 2029
Polsat News 2	TV Polsat	Satellite	October 5, 2024
TV4	TV Polsat	Terrestrial (digital)	February 2, 2029
TV6	TV Polsat	Satellite / Terrestrial (digital)	July 22, 2030

Channel	License holder	Type of broadcasting license	Date of expiration
Polsat Seriale	TV Polsat	Satellite	October 15, 2023
Polsat Sport Fight	TV Polsat	Satellite	October 15, 2023
Disco Polo Music	TV Polsat	Satellite	April 24, 2024
Polsat Music	TV Polsat	Satellite	April 24, 2024
Polsat Film 2	TV Polsat	Satellite	April 24, 2024
Polsat 1(1)	TV Polsat	Satellite	May 11, 2025
Polsat Sport Premium 1	TV Polsat	Satellite	March 6, 2026
Polsat Doku	TV Polsat	Satellite	March 6, 2026
Polsat Sport Premium 2	TV Polsat	Satellite	March 6, 2026
Polsat Reality	TV Polsat	Satellite	March 6, 2026
Polsat X	TV Polsat	Satellite	March 6, 2026
Polsat Sport News	TV Polsat	Satellite	December 20, 2026
Polo TV	Lemon Records	Satellite / Terrestrial (digital)	February 23, 2031
VOX Music TV	Lemon Records	Satellite	April 29, 2024
Eska TV	Music TV sp. z o.o.	Satellite / Terrestrial (digital)	May 26, 2029
Eska TV EXTRA	Music TV sp. z o.o.	Satellite	August 1, 2026
Eska Rock TV	Music TV sp. z o.o.	Satellite	March 16, 2026
Polsat Games	TV Polsat	Satellite	September 16, 2028
Polsat Rodzina	TV Polsat	Satellite	September 16, 2028
Polsat Smart Dom(2)	TV Polsat	Satellite	September 16, 2028
Superstacja	Superstacja Sp. z o.o	Satellite	August 1, 2026
NOWA TV	TV Spektrum sp. z o.o.	Terrestrial (analogue/digital)	January 6, 2026
Nova TV(1)	TV Spektrum sp. z o.o.	Satellite	August 1, 2026
Fokus TV	TV Spektrum sp. z o.o.	Terrestrial (digital)	November 21, 2023

(1) An application has been made to amend the license by excluding satellite broadcasting and leaving broadcasting via a data communication network.
(2) The channel has not begun broadcasting yet.

2.7.6. Restrictions on programming and advertising

In addition to regulating broadcasting time and the content of programming aired by Polish TV broadcasters, the Broadcasting Act also imposes certain restrictions on advertising. All of these restrictions are usually described in detail in the broadcasting licenses granted by the KRRiT. Each of our broadcasting licenses is subject to restrictions related to:

- minimum daily TV program broadcasting time;
- minimum percentage share of individual categories of programs in the monthly and daily broadcasting time;
- minimum requirements for the broadcast of programming originally produced in the Polish language and programming of European origin and the requirement to ensure that at least 10% of the broadcaster's programming is obtained from independent producers;
- the maximum percentage share of the daily and weekly broadcasting time of shows and other transmissions produced exclusively by the broadcaster or ordered from independent producers; and

- the obligations to ensure that minor viewers do not have access to transmissions containing acts of violence and to encrypt programs broadcast at specified times or to ensure that previews of transmissions containing erotic content will not be broadcast during certain hours.

Additionally, the Broadcasting Act imposes strict advertising requirements including the following:

- advertising and teleshopping spots must be readily recognizable and distinguishable from editorial content;
- broadcasts of commercials and teleshopping spots shall be inserted between programs, however it is permitted to interrupt the following types of programs to broadcast commercials and teleshopping spots:
  - films produced for TV (excluding series, serials and documentaries) as well as cinematographic films – only once for very full 45 minutes program;
  - other programs (except for broadcasts of sports events which contain natural breaks resulting from their rules as well as broadcasts of other events containing breaks during which commercials and teleshopping spots can be aired) if the time between consecutive breaks in a TV program is at least 20 minutes;
  - news, current affairs programs and documentaries with a duration shorter than 30 minutes, religious programs and programs for children may not be interrupted to broadcast commercials or telesales spots;
- spots exclusively dedicated to teleshopping must contain explicit visual and audio disclaimers and must be broadcast continuously for at least 15 minutes; and
- product-specific advertising restrictions including restrictions related to:
- – alcohol, which is prohibited with the exception of beer, the advertising of which is allowed between 8 p.m. and 6 a.m.;
- – tobacco, tobacco accessories and products imitating tobacco products as well as gambling, the advertising of which is prohibited at all times;
- – pharmaceutical products, the advertising of which is prohibited save for non-prescription pharmaceuticals (the so-called OTC pharmaceuticals), the advertising of which must meet certain strict legal requirements;
- – health care services, as defined in the regulations on medical activity, available exclusively on the basis of a referral, the advertising of which is prohibited;
- – psychotropic substances and/or intoxicating substances, the advertising of which is prohibited;
- – baby formulas, the advertising of which is prohibited.

The amended Broadcasting Act, which came into force on November 1, 2021, modifies the time limits for commercials. The former time limit for broadcasting commercials and telesales of 12 minutes per hour was lifted and replaced with a division of the day into three parts:

- from 6 a.m. to 6 p.m. the total time for airing commercials and telesales may not exceed 144 minutes,
- from 6.p.m. to midnight the total time for airing commercials and telesales may not exceed 72 minutes,
- from midnight to 6 a.m. there are no time limits as to airing commercials.

The amended act allows to interrupt broadcasting sports events with a single commercial even at the time other than a break resulting from rules of a specific sports discipline. The above concerns natural breaks in games (other than those resulting from rules of a specific sports discipline) or interruptions placed during the broadcast by an entity from whom a broadcaster purchased broadcasting rights.

It is allowed to interrupt with commercials a children's program which lasts longer than an hour. Such films could be interrupted once per every 45 minutes provided that they last longer than an hour.

Moreover, the amendment imposes on broadcasters the duty to ensure that their media services are accessible to people with visual or hearing disabilities, in particular, by introducing appropriate amenities (such as audio description, subtitles for the hearing-impaired and sign language translation), so that at least 10% of the quarterly broadcasting time (excluding advertising and teleshopping spots) contained such amenities.

2.8. Other aspects of our business

Significant investments in minority interests

Below we present a description of the most significant investments of Polsat Plus Group in assets other than those used in the core business, in which the shares are valued using the equity method.

Asseco Poland S.A. In 2019 and 2020, the Company acquired a total stake of 22.95% in Asseco Poland S.A., a leading IT solutions provider, for approximately PLN 1.2 billion. Currently, the Company is the largest shareholder of Asseco Poland S.A.

The Company considers the investment in shares of Asseco Poland S.A. as a long-term transaction. This is a strategic alliance of two Polish leaders of the TMT sector who have cooperated in the past, among others, on the implementation of the Group's new IT environment.

In our opinion, closer cooperation through capital engagement makes it possible to achieve synergies in the form of: (i) further increasing the efficiency in the Group's IT area, (ii) even better servicing of existing customers and acquiring new ones, and (iii) development of new products and services.

The Company and Asseco Poland do not plan a merger and shall continue to operate autonomously. Their joint potential, however, allows for the development of a rich offering of advanced telecommunications and IT services.

Asseco Poland is listed on the Warsaw Stock Exchange. According to the share price of Asseco Poland as at December 31, 2021, the value of the block of 19,047,373 million shares owned by Cyfrowy Polsat was PLN 1.65 billion.

At the same time, Asseco Poland is a company with a long-term dividend profile. Thus the investment in this asset translates positively into generating a recurring cash stream for Polsat Plus Group.

Modivo S.A. In June 2021, the Company acquired a 10% stake in eObuwie.pl S.A. (currently Modivo S.A.) from CCC Group as a pre-IPO investment for PLN 500 million.

The Company treats the investment in Modivo as a financial investment, with a specified method and potential timing for exiting the investment, which will be Modivo's initial public offering, currently planned for 2022 or 2023.

Taking into account Modivo's very good results and the dynamically developing market segment in which it operates, we believe the investment can generate an attractive rate of return.

The majority shareholder of Modivo is the WSE-listed CCC Group (holding 75% of shares), a leader on the Polish footwear retail market and one of the largest footwear manufacturers in Poland.

Research and development - new services and implementations

In 2021, we continued our efforts in the field of implementation of state-of-the-art technologies and latest technical solutions which offer superior quality and enhanced functionality of services to our customers and enable us to expand our offer by adding new services and products.

Dynamic roll-out of our 5G network operating in the 2.6 GHz TDD frequency band was last year's most important event (for more information see item 1.6.– *Characteristics of Polsat Plus Group – Competitive advantages* and item 3.3 – *Significant investments, agreements and events – Business related events).*

5G Standalone tests. Since the launch of Poland's first commercial 5G network, we have been constantly working on the development of this technology. We want our 5G to be a real answer to the changes taking place in our environment and the resulting needs of our customers. In the course of 2021, together with Ericsson and OPPO, we conducted intensive tests of 5G in the Standalone technology. These tests represent the next step of the process thanks to which Polsat Plus Group customers can benefit from the latest global technological solutions.

The Non-Standalone (NSA) technology, used currently in operational 5G networks, requires the integration of 5G and 4G infrastructures, while 5G Standalone (SA) operates independently of previous network generations. This will translate into even better data transmission parameters, higher capacity and reduced latency. In addition, 5G SA allows to implement new business solutions based on so-called network slicing. It is also worth noting that 5G SA is the most energy-efficient generation of mobile networks.

Successful laboratory tests of 5G Standalone network using the 2.6 GHz TDD band owned by Plus allowed us to move to the next phase of tests, this time in a commercial network. The Ericsson 5G SA solution tested by Plus consists of two elements: the radio access network (RAN) - Ericsson Radio System - and the backbone network - Ericsson 5G Core. OPPO smartphones that support 5G SA are used in the tests.

New 4K set-top boxes. In November 2021, we introduced a modern, compact and lightweight set-top box - *Polsat Box 4K Lite*. The set-top box provides excellent picture quality, has functions allowing to watch content independently of the TV scheduling, a built-in Wi-Fi module and a Bluetooth remote control. The device can be used in any of the three technologies in which Polsat Box provides TV services: satellite, cable IPTV and the Internet. Selected programs can be viewed in 4K quality. The *Polsat Box 4K Lite* set-top box also features the DUO functionality which is new on the market and unique in Poland. It enables seamless switching between satellite and cable IPTV within the same TV offer. Thus, the viewer choose the source of the TV signal - satellite or cable IPTV. The viewer can change them whenever and as often as he/she wishes within the same TV package. The DUO function does not allow switching from satellite or cable IPTV to Internet TV.

Among the channels delivered by Polsat Box there are 4 that allow to watch content in 4K quality: Eleven Sports 1 4K, Insight TV UHD, Fashion TV 4K and NASA TV UHD. Polsat Box subscribers also have access to pay VOD content in 4K quality via the Polsat Box Go service. They can watch them both in the application on the *Polsat Box 4K Lite* set-top box and on mobile devices.

Cooperation with startups. In June 2021, two startups were selected to cooperate with Polsat Plus Group under the Impact Poland acceleration program, of which Plus network is one of the technology recipients. The program assumed that the startups will receive grants from the Impact Poland acceleration program in the amount of up to PLN 250,000 along with support from Polsat Plus Group in the process of development of their solutions and an attempt of their commercial implementation.

Due to Polsat Plus Group's commitment to environmental protection and sustainable development, ecology was an area in which innovative solutions were sought.

The first startup, Plan Be, is developing a comprehensive tool to support the process of achieving climate neutrality and reporting on the carbon footprint across the supply chain in a low-cost manner that does not require specialized knowledge. On the one hand, it is a dedicated digital green manager who follows trends and takes care of the content side, and on the other, it is an application that shapes eco-habits and provides verified knowledge about the carbon footprint of products and customers. The application will be made available to employees of Polsat Plus Group together with environmental challenges specially designed for them.

The second of the selected startups is a solution from the legal-tech area, but with an impact also on the ecological functioning of the company. The startup, Pergamin, is developing a next-generation platform for contract management. As part of its business development, in addition to enabling the signing of contracts through an increasingly common electronic signature, Pergamin is working with Polsat Plus Group to develop modules that support the process of creating and negotiating contracts in order to optimize the process, speed up work, reduce human error and give the right people in the organization more control over the entire contract work. This tool can contribute both to cost optimization of the organization's functioning and to the reduction of paper used by the company.

IT systems

IT systems are crucial in multiple aspects of our business operations. Polsat Plus Group uses numerous systems, applications and dedicated software, both developed in-house, as well as by leading local and international suppliers.

In the B2C and B2B services segment we use IT systems facilitating effective and efficient management of our customer base. These systems include, among others, a customer relationship management system, sales support system, online customer accounts and a transaction support system. With regard to customer service and billing, we use systems that allow for flexible billing for different contract and prepaid plans. Our customer service systems enable us to address the needs of our customers through different communication channels (such as call centers, e-mail, Interactive Voice Response, SMS, points of sales and Internet). Moreover, we use a wide range of applications that support customer segmentation, product definition and the selection of sales channel and communication method.

With respect to systems designed for set-top boxes, we use applications and software enabling us to offer our products as efficiently as possible. As the owner of the systems and holder of intellectual property rights related to them, we are able to respond quickly and successfully to all the needs of our customers.

In the B2C and B2B services segment we use systems licensed from third parties, such as a conditional access system securing access to channels offered in our paid DTH packages. At the same time, while looking for cost optimization in the area of small volume development in the high-end line, we cooperate with experienced suppliers, as in the case of the EVOBOX and Polsat Box set-top boxes, which are integrated hybrid solutions with PVR enabling access to content in 4K resolution.

In our media segment we rely on numerous IT systems which support management of production of programs, data storage, creation of graphical elements, management of our program library, as well as license management. All the systems related to these areas are provided by external providers.

Thanks to services developed by our Internet Projects Division we provide the Group’s customers who use Internet links and broadband mobile Internet access the possibility of consumption of premium audio, video and text content. The Polsat Box Go application is available on the majority of popular multimedia devices in Poland, including computers, smartphones and new generation TV sets. The multi-node multimedia distribution network supports simultaneous access to offered multimedia for tens of thousands of Internet users. The content we distribute is developed, secured and monetized using mainly our proprietary solutions as well as systems provided by third party suppliers and our business partners.

IT systems are critical to our operations in the field of telecommunication. In network management, we control all network infrastructure elements with respect to their availability, performance and security to control traffic and plan capacity of the network in line with expected business needs.

We use management systems that include, among other things, financial control, revenue assurance, fraud detection, rating and scoring systems and those that support the reporting process for internal and regulatory purposes. Apart from the main data center, our subsidiary Polkomtel maintains a back-up data center, which holds duplicated information from major systems and data of decisive nature to ensure that, in the event of a potential malfunction, it can assure continuity of the most critical services.

Simplification and modernization of software development processes and their reorientation towards specific business goals has played an important part in improving the efficiency of our IT systems in recent years.

As part of the operational integration of Polkomtel and Cyfrowy Polsat and relying on the Group's existing IT solutions, Polsat Plus Group is executing, in cooperation with Asseco, a project aimed at developing a shared system environment to develop joint multi-product offers comprising the services of both Cyfrowy Polsat and Polkomtel. These efforts will also enable us to achieve further cost optimization and leverage significant synergies in both know-how and resources. The transformation of IT systems is an essential element of this undertaking.

The prepared eco-system will enable improved, simpler and more efficient management of sales as well as the ability to respond flexibly to market dynamics – launching of new products and services will become easier and faster. A central catalogue of the Group’s services and products will be created with one, consistent and effective sales solution which will be common for all channels of contact with the customer. IT infrastructure will be simplified and will become more flexible, which will enable the reduction of the time and cost of new business implementations.

The implemented solution will contribute to further development of joint sales of numerous services offered by the Group and it will enable a flexible response to market changes while offering newer products related to various aspects of life and packaged sale of these products.

Insurance agreements

We maintain insurance coverage for our companies and their operations, substantially against all risks and with sums insured at levels typical of pay TV providers, telecommunication operators and TV broadcasters operating in Poland.

We have motor vehicle insurance policies, all risk property insurance policies, as well as third party liability insurance on business operations and professional liability insurance on broadcasting activity, liability on business interruption, and third-party liability insurance for members of management and supervisory boards of the companies that belong to Polsat Plus Group.

In 2021, Polsat Plus Group was party to the insurance agreements described below.

In the scope of property insurance general agreements were concluded for the years 2019-2022 with TUiR Warta S.A. in co-insurance with STU Hestia S.A. regarding the insurance of assets against all risks, electronic equipment insurance, insurance of machinery against damages, loss-of-profit insurance, insurance of assets in domestic and international transport (cargo).

In the scope of third-party liability insurance a general agreement was concluded for the years 2019-2022 with TUiR Warta S.A. in co-insurance with STU Ergo Hestia S.A. regarding third-party liability insurance, including professional liability insurance. Furthermore, an agreement regarding bookkeeping liability insurance was concluded with PZU S.A. The following insurers are engaged in the liability insurance policy of directors and management board members of companies belonging to Polsat Plus Group: TUiR Allianz

Polska S.A., Colonnade Insurance S.A. Branch in Poland, Chubb Branch in Poland, TUiR WARTA S.A and TU Generali Polska S.A.

In 2021, our subsidiary Polkomtel continued a general fleet motor insurance agreement with STU Ergo Hestia S.A. (theft insurance, accident insurance and assistance) which extends to the entire motor fleet of Polsat Plus Group.

In 2021, the international business travel health insurance and personal injury insurance with Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. were continued.

We believe that our insurance coverage is in line with the practice followed by other pay TV providers, TV broadcasters and telecommunication operators in Poland.

Business Contingency Plan

As a Group we have over 10 years of experience in business continuity. The Business Contingency Plan of Polkomtel was established in 2010 on the basis of the then norm BS 25999. The current Business Contingency Plan, built in compliance with the norm PN-EN ISO 22301:2014, covers processes and critical services executed and provided by Polkomtel and Cyfrowy Polsat. The periodic conduction of the Business Impact Analysis is the key element of the Business Contingency Plan and includes an update of the list of processes and critical services which is approved by resolution of both companies' management boards. Within the current and periodic (once every two years) update of the Business Contingency Plan we examine threats and vulnerabilities in critical processes and services, and perform risk analysis aimed at identifying main threats and defining recommendations with respect to groups of resources, such as locations, human resources, external and internal service providers, office infrastructure, data stored in both an electronic and paper form, the technical and IT infrastructure.

Within the Business Contingency Plan we maintain a dedicated structure - the Crisis Management Centre – which is targeted to prevent crisis situations in the Group thanks to reacting to incidents which exceed the competences of individual managers running separate organizational units as well as coordinating all emergency and restoration actions of the organization in the crisis mode. The practical test of the Business Contingency Plan's implementation by the Group was our effective and quick reaction to the threat which emerged in the beginning of 2020 in connection with the coronavirus pandemic and smooth transition of the majority of employees to remote, rotation or shift mode of working. The prepared Survival Strategy and alternative operating methods as well as periodic testing of essential elements of the Plan and ongoing training of new staff and crisis team members ensure business continuity of critical processes and services covered by the Business Contingency Plan.

Charity and sponsorship activities

Our Group has been involved in corporate social responsibility activities for many years. We pursue our social mission in the areas of safety, aid to children promotion of sports and physical activity, environmental protection and social education.

In the scope of **safety**, for 18 years Plus network has been tightly cooperating with mountain and water rescue organizations. We provide special emergency phone numbers, the Integrated Rescue System and a special mobile app *Rescue (Ratunek)*. We are also actively involved in fighting TV piracy, including through numerous educational activities.

Aid to children has always been one of the pillars of Polsat Plus Group's social mission. We approach this task in a variety of ways, one of which is the cooperation with Polsat Foundation. During 25 years of its activities Polsat Foundation strives incessantly to improve the situation and health of the youngest patients in Poland, in line with the motto "We are here to save the health and lives of the youngest." The Foundation

donated over PLN 260 million for aid to children, providing aid to 40,000 little patients and offering financial support to more than 2,600 hospitals, medical centers as well as schools, kindergartens and foster care centers. We also organize numerous charity actions to support the development of disabled children as an element of employee volunteering.

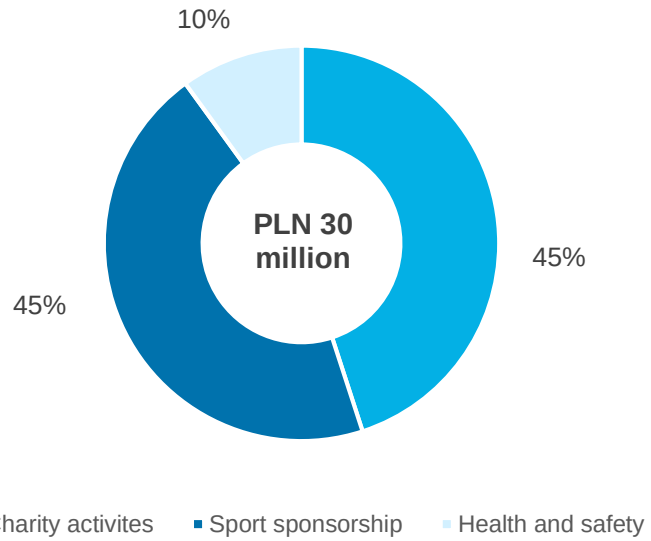
In order to **promote sports** we produce and air thousands of hours of sports coverage yearly on channels of TV Polsat, we support amateur and professional sports events, we educate viewers in the area of healthy lifestyle and our Plus mobile network is a long-standing sponsor of Polish volleyball.

For years we have been also working intensely on issues related to **environmental protection**. We focus predominantly on topics such as clean energy, green hydrogen, energy efficiency, ecological products, renewable energy and waste reduction. For this reason Polsat Plus Group has expanded its strategy to include the production and sale of clean energy. Creating a new business segment dedicated to clean energy is aligned with Polsat Plus Group's ESG strategy and will support our effort to build the value of the Group in a sustainable manner.

We have been engaged in **social education** for years. Our activities in this area are intertwined with mission, activities and initiatives of Polsat Foundation associated with current health-related challenges. We try to familiarize people with important and difficult issues from the field of specialist medical treatment, among others by airing dedicated TV programs on our channels. We also strive to disseminate knowledge on ecology and we promote and environment-friendly approach. To achieve this we actively participate in the initiatives of the Clean Poland Program Association (*Stowarzyszenie Program Czysta Polska*), we air educational programs on natural environment, we publish special articles on this subject on our portals Zielona.Interia.pl and Polsatnews.pl. We are also active in terms of prevention of digital divide through the development and popularization of state-of-the-art Internet access technologies and long-term cooperation of Plus network with the Copernicus Science Center.

The chart below presents the split of expenses on sponsorship and charity activities incurred by Polsat Plus Group in 2021.

Expenses of Polsat Plus Group on sponsorship and charity events in 2021



The details of our charity and sponsoring activities along with key nonfinancial performance indicators are described in the *"Sustainability Report of Polsat Plus Group for 2021."*

3. Significant investments, agreements and events

3.1. Corporate events

Increasing capital engagement of Cyfrowy Polsat in Netia

On April 15, 2021, the Company decided to continue acquiring shares of Netia. This decision confirmed the Company's declaration that it did not exclude 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.

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 December 31, 2021 stipulated 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.

As a result of the above mentioned decisions, in the period from April 2021 until July 2021 the Company increased its shareholding in Netia to 328,275,387 shares representing 97.82% of its share capital and carrying the right to 97.82% of total votes at Netia's General Meeting. In consequence, 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 as a result of the compulsory buyout. 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 ordinary bearer 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.

On December 31, 2021 Netia's shares were delisted from the WSE.

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's recommendation, which the Company's Supervisory Board approved, 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 dividend 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.

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. The dividend was paid on the dates indicated above.

Statement of Mr. Zygmunt Solorz regarding Polsat Plus Group

On September 27, 2021, Mr. Zygmunt Solorz, the founder and main shareholder of the Company, published a statement regarding Polsat Plus Group.

Mr. Solorz presented the path which the Group has followed so far - from one TV channel of Telewizja Polsat to the largest media and telecommunications group in Poland, fully prepared to effectively operate on the media and telecommunications markets in the future, including further, cost-effective roll-out of its 5G network based on the partnership with Cellnex Telecom. Mr. Solorz concluded that the vision he had assumed is being realized successfully and is yielding the planned and desired effects. The execution of the strategy of the Group as well as the operating and financial results it achieves constitute also, in Mr. Solorz's opinion, a fulfillment of the obligation towards shareholders, who decided to invest in Cyfrowy Polsat in 2008. Since the debut of our Group on the Warsaw Stock Exchange the price of our shares has tripled and the capitalization of the Group has increased six-fold. What is more, over this period of time shareholders of the Group received a total of PLN 2.7 billion in dividends.

Furthermore, Mr. Solorz stated that at present Polsat Plus Group is at a very important point in time. As the Group's customers are facing new challenges, which in the opinion of the main shareholder create new opportunities, he intends to encourage the Group to respond to these challenges by opening up to new areas of business. In parallel, Mr. Solorz declared that his vision of the Group's future development is aimed solely at further strengthening its position and building value for its shareholders in the years to come and that operations on the media and telecommunications markets will remain crucial and the key focus of the Group.

Realizing that part of the current shareholders may not intend to remain investors of the Group given the above developments, Mr. Solorz announced that he will present a proposal which enables the sale of shares of the Company at a fair price.

Acquisition of own shares

On September 28, 2021, Cyfrowy Polsat, in agreement with its parent companies, announced a tender offer for the sale of 263,807,651 shares of the Company at PLN 35.00 per share. The Company's intent was to acquire in the tender offer no more than 82,904,517 own shares. Subscriptions for the sale of shares were taken from October 18, 2021 to November 16, 2021.

The General Meeting adopted on November 16, 2021 a resolution to authorize the Management Board to acquire own shares and create a capital reserve for the purposes of the own shares buy-back program.

The main objectives of the program are as follows:

- the Company may acquire up to 83,250,000 fully covered own shares, i.e., the own shares with a total nominal value not exceeding 20% of the share capital of the Company, including the nominal value of the remaining shares of the Company which are held by the Company;
- the Company may acquire the own shares in any form, including their direct acquisition by the Company, the acquisition through the intermediary of an investment firm, the acquisition of the own

shares under the tender offer to subscribe for the sale of shares or by any other manner stipulated in law provisions;

- the purchase price of the own shares may not be lower than PLN 0.04 and may not be higher than PLN 60.00 per one own share;
- the total maximum price for purchasing all own shares increased by the cost of their acquisition shall not exceed PLN 2.93;
- the authorization for the Management Board to acquire the own shares shall be valid for a period of five years starting from the date of the adoption of the resolution, however not longer than until the funds allocated for the acquisition of the own shares are exhausted;
- the own shares acquired by the Company under the own shares buy-back program may be redeemed by the Company under a separate procedure or disposed of by the Management Board of the Company in another manner, taking into account the needs arising from the operations conducted by the Company;
- the acquisition of the own shares pursuant to this resolution does not exclude the acquisition of the Company's own shares by the Company in cases where law provisions allow so.

Furthermore, the draft resolution provides that in order to finance the own shares buy-back program a capital reserve in the amount of PLN 2.93 billion will be created by transferring the above mentioned amount from the Company's supplementary capital.

As a result of the settlement of the tender offer, on November 24, 2021 the Company acquired directly 11,768,260 own shares constituting in total 1.84% of the share capital of the Company and carrying the right to 11,768,260 votes at the general meeting of the Company, representing 1.44% of the total number of votes at the general meeting of the Company at a purchase price of PLN 35.00 per one share. Neither Reddev nor Mr. Zygmunt Solorz acquired directly any shares in the tender offer.

As part of its share buyback program, on November 26, 2021, the Company acquired 27,400,000 ordinary shares of the Company from Reddev at a purchase price of PLN 35.00 per share. On December 22, 2021, the Company acquired 32,005,866 ordinary shares of the Company from Embud 2 at a purchase price of PLN 34.06 per share.

As at the date of publication of this Report, the Company held a total of 71,174,126 own shares, representing 11.13% of the Company's share capital and carrying the right to 71,174,126 votes at the Company's General Meeting, representing 8.69% of the total number of votes at the Company's General Meeting. Pursuant to Article 364(2) of the Commercial Companies Code, Cyfrowy Polsat does not exercise the participation rights attached to its own shares.

Adoption of the strategy of Polsat Plus Group - Strategy 2023+

On December 20, 2021 the Management Board of the Company adopted the strategy of Polsat Plus Group – Strategy 2023+. The superior goal of the strategy of Polsat Plus Group is the permanent, long-term growth of the value of the Company for its Shareholders. The Management Board of the Company intends to achieve this goal by implementing the key elements of our operating strategy based on three main pillars and supported by an effective financial policy. The pillars of the new strategy are: telecommunication, content and clean energy. The new operational pillar – clean energy production – will open the possibility of building an additional revenue stream for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction.

A detailed description of the adopted Strategy 2023+ has been presented in chapter 1.5 - *Characteristics of Polsat Plus Group - Strategy of the Group*.

Adoption of the Company's dividend policy for the years 2022-2024

On December 20, 2021 the Management Board of Cyfrowy Polsat S.A. adopted a resolution on adoption of a dividend policy, assuming annual submission of a proposal of dividend payment to the General Meeting together with a recommendation of the Management Board.

The Management Board of the Company, after having reviewed the investment plans of Polsat Plus Group and evaluated the possibilities of allocating the expected cash resources of the Group with an aim to pay out dividends to the Shareholders of the Company, in the years 2022-2024 the Management Board of the Company intends to recommend to the General Meeting dividend payout in the total amount of not less than PLN 3.00 per share in three installments as follows:

- at least PLN 1.00 per share to be paid out from net profit generated in 2021;
- at least PLN 1.00 per share to be paid out from net profit generated in 2022;
- at least PLN 1.00 per share to be paid out from net profit generated in 2023.

The new dividend policy takes effect from January 1, 2022.

A detailed description of the dividend policy adopted for the years 2022-2024 was presented in chapter 7.4 - *Cyfrowy Polsat on the capital market – Dividend policy*.

3.2. Business related events

Dynamic 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. Given the observed interest among our customers we continue to intensively develop our 5G network, thanks to which at the end of December 2021 our 5G network reached over 19 million people in over 800 locations countrywide, and the total number of our 5G base stations exceeded 3,000. At the end of 2021, more than half of Poland's population was within the footprint of our 5G network.

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.

Implementation of 5G subscription tariff plans

In January 2021, we introduced new 5G tariff plans to our offer, addressed to both individual and business customers, offering larger data packages compared to 4G tariff plans at simultaneously increased prices (the "more-for-more" strategy). In August 2021, following the rapid development of the 5G network and the extension of its reach to over 15 million people, we made 5G services available in all our tariff plans increasing simultaneously the monthly fee.

There are four options of 5G tariffs available for individual customers, which are priced at PLN 35/month (with a 4GB data pack), PLN 55/month (30 GB), PLN 65/month (60 GB) and PLN 85/month (120 GB). The 5G offering for business customers includes five options priced (net of VAT) at PLN 35/month (7GB), PLN 45/month (24 GB), PLN 55/month (40 GB), PLN 65/month (70 GB) and PLN 85/month (120 GB). All packages include unlimited calls, text and multimedia messages. Furthermore, individual and business customers who

use tariffs higher than the lowest plan will be granted additional benefits, such as, among others, unlimited data transmission with the speed of 1 Mb/s after using their base packages.

We expect that the increasing popularity of 5G may translate favorably into our customers' satisfaction as well as into the growth of the value of our customer base expressed in terms of ARPU.

Sale of 99.99% shares of Polkomtel Infrastruktura

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 used by Polsat Plus Group, consisting, as of December 31, 2020, of approx. 7 thousand sites and approx. 37 thousand various systems on-air 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, in particular upon obtaining an antimonopoly clearance and consent of lenders under the SFA. On July 12, 2021, Polkomtel Infrastruktura Sp. z o.o. changed its name to Towerlink Poland Sp. z o.o.

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. Thereby we intend 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 Towerlink Poland to provide specified services to Polsat Plus Group for 25 years (subject to renewal for subsequent 15-year terms). The cooperation is based on monthly remuneration dependent on the number of sites and active infrastructure systems used and additionally ordered in the future by the Group. Under the contractual obligations, the Group is committed to order a certain number of incremental sites and additional emission systems under specified timeframes. The Master Service Agreement involved a detailed Service Level Agreement, while the way the contracts are constructed guarantees the alignment of interests of all parties.

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

On March 31, 2021, P4, the operator of Play mobile network and member of the French group Iliad, 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 ca. PLN 6.7 billion.

In parallel, P4 and On Tower Poland signed long-term service agreements for a 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

In April 2021, Orange Polska informed that it established Światłowód Inwestycje, 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. 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.

Power purchase agreement for green energy

On March 12, 2021, Polkomtel and ZE PAK group concluded an agreement for the purchase of the total volume of green energy produced by the photovoltaic farm Brudzew, which was constructed by a consortium

of companies that included ESOLEO, a company from Polsat Plus Group. The construction of the Brudzew farm, the biggest in Poland with ca. 155 thousand PV modules installed with total power of 70 MW, was completed in August 2021 and in October 2021 started producing clean, zero-emission energy for the needs of Polsat Plus Group and its customers.

The power purchase agreement was signed for a 15-year period with the possibility of extension by another 5 years and provisioned for a specified 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 inflation forecasts at the moment of signing the agreement, 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 corresponded with the present and forecasted at that time market pricing levels, which had been confirmed in a fairness opinion obtained from one of the leading advisory entities.

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 S.A. 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 CCC S.A. a preliminary agreement for the sale of shares of eObuwie.pl and with CCC S.A. 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 CCC's capital group as well as the consent of the general shareholders meeting of eObuwie.pl for the sale of shares in eObuwie.pl.

Agreements to acquire shares in PAK-Polska Czysta Energia sp. z o.o., Port Praski sp. z o.o. and Pantanomo Limited

In connection with the new strategy of Polsat Plus Group, on December 20, 2021 the Company entered into the following agreements:

- a preliminary agreement with ZE PAK S.A. concerning the purchase by the Company of shares in PAK-Polska Czysta Energia Sp. z o.o.(PAK-PCE), representing 67% of the share capital of PAK-PCE,
- a preliminary agreement with Enbud 2 Sp. z o.o. S.K.A. concerning the purchase by the Company of 1,070,000 shares in Port Praski Sp. z o.o., representing approximately 66.94% of share capital of Port Praski Sp. z o.o.,
- a preliminary agreement with Tobe Investments Group Limited concerning the purchase by the Company of 4,705 shares in Pantanomo Limited, representing approximately 32% of share capital of Pantanomo Limited.

PAK-PCE is a holding company serving as the core for a structure of subsidiaries engaged in the development of renewable energy projects and the generation and utilization of hydrogen. The agreed purchase price for the 67% stake in PAK-PCE is PLN 800.5 million and may be subject to additional adjustments under the locked-box mechanism. As at September 30, 2021, adjusted net debt of the purchased assets amounted to PLN 355.9 million. Based on the valuation performed, Deloitte Advisory Sp. z o.o. Sp.k. prepared a fairness opinion for the transaction price agreed by the parties.

The finalization of the transaction is subject to, among others, obtaining relevant corporate approvals and execution by ZE PAK of the process of transferring to PAK-PCE part of the assets used for generation of

electricity based on zero- and low-emission technologies, in particular from biomass. The Company intends to finance the transaction from its own funds.

Port Praski is a company engaging in real property development business through its subsidiaries, and owns assets related to, among others, the Port Praski project located in the Praga-Północ district of Warsaw. Pantanomo engages in the business of, among others, managing its properties and holds a non-controlling interest in Port Praski Sp. z o.o. Cyfrowy Polsat's intention is to increase the capital in Port Praski Sp. z o.o. and to buy back the non-controlling interest from Pantanomo.

The determined purchase price and the value of funds for capital increase amounts to PLN 879.4 million and will be subject to additional adjustments. As at September 30, 2021, the adjusted net cash of the assets purchased amounted to PLN 176.1 million. Based on the valuation performed, Deloitte Advisory Sp. z o.o. Sp.k. prepared a fairness opinion for the transaction price agreed by the parties.

Finalization of the transaction is subject to obtaining, among other things, relevant corporate approvals. The Company intends to finance the transaction with its own funds.

Detailed information on the concluded agreements has been presented in the Company's current report no. 38/2021 dated December 20, 2021.

Acquisition of UPC Polska by P4 (Iliad Group)

In September 2021, P4, the operator of Play, signed an agreement with Liberty Global regarding the acquisition of 100% of shares of UPC Polska. The acquisition price is ca. PLN 7 billion. The combined customer base of the two operators is 17 million. As announced by Play, the integration of the two companies is intended to create a strong convergent operator in Poland. The finalization of the transaction, after having obtained relevant antimonopoly approvals, is expected in April 2022.

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 antimonopoly proceedings against Telewizja Polsat concerning market practices in distribution of TV channels to operators of paid TV platforms. The President of UOKiK examines whether the model of selling TV program produced and broadcast by Telewizja Polsat in bundles can be treated as an abuse of market position by this company with regard to distribution of TV program. As at the date of publication of this Report the proceedings are ongoing.

Taking full control over the 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 was targeted at taking sole control over Premium Mobile Sp. z o. o. 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 provisions 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 the settlement with PM 1 Mobile Holdings Limited. The transaction was financed from Polkomtel’s own resources.

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, 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. The Cyfrowy Polsat brand changed to the new Polsat Box brand. Ipla and Cyfrowy Polsat Go evolved into a single service called Polsat Box Go. Moreover, a new service called Polsat Go, offering Polsat TV content, was created.

Simultaneously, we presented a new main slogan for brands of Polsat Plus Group: “Choose your everything”. 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 replaced Cyfrowy Polsat, Ipla and Cyfrowy Polsat 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 Cyfrowy Polsat Go

Polsat Go is a new free-of-charge service

Renewal of frequency reservations

Frequency reservations allocated in the 2100 MHz band held by Polkomtel and frequency reservations allocated in the 1800 MHz band held by Aero 2 will expire at the end of 2022. On November 30, 2021 Polkomtel and Aero were merged, consequently Polkomtel entered into the rights and obligations of Aero 2 and thus took over the right to Aero 2 frequencies. In December 2021, Polkomtel applied to UKE President for the reservation of frequencies allocated in the 2100 MHz band for the next period as well as for the reservation of frequencies allocated in 1800 MHz band.

Due to the fact that in December 2021 a process of ensuring order in the frequencies management relating to frequencies allocated in the 2100 MHz band was undertaken by the UKE President and due to the fact that the procedure aiming at changing the reservations of frequencies allocated in the 2100 MHz band to four mobile network operators in Poland (including Polkomtel) was completed in March 2022 as well as due to the UKE President's proceedings still pending with regard to the four operators for the reservation of frequencies in the 2100 MHz band for the next period, Polkomtel decided to modify its request for renewal in the 2100 MHz band. The modification relates to reserving frequencies only in the 1950,1-1064,9 MHz and 2140,1-2154,9 MHz bands for the use throughout the country (mobile or fixed) for the next period until 31 December 2037.

It is estimated that the UKE President's decision on the above mentioned frequency reservations for the next period will take place no earlier than in mid of 2022, and the amounts to be paid for making these reservations may be respectively PLN 822 million for frequency reservations in the 1800 MHz band (in accordance with the UKE President's preliminary estimate from December 2021) and PLN 404 million for frequency reservations in the 2100 MHz band (Polkomtel's own estimate). The final, exact amounts for the renewal of the above mentioned frequency reservations will be known after the President of UKE publishes the draft reservation decisions.

4. Operating and financial review of Polsat Plus Group

4.1. Operating review of the Group

Due to the continued development of Polsat Plus Group, in particular due to the increased capital engagement in our subsidiary Netia in the third quarter of 2021 and the resulting delisting of Netia shares from trading on the Warsaw Stock Exchange, we decided to modify key performance indictors (KPIs) which describe current operating results of our strategy. These modifications are intended to provide better dimensioning of our specific operations which have gained a significantly stronger position on the B2B market following the acquisition of Netia. It should also be noted that as a general rule B2B customers are characterized by visibly different demand patterns for our services than B2C customers and therefore we believe that reporting current operating results of the B2C and B2B areas separately will ensure better understanding of the results that we achieve.

In parallel, due to the implementation of the regulation imposing cap MTR and FTR interconnection rates since the beginning of July 2021 we reached the conclusion that it is justified to exclude revenue from these settlements from ARPU calculation in the reported areas. Our decision is based on the fact that a several-years-long path of gradual reductions of cap rates applicable in interconnection settlements would translate negatively into the pace of building our customers' value in the next years, which could mislead with regard to the assessment of the effectiveness of the strategy that we are executing.

When assessing our operating results in the B2C area, 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 turn, the B2B area is analyzed by us across two base dimensions. We focus on maintaining and building the scale of our customer base, expressed as the number of businesses serviced by us, as well as on measuring their value through ARPU. Building the value of our B2B base in founded in a natural way on unique services provided to our business customers. However, due to widely diverse prices of particular services offered in this segment, we think that in the B2B area the number of services is a secondary indicator, the interpretation of which could lead to misleading conclusions.

	for the 3-month period ended December 31		change / %	
	2021	2020	nominal	% / pp
B2C AND B2B SERVICES SEGMENT [1]				
Contract services for B2C customers				
Total number of B2C RGUs[(2)] (EOP) [thous.], incl.	**13,465**	**13,169**	**296**	**2.2%**
Pay TV	5,264	5,355	(91)	(1.7%)
Mobile telephony	6,195	5,810	385	6.6%
internet	2,006	2,004	2	0.1%
Number of B2C customers (EOP) [thous.]	**6,047**	**6,004**	**44**	**0.7%**
ARPU per B2C[(3)] customer [PLN]	69.1	66.2	2.9	4.4%
ARPU per B2C[(3)] customer (YTD) [PLN]	68.2	64.5	3.7	5.7%
Churn in B2C[(4)] subsegment	6.9%	6.9%	-	0.0 pp

	for the 3-month period ended December 31		change / %	
	2021	2020	nominal	% / pp
RGU saturation per one B2C customer	2.23	2.19	0.04	1.8%
Prepaid services				
Total number of RGUs (EOP) [thous.], including:	**2,667**	**2,618**	**49**	**1.9%**
Pay TV	90	114	(25)	(21.6%)
Mobile telephony	2,537	2,446	92	3.7%
internet	39	58	(18)	(31.5%)
ARPU per prepaid RGU(5) [PLN]	16.6	15.8	0.8	5.1%
ARPU per prepaid RGU(5) (YTD) [PLN]	16.2	15.5	0.7	4.5%
Contract services for B2B customers				
Total number of B2B customers (EOP) [thous.]	**68.9**	**69.3**	**(0.4)**	**(0.6%)**
ARPU per B2B(3) customer [PLN]	1,403	1,384	19	1.4%
ARPU per B2B(3) customer (YTD) [PLN]	**1,390**	**1,381**	**10**	**0.7%**
MEDIA SEGMENT: TELEVISION AND ONLINE				
TV channels				
TV audience share (in the 3-month period)	23.3%	25.0%	-	(1.7 pp)
Advertising market share (in the 3-month period)	28.0%	28.6%	-	(0.6 pp)
Audience share (YTD)	24.0%	23.9%	-	0.1 pp
Advertising market share (YTD)	28.6%	28.1%	-	0.5 pp
Online – internet portals				
Average number of users [millions]	20.5	19.7	0.8	4.1%
Average number of page views [millions]	1,963	1,713	250	14.6%

1) Customer – a natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in the contract model. A customer is identified by a unique national identification number (PESEL), tax identification number (NIP) or national business registry number (REGON).

2) RGU (revenue generating unit) – a single, active and retail revenue generating service of pay TV provided in all types of access technologies, mobile or fixed-line internet access, or mobile telephony provided in the contract or prepaid model.

3) ARPU per B2C/B2B customer - average monthly revenue per customer generated in a given settlement period.

4) Churn - termination of the contract with a B2C customer by means of a termination notice, collections or other activities resulting in the situation that after the termination of the contract the customer does not have any active services 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 a 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.

5) ARPU per prepaid RGU - average monthly revenue per prepaid RGU generated in a given settlement period.

4.1.1. B2C and B2B services segment

Contract services for B2C customers

The total number of B2C customers to whom we provided contract services as at the end of 2021 was 6,047 thousand (+0.7% YoY). The main reason behind the increase of the contract customer base was the consolidation from July 2021 of the results of Premium Mobile. Simultaneously, the process of further merging of contracts under one common contract for the household continued within our base, which is reflected in the growing RGU saturation per customer ratio (increase by 1.8% YoY to 2.23 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 for B2C customers provided by us at the end of 2021 increased by 296 thousand compared to the previous year (+2.2%) YoY, reaching 13,465 thousand RGUs. A strong increase of contract mobile telephony services for B2C customers – by 385 thousand (+6.6%) YoY to the level of 6.195 thousand was the main driver behind this growth. 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. At the same time, we effectively care about customer satisfaction, which translated into a low churn ratio. An additional factor which contributed to the growth in the analyzed period was the acquisition of Premium Mobile.

At the end of December 2021 our B2C customers used 5,264 thousand contract pay TV services. The number of pay TV RGUs decreased in 2021 by 91 thousand (-1.7% YoY), mainly due to the lower number of provided satellite TV services as well as the repositioning of pricing and change in strategy for offering our online services. This decrease was successfully compensated by the increasing number of TV services offered in online technologies (IPTV/OTT).

In 2021, the number of Internet access services provided to B2C customers in the contract model remained at a stable level of 2,006 thousand. A factor that supports the maintenance of our Internet RGU base is the constantly improving quality of our telecommunications network – a consequence of the investments we made, exemplified by the rapid roll-out of the 5G network and the gradual modernization of our fixed-line network.

We observe a steadily increasing saturation of our B2C customer base with integrated services, which is reflected in the growing ratio of contract services per customer. As at the end of 2021 every customer had on average 2.23 contract services (+1.8% 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 B2C customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer. In 2021, average revenue per B2C customer increased to PLN 68.2 (+5.7% YoY) while in the fourth quarter of 2021 alone it increased to PLN 69.1 (+4.4% YoY). The dynamic growth of ARPU per B2C contract customer results, in particular, from the continuous building of customer value. We believe that our decisions to rapidly build out 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 the level of ARPU.

Our churn rate remained unchanged at a level of 6.9% in the twelve-month period ended December 31, 2021. 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 B2C customer. At the end of December 2021, 2,457 thousand customers were using our bundled services, which constitutes an increase of 88 thousand (+3.7%) YoY and translates to a 40.6% saturation of our contract customer base with multiplay services. This group of customers was using 7,338 thousand RGUs as at the end of 2021, by 286 thousand more (+4.1%) YoY. Bearing in mind the long-term goal of our Group

- the maximization of revenue per contract customer through cross-selling of additional products and services
- our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us increased by 49 thousand (+1.9%) YoY and amounted to 2,667 thousand as at December 31, 2021.

The number of prepaid mobile telephony services increased in the analyzed period by 92 thousand (+3.7%) YoY, to 2,537 thousand RGUs while the number of prepaid broadband Internet services decreased by 18 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. At the same time, the scale of our mobile telephony customer base was favorably impacted in the reported period by the consolidation of the results of Premium Mobile. The number of prepaid TV services provided by us decreased by 25 thousand to the level of 90 thousand at the end of 2021, as a result of a lower volume of one-time sports broadcasts purchased by our customers.

In 2021, average revenue per prepaid RGU amounted to PLN 16.2 (+4.5% YoY) while in the fourth quarter of 2021 it amounted to PLN 16.6 (+5.1% YoY). Revenues from both content and telecommunication services contributed to the increase in prepaid APRU.

Contract services for B2B customers

The total number of B2B customers to whom we provided contract services as at the end of 2021 was 68.9 thousand (-0.6% YoY). The scale of our B2B customer base remains stable in the long term, proving high efficiency of our actions directed at fostering high satisfaction of our business customers. At the same time, we maintain a stable level of ARPU from B2B customers, which reached PLN 1,390 (+0.7% YoY) per month on average in the twelve-month period ended December 31, 2021.

The B2B area continues to be under strong competitive pressure, which translates into pricing levels for traditional telecommunication services. In order to maintain the value of our B2B base, we aim at constantly expanding our offering for business customers by additional services which generate incremental revenue. The continued expansion of data center resources offered to business customers, cybersecurity solutions or cloud computing can serve as an example. In parallel, we seek to provide specialized IT solutions for specific sectors of the economy (finance and banking, real estate, hotels, energy production, etc.). We believe that thanks to a comprehensive telecommunication and IT services offering for our B2B customers we will be in a position to maintain their high level of satisfaction and therefore to secure our revenue in this market segment.

4.1.2. 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 December 31		Change / pp	12 months ended December 31		Change / pp
	2021[1]	2020		2021[1]	2020	
Audience share[2] [3], including:	**23.25%**	**24.96%**	***(1.71)***	**23.98%**	**23.94%**	***0.04***
POLSAT (main channel)	**8.96%**	**9.55%**	***(0.59)***	**8.97%**	**9.51%**	***(0.54)***
Other channels	**14.29%**	**15.41%**	***(1.12)***	**15.00%**	**14.42%**	***0.58***
TV4	3.00%	3.26%	*(0.26)*	2.93%	3.38%	*(0.45)*
Polsat 2	1.33%	1.24%	*0.09*	1.43%	1.33%	*0.10*
Polsat News	1.23%	1.91%	*(0.68)*	1.45%	1.77%	*(0.32)*
TV6	1.20%	1.60%	*(0.40)*	1.41%	1.68%	*(0.27)*
Super Polsat	1.12%	1.18%	*(0.06)*	1.30%	1.26%	*0.04*
Fokus TV[4]	1.11%	1.22%	*(0.11)*	1.16%	1.09%	*0.07*
Polo TV	0.72%	0.59%	*0.13*	0.70%	0.62%	*0.08*
Polsat Play	0.70%	0.79%	*(0.09)*	0.72%	0.64%	*0.08*
Eska TV	0.65%	0.64%	*0.01*	0.63%	0.63%	-
Polsat Film	0.63%	0.76%	*(0.13)*	0.73%	0.79%	*(0.06)*
Polsat Cafe	0.47%	0.38%	*0.09*	0.46%	0.40%	*0.06*
Wydarzenia24 [5]	0.29%	0.03%	*0.26*	0.10%	0.03%	*0.07*
Nowa TV[4]	0.26%	0.23%	*0.03*	0.25%	0.28%	*(0.03)*
Polsat Sport	0.24%	0.18%	*0.06*	0.33%	0.18%	*0.15*
Eleven Sports 1	0.19%	0.21%	*(0.02)*	0.20%	0.20%	-
Polsat Seriale	0.18%	0.29%	*(0.11)*	0.22%	0.22%	-
Disco Polo Music	0.16%	0.16%	-	0.14%	0.15%	*(0.01)*
Polsat Doku	0.11%	0.11%	-	0.11%	0.11%	-
Polsat Sport Extra	0.10%	0.06%	*0.04*	0.10%	0.06%	*0.04*
Polsat Music HD	0.10%	0.07%	*0.03*	0.08%	0.06%	*0.02*
Eska TV Extra	0.08%	0.08%	-	0.08%	0.09%	*(0.01)*
Polsat Rodzina	0.07%	0.06%	*0.01*	0.08%	0.05%	*0.03*
Vox Music TV	0.06%	0.12%	*(0.06)*	0.09%	0.12%	*(0.03)*
Polsat Sport News HD	0.06%	0.03%	*0.03*	0.05%	0.03%	*0.02*
Polsat News 2	0.06%	0.05%	*0.01*	0.05%	0.05%	-
Eleven Sports 2	0.05%	0.05%	-	0.05%	0.04%	*0.01*
Polsat Games	0.04%	0.05%	*(0.01)*	0.06%	0.05%	*0.01*
Polsat Sport Fight	0.04%	0.04%	-	0.03%	0.04%	*(0.01)*
Eska Rock TV	0.04%	0.04%	-	0.03%	0.03%	-
Polsat 1[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 1[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Premium 2[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
TV Okazje[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Film 2[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat X[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Reality[6]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share [7]	**28.0%**	**28.6%**	***(0.6)***	**28.6%**	**28.1%**	***0.5***

Audience share	3 months ended December 31		Change / pp	12 months ended December 31		Change / pp
	2021[1]	2020		2021[1]	2020	

Channels cooperating with Polsat Plus Group (non-consolidated)

Audience share	3 months ended December 31		Change / p.p.	12 months ended December 31		Change / p.p.
	2021[1]	2020		2021[1]	2020	
Polsat Comedy Central Extra[7]	0.29%	0.29%	-	0.36%	0.29%	*0.07*
Polsat JimJam	0.16%	0.19%	*(0.03)*	0.16%	0.18%	*(0.02)*
CI Polsat	0.14%	0.14%	-	0.17%	0.12%	*0.05*
Polsat Viasat Explore	0.12%	0.12%	-	0.11%	0.13%	*(0.02)*
Polsat Viasat History	0.10%	0.14%	*(0.04)*	0.12%	0.14%	*(0.02)*
Polsat Viasat Nature	0.04%	0.05%	*(0.01)*	0.05%	0.04%	*0.01*

(1) Starting from September 2021 the viewership data includes the TV audience out of home (OOH – out of home viewing).

(2) Nielsen Media, All day ages 16-49 audience share, including Live+2 (viewership results include 2 additional days of time-shifted viewing) + out of home viewing – OOH).

(3) 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.

(4) Channel consolidated from September 2020.

(5) Channel is broadcasting since September 2021, emerged from the transformed Superstacja channel, which ceased to air.

(6) Channel not included in the telemetric panel.

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

(8) 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; including from September 2021 the out of home viewing - OOH) for Polsat Plus Group amounted to 23.3% (-1,7 p.p. YoY) in the fourth quarter of 2021 while in twelve months of 2021 it remained on a stable level YoY and amounted to 24.0%. 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 growing audience shares of thematic channels. This trend is also reflected in viewership of our thematic channels, which grew by 0.6 p.p. YoY to 15.0%, while the share of our main Polsat channel fell by 0.5 p.p. YoY to 9.0%.

In the fourth quarter of 2021, viewers in the commercial group were attracted by many slots on our main channel's scheduling. Given that our media house -Polsat Media Biuro Reklamy - takes into account the out of home viewership (OOH) in settlements for spot broadcasting starting from September 2021, the autumn scheduling items were presented, where possible, also including this parameter.

Premier episodes of the TV series *Pierwsza miłość (First Love)* were constantly popular, gaining an audience share of 13.8% in the fourth quarter and 13.5% in twelve months of 2021. The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*The News)*, maintained high viewership figures with an audience share of 14.9% in the fourth quarter and 14.1% in 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 11.2% in the fourth quarter and 12.4% in 2021. The journalistic series *Gość Wydarzeń (The News' Guest)* aired at 7.30 p.m. reached a 9.5% audience share in the fourth quarter and 9.1% in 2021.

The viewership results of the fourth quarter and twelve months of 2021 were influenced by programs from the seasonal programming schedulings, which were planned and executed in a relatively standard way.

Nevertheless, the current, not fully stable epidemic situation impacted the quantity of events organized in a wide scale formula with audiences, resulting in a lower number of such events this year.

A significant alteration in the autumn scheduling was the replacement of Monday's film slot *Mega Hit* had with an entertainment show *Dancing with the stars – Taniec z gwiazdami*, which gained an audience share of 7.2%. A large audience was gathered by the Friday show *Twoja Twarz Brzmi Znajomo (Your Face Sounds Familiar)*, which had on average a 10.6% audience share in the fourth quarter and 11.8% in of 2021. The reality show *Love Island,* aired in both the autumn and spring scheduling, was watched by 12.6% of the audience in the fourth quarter of 2021 and 11.6% in 2021. Another scheduling item, the new series *Kuchnia (The Kitchen),* gathered on average 6.2% of viewers during its premiere episodes in the fourth quarter. In turn, the entertainment show *Ninja Warrior* aired in both schedulings was watched by 9.9% of the audience in the fourth quarter and 10.8% in 2021. In turn, the crime series *Komisarz Mama (Inspector Mum)* reached an 5.9% audience share in the fourth quarter and 7.2% in 2021. As far as series broadcast in season schedulings are concerned, invariably the series *Girlfriends* was very popular with an audience share of 10.3% in the fourth quarter and 10.6% in 2021.

In the analyzed twelve months, a large audience was attracted by entertainment programs. The success of *Polsat Superhit Festival* is worth underscoring. It was aired on June 25-26 and reached a 17.9% audience share. High viewership figures were also reached by the concert *Przebój lata RMF FM i Telewizji Polsat* (*Summer Hits of RMF FM and Telewizja Polsat)* of August 28,2021 with a 13.7% audience share and the cabaret gala *Świętokrzyska Gala Kabaretowa* of August 29, 2021 with 17.6% of the audience. Other programs with high viewership in 2021 included the cabarets *XXVI Festiwal Kabaretu w Koszalinie (XXVI Cabaret Festival in Koszalin)* of July 31, 2021 which reached 16.7% of the audience and *Kabaret na Żywo Młodzi i Moralni (The Cabaret Live Young and Moral)* of September 12, 2021 with an 15.6% audience share. In the fourth quarter alone, the record-breaking titles were *Kevin Sam w domu (Kevin at Home)*, traditionally broadcast on December 24, with an audience share of 45.1%, and the *New Year's Eve Power of Hits* on December 31, which attracted 21.9% of viewers.

Distribution and technical reach of TV channels

Technical reach [1]	12 months ended December 31		Change / pp
	2021	2020	
Polsat	99.90%	99.90%	-
TV4	99.90%	99.90%	-
Polo TV	99.10%	98.80%	*0.30*
Eska TV	99.10%	98.70%	*0.40*
Fokus TV[2]	99.00%	98.60%	*0.40*
Super Polsat	98.60%	98.30%	*0.30*
TV6	95.60%	95.70%	*(0.10)*
Nowa TV[2]	89.40%	86.70%	*2.70*
Polsat News	65.20%	67.10%	*(1.90)*
Eska TV Extra	62.00%	62.30%	*(0.30)*
Polsat 2	60.90%	61.50%	*(0.60)*
Vox Music TV	58.20%	57.20%	*1.00*
Superstacja	58.10%	56.20%	*1.90*
Polsat News 2	55.60%	56.30%	*(0.70)*
Polsat Cafe	54.20%	54.60%	*(0.40)*
Polsat Film	53.20%	54.00%	*(0.80)*
Polsat Play	52.00%	51.20%	*0.80*
Disco Polo Music	50.60%	50.50%	*0.10*
Polsat Music HD	50.60%	49.20%	*1.40*

Technical reach [1]	12 months ended December 31		Change / pp
	2021	2020	
Eska Rock TV	49.10%	48.40%	*0.70*
Polsat Seriale[3]	48.60%	50.20%	*(1.60)*
Polsat Sport	45.20%	45.00%	*0.20*
Polsat Doku	38.10%	36.40%	*1.70*
Polsat Sport Extra	37.70%	37.10%	*0.60*
Polsat Games	34.30%	30.40%	*3.90*
Polsat Rodzina	31.50%	29.70%	*1.80*
Polsat Sport News HD	31.20%	30.00%	*1.20*
Polsat Sport Fight	21.70%	20.10%	*1.60*
Eleven Sports 2	16.20%	15.50%	*0.70*
Eleven Sports 1	16.10%	15.40%	*0.70*
Polsat 1[4]	n/a	n/a	*n/a*
Eleven Sports 3[5]	n/a	n/a	*n/a*
Eleven Sports 4[5]	n/a	n/a	*n/a*
Polsat Sport Premium 1[5]	n/a	n/a	*n/a*
Polsat Sport Premium 2[5]	n/a	n/a	*n/a*
TV Okazje[5]	n/a	n/a	*n/a*

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)

Technical reach [1]	12 months ended December 31		Change / pp
	2021	2020	
Polsat Comedy Central Extra[6]	51.10%	49.70%	*1.40*
Polsat Viasat History	50.60%	51.40%	*(0.80)*
Polsat JimJam	44.60%	45.20%	*(0.60)*
CI Polsat	44.40%	44.30%	*0.10*
Polsat Viasat Nature	44.10%	44.30%	*(0.20)*
Polsat Viasat Explore	43.70%	44.20%	*(0.50)*

1) Nielsen Media, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Channel consolidated into Polsat Plus Group from September 2020.
3) Channel renamed to Polsat Seriale in April 2020 (previously aired as Polsat Romans)
4) Channel broadcast outside of Poland, not included in the telemetric survey.
5) Channel not included in the telemetric survey.
6) Channel included in Polsat Plus Group's portfolio in March 2020, previously the channel was aired under the name Comedy Central Family

Average monthly number of users

According to the Mediapanel study, the average monthly number of users of the Polsat-Interia media group's websites and applications reached 20.2 million in the twelve months ended December 31, 2021, while in the fourth quarter of 2021 alone it was over 20.5 million.

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

Average number of page views [1]	3 months ended 31 December	Change	12 months ended 31 December	Change

[million]	2021 (2)	2020 (2)		2021 (2)	2020 (3)	
Group (4)	**20.54**	**19.73**	**0.81**	**20.23**	**14.72**	**5.51**
Selected website:						
interia.pl (5)	14.03	13.37	0.66	14.04	13.65	0.39
pomponik.pl (5)	6.64	5.84	0.80	6.48	4.58	1.90
polsatnews.pl	4.66	6.27	(1.61)	4.74	4.87	(0.13)
smaker.pl (5)	4.07	4.43	(0.36)	3.86	3.49	0.37
polsatsport.pl	2.29	1.65	0.64	2.28	1.04	1.24
twojapogoda.pl	1.49	1.68	(0.19)	1.86	1.36	0.50
bryk.pl (5)	2.14	2.46	(0.32)	1.76	1.77	(0.01)
polsatboxgo.pl (6)	1.62	1.66	(0.04)	1.52	1.35	0.17
deccoria.pl (5)	2.53	0.97	1.56	1.45	0.87	0.58
polsatgo.pl (7)	0.95	-	0.95	1.02	-	1.02
ding.pl (5)	0.94	0.69	0.25	0.86	0.45	0.41
opracowania.pl	0.62	0.93	(0.31)	0.65	0.88	(0.23)
okazjum.pl (5)	0.81	0.57	0.24	0.61	0.57	0.04

(1) Real Users indicator.
(2) Data from Mediapanel survey.
(3) Data combined from Gemius/PBI and Mediapanel surveys.
(4) Data for the periods prior to the acquisition of Interia Group in July 2020 for Polsat Group standalone. Data for the periods after the acquisition of Interia Group for Polsat-Interia Group.
(5) Data for the periods prior to the acquisition of Interia Group in July 2020 is not added to the Group's total result.
(6) Until the end of August 2021 operated as ipla.tv.
(7) The service was launched on august 16, 2021, data for full month periods, i.e., starting from September 2021.

The average monthly number of users (the 'real users' indicator from the Mediapanel survey) of Polsat-Interia Group websites reached 20.5 million in the fourth quarter (+4.1% YoY) and 20.23 million in the full year 2021 (+37.4% YoY). The jump in full-year growth is related to the acquisition of the Interia.pl Group by the Polsat Plus Group in July 2020.

The portal with the highest number of users was the horizontal portal Interia.pl, which in the fourth quarter and the whole of 2021 recorded the number of users at the level of 14.0 million, which translates into growth rates of +4.9% YoY and +2.9% YoY in the analyzed periods, respectively. We also recorded noticeable increases in the number of users of some other services. Our gossip site pomponik.pl saw its average monthly number of users increase by as much as 0.8 million in the fourth quarter of 2021 (+13.7% YoY) and 1.9 million in the entire 2021 (+41.5% YoY).

Dynamic percentage growth of the number of users was also recorded by "polsatsport.pl" service, which grew by 38.8% in the fourth quarter of 2021 and by 119.2% in the entire 2021 compared to the corresponding periods of the previous year. The spikes on this service are not only the result of the return of the sports world to normal after last year's pandemic detention, but are also due to the organic growth. Very good upward dynamics was also recorded by our "deccoria.pl" home renovation service, with increases in the average monthly number of users by 160.8% in the fourth quarter of 2021 and 66.7% in 2021 compared to the results from the prior year. On the other hand, one of the biggest decreases was recorded by the "polsatnews.pl" news service, which can be explained by the decline in interest in the pandemic, which caused large increases in the number of users in 2020.

Average monthly number of page views

According to the Mediapanel survey, the average monthly number of page views of Polsat-Interia media group websites and applications reached over 1.9 billion in the twelve-month period ended December 31, 2021 and nearly 2.0 billion in the fourth quarter of 2021.

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

Average number of page views [1] [million]	3 months ended December 31		Change	12 months ended December 31		Change
	2021 [2]	2020 [3]		2021 [2]	2020 [3]	
Group [4]	**1,963.3**	**1,713.3**	**250.0**	**1,931.5**	**883.8**	**1,047.7**
Selected websites:						
interia.pl [5]	960.9	917.5	43.4	990.3	877.0	113.3
pomponik.pl [5]	62.3	94.8	(32.5)	76.1	71.8	4.3
polsatnews.pl	30.3	35.4	(5.1)	29.7	30.7	(1.0)
smaker.pl [5]	23.2	27.7	(4.5)	21.5	23.5	(2.0)
polsatsport.pl	10.7	7.6	3.1	12.0	6.7	5.3
twojapogoda.pl	12.7	12.1	0.6	16.5	15.2	1.3
bryk.pl [5]	9.9	11.6	(1.7)	7.9	7.6	0.3
polsatboxgo.pl [6]	7.7	18.1	(10.4)	13.0	16.7	(3.7)
deccoria.pl [5]	5.3	2.5	2.8	3.3	2.4	0.9
polsatgo.pl [7]	3.3	-	3.3	3.5	-	3.5
ding.pl [5]	24.2	17.7	6.5	22.2	12.4	9.8
opracowania.pl	1.4	2.0	(0.6)	1.4	1.5	(0.1)
okazjum.pl [5]	15.4	10.3	5.1	10.8	7.6	3.2

(1) Views indicator –views of websites.
(2) Data from Mediapanel survey.
(3) Data from Gemius/PBI and Mediapanel surveys.
(4) Data for the periods prior to the acquisition of Interia Group in July 2020 for Polsat Group standalone. Data for the periods after the acquisition of Interia Group for Polsat-Interia Group
(5) Data for the periods prior to the acquisition of Interia Group in July 2020 is not added to the Group's total result.
(6) Until the end of August 2021 operated as ipla.tv.
(7) The service was launched on August 16, 2021, data for full month periods, i.e., starting from September 2021.

The average monthly number of page views of Polsat-Interia Group websites reached nearly 2.0 billion in the fourth quarter of 2021 and 1.9 billion in the entire 2021. These results are higher by 14.6% and 118.5%, respectively, 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 960.9 million times per month during the fourth quarter (+4.7% YoY) and 990.3 million of times in 2021 (+12.9% YoY).A high number of page views per month was recorded by the gossip portal "pomponik.pl". It was viewed 62.3 million times in the fourth quarter (-34.3 YoY) and 76.1 million times in 2021 (+6.0% YoY). Moreover, the sports service "polsatsport.pl" recorded high growth dynamics, increasing by 40.8% YoY in the fourth quarter and by 79.1% YoY in the entire 2021. The spikes on this service are not only the result of the return of the sports world to normal after last year's pandemic detention, but are also due to the organic growth. The websites with store fliers, ding.pl and okazjum.pl, also boast large increases in the number of page views. Ding.pl recorded an increase in page views by 6.5 million (+36.7% YoY) in the fourth quarter of 2021 and by 9.8 million (+79.0% YoY) in the entire 2021. Okazjum.pl recorded an increase in page views by 5.1 million (+49.5% YoY) in the fourth quarter of 2021 and by 3.2 million (+42.1% YoY) throughout 2021.

Advertising and sponsoring market share

According to estimates of Publicis Group, expenditures on TV advertising and sponsoring in 2021 amounted to approximately PLN 4.4 billion, increasing year-on-year by 11.5%. Based on these data, we estimate that

in 2021 our TV advertising market share amounted to 28.6% and increased by 0.5 percentage points compared to 28.1% in 2020. In the fourth quarter of 2021 the expenditures on TV advertising and sponsoring amounted to approximately PLN 1.4 billion and our TV advertising market share decreased by 0.6 percentage point to 28.0% from 28.6% in the corresponding period of 2020.

If we compare the current portfolio of Polsat Plus Group's channels, we generated around 2% more EqGRPs in 2021 compared to 2020.

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in three quarters of 2021 online advertising expenditures increased at a rate of 22.6% YoY and reached the value of PLN 4.3 billion. This was principally the result of a rebound after last year's breakdown due to 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 45% of total expenditures on the online advertising market and their total value increased by 26% YoY (+25.3% in display and +28.6% in video). We believe that following the acquisition of Interia.pl Group and thus gaining one of leading positions on the online advertising market we can benefit from the growth of this promising advertising market segment in the future.

4.2. Key positions in the consolidated income statement

Revenue

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

Retail revenue consists primarily of:

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

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

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

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

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

(vi) activation fees,

(vii) penalties, and

(viii) fees for additional services.

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

Our **wholesale revenue** comprises:

(i) advertising and sponsorship revenue,

(ii) revenue from cable and satellite operator fees,

(iii) revenue from the lease of infrastructure,

(iv) interconnect revenue,

(v) revenue from roaming,

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

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

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

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

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

Operating costs

Operating costs consist of:

(i) content costs,

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

(iii) depreciation, amortization, impairment and liquidation,

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

(v) salaries and employee-related costs,

(vi) cost of equipment sold,

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

(viii) other costs.

Content costs consist of:

(i) programming license costs,

(ii) amortization of purchased film licenses,

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

(iv) other content costs.

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

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

Costs of internal and external production and amortization of sport rights include production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses, as well as film production. These costs also include amortization of sport broadcasting rights. Amortization of

TV production is based on the estimated number of showings and type of programming content. Amortization of sport broadcasting rights is recognized in 100% on the first broadcast or on a straight-line basis over the seasons or competitions.

Distribution, marketing, customer relation management and retention costs consist of:

(i) marketing costs,

(ii) customer relation management and retention costs,

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

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

(v) costs of warranty service, and

(vi) costs of maintenance of points of sales.

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

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

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

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

(ii) amortization of costs of telecommunications concessions,

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

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

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

(vi) non-current assets impairment allowance, and

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

Technical costs and cost of settlements with telecommunication operators comprise:

(i) telecommunications and IT infrastructure lease costs,

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

(iii) telecommunication network maintenance costs and fees,

(iv) IT systems maintenance costs,

(v) costs of using satellite transponders,

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

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

(viii) interconnection and roaming charges, and

(ix) other costs.

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

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

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

(i) bad debt recovery fees,

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

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

Key items of **other costs** include:

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

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

(iii) legal, advisory and consulting costs,

(iv) property maintenance costs,

(v) taxes and other charges,

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

(vii) costs of photovoltaic installations sold and

(viii) other costs.

Other operating income/costs, net consist of:

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

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

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

Finance costs comprise interest on borrowings (including bank loans and bonds), realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank

and other charges on borrowings and guarantee fees resulting from indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

4.3. Review of the Group's financial situation

The following review of results for the three- and twelve-month periods ended December 31, 2021 was prepared based on the consolidated financial statements for the financial year ended December 31, 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 twelve-month periods ended December 31, 2021 and December 31, 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.

In analyzing the financial position of the Group, we do not eliminate the impact of companies acquired or disposed of in the period from January 1, 2020 to December 31, 2021. However, if the impact of an acquisition or a disposal is a significant factor, this is indicated for the item in question.

Furthermore, there were non-recurring events in both 2020 and 2021 that materially affected the Group's EBITDA result in these periods, distorting its comparability. In particular, in 2021 we incurred significant costs related to the COVID-19 pandemic (including donations), and in the third quarter of 2021 we disposed of shares in our subsidiary Polkomtel Infrastruktura. In order to ensure comparability of EBITDA for the analyzed periods we decided to present the adjusted EBITDA result, which in 2021 excludes the one-off gain on the sale of shares in our subsidiary Polkomtel Infrastruktura while in 2020 it excludes the EBITDA of Polkomtel Infrastruktura as well as costs related to the COVID-19 epidemic, including donations.

4.3.1. Income statement analysis

Results for the fourth quarter of 2021

[mPLN]	for the 3 month period ended December 31		change	
	2021	2020	[mPLN]	[% / pp]
Revenue	3,265.0	3,248.2	16.8	0.5%
Operating costs	(2,810.6)	(2,731.3)	(79.3)	2.9%
Gain on disposal of a subsidiary	(10.2)	-	(10.2)	n/a
Other operating costs, net	(24.4)	7.1	(31.5)	n/a
Profit from operating activities	**419.8**	**524.0**	**(104.2)**	**(19.9%)**
Profit/(loss) on investment activities, net	4.2	(11.5)	15.7	n/a
Finance costs, net	(6.5)	(64.9)	58.4	(90.0%)
Share of the profit of associates accounted for using the equity method	11.4	(45.6)	57.0	n/a
Gross profit for the period	**428.9**	**402.0**	**26.9**	**6.7%**
Income tax	(95.2)	(75.3)	(19.9)	26.4%
Net profit for the period	**333.7**	**326.7**	**7.0**	**2.1%**

[mPLN]	for the 3 month period ended December 31		change	
	2021	2020	[mPLN]	[% / pp]
EBITDA	***881.0***	***1,126.3***	***(245.3)***	***(21.8%)***
EBITDA margin	***27.0%***	***34.7%***	***-***	***(7.7 pp)***
Costs related to COVID (incl. donations)	-	(1.1)	1.1	(100.0%)
One-off cost on the disposal of Polkomtel Infrastruktura	(10.2)	-	(10.2)	n/a
EBITDA adjusted	***891.2***	***1,127.4***	***(236.2)***	***(21.0%)***
EBITDA adjusted margin	***27.3%***	***34.7%***	***-***	***(7.4 pp)***
EBITDA of Polkomtel Infrastruktura	-	177.7	(177.7)	(100.0%)
EBITDA adjusted excluding EBITDA of Polkomtel Infrastruktura	***891.2***	***949.7***	***(58.5)***	***(6.2%)***
EBITDA adjusted margin excluding EBITDA of Polkomtel Infrastruktura	***27.3%***	***29.2%***	***-***	***(1.9 pp)***

Revenue

Our **total revenue** increased by PLN 16.8 million (+0.5%) YoY in the fourth quarter of 2021, primarily due to strong retail revenue growth.

[mPLN]	for the 3 month period ended December 31		change	
	2021	2020	[mPLN]	[%]
Retail revenue	1,730.7	1,660.1	70.6	4.3%
Wholesale revenue	1,006.8	1,043.9	(37.1)	(3.6%)
Sale of equipment	408.1	424.4	(16.3)	(3.8%)
Other revenue	119.4	119.8	(0.4)	(0.3%)
Revenue	**3,265.0**	**3,248.2**	**16.8**	**0.5%**

Retail revenue increased by PLN 70.6 million (+4.3%) YoY, mainly as a result of the successful execution of our strategy aimed at building customer value, which is reflected in high dynamics of ARPU growth from all customer segments, as well as the consolidation of the results of Premium Mobile from July 2021.

Wholesale revenue decreased by PLN 37.1 million (-3.6%) YoY. During 2021, we noted a rebound in the advertising market (the effect of a low benchmark caused by the first waves of the COVID-19 outbreak in 2020), which translated into an increase in advertising and sponsorship revenue, which was, however, offset by the reduction of MTR and FTR rates for terminating traffic in our network by other operators, introduced by new EU regulations. Moreover, as a result of taking control over Premium Mobile, in the second half of 2021 wholesale revenue generated on transactions with this company was eliminated on consolidation.

Revenue from the **sale of equipment** decreased by PLN 16.3 million (-3.8%) YoY, mainly due to lower volumes of equipment sold. Despite the lifting of administrative restrictions on trade which had been introduced in connection with the COVID-19 epidemic, lower customer traffic in our points of sales persists.

Other revenue remained stable and amounted to PLN 119.4 million.

Operating costs

Our **operating costs** increased by PLN 79.3 million (+2.9%) YoY in the fourth quarter of 2021, primarily impacted by higher technical costs and increased content costs.

[mPLN]	for the 3 month period ended December 31		change	
	2021	2020	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	801.7	615.0	186.7	30.4%
Depreciation, amortization, impairment and liquidation	461.2	602.3	(141.1)	(23.4%)
Cost of equipment sold	337.2	359.5	(22.3)	(6.2%)
Content costs	531.4	484.0	47.4	9.8%
Distribution, marketing, customer relation management and retention costs	284.8	259.4	25.4	9.8%
Salaries and employee-related costs	271.3	265.8	5.5	2.1%
Cost of debt collection services and bad debt allowance and receivables written off	12.5	25.2	(12.7)	(50.4%)
Other costs	110.5	120.1	(9.6)	(8.0%)
Operating costs	**2,810.6**	**2,731.3**	**79.3**	**2.9%**

Technical costs and cost of settlements with telecommunication operators increased by PLN 186.7 million (+30.4%) YoY, mostly due to the recognition of costs resulting from the agreement on using the mobile infrastructure sold to Cellnex Poland. In addition, we recorded an increase in international roaming costs related to more international travel by our customers compared to 2020. On the other hand, this increase was partially mitigated by lower costs of interconnection settlements related to the reduction of MTR/FTR rates.

Depreciation, amortization, impairment and liquidation costs decreased by PLN 141.1 million (-23.4%) YoY, mainly due to discontinuation of depreciation of mobile infrastructure in connection with the disposal of our subsidiary Polkomtel Infrastruktura.

The **cost of equipment sold** decreased by PLN 22.3 million (-6.2%) YoY primarily as a result of lower volumes of equipment sold, which corresponds with lower revenue from the sale of equipment.

Content costs increased by PLN 47.4 million (+9,8%) YoY, mainly as a result of higher costs of internal production and amortization of sports rights as well as costs of film licenses, reflecting our decision to allocate more resources in the budget in order to increase the attractiveness of our TV channels as well as the review of our film assets inventory.

Distribution, marketing, customer relation management and retention costs increased by PLN 25.4 million (+9.8%) YoY in connection with intensified marketing activities related, among others, to the rebranding of our Group's key brands and consolidation of Premium Mobile costs.

Salaries and employee-related costs increased by PLN 5.5 million (+2.1%) YoY. In the fourth quarter of 2021, we customarily recognized higher expense related to provisions for annual bonuses for our employees.

Headcount in the Group decreased by 286 FTEs (-3.7%) YoY, which was mainly a net effect of the disposal of shares in Polkomtel Infrastruktura, the consolidation of companies acquired during the last 12 months, in particular Premium Mobile, and the development of scale of operations in the photovoltaic market.

Average employment	for the 3 month period ended December 31	Change

	2021	2020	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Plus Group(1)	7,357	7,643	(286)	(3.7%)

(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 12.7 million (-50.4%) YoY, resulting, among others, from of lower write-offs of receivables in 2021 due to a good repayment rate by our customers as well as a general improvement in the receivables sales market.

Other costs decreased by PLN 9.6 million (-8.0%) YoY, which was related, among others, to the recognition in the comparative period of higher costs associated with operations in the photovoltaic market and higher costs of film licenses sold.

In connection with the disposal of shares in Polkomtel Infrastruktura, in the fourth quarter of 2021 we recognized additional one-off **project costs related to the disposal of a subsidiary** in the amount of PLN 10.2 million.

Other operating costs, net amounted to PLN 24.4 million in the fourth quarter of 2021 as compared to other operating income, net of PLN 7.1 million in the fourth quarter of 2020. The change was mainly the result of establishing higher provisions for the necessity to incur potential costs of penalties imposed on selected Group companies by the Office of Competition and Consumer Protection in the past.

Profit on investment activities, net amounted to PLN 4.2 million in the fourth quarter of 2021, compared to a loss of PLN 11.5 million in the fourth quarter of 2020. The YoY lower loss was the effect of the recognition of a favorable change on unrealized foreign exchange differences due to lower depreciation of PLN against EUR in the fourth quarter of 2021.

Finance costs, net decreased by PLN 58.4 million (-90.0%) YoY. This decrease was caused, among others, by lower costs of servicing the Group's debt following the return to scheduled installment repayments of Tranche A of the SFA in 2021. Moreover, in the fourth quarter of 2021, we recognized a gain on the favorable revaluation of hedging instruments (IRS) as a result of the NBP increasing interest rates by a total of 165 bps in the fourth quarter of 2021.

Share of the profit of associates accounted for using the equity method amounted to PLN 11.4 million in the fourth quarter of 2021 compared to PLN 45.6 million of the loss in the comparative period. This item mainly reflects the recognition of our share in net profit of Asseco Poland, where we are the largest shareholder. The recognition of the loss in the fourth quarter of 2020 resulted principally from the completion of the purchase price allocation for our 22.95% shareholding in Asseco Poland and the recognition of 12-month cumulated amortization of intangible assets subject to valuation in this process.

Income tax was higher by PLN 19.9 million (+26.4%) YoY.

As a result of the changes described above, **net profit** for the fourth quarter of 2021 increased by PLN 7.0 million YoY and amounted to PLN 333.7 million.

EBITDA decreased by PLN 245.3 million YoY to the level of PLN 881.0 million in the fourth quarter of 2021 with EBITDA margin reaching 27.0% (-7.7 pp YoY), primarily due to the deconsolidation of the sold Polkomtel Infrastruktura.

Adjusted EBITDA excluding the result of Polkomtel Infrastruktura amounted to PLN 891.2 million in the fourth quarter of 2021 and was lower by PLN 58.5 million (-6.2%) YoY compared to PLN 949.7 million in the fourth quarter of 2020, resulting in adjusted EBITDA margin of 27.3% (-1.9 pp YoY).

Results for the full year 2021

[mPLN]	for the 12 month period ended December 31		Change	
	2021	2020	[mPLN]	[% / pp]
Revenue	12,444.0	11,962.9	481.1	4.0%
Operating costs	(10,305.5)	(10,073.8)	(231.7)	2.3%
Gain on disposal of a subsidiary	3,680.6	-	3,680.6	n/a
Other operating costs, net	(22.7)	(2.9)	(19.8)	>100%
Profit from operating activities	**5,796.4**	**1,886.2**	**3,910.2**	**>100%**
Loss on investment activities, net	(26.9)	(113.1)	86.2	(76.2%)
Finance costs, net	(178.8)	(333.0)	154.2	(46.3%)
Share of the profit of associates accounted for using the equity method	75.4	2.0	73.4	>100%
Gross profit for the period	**5,666.1**	**1,442.1**	**4,224.0**	**>100%**
Income tax	(1,251.6)	(295.9)	(955.7)	>100%
Net profit for the period	**4,414.5**	**1,146.2**	**3,268.3**	**>100%**
EBITDA	***7,699.6***	***4,191.9***	***3,507.7***	***>100%***
EBITDA margin	***61.9%***	***35.0%***	***-***	***26.9 pp***
Costs related to COVID (incl. donations)	-	(45.9)	45.9	(100.0%)
One-off gain on disposal of Polkomtel Infrastruktura	3,680.6	-	3,680.6	n/a
EBITDA adjusted	***4,019.0***	***4,237.8***	***(218.8)***	***(5.2%)***
EBITDA adjusted margin	***32.3%***	***35.4%***	***-***	***(3.1 pp)***
EBITDA of Polkomtel Infrastruktura	366.9	672.5	(305.6)	(45.4%)
EBITDA adjusted excluding EBITDA of Polkomtel Infrastruktura	***3,652.1***	***3,565.3***	***86.8***	***2.4%***
EBITDA adjusted margin excluding EBITDA of Polkomtel Infrastruktura	***29.3%***	***29.8%***	***-***	***(0.5 pp)***

Revenue

Our **total revenue** increased by PLN 481.1 million (+4.0%) YoY in 2021.

[mPLN]	for the 12 month period ended December 31		Change	
	2021	2020	[mPLN]	[%]
Retail revenue	6,767.0	6,480.4	286.6	4.4%
Wholesale revenue	3,678.8	3,526.7	152.1	4.3%
Sale of equipment	1,450.3	1,596.7	(146.4)	(9.2%)
Other revenue	547.9	359.1	188.8	52.6%
Revenue	**12,444.0**	**11,962.9**	**481.1**	**4.0%**

Retail revenue increased by PLN 286.6 million (+4.4%) YoY, mainly as a result of the successful execution of our strategy aimed at building customer value, which is reflected in high dynamics of ARPU growth from all customer segments, as well as the consolidation of the results of Premium Mobile from July 2021.

Wholesale revenue increased by PLN 152.1 million (+4.3%) 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 the results of Interia.pl Group from July 2020 fully compensated for a decrease in revenue from interconnection settlements, which resulted from lower rates for terminating traffic in our network by other operators in connection with new EU regulation coming into force on July 1, 2021.

Revenue from the **sale of equipment** decreased by PLN 146.4 million (-9.2%) YoY due to lower volumes of equipment sold which was caused mainly by administrative restrictions on trade related to the COVID-19 epidemic. We note that in 2020 the benchmark in this revenue category was particularly high due to the dynamic sales growth realized at the time by Polsat Plus Group.

Other revenue increased by PLN 188.8 million (+52.6%) YoY, mostly due to the recognition of higher revenues from operations on the photovoltaic market.

Operating costs

Our **operating costs** increased by PLN 231.7 million (+2.3) YoY in 2021.

[mPLN]	for the 12 month period ended December 31		Change	
	2021	2020	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	2,849.7	2,460.9	388.8	15.8%
Depreciation, amortization, impairment and liquidation	1,903.2	2,305.7	(402.5)	(17.5%)
Cost of equipment sold	1,200.7	1,338.2	(137.5)	(10.3%)
Content costs	1,826.9	1,638.4	188.5	11.5%
Distribution, marketing, customer relation management and retention costs	1,025.0	963.2	61.8	6.4%
Salaries and employee-related costs	946.9	905.9	41.0	4.5%
Cost of debt collection services and bad debt allowance and receivables written off	95.4	128.9	(33.5)	(26.0%)
Other costs	457.7	332.6	125.1	37.6%
Operating costs	**10,305.5**	**10,073.8**	**231.7**	**2.3%**

Technical costs and cost of settlements with telecommunication operators increased by PLN 388.8 million (+15.8%) YoY, mainly as a result of the recognition in the second half of 2021 of additional costs resulting from the agreement on using the mobile infrastructure sold to Cellnex Poland in July 2021. In addition, we recorded an increase in international roaming costs related to more international travel by our customers compared to 2020. The above mentioned factors were partly offset by a decrease of interconnection costs, associated with the regulatory reduction of MTR/FTR rates.

Depreciation, amortization, impairment and liquidation costs decreased by PLN 402.5 million (-17.5%) YoY, mainly due to the ceased recognition of depreciation, starting from March 2021, of assets of Polkomtel Infrastruktura which were held for sale.

The **cost of equipment sold** decreased by PLN 137.5 million (-10.3%) 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 188.5 million (+11.5%) YoY, mainly as a result of higher costs of internal production and a higher number of sports events and films broadcast in 2021 than in 2020, when the outbreak

of the COVID-19 epidemic occurred. In addition, we recorded 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 61.8 million (+6.4%) YoY mainly due to intensified marketing activities, related in particular to the rebranding of the Group's key brands and consolidation of Premium Mobile costs from July 2021.

Salaries and employee-related costs increased by PLN 41.0 million (+4.5%) YoY, among others due to an increase of average employment in the Group by 96 FTEs (+1.3%) YoY.

The increase in headcount in the Group is a net effect of, on the one hand, the consolidation of newly acquired companies, in particular Interia.pl Group from July 2020, TV Spektrum from September 2020 and Premium Mobile from July 2021 and an increase in employment in Esoleo, and on the other hand, a decrease in employment resulting from the disposal of shares in Polkomtel Infrastruktura.

Average employment	for the 12 month period ended December 31		Change	
	2021	2020	[FTEs]	[%]
Permanent workers not engaged in production in Polsat Plus Group(1)	7,498	7,402	96	1.3%

(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 33.5 million (-26.0%) YoY, resulting, among others, from a general improvement in the receivables sales market. We note that the benchmark was high in 2020 due to higher write-offs of receivables made at that time resulting from a change in the model for recovering overdue receivables.

Other costs increased by PLN 125.1 million (+37.6%) YoY, mainly as a result of the recognition of costs associated with intensified operations in the photovoltaic market in 2021.

In connection with the disposal of shares in Polkomtel Infrastruktura, in 2021 we recognized a one-off **gain on the disposal of a subsidiary** in the amount of PLN 3,680.6 million.

Other operating costs, net amounted to PLN 22.7 million as compared to PLN 2.9 million in 2020. The change was mainly the result of establishing higher provisions for the necessity to incur potential costs of penalties imposed on selected Group companies by the Office of Competition and Consumer Protection in the past.

Loss on investment activities, net amounted to PLN 26.9 million in 2021, compared to a loss of PLN 113.1 million in 2020. This was mainly the effect of the recognition of a lower loss than in the corresponding period 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, which was due to the appreciation of the PLN versus the EUR in 2021 compared to its strong depreciation in 2020.

Finance costs, net decreased by PLN 154.2 million (-46.3%) YoY. This decrease was caused, among others, by lower costs of servicing debt as a result of the NBP maintaining low interest rates for most of 2021 as well as the return in 2021 to scheduled installment repayments of Tranche A of the SFA. Furthermore, in 2021 we recognized a gain of PLN 78.6 million on favorable changes in the valuation of hedging instruments (IRS) as a result of a total of 165 bps increase in interest rates by the NBP in 2021, while in 2020 we recognized an expense of PLN 70.5 million on the same account due to the interest rate cuts implemented at that time.

Share of the profit of associates accounted for using the equity method amounted to PLN 75.4 million compared to PLN 2.0 million in 2020. This item mainly reflects the recognition of our share in net profit of Asseco Poland, where we are the largest shareholder holding a 22.95% stake. The low benchmark in 2020 resulted from the completion of the purchase price allocation for our 22.95% shareholding in Asseco Poland

and the recognition of 12-month cumulated amortization of intangible assets subject to valuation in this process.

Income tax was higher by PLN 955.7 million as a result of the recognition of income tax on the one-off gain on the disposal of Polkomtel Infrastruktura in 2021, which is subject to cash settlement in the first half of 2022.

As a result of the changes described above, **net profit** for 2021 increased by PLN 3,268.3 million YoY and amounted to PLN 4,414.5 million.

EBITDA increased by PLN 3,507.7 million YoY to the level of PLN 7,699.6 million in 2021 with EBITDA margin reaching 61.9% (+26.9 pp YoY). The increase in EBITDA was driven mainly by the recognition of the one-off gain on the disposal of Polkomtel Infrastruktura in 2021 in the amount of PLN 3,680.6 million.

Adjusted EBITDA excluding the result of Polkomtel Infrastruktura amounted to PLN 3,652.1 million in 2021 and was higher by PLN 86.8 million (+2.4%) YoY compared to PLN 3,565.3 million in the corresponding period, resulting in EBITDA margin of 29.3 (-0.5 pp YoY).

4.3.2. 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) 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 twelve-month period ended December 31, 2021:

Financial year ended December 31, 2021 [mPLN]	B2C and B2B services segment	Media segment: television and online	Consolidation adjustments	Total
Revenues from sales to third parties	10,396.3	2,047.7	-	12,444.0
Inter-segment revenues	58.4	216.4	(274.8)	-
Revenues	**10,454.7**	**2,264.1**	**(274.8)**	**12,444.0**
EBITDA (unaudited)	**3,389.7**	**629.3**	**-**	**4,019.0**
Gain on disposal of a subsidiary	3,680.6	-	-	3,680.6
EBITDA adjusted (unaudited)	**7,070.3**	**629.3**	**-**	**7,699.6**
Depreciation. amortization. impairment and liquidation	1,787.5	115.7	-	1,903.2
Profit from operating activities	**5,282.8**	**513.6**	**-**	**5,796.4**
Acquisition of property. plant and equipment and other intangible assets	1,049.3	109.5	-	1,158.8
Acquisition of reception equipment	110.0	-	-	110.0
Balance as at December 31, 2021				
Assets. including:	25,633.1	6,713.7[1)]	(109.8)	32,237.0
Investments in joint venture and associates	1,764.4	5.9	-	1,770.3

1) Includes non-current assets located outside of Poland in the amount of PLN 8.7 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the twelve-month periods ended December 31, 2021 and December 31, 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 financial year ended December 31, 2020:

Financial year ended December 31, 2020 [mPLN]	B2C and B2B services segment	Media segment: television and online	Consolidation adjustments	Total
Revenues from sales to third parties	10,167.1	1,795.8	-	11,962.9
Inter-segment revenues	63.7	211.1	(274.8)	-
Revenues	**10,230.8**	**2,006.9**	**(274.8)**	**11,962.9**
adjusted EBITDA (unaudited)	**3,631.6**	**606.2**	**-**	**4,237.8**
Costs related to COVID-19 (including donations)	41.8	4.1	-	45.9
EBITDA (unaudited)	**3,589.8**	**602.1**	**-**	**4,191.9**
Depreciation, amortization, impairment and liquidation	2,238.3	67.4	-	2,305.7
Profit from operating activities	**1,351.5**	**534.7**	**-**	**1,886.2**
Acquisition of property, plant and equipment and other intangible assets	1,112.4	105.5	-	1,217.9
Acquisition of reception equipment	147.5	-	-	147.5
Balance as at December 31, 2020				
Assets, including:	27,448.6	5,717.2[1)]	(50.8)	33,115.0
Investments in joint venture and associates	1,257.8	5.9	-	1,263.7

1) Includes non-current assets located outside of Poland in the amount of PLN 10.8 million.

4.3.3. Balance sheet analysis

As at December 31, 2021 our balance sheet amounted to PLN 32,237.0 million and was lower by PLN 878.0 million compared to its level as at December 31, 2020.

Assets

[mPLN]	December 31 2021	December 31 2020	Change	
			[mPLN]	[%]
Reception equipment	284.0	293.4	(9.4)	(3.2%)
Other property, plant and equipment	3,326.9	5,391.0	(2,064.1)	(38.3%)
Goodwill	10,802.0	11,808.4	(1,006.4)	(8.5%)
Customer relationships	1,005.7	1,412.7	(407.0)	(28.8%)
Brands	2,069.6	2,031.7	37.9	1.9%
Other intangible assets	2,374.1	2,616.4	(242.3)	(9.3%)
Right-of-use assets	696.5	1,519.4	(822.9)	(54.2%)
Non-current programming assets	739.4	282.5	456.9	>100%
Investment property	28.4	50.0	(21.6)	(43.2%)
Non-current deferred distribution fees	73.5	93.5	(20.0)	(21.4%)
Non-current trade receivables	777.1	832.0	(54.9)	(6.6%)
Other non-current assets. includes	1,902.3	1,283.6	618.7	48.2%
shares in associates accounted for using the equity method	*1,764.4*	*1,257.8*	506.6	40.3%
derivative instruments	*23.0*	*0.4*	*22.6*	*(>100%)*
Deferred tax assets	80.2	223.2	(143.0)	(64.1%)
Total non-current assets	**24,159.7**	**27,837.8**	**(3,678.1)**	**(13.2%)**
Current programming assets	630.6	413.2	217.4	52.6%
Contract assets	418.0	537.7	(119.7)	(22.3%)
Inventories	595.7	299.4	296.3	99.0%
Trade and other receivables	2,450.3	2,390.4	59.9	2.5%
Income tax receivables	4.5	9.0	(4.5)	(50.0%)
Current deferred distribution fees	226.8	222.4	4.4	2.0%
Other current assets	107.1	39.3	67.8	>100%
includes derivative instruments	*60.9*	*2.0*	*58.9*	>100%
Cash and cash equivalents	3,632.4	1,355.4	2,277.0	*>100%*
Restricted cash	11.9	10.4	1.5	14.4%
Total current assets	**8,077.3**	**5,277.2**	**2,800.1**	**53.1%**
Total assets	**32,237.0**	**33,115.0**	**(878.0)**	**(2.7%)**

In 2021, our **non-current assets** decreased by PLN 3,678.1 million (-13.2%) and accounted for 74.9% of total assets compared to 84.1% at the end of 2020. The decrease in the value of non-current assets was driven mainly by the completion in the third quarter of 2021 of the disposal of our subsidiary Polkomtel Infrastruktura, which owns part of Polsat Plus Group's mobile telecommunication network, and was reflected in particular in the **"Other non-current assets"** and **"Right-of-use assets"** items. As at December 31, 2021, we recorded an increase in the value of **other non-current assets** by PLN 618.7 million (+48.2%). This item included mainly the value of our 22.95% stake in Asseco Poland, which we acquired in 2019, and the value of our 10% stake in eObuwie, acquired in June 2021 for the amount of PLN 500.0 million. Furthermore, in 2021 we recorded an **increase in the value of current programming assets** by PLN 456.9 million, which was associated mainly with the purchase of additional sports rights. Moreover, during 2021, the value of **customer relationships** decreased by PLN 407.0 million (-28.8%) and the value of **other intangible assets** (mostly telecommunication licenses) decreased by PLN 242.3 million (-9.3%) due to the gradually recognized amortization. In turn, a **decrease of the value of goodwill** by PLN 1,006.4 million (-8.5%) resulted mainly from the allocation of a part of this balance sheet item to the disposed assets of Polkomtel Infrastruktura.

In 2021, our **current assets** increased by PLN 2,800.1 million and accounted for 25.1% of total assets of the Group. The value of non-current assets was higher mainly due to an **increase in cash and cash equivalents** by PLN 2,277.0 million, which was mainly the effect of the settlement of the disposal of Polkomtel Infrastruktura. Furthermore, in 2021 we recorded an **increase in the value of inventories** by PLN 296.3 million (+99.0%), which was related to our entry into the photovoltaic market and decisions to increase inventories of telecommunication equipment and set-top box components due to continuing global supply chain continuity issues, and in the **value of current programming assets** by PLN 217.4 million, which was associated mainly with the purchase of additional sports rights.

Equity and liabilities

[mPLN]	December 31 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	32.1	21.2	10.9	51.4%
Other reserves	2,801.3	99.7	2,701.6	>100%
Retained earnings	7,823.6	7,112.3	711.3	10.0%
Treasury shares	(2,461.0)	-	(2,461.0)	n/a
Equity attributable to equity holders of the Parent Company	**15,395.6**	**14,432.8**	**962.8**	**6.7%**
Non-controlling interests	(11.0)	(6.6)	(4.4)	66.7%
Total equity	**15,384.6**	**14,426.2**	**958.4**	**6.6%**
Loans and borrowings	7,671.8	8,887.8	(1,216.0)	(13.7%)
Issued bonds	1,942.1	1,959.2	(17.1)	(0.9%)
Lease liabilities	497.5	1,140.5	(643.0)	(56.4%)
UMTS license liabilities	-	136.7	(136.7)	(100.0%)
Deferred tax liabilities	794.9	902.1	(107.2)	(11.9%)
Other non-current liabilities and provisions	319.8	388.1	(68.3)	(17.6%)
includes derivative instruments	-	*16.8*	*(16.8)*	*(100%)*
Total non-current liabilities	**11,226.1**	**13,414.4**	**(2,188.3)**	**(16.3%)**

[mPLN]	December 31 2021	December 31 2020	Change	
			[mPLN]	[%]
Loans and borrowings	1,072.7	753.0	319.7	42.5%
Issued bonds	66.4	38.7	27.7	71.6%
Lease liabilities	201.1	432.5	(231.4)	(53.5%)
UMTS license liabilities	139.9	126.7	13.2	10.4%
Contract liabilities	650.8	675.6	(24.8)	(3.7%)
Trade and other payables	2,531.2	2,155.3	375.9	17.4%
includes derivative instruments	-	*39.2*	*(39.2)*	*(100%)*
Liabilities to shareholders of the Parent Company related to dividend	-	415.7	(415.7)	(100.0%)
Liabilities due to tender offer for shares in Netia S.A.	-	548.0	(548.0)	(100.0%)
Income tax liability	964.2	128.9	835.3	>100%
Total current liabilities	**5,626.3**	**5,274.4**	**351.9**	**6.7%**
Total liabilities	**16,852.4**	**18,688.8**	**(1,836.4)**	**(9.8%)**
Total equity and liabilities	**32,237.0**	**33,115.0**	**(878.0)**	**(2.7%)**

In 2021, **equity** increased by PLN 958.4 million (+6.6%) to PLN 15,384.6 million as at December 31, 2021. This was the result of profit generated in 2021 in the amount of PLN 4,414.5 million, which was partially offset by the recognition and settlement of the 2020 dividend liability in the amount of PLN 767.5 million and the settlement of the purchase of treasury shares in the amount of PLN 2,461.0 million.

Total liabilities decreased by PLN 1,836.4 million (-9.8%) and amounted to 16,852.4 million as at December 31, 2021, out of which current liabilities amounted to PLN 5,626.3 million and non-current liabilities amounted to PLN 11,226.1 million (constituting 33.4% and 66.6% of total liabilities, respectively). Compared to the end of December 2020, the **value of current liabilities increased** by PLN 351.9 million (+6.7%) while **non-current liabilities decreased** by PLN 2,188.3 million (-16.3%). The main factors driving the decrease of the value of non-current liabilities were the recognition of lower lease liabilities in connection with the disposal of Polkomtel Infrastruktura, the payment of the penultimate installment for our UMTS license as well as scheduled installment repayments of Tranche A of the SFA and total repayment of the Revolving Facility Loan. In turn, the increase in the value of current liabilities was impacted in particular by **higher income tax liabilities** by the amount of PLN 835.3 million, mainly due to the completed disposal of Polkomtel Infrastruktura, which will be settled in the first half of 2022. In parallel, the completion of the tender offer for shares of Netia in February 2021 decreased the value of current liabilities by PLN 548.0 million compared to their level as at the end of December 2020 while the payment of the second tranche of the dividend for 2019 in January 2021 reduced the liability to the Company's Shareholders related to dividend by PLN 415.7 million.

In connection with the completed disposal of our subsidiary Polkomtel Infrastruktura, as at December 31, 2021 the value of **lease liabilities (short- and long-term)** was lower by PLN 874.4 million (-55.6%) compared to December 31, 2020.

As at December 31, 2021, the value of **loans and borrowings (short- and long-term)** was lower by PLN 896.3 million (-9.3%) YoY, which was net the result of the scheduled repayment of installments under the SFA and total repayment as at December 31, 2021 of debt drawn under the Revolving Facility Loan.

As at December 31, 2021, the value of **trade and other payables** increased by PLN 375.9 million (+17.4%) YoY compared to the end of December 2020, mainly due to higher liabilities related to the purchases of programming assets, which is also reflected in the higher value of programming assets.

The value of **UMTS license liabilities (short- and long-term)** decreased by PLN 123.5 million (-46.9%) YoY as a result of the subsequent payment for the UMTS license executed in September 2021.

Contractual obligations

Commitments to purchase programming assets

As at December 31, 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]	December 31, 2021	December 31, 2020
within one year	205.0	182.9
between 1 to 5 years	366.1	315.6
more than 5 years	35.5	45.1
Total	**606.6**	**543.6**

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

[mPLN]	December 31, 2021	December 31, 2020
within one year	9.7	22.1
between 1 to 5 years	-	0.2
Total	**9.7**	**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 243.7 million as at December 31, 2021 (PLN 313.2 million as at December 30, 2020). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 31.0 million as at December 31, 2021 (PLN 64.9 million as at December 30, 2020).

Future contractual obligations

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

[mPLN]	December 31, 2021	December 31, 2020
within one year	125.6	126.0
between 1 to 5 years	376.7	503.9
Total	**502.3**	**629.9**

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the years 2021 and 2020.

[mPLN]	for twelve months ended December 31		Change	
	2021	2020	[mPLN]	[% / pp]
Net profit	4,414.5	1,146.2	3,268.3	>100%
Net cash from operating activities	**3,234.3**	**3,251.7**	**(17.4)**	**(0.5%)**
Net cash used in investing activities	**4,327.9**	**(1,786.3)**	**6,114.2**	**n/a**
Capital expenditures	*(1,158.8)*	*(1,217.9)*	*59.1*	*(4.9%)*
Capital expenditures /revenue	*9.3%*	*10.2%*	n/a	*(0.9 pp)*
Net cash used in financing activities	**(5,282.9)**	**(856.0)**	**(4,426.9)**	**(>100%)**
Net increase/(decrease) in cash and cash equivalents	2,279.3	609.4	1,669.9	>100%
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	**3,644.3**	**1,365.8**	**2,278.5**	**>100%**

Net cash from operating activities

Net cash received from operating activities amounted to PLN 3,234.3 million in 2021 and decreased by PLN 17.4 million (-0.5%) YoY. The decrease in net cash from operating activities was impacted mainly by lower adjusted EBITDA generated in 2021 (being mainly a result of the disposal and deconsolidation of the results of Polkomtel Infrastruktura) as well as a significant increase in inventories, which have been increased due to continuing supply chain continuity issues in the global economy, and higher payments for film licenses and sports rights. Higher operating outflows were partially offset by a lower decrease in liabilities and provisions compared to 2020 and lower income tax settled.

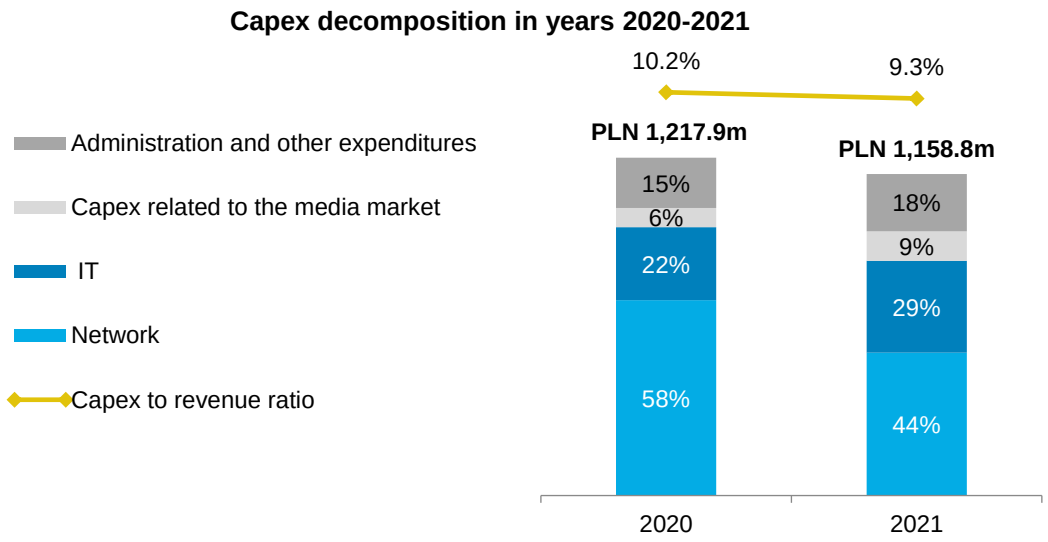
Net cash from investing activities

Net cash received from investing activities amounted to PLN 4,327.9 million in 2021 compared to PLN 1,786.3 million of net cash used in investing activities in 2020. This change was mainly caused by the inflow of proceeds from the disposal of shares of our subsidiary Polkomtel Infrastruktura which offset in full a cash outflow related to the purchase a 10% stake in eObuwie.pl, the continued increase of our capital engagement in the ownership of our subsidiary Netia and other acquisition projects.

In turn, capital expenditures on the purchase of property, plant and equipment, and intangible assets amounted to PLN 1,158.8 million in 2021 and decreased by PLN 59.1 million (-4.9%) YoY, which was the result of a change in the Group's investment profile in connection with the disposal of Polkomtel Infrastruktura, a company engaged in the development and maintenance of our mobile access network. In 2021, our capital expenditures included in particular:

- expenditures related to infrastructure development and maintenance, including: roll-out of the 5G network based on the 2600 MHz TDD band (it should be noted that the impact from this factor was recorded in the first half of 2021, i.e., until the disposal of Polkomtel Infrastruktura), expansion of the core network, fiber optic cables, radio links and transmission nodes to increase capacity for data transmission;
- expenditures related to the continued project of complex modernization and exchange of the IT environment of the Group;
- expenditures related to the process of successive replacement of the vehicle fleet and equipment of our points of sale;

- expenditures related to the development of our content services, including, among others, Internet projects, set-top boxes and the development of functionalities of applications and streaming platforms, the purchase of an additional broadcasting van, equipment for TV studios;
- expenditures related to the construction of a data center by Netia and the construction of an office building complex at Puławska St. in Warsaw;
- other administrative expenditures.



Net cash used in finance activities

Net cash used in financing activities amounted to PLN 5,282.9 million in 2021, up by PLN 4,426.9 million YoY. The increase of this item in 2021 was among others due to the purchase of own shares for PLN 2,464.0 million, the payout of the second tranche of dividend for 2019 in the amount of PLN 415.7 million and the dividend for 2020 in the amount of PLN 767.5 million as well as the total repayment of the Revolving Credit Facility and the return to regular quarterly repayments of Tranche A of our SFA.

4.3.5. Liquidity and capital resources

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

We believe that our cash balances and cash generated from our current operations, as well as 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 December 31, 2021.

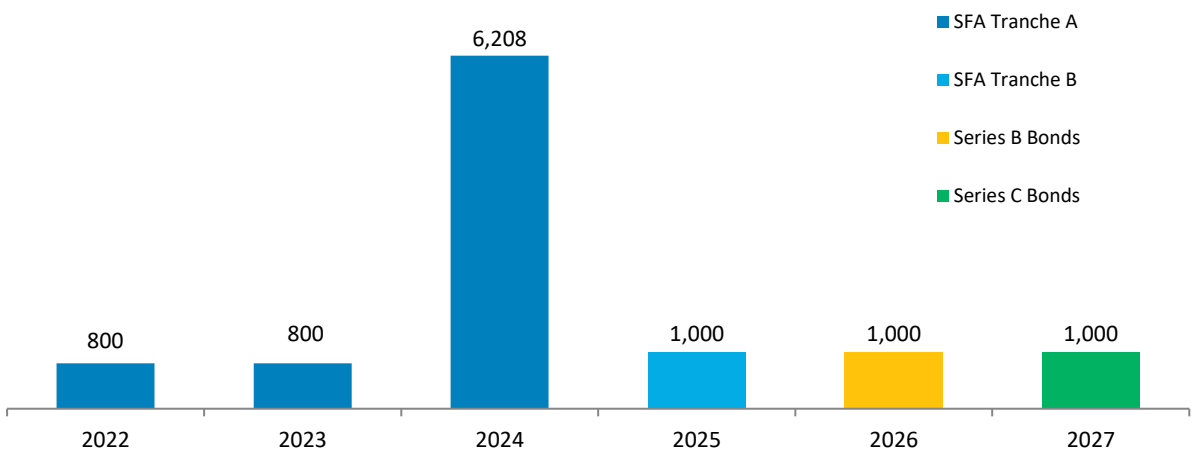
	Balance value as at December 31, 2021 [mPLN]	Coupon / interest / discount	Maturity date
SFA (Tranche A and B)	8,738.8	WIBOR + margin	Tranche A - 2024 Tranche B - 2025
Revolving Credit Facility (RCF)	-	WIBOR + margin	-
Series B and C Bonds	2,008.5	Series B - WIBOR + 1.75% Series C - WIBOR + 1.65%	Series B – 2026 Series C – 2027
Leasing and other	704.3	-	-
Gross debt	**11,451.6**	-	-
Cash and cash equivalents[1]	(3,644.3)	-	-
Net debt	**7,807.3**	-	-
EBITDA LTM	7,699.6	-	-
Total net debt / EBITDA LTM	**1.01x**	-	-
Weighted average interest cost[2]	-	5.1%	-

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

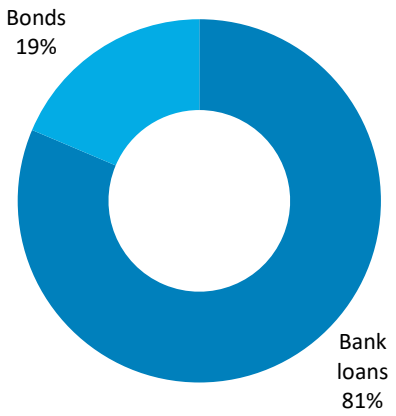
(2) Prospective average weighted interest cost of the SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at March 15, 2022 assuming WIBOR 1M of 3.71% and WIBOR 6M of 4.69%.

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 December 31, 2021.

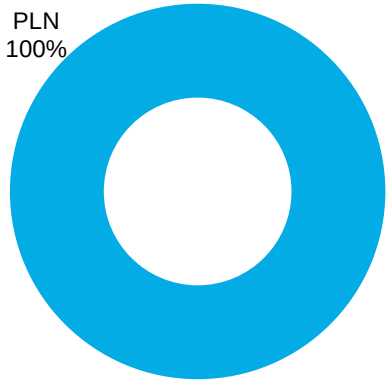
Debt maturing profile as at December 31, 2021 [mPLN]



Debt strucutre by instrument type as at December 31, 2021



Debt structure by currency as at December 31, 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 December 31, 2021, transactions hedging the WIBOR interest rate changes, opened by companies from the Group and maturing in different periods in the years 2022-2024, amounted to a maximum of PLN 2,375.0 million.

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

Senior Facilities Agreement

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

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

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

The Company utilized the funds obtained under the CP SFA in particular to repay the indebtedness under the refinanced CP Senior Facilities Agreement of April 11, 2014 between the Company (as the borrower) and a

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

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

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

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

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

Tranche A of the Term Facility and the RCF bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on Tranche A of the Term Facility and the RCF depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable within one year from the date of entering into the Third Amendment and Restatement Deed if the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1. In turn, after one year from the date of entering into the Third Amendment and Restatement Deed the maximum margin shall be applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.80:1, and the minimum margin level when that ratio is no higher than 1.80:1, whereas the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the SFA, does

not include debt instruments under which capital is repaid not sooner than 6 months after the term of repayment of Tranche A of the Term Facility and the RCF and interest is not paid in cash on a current basis. Pursuant to the provisions of the amended SFA the final repayment date for Tranche A of the Term Facility and the RCF is September 30, 2024.

Pursuant to the SFA the Company and its Group companies establish, in specified cases, certain collaterals for the credit facilities granted thereunder. In particular, these collaterals include registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of the Company and its selected subsidiaries, registered and financial pledges on shares in the Company's subsidiaries, registered and financial pledges on receivables related to bank accounts kept for the Company or its selected subsidiaries, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares or assets of the Company's subsidiaries, to be governed by foreign laws. A detailed description of established securities is presented in item *4.4.5. of this Report – Operating and financial review of Cyfrowy Polsat– Review of the Company's financial situation - Information on guarantees granted by the Company or subsidiaries*.

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

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

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

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

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

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

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

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

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

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

Series B Bonds

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

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

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

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

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

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

In accordance with the provisions of the Series B Bonds Terms, the Company may exercise at any time an early redemption of all or part of the Series B Bonds, however, the early redemption may not apply to Bonds that constitute less than 10% of the total nominal value of the Series B Bonds. An early redemption may be

exercised based on the Series B Bonds' nominal value together with the accrued interest and a possible premium for the early redemption.

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness and

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

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

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

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

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

Series C Bonds

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

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

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

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

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

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

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

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

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

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

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

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

(iii) granting loans,

(iv) disposing of assets,

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

(vi) incurring of financial indebtedness, and

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

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

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

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

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

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

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

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 / outlook	Previous rating / outlook	Rating / outlook date	Last review date
Moody's Investor Service	Ba1 / on review for downgrade	Ba1 / stable	11.06.2019	23.12.2021
S&P Global Ratings	BB+/ negative	BB+/ positive	26.01.2022	26.01.2022

On December 23, 2021, Moody's Investors Service placed the Group's corporate family rating (currently at the level of Ba1) under review for downgrade, at the same time changing the rating outlook from "stable" to

"rating under review". Moody's stated that its action followed the announcement of the Company dated December 20, 2021 regarding concluded preliminary agreements for the acquisition of equity stakes in PAK Polska Czysta Energia Sp. z o.o. and Port Praski Sp. z o.o. for the total amount of approximately PLN 1.7 billion, and the Group's plan to invest an additional PLN 5.5 billion in renewable green energy over the years 2022-2026. Moody's informed that placing the Group's rating on review for downgrade reflects the Group's decision to relax its financial policy in order to accommodate the above mentioned investments, which in Moody's opinion is likely to lead to a prolonged deterioration of the Group's credit metrics to levels not consistent with the current Ba1 rating.

On January 26, 2022, S&P Global revised the Group's outlook to "negative" from "positive", affirming the rating at BB+. In its updated credit opinion, S&P Global assessed that the Group's investments in a new business line, i.e. green energy and hydrogen, in the total amount of PLN 5.5 billion will weaken the adjusted debt to EBITDA ratio to above 3.0x (according to S&P's methodology) and free operating cash flow to debt to below 10%. Nevertheless, S&P Global believes that resilient performance of the Group's telecommunications and media segments, which operate based on a convergent offering, will continue to support the Group's business profile. The negative outlook indicates that the Group's rating could be downgraded, if adjusted debt to EBITDA ratio further deteriorates to 3.5x or higher, or if free operating cash flow to debt ratio falls below 5%.

4.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Senior Facilities Agreement

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

(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 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 receivables under bank account agreements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, and Polkomtel, governed by Polish law.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xxi) statements of the Company, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel, and

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

5. Other significant information

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

Transactions with parties related to Polsat Plus Group in the financial year ended December 31, 2021 have been concluded exclusively on market conditions and are described in Note 44 of the consolidated financial statements for the financial year ended December 31, 2021.

5.2. Information on loans granted

Information on loans granted is presented in Note 40 of the consolidated financial statements for the financial year ended December 31, 2021.

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

Polsat Plus Group had not published any financial forecasts.

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

Management believes that the provisions as at December 31, 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 February 24, 2011 the President of UOKiK imposed penalty on Polkomtel in the amount of PLN 130.7 million for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On June 18, 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 million (i.e. EUR 1.0 million). On October 20, 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. On April 28, 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3 million. Polkomtel and President of UOKiK appealed against the verdict. On April 3, 2020 both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On April 20, 2020 Polkomtel made a payment in the amount of PLN 1.3 million. Polkomtel and the President of UOKiK filed cassation appeals against the Court of Appeal's verdict.

23 December 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 including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK, Polkomtel was charged with a penalty in the amount of PLN 8.8 million. The company appealed to SOKiK against the decision. On October 24, 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On August 30, 2018 Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5 million. On November 20, 2018 Polkomtel made a payment in the amount of PLN 1.5 million. On March 13, 2019 SOKiK dismissed the appeal in remaining scope. Polkomtel appealed against the decision. On February 5, 2021 the Court of Appeals verdict reduced the amount of

penalty in the remaining scope to PLN 0.7 million. On February 18, 2021 Polkomtel paid a penalty of PLN 0.7 million. Polkomtel did not file a cassation appeal.

On December 30, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision. On March 5, 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court. On April 1, 2021, SOKiK dismissed Polkomtel's appeal. On January 24, 2022 Polkomtel's appeal was dismissed. Polkomtel examines the possibility of bringing a cassation 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 November 24, 2020, the Court of Appeal revoked the SOKiK decision and transferred the case for re-examination. On April 19, 2021, SOKiK dismissed Polkomtel's appeal in its entirety. Polkomtel appealed against the SOKiK decision. On November 10, 2021, the Court of Appeal upheld the penalty originally imposed by UOKiK. Polkomtel examines the possibility of bringing a cassation appeal. 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 June 24, 2021, the Company filed a cassation appeal to the Supreme Court. On January 12, 2022, the Supreme Court accepted the Company's cassation appeal for consideration.

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 were charged with a penalty in the amount of PLN 4.4 million and PLN 12.3 million, respectively. The Group appealed to the Court 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 submitted 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. Polkomtel appealed against the SOKiK judgment.

On December 19, 2019 the President of UOKiK issued a decision stating that the operations of the Company were allegedly infringing collective consumer interests by hindering access to ZDF and Das Erste channels during the Euro 2016 championship by removing these channels and incomplete and unreliable information to consumers in response to reports regarding unavailability of the above programs. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 34.9 million. The

Company appealed against this decision to SOKiK. On February 14, 2022, First Instance Court dismissed the Company's appeal in its entirety. The Company plans to file an appeal.

On December 31, 2019, the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by charging additional fees for data transmission using the RSTP protocol, despite the subscribers having internet packages or unlimited LTE Internet services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 50.6 million. Polkomtel appealed to SOKiK against the decision. On December 15, 2021, SOKiK announced decision in which it dismissed Polkomtel's appeal in its entirety. Polkomtel is considering an appeal against the SOKiK decision.

On January 22, 2020 the President of UOKiK issued a decision stating that the operations of Polkomtel were allegedly infringing collective consumer interests by clauses included in the terms and conditions of telecommunications services regarding prepaid services and expiration of the unused value of the subscribers' accounts. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 20.4 million. Polkomtel appealed to SOKiK against the decision.

Other proceedings

In September 2015, Polkomtel received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316.0 million (including interest of PLN 85.0 million), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On December 27, 2018, Court dismissed the entire claim. P4 Sp. z o.o. appealed against the decision. On December 28, 2020, the Court of Appeal referred the case to the District Court for reconsideration, Polkomtel appealed to the Supreme Court against this decision. On November 13, 2020, the P4 sp. z o.o. claim for payment of PLN 313 million, including interest of PLN 85 million, was delivered by the court. This lawsuit constitutes an "extension" of P4 Sp. z o.o claim dated September 2015 and concerns a further period of the acts alleged against the defendants, i.e. from April 2012 to December 2014.

Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

On April 28, 2017, Association of Polish Stage Artists ("ZASP") filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirely. On January 10, 2018, the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. The 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 hearing took place on October 20, 2021. The next hearing is scheduled for May 11, 2022.

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 last hearing took place on March 16, 2022, the hearing was postponed without a deadline.

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 Polkomtel Sp. z o.o.) and CenterNet S.A. (currently Polkomtel 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 NSA, 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. currently Polkomtel) 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 the 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. NSA annulled that

judgment on December 9, 2021. The case was remanded for re-examination to Voivodship Administrative Court in Warsaw and is awaiting the consideration.

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 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. On February 4, 2022, the European Commission began consultations on this matter and Cyfrowy Polsat and Sferia submitted their comments. Both companies believe that no illegal state aid was granted.

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 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.

5.5. Changes to the principle rules of management of our Company and the Capital Group

There were no changes to the principle rules of management of our Company and the Capital Group in the year 2021.

5.6. 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 and highest during the second and fourth quarter of each calendar year due to the introduction of new TV schedulings. In the year ended December 31, 2021, Telewizja Polsat Group generated approximately 22.8% of its advertising revenue in the first quarter, 25.5% in the second quarter, 20.6% in the third quarter and 31.0% in the fourth quarter.

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

Other revenues are not directly subject to substantial seasonal fluctuations.

5.7. Sales markets and dependence on the supplier and customer markets

All our services are offered in Poland. The share of any of our suppliers or customers does not exceed 10% of our operating revenues.

5.8. Trade unions

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 unions also operating in Netia Group. As at December 31, 2021 ca. 6% of the total workforce of Polsat Plus Group were trade union members.

5.9. Disclosure of non-financial information

On March 24, 2022 we published the "Sustainability Report of Polsat Plus Group for 2021," which comprehensively addresses key non-financial issues pertaining to our Group and demonstrates how we aim to achieve our strategic goals in a sustainable and responsible manner. The publication complies with the Global Initiative Reporting Standard, in the Core option, as well as Article 49b items 2-8 of the Accounting Act. The report contains detailed information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters with respect to both Polsat Plus Group and Cyfrowy Polsat as the parent company of the Group.

The "Sustainability Report of Polsat Plus Group for 2021" is available on Polsat Plus Group's corporate website at http://www.grupapolsat.pl/en/investor-relations in the tab Results centre/ESG reports.

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

5.10.1. Factors related to social-economic environment

Impact of the military conflict on the territory of Ukraine on Polsat Plus Group's current operations and expected results

On February 24, 2022, the armed forces of the Russian Federation launched an invasion and hostilities on the territory of Ukraine, a country that directly borders the Republic of Poland at a distance of 535 km. The Management Board of Cyfrowy Polsat unequivocally condemns this unjustified aggression and stands in full solidarity with the Ukrainian community in its defensive war.

Taking into account the lack of significant exposure of operating activities of Polsat Plus Group companies on the territory of Ukraine, Russia or Belarus, in the face of the Russian aggression the priority of Polsat Plus Group was to support refugees from Ukraine. From the first days of the Russian invasion Polsat Plus Group has been actively involved in providing communication and contact with family to the refugees from Ukraine (i.e., free international calls to Ukrainian networks, delivery and assistance in registration of free starters, waiver of roaming fees). We also provide reliable information in the news channels of Telewizja Polsat - Polsat News and Wydarzenia24, as well as on the news portals Interia.pl and Polsatnews.pl. We also support the Ukrainian media by broadcasting free-to-air news channels Ukraina24 and Freedom on Polsat Box, Polsat Box Go, Netia and Interia.pl. Interia.pl also launched a news section in Ukrainian.

We also provide active operational and financial support for a number of activities conducted by the Polsat Foundation under the "Polsat Foundation to Children of Ukraine" campaign.

In the opinion of the Management Board, despite the lack of significant direct exposure of Polsat Plus Group to the Ukrainian, Russian or Belarusian markets, the war started by the Russian Federation may have a long-lasting effect on the operational and financial results of Polsat Plus Group companies. In particular, escalating inflation, raised interest rates and disruptions in the supply of raw materials and fossil fuels may be reflected in the costs of our current operating activities to a degree which cannot be quantified at present.

Leaving aside macroeconomic and geopolitical factors, which are likely to affect every branch of the Polish economy to a varying degree, Polsat Plus Group assesses its operating prospects as relatively stable. At the moment - contrary to the situation at the beginning of the COVID-19 pandemic outbreak - we do not see a strong reduction in advertising campaigns from our advertisers. This does not mean that possible long-term effects of the expected economic slowdown will not affect the prospects of our media segment in the coming quarters and years. However, the Group is currently unable to present a reliable estimate of this impact on its revenues.

At the same time, as part of our assistance to refugees from Ukraine, by the date of publication of this Report, we have registered over 100,000 prepaid starters on behalf of Ukrainian citizens, which will translate into an increase in the scale of our prepaid customer base reported for the first quarter of 2022. However, given that these starters enable free calls to victims of the conflict, this will not have a material impact on our financial results in the short term.

The Management Board notes that the above factors have been described based on the best knowledge of the Management Board as at the date of publication of this Report. The ultimate impact of the war caused by the Russian Federation on the operational and financial activities of both the Company and the entire Polsat Plus Group cannot be predicted as of today and depends on many factors beyond the Group's control, in particular the duration of the armed activities and their further development, as well as further potential actions that may be taken by the Polish government, the authorities of the European Union and NATO. At the same time, the Management Board continuously analyzes the situation related to the development of the armed conflict and assesses its influence on the Group's activities. In case of identifying new factors, which may have a significant influence on the Group's operations and financial results, the Company will inform the market in an appropriate form.

Economic situation in Poland and in the world

Macroeconomic trends in the Polish economy as well as global market conditions have thus far affected our operations and operating results, 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, inflation, unemployment rate, dynamics of salaries in real terms, social transfers, household consumption, and capital expenditure incurred by enterprises.

After the global and domestic economic slowdown in 2020 following the coronavirus pandemic, Poland's GDP returned to strong growth in 2021 (+5.7% according to the European Commission estimates), and the European Commission forecasts indicated a continuation of high national GDP growth rates (+5.5% and +4.2% for 2022-2023, respectively).

At the same time, inflationary pressure in Poland has intensified in recent months, with the average inflation rate in 2021 estimated by the European Commission at 5.2%. The European Commission forecasts from February 2022 indicated that the inflation rate in Poland in 2022-2023 may reach 6.8% and 3.8%, respectively. We would like to point out that as a result of the armed conflict in Ukraine, macroeconomic indicators, including the inflation rate, may be revised. We expect that the persistently high level of inflation may translate in subsequent periods into an increase in the cost of our business, for example, in the cost of electricity or an increase in costs related to all types of services that we buy. We also expect that in the next periods our employee-related costs will remain under inflationary pressure and will be impacted by changes in the Polish tax system introduced at the turn of 2021 and 2022.

Disruption in global supply chains remains an issue on a worldwide scale. The continuation of this phenomenon and a prolonged reduction in the supply of components in Asian markets could translate into supply delays and higher prices for imported equipment offered to our customers and components used by us in our operations and investment activities.

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 cable TV market 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 building the loyalty of our customers.

We believe that at present our programming packages offer attractive 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 underdeveloped 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 fixed broadband links. The launch of services by global players, such as Netflix, Amazon Prime or NENT, is proof that Poland is considered an attractive market. The situation caused by the COVID-19 pandemic has deepened the existing trend of consuming film content at leisure and on various devices. In our opinion, this trend will be sustained after the end of the epidemic. In view of the above, we systematically develop our VOD and online television services and applications.

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, which was particularly noticeable during the unexpected slowdown caused by the first phase of the coronavirus pandemic. After the global and domestic economic slowdown in 2020 following the coronavirus pandemic, Poland's GDP returned to strong growth in 2021 (+5.7% according to the European Commission estimates), and the European Commission forecasts indicated a continuation of high national GDP growth rates (+5.5% and +4.2% for 2022-2023, respectively). At the same time, inflationary pressure in Poland has intensified in recent months, with the average inflation rate in 2021 estimated by the European Commission at 5.2%. The European Commission forecasts from February 2022 indicated that the inflation rate in Poland in 2022-2023 may reach 6.8% and 3.8%, respectively. We would like to point out that as a result of the armed conflict in Ukraine, macroeconomic indicators, including the inflation rate, may be revised. We expect that the persistently high level of inflation may translate in subsequent periods into an increase in the cost of our business, for example, in the cost of electricity or an increase in costs related to all types of services that we buy. We also expect that in the next periods our employee-related costs will remain under inflationary pressure and will be impacted by changes in the Polish tax system introduced at the turn of 2021 and 2022.

In our opinion, television will remain an effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still growth potential for TV advertising in Poland in the long term. It is worth noting that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime 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.

The value of the national advertising market is also affected by improvements in audience measurement processes. Starting from September 1, 2021 market research firm Nielsen started to publish data concerning monitoring television viewership on traditional TV sets expanded with data for out of home (OOH) television viewing. We have started to sell and settle advertising campaigns based on viewership including OOH data since September 2021 through our media house Polsat Media Biuro Reklamy. Advertising offices of the public broadcaster (TVP) and TVN Media also decided to make a similar move. We are of the opinion that including the out of home viewing data in viewership data for each TV station may translate favorably into the value of the advertising market in Poland and thus on our advertising revenue.

Starting from January 2022 our advertising office Biuro Reklamy Polsat Media decided to replace the current age group used for sales settlements, 16-49, with a broader target group, 16-59. This change was justified by the results of research published for a long time, which indicated that people from older age groups remain professionally active for longer and are active consumers, which makes them still an attractive target group for advertisers. Currently, 16-59 year olds make up 51% of the TV audience in Poland. A similar trend of billing advertising sales in the age groups older than 16-49 is also observed in other European markets. In our opinion, inclusion of the age group of 16-59 year olds in the advertising sales calculation may positively affect the value of the advertising market in Poland and, consequently, our advertising revenues.

Prospects of the online advertising market are also positive. According to the IAB AdEx report for the three quarters of 2021, online advertising expenditures in Poland increased at a rate of 22.6% YoY and reached the value of PLN 4.3 billion. This is mainly the result of a rebound after the reported pandemic advertising market collapse in 2020. The two main segments of the online advertising market in which we are present, i.e., display and video, were responsible for 45% of total expenditures on the online advertising market and their total value increased by 26% YoY (+25.3% in display and +28.6% in video). We believe that following the acquisition of Interia.pl Group and thus gaining a leading position on the online advertising market we will be one of the beneficiaries of the development of these promising segments of the advertising market in the following periods.

Growing importance of convergent services and consolidation trends

Convergence of services is one of the strongest trends both on the Polish media and telecommunications market and worldwide. Operators develop their bundled offerings in response to changing preferences of customers, who seek 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 by Polsat Plus Group in 2018 can serve as an example of such consolidation in Poland. Thanks to this acquisition 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.

Our immediate competitive environment is also undergoing changes in ownership and partnerships that will shape the markets in which we operate.

Orange Polska. In July 2021, Orange Polska together with Dutch pension fund APG Group established a company Światłowód Inwestycje in order to develop a fiber optic network, mostly in areas with a low or medium level of competition. 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. By the end of 2021, there were approximately 0.8 million households within the reach of Światłowód Inwestycje, and in the coming years the operator intends to expand the reach of its network to a total of 2.4 million households. We are of the opinion that the construction of an 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 entered into cooperation with Tauron thanks to which it plans to cover ultimately 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 to Orange Polska 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 broadband services to its customers through part of Orange's fiber optic network. Through this collaboration T-Mobile rolled out a convergent service offering for residential customers in mid-2019. Since 2020 the operator has also been providing convergent services relying on access to fiber optic networks of Nexera and Inea.

Play. In 2019, Play signed an agreement with Vectra, a cable TV operator, based on which it provides fixed-line broadband Internet access starting from 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 clusters. The transaction supported the migration of Play's transmission network connecting its base stations, to a technology based on fiber optic communications which, according to the operator, was related to the implementation of the 5G standard. In August 2020, Play finalized the acquisition of Virgin Mobile Polska, a virtual operator (MVNO) operating on Play's infrastructure.

In November 2020, Iliad, a French telecommunications group, took control over Play. Iliad declared at that time that it intended to focus on developing convergent services in Poland, which was reflected in an agreement between P4 and Liberty Global regarding the acquisition of 100% of shares of UPC Polska. The combined customer base of the two operators is 17 million. After having obtained relevant antimonopoly consents, the finalization of the transaction is expected in April 2022.

In June 2021, Play extended its national roaming agreement with Orange Polska until the end of 2025. On the basis of this 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.

Cable network operators. The fragmented Polish cable network market, which comprises around 300 operators, is undergoing consolidation. An example of the process is the acquisition by Vectra, the no. 2 operator in terms of size, of Multimedia Polska, the no. 3 cable player on the market. In February 2020, Vectra informed of the finalization of this transaction, which enabled it to offer services to 1.7 million subscribers, with as many as ca. 4.4 million households within its network footprint. 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, between 2019 and 2021 Netia acquired three 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

An important trend observed from 2019 onwards in the Polish mobile telephony market is the gradual introduction by all major telecommunication operators of modifications to their retail services pricelists which consist in , in particular, 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 package limits. These changes are associated, among others, with increased demand for data transmission, low level of prices of telecommunication services in Poland, inflationary pressure on costs of

telecommunication activities 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 transmission in a comfortable manner. However, intensive usage of 5G technology will require larger data packages, which may be offered in higher-end tariff plan proposals.

In 2021, Plus introduced new 5G pricelists, addressed to both individual and business customers, which offered larger data packages at higher subscription fee thresholds (more-for-more strategy). Changes of similar nature, aimed at moving customers who use 5G services up the pricing ladder, are also being 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 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 telecommunication market in the medium and long-term.

Demand for data transmission on smartphones

In Poland, the popularity of smartphones has been dynamically growing. Currently, smartphones have almost completely replaced traditional handsets in our sales mix. Concurrently, there is an increasing interest in more technologically advanced devices, which ensure much higher comfort of using. In particular, this is the case for smartphones supporting 5G technology, the price of which has been rapidly reduced from initially high levels and now these devices are available at affordable prices.

The growing popularity of smartphones is reflected in increasing demand for data transmission in the small screen equipment segment. According to estimates presented in the Ericsson Mobility Report of November 2021, the scale of data transmission in the Central and Eastern Europe region, to which Poland is classified, will increase from 9.9 GB per month in 2021 to 32 GB per month in 2027, driven also by the increasing popularity of 5G technology. We expect that the growing popularity, availability and technological advancement of smartphones combined with improving quality parameters of mobile data transmission 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.

Development of 5G technology in Poland

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. 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.

In Poland, the process of frequency allocation in the 3.6-3.8 GHz band for the construction of 5G networks has been halted. In 2020, the Office of Electronic Communications cancelled the frequency allocation process that had been initiated at that time. As at the date of publication of this Report, no details are known about the form, timing or conditions of distribution, including coverage parameters and price, of frequencies in the

3.4-3.8 GHz band. The detailed conditions of this process will have a significant impact on the financial results, in particular cash flows, and the operating activities of our Group.

Precise information regarding the distribution and use of frequencies in the 700 MHz band is also lacking. In 2019, a concept was developed to implement 5G technology based on the 700 MHz band to build a unified infrastructure that would cover the entire territory of Poland. This concept assumed the cooperation of mobile operators and the State Treasury in the form of a company called #Polskie5G. In 2021, a draft amendment to the Act on the National Security System was published, which, among others, provides for solutions regarding the operator of the strategic security network, the #Polskie5G company, and the distribution of the band from the 700 MHz range. As of the date of approval of this Report, the final conditions or deadlines for the distribution of the 700 MHz band in Poland are not known.

Regarding the 26 GHz spectrum, in July 2020 UKE conducted 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- 2023 at the earliest, i.e., when greater availability of end-user equipment operating in this band is expected.

Due to the suspension of the process of assigning frequencies in the 3.6-3.8 GHz band, intended ultimately for the construction of 5G networks in Poland, four major mobile operators in Poland made respective decisions to start the roll-out of commercial 5G networks in selected Polish cities using own spectrum resources (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 uses the MIMO 4x4 and QAM256 technologies on its band, enabling data transmission speed of up to 600 Mbps. The commercial start of Plus 5G network took place on May 11, 2020 and in the initial phase network roll-out covered major Polish cities. As at the date of this Report, Plus 5G network comprises over 3,000 base stations covering with its reach more than 19 million people in over 800 locations which gives us a significant competitive advantage.

5.10.2. Factors related to the operations of the Group

Growing importance of integrated services

Growing interest in integrated services, observed among our customers, provides us with 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. 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.

Thanks to the acquisition of Netia we have strengthened of our market position in integrated services. 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 network with approximately 3.2 million homes passed, out of which, as at the end of 2021, approximately 2 million were within the reach of broadband Internet with transmission speed of 1 Gbps. Netia's own network is supported by an extensive, nationwide backbone infrastructure. Thanks to the cooperation with wholesale partners, i.e. Orange Polska, Nexera and Fiberhost, this potential has been further strengthened. As a result Polsat Plus Group can already offer fixed broadband access services in fiber optic technologies at over 4.8 million address points.

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. 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 offer a broad range of complementary services to every basic service. We combine our traditional pay TV services provided in the satellite and Internet (OTT, IPTV) technologies with VOD, PPV, Multiroom and online video services. We propose optional value added services (VAS) to our Internet access and mobile telephony services, which include, among others, entertainment, music, news, localization or insurance services.

Effective use of the potential in the area of provision of integrated services 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 maintaining the churn ratio on a low level.

Strengthening of our market position in online advertising

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

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. The average monthly number of users of the websites and applications of the combined Polsat-Interia media group exceeds 20 million, and the average monthly number of page views reaches nearly 2 billion.

Following the acquisition of Interia.pl 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.pl Group thanks to its integration, from October 2020, with our media house Polsat Media Biuro Reklamy. As a result of these actions, we quickly achieved the synergies we assumed, which translated directly into the financial results obtained by Interia.pl Group.

Entering the market for energy production from low- and zero-emission sources

The Polish energy sector is currently at the threshold of a transformation involving the need to replace coal in the national electricity generation mix with clean, renewable energy sources and building energy independence in view of geopolitical challenges. An important driving force behind the changes in the Polish energy sector is the growing awareness, both in Poland and at a global level, of the need to combat climate change as well as the consistent climate policy of the European Union, which, on the one hand, offers significant support for the development of renewable energy sources, and on the other hand, strongly limits the possibilities of financing investments based on conventional fuels.

We believe that Poland's energy transformation towards clean, zero- and low-emission energy constitutes an excellent moment for new players to enter this promising market and creates new development opportunities for Polsat Plus Group. We believe that solar and wind power plants as well as stable low-emission sources, such as biomass boilers, will dynamically gain in importance. At the same time we believe that from the perspective of strengthening the energy independence of Europe and Poland a step into the future is already necessary, towards an economy and society based on green hydrogen. In our opinion, hydrogen technology will be important in reducing greenhouse gas emissions on a global scale due to its wide applications in industry, transport and power generation.

In December 2021, we expanded our strategy to include a new business pillar based on clean energy production. Between 2022 and 2026, we want to invest ca. PLN 5 billion to achieve about 1,000 MW of installed clean energy production capacity and ca. PLN 0.5 billion to build the full value chain of the economy based on the fuel of the future, that is hydrogen. In particular, we intend to invest in projects related to the production of energy from photovoltaics, biomass, wind farms and thermal waste treatment. We also want to invest in the future by building a complete value chain of a hydrogen-based economy, which may contribute significantly to the reduction of harmful substance emissions (including CO_2). Furthermore, we want to actively analyze the possibilities of investing in other prospective sources of energy such as off-shore wind farms and Small Modular Reactors (SMR).

According to our estimates, our investment plan will contribute to the reduction of greenhouse gas emissions by over 2 million tons of CO_2 equivalent per year, while creating an additional recurring EBITDA stream of PLN 500-600 million per year by 2026. Furthermore, by operating on the clean energy market, we will be able to manage energy costs, especially in the telecommunication area, in a more optimal way, which is particularly important in light of record high energy prices in Poland.

Entering the market for photovoltaic for B2C and B2B customers

Addressing our customers' demand for cheap and clean energy, in July 2020 we started to offer photovoltaic installations to our individual and business customers under the 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 and provides a complete solution and customer care in photovoltaic installations including assembly and technical support. The entire investment is executed in 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, executing, among others, photovoltaic installations for the chain of stores DINO Polska. As part of its B2B activities, ESOLEO, as consortium leader with ZE PAK S.A., completed the construction of the largest photovoltaic farm in Poland generating 70 MWp of power. The Brudzew solar plant was constructed on a plot covering 100 ha, on reclaimed lands which were previously exploited by the Adamów lignite mine in the eastern Wielkopolska region. The investment was completed in August 2021. The Polsat Plus Group purchased the entire volume of energy produced by the Brudzew farm under the long-term power purchase agreement, which lowers our cost of electricity while reducing the Group's carbon footprint.

We believe that growing popularity and knowledge about photovoltaic installations among our customers, combined with the renowned solution that we offer, will 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.

Sale of Polsat Plus Group's mobile infrastructure

In July 2021, we sold to Cellnex Poland Sp. z o.o. 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 (for details of the transaction see item 3.2. – *Significant investments, agreements and events – Business events*).

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 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 has significantly impacted the Group's financial results and will continue to do so in the coming quarters. 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 our investments in mobile network construction decreased substantially. Simultaneously, Polsat Plus Group effects payments to Cellnex for access to the telecommunication infrastructure on terms specified in the Master Service Agreement (MSA), which are reflected mainly in an increase in technical costs. 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 we recorded a decrease in leasing payments 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 our 5G network

In 2021, our customers transferred ca. 1.8 EB of data as compared to 1.5 EB transferred in 2020, which represents a 17% growth YoY. To meet the rapidly growing consumption of data transmission while maintaining the highest quality of our services, we continue to develop our telecommunication network. 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 footprint of the 5G technology, which at the end of 2021 covered over 19 million people in over 800 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 transmission speed (up to 600 Mbps) and coverage (i.e. wide availability), while maintaining the highest quality of both parameters. 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 us to maintain a competitive edge during subsequent stages of 5G network roll-out by offering the possibility of aggregating 5G frequency bands.

In early 2021, we introduced new 5G tariff plans addressed to both individual and business customers, which offered larger data packages compared to 4G tariff plans at higher prices with a minimum subscription fee threshold set at PLN 60 (premium positioning strategy). In turn, in August 2021, 5G was offered to all Plus new customers or customers extending their existing contract based on new tariff proposals (more-for-more strategy). We believe that the 5G technology is associated with demand for larger data packages and thus supports customer migration to higher tariffs and building customer value.

Development of streaming platforms

Our Internet services and applications Polsat Box Go and Polsat Go strengthen our position as an aggregator and distributor of content and ensure an important competitive advantage. We continue to develop our services using our experience in sales of pay TV, which helps us achieve synergies in terms of costs and revenues. The distinguishing element of our platforms is the unique, local content produced by Telewizja Polsat.

Mobile video traffic is the fastest growing segment of global mobile data traffic. Bearing this in mind, we believe that online television will make an increasingly significant element of our business in the future.

Therefore, we pay attention to providing users of our video services with a wide variety of attractive content. In particular, the coronavirus epidemic and the accompanying lockdowns contributed to higher interest of customers in online television offer, especially with regard to sports events, film and series content as well as entertainment shows. We think that such a trend will continue in the future and that we will benefit from it thanks to investments in the development of this segment of our operations.

Investment in increasing the attractiveness of the content offered 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 own 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. Our offer is exceptionally attractive for fans of football and volleyball. For football fans we offer, among others, broadcasts of qualifiers to the UEFA European Championships or the FIFA World Championships as well as the football Nations League. Additionally, we own rights to the world's most popular football club competitions – the UEFA Champions League. For volleyball fans we offer the biggest and most prestigious volleyball tournaments – the men's and women's World Volleyball Championships, exciting 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 the volleyball CEV Champions League. We also offer boxing and mixed martial arts galas (UFC, FEN, FFF and Babilon MMA), Wimbledon and ATP 1000 and 500 tournaments, and many others.

Following the acquisition of a controlling stake in the Polish company Eleven Sports Network in 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 Box Go). This premium sports content includes Spanish La Liga Santander, Italian Serie A, the English Emirates FA Cup and Carabao Cup, French Ligue 1 Uber Eats, Portuguese Liga Portugal, Formula 1® and speedway races of the Polish PGE Ekstraliga and Swedish Bauhaus-Ligan. Since November 2017 the Eleven Sports 1 channel has been available in 4K technology - viewers can watch selected events in their native UHD quality, e.g. Formula 1® races or selected La Liga Santander matches. 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 segment.

5.10.3. 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 assume further regulation of MTRs and FTRs. In line with the provisions of this directive, in 2020 the European Commission issued a delegated act specifying the highest levels of MTRs and FTRs that can be applied by operators in the European Union. Ultimately, the cap rates are to amount to 0.2 euro cents per minute for MTRs and 0.07 euro cents per minute 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 MTRs and January

2022 for FTRs, respectively. The time schedule for reducing the rates came into force on July 1, 2021 and is presented in the table below.

[EUR or PLN per minute]	Cap rates for termination of calls in other operators' networks in the EU 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	EUR 0.0007	EUR 0.0007

The gradual reduction of the MTR and FTR rates implemented by the EU will impact the results of Polsat Plus Group in the next 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 in our technical costs. 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. Due to the fact that the levels of outgoing and incoming traffic in interconnection settlements are similar we expect the impact of the regulation on Polsat Plus Group's EBITDA result to remain relatively neutral.

Implementation of the European Code of Electronic Communication to national legislation

In accordance with 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, works are ongoing on the preparation of a draft act "Electronic Communication Code," which is to implement the European Code of Electronic Communication into the Polish law order and replace the currently binding Telecommunications Law act. The implementation of the Electronic Communication Code may potentially have a significant impact on the results of our operations. The scope of the new legislation is currently subject to internal analyses.

Proposal to extend 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 European Commission's proposal assumes, among others, further reductions of the maximum wholesale rates for interconnection settlements for voice call and text messages (in July 2022 and January 2025) and for Internet usage (in July 2022 and then every January in the years 2023-2027). The new price caps would be, respectively:

- 0.027 EUR and 0.019 EUR per minute of an outbound voice calls;
- 0.007 EUR and 0.003 EUR per text message;
- 2 EUR, 1.8 EUR, 1.55 EUR, 1.3 EUR, 1.1. EUR and 1 EUR per 1 GB of data transmission.

In the draft regulation, the European Commission also introduces obligations for operators with regard to providing connections to emergency numbers and premium rates services as well as quality of services in regulated roaming.

The European Commission's proposal is the subject of talks between the EU Council and the European Parliament. The amended regulation is planned to enter into force on July 1, 2022.

Draft amendment to the National Cybersecurity Act

In October 2021, a draft amendment to the National Cybersecurity Act was published. It introduces into the legal order, among others, solutions allowing for an administrative decision to recognize a hardware or software supplier as a high-risk vendor. The draft amendment provides that, i.a., telecommunication companies will not be allowed to implement for use any hardware or software provided by a vendor who has been classified, by means of a relevant decision, as a high risk vendor. The hardware and the software covered by such a decision but implemented prior to the decision's date will have to be phased out within seven years of the decision's publication date, however, if the decision covers any telecommunication hardware or software which supports any functions that are considered critical from the point of view of security of the network and the services (listed in the attachment to the act), then the deadline for phasing out such hardware or software will be five years. The minister responsible for IT will have the authority to issue decisions recognizing a given vendor as a high risk vendor.

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 vendor and consequently excluded from the supply chain, market competitiveness may be reduced and prices of telecommunication equipment may rise. Furthermore, imposing an obligation on telecommunication operators to replace telecommunication equipment or software 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.

Other significant solutions provided for in the draft act include provisions concerning the operator of the strategic security network, the company Polskie5G, distribution of spectrum from the 700 MHz bandwidth, establishing a special purpose fund for the construction of the strategic security network as well as the Cybersecurity Fund, the competences of the Government's Representative for Cybersecurity in the field of issuing warnings and orders on behalf of the minister responsible for information technology, creation of a legal framework for the functioning of the national cybersecurity system certification scheme, as well as numerous changes to the existing cybersecurity system. The planned amendments may be of material importance from the standpoint of telecommunication operations in Poland since a substantial part of the planned regulations entail new obligations and requirements for telecommunication companies.

5.10.4. Financial factors

Exchange rates fluctuations

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

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

Interest rate fluctuations

Market interest rate fluctuations do not impact our revenue directly, but they 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.

The Group maintains certain hedging positions, the goal of which is to hedge partially against WIBOR fluctuations. We systematically 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. Currently, the Group's companies employ mid-term hedging instruments for up to approximately 27% of the interest rate exposure.

In 2021, the NBP increased the reference interest rate three times - by 40 basis points on 7 October 2021, by 75 basis points on 4 November 2021 and by 50 basis points on 9 December 2021. Further increases in the reference interest rate occurred in early 2022, i.e. on January 5, 2022 and February 9, 2022 - in both cases by 50 basis points, and on March 8, 2022 by 75 basis points. The interest rate increases to date will translate into a significant increase in our interest expense in 2022. Moreover, based on the current rhetoric of the President of the National Bank of Poland, further increases in domestic interest rates in the coming months should be expected.

Fluctuations in interest rates could limit our ability to meet our current obligations and could have a material effect, both positive and negative, on our results of operations, financial condition and prospects.

5.11. Key market trends

The main trends which we believe are likely to have a material impact on the development prospects of Polsat Plus Group, its revenue and profitability before in the current financial year include:

- high level of market penetration with services provided by us as well as a high level of competitiveness of the markets in which we operate;
- bundling of media and telecommunications services, as well as services from other sectors, such as electric energy or other products and services for the home;
- stable competitive situation on the mobile telephony market, reflected in a decreasing volume of numbers ported by customers between networks;
- growing demand for data transmission and high-speed broadband connectivity driven by changing consumer preferences and continued remote work and study and the resulting growing complexity of data transmission-based services;
- growing penetration of smartphones among customers of mobile networks, which entails the development of the mobile data transmission market;
- increasing customer expectations with regard to the level of advancement of end-user equipment, reflected in the growing demand for more advanced smartphones;
- increasing prices of mobile services in exchange for larger data packages ("more for more" strategy), resulting from the increase in demand for data transmission in smartphones and investments in the 5G standard;

- development of 5G networks, related with intensified expenditures and additional revenue from offering more expensive tariff plans which guarantee higher quality parameters and larger data packages;
- development of state-of-the-art fixed broadband networks, fiber optic in particular (FTTH), coupled with increasing openness of owners of such assets to resell them in a wholesale model;
- dynamic development of non-linear video content, distributed via VOD and OTT services, accompanied by growing online ad spending;
- steady increase in users' willingness to pay for video content online, in particular in the subscription model, which is associated, among others, with the production of high quality exclusive content for individual VOD services;
- entry of a number of global VOD and OTT players to the Polish market, as well as investments of operators already present on the market in content in order to adjust it to the preferences of local viewers;
- increased TV content production costs, resulting both from more intense competition for access to attractive content and from the increasing costs of day-to-day content production;
- increasing sales of smart-TVs;
- technological changes in provisioning pay TV services, resulting, among others, from increased consumer demand for non-linear content delivery;
- ongoing consolidation in the Internet and pay TV markets, particularly in the cable TV segment;
- consolidation of the local telecommunication market, reflected in acquisitions of fixed-line operators by larger telecommunications groups in order to strengthen convergent offerings;
- ownership changes in the TV production and broadcasting market;
- potential changes of ownership in the European telecommunication market, resulting from the desire of large telecommunication groups for greater business consolidation in individual local markets;
- economic and demographic effects of the military conflict in Ukraine.

6. Risk factors

6.1. 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.

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 pay TV and 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.

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 may occurre in connection with the extraordinary events of a similar nature as the COVID-19 pandemic or the military confilct in Ukraine.

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. 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, in 2020 as an effect of the imposure of the state of epidemic in

connection with the SARS-CoV-2 infections, some restrictions were implemented which resulted either in the temporary closure of a 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 observe a change in our customers' behavior towards a lower number of customer visits in our stationary points of sales, even at the time of full accesibility of our sales network. If such a phenomenon continues, it may translate into lower sales of services and equipment and on our churn levels, as well as it may require us to incur additional costs in order to reorganize our sales channels to the permanently changing preferences of customers.

Any failure to maintain, expand or modify our sales and distribution network, as well as its reduced efficienty as a result of extraordinary events, 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 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 its 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 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 contractors, Nagravision S.A. and Irdeto, which provide to us conditional access systems 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 to the country's legal system solutions allowing to consider a hardware or a software vendor (including suppliers of hardware and software designed for telecommunication companies) as a high risk vendor. 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 vendor 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 or software 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. 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, Oppo, Realme Motorola, Vivo and Huawei), 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. In particular, it cannot be ruled out that in the event of a permanent reduction in the supply of components on Asian markets, some disruptions may occur in the supply chain in terms of imported equipment offered to our customers. 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), planned migration towards the DVBT-2/HEVC standard, 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 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 established a joint venture with APG Group, Dutch pension fund, to expand its fiber optic access 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. Moreover, Iliad, the owner of Play mobile operator, is finalizing the acquisition of UPC Polska with a view to offering convergent services.

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.

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 an 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. During 2021, we implemented significant changes to the structure and visualization of our major brands and we cannot assure that the new communication strategy 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 pay TV reception equipment and to be able to offer our 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 could be 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. As at December 31, 2021, ca. 6% of the total workforce of Polsat Plus 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 our 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 to clients and viewers 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.

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 with respect to mobile 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 extend or revoke frequency allocations if he decides that a certain company repeatedly breaches 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 a given capital group.

To maintain the frequency allocations, we must comply with the terms of the allocation, as well as relevant laws and regulations. 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 frequency allocation owner. 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 we 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, we 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 in the past to companies belonging to our 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. This judgment was then waived by the Supreme Administrative Court by a judgment of December 9, 2021, and the case was remitted to the Voivodship Administrative Court in Warsaw. The case is awaiting a hearing date to be set before the Voivodship Administrative Court in Warsaw

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 2017, the European Parliament and the Council issued a Decision on the use of the 470-790 MHz frequency band in the European Union, under which EU Member States were required to make the 700 MHz band available for broadband services by 30 June 2020 or, where justified, by 30 June 2022 at the latest The then Ministry of Digitization decided to use the possibility of postponing the deadline. At the same time, TV broadcasters 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. According to the schedule of Emitel, which implements the technical layer of the refarming process in the 700 MHz band, consisting in releasing this band by TV broadcasters for the purposes of developing 5G technology, this process is to be completed in Poland by mid-2022. In 2019 representatives of Polish mobile operators, Exatel and the Polish Development Fund, 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. 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. In turn, the draft amendment to the act on the national security system (KSC) published in October 2021 includes provisions on the appointment of a state operator to perform tasks for defense, state security and public safety and order in the field of telecommunication, which would get part of the 700 MHz band. In order to implement the statutory tasks, the above operator would create a capital company acting as a wholesale operator of the 5G network in the 700 MHz band. A majority stake of 52% of shares in the aforementioned capital company would belong to the State Treasury companies and the remaining 48% to commercial operators or their consortia. 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, 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.

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

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

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the 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 margins 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.

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

We are exposed to the effects of the regional or global economic slowdown and supply shocks 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, telecommunications services and equipment. If the economic conditions in Poland deteriorate or if persisting supply-related inflationary pressure occures, consumers may be willing to spend less on entertainment , 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 or or an increase in inflation 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.

Simultaneously, the persisting inflationary pressure may translate into increased costs of our operations, especially with regard to the cost of energy related to our telecommunication activities. Also, it cannot be excluded that in case of permanent limitations in supplies of components on the Asian markets, some disturbances in supply chain of imported equipment may take place. Furthermore, Russian aggression in Ukraine translates into reduced availability and increased prices of raw materials, oil, steel and fossil fuels, which may have a material adverse effect on costs of our current operations and our ability to complete part of our planned investments.

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 of our advertisers 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, 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 a pandemic, epidemic or war

Our operations may be limited due to the occurance of extraordinary events such as the imposure of the state of epidemic or pandemic, or a military conflict in a neighbouring country. 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 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 armed conflict in Ukraine may have very significant and long-lasting effects on the global, European and Polish macroeconomic environment. In particular, as a result of sudden reduction in availability of raw materials, oil, steel or gas and fossil fuels, we may expect both a sudden economic slowdown as well as deepened inflationary pressure. These phenomena may adversely affect the demand for our services, costs of current operations as well as the possibility of execution of certain investments. At the same time, intensifying inflationary pressure may persuade the monetary authorities to tighten their monetary policy, which may affect the cost of servicing our debt or the ability to arrange additional financing. The severity of these effects depends primarily on the length of the military action in Ukraine, as well as its intensity. We are unable to predict future developments in Ukraine or their long-term impact on our operations and financial performance.

The deterioration of the national and global economic situation in consequence of an epidemic or the war in Ukraine 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 strong increase in voice traffic 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 a pandemic, epidemic or war, 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 telecommunication services market 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, Viaplay or Disney+which is getting ready for its debute in 2022) 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 and the Internet as advertising media

In 2021, ca. 66% of the revenue generated by our media segment came from sale of advertising time and sponsored time slots on our TV channels and Internet media. The Polish advertising market sees television competing with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. Bearing in mind the constant increase in the importance of Internet advertising in Poland, we consistently develop our online advertising channels, however, the vast majority of our advertising revenues still comes from television related activities.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, 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+ 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 2021 the audience shares of all DTT channels in the 16-49 age group reached 60.9% (compared to 63.2% in 2020). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 30.4% in 2021 compared to 31.3% in 2020. The aggregate audience share of the other DTT channels was 30.5% in 2021 vs. 31.9% in 2020, 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 to a significant degree from public

funds, which provides public service. Because TVP is the public broadcaster, it has restrictions on interrupting 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. Losing customers and advertisers to our competitors may have a material adverse effect on the results of our operations, financial condition and prospects.

6.4. 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, 2021.

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 and USD), roaming and interconnect agreements 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 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 and for them hedge accounting was not adopted.

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

6.5. 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 These elements combined with the differences in 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. Moreover, additional problems are caused by the existence in the Polish tax law system of 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.

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. Additional risk factors are the regulations introduced in 2021 regarding hybrid structures (ATAD 2 Directive). The lack of clarity as to the interpretation of regulations and the extensive and multidimensional nature of operations carried out by the Polsat Plus Group may result in a different tax interpretation of the arrangements made and events reported by the individual companies comprising the Group to the appropriate tax jurisdictions.

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 14, 2021 the Council of Ministers adopted an ordinance on the minimum salary in 2022, setting it at PLN 3,010, PLN 210 higher than the 2021 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. Furthermore, since January 2022 the Polish tax system has undergone comprehensive changes, including, among others, an increase in health insurance contributions without a possibility of their deduction from the tax base, which may effectively impact the level of a real net income obtained by a 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 turnover 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 or practices that violate collective consumer interests. 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 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. Despite our best efforts and commitment to the performance of obligations under the law and administrative decisions, we cannot rule out that the President of UKE will find in our activities a breach of one of the numerous and not always precisely defined obligations. 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 regulations governing telecommunication activities are subject to frequent changes, which is a risk factor significantly affecting our business. Legislative work is currently underway on a new act - Electronic Communication Code, which is to implement the European Union's regulations into the domestic legal order and which is to replace the current 'Telecommunications Law' act. The draft act contains many differences in relation to the current Telecommunications Law act and, as of the date of this Report, neither the final content of the document nor the date of entry into force of the new regulations is known.

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, 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.

6.6. 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.

6.7. Risk factors associated with climate

Climate-related risk factors addressing the guidelines of the TCFD ("Task Force on Climate-related Financial Disclosures") recommendations are described in the "Sustainability Report of Polsat Plus Group for 2021", which is available on the Polsat Plus Group corporate website.

7. Cyfrowy Polsat on the capital market

7.1. Shares of Cyfrowy Polsat

Shares of Cyfrowy Polsat are listed on the Warsaw Stock Exchange since May 6, 2008. The table below presents the characteristics of the shares issued as of December 31, 2021:

Series	Number of shares	Type of shares	Number of votes at the General Meeting	Face value [PLN]
A	2,500,000	Preferred shares (2 voting rights)	5,000,000	100,000.0
B	2,500,000	Preferred shares (2 voting rights)	5,000,000	100,000.0
C	7,500,000	Preferred shares (2 voting rights)	15,000,000	300,000.0
D	166,917,501	Preferred shares (2 voting rights)	333,835,002	6,676,700.0
D	8,082,499	Ordinary shares, introduced to trading	8,082,499	323,300.0
E	75,000,000	Ordinary shares, introduced to trading	75,000,000	3,000,000.0
F	5,825,000	Ordinary shares, introduced to trading	5,825,000	233,000.0
H	80,027,836	Ordinary shares, introduced to trading	80,027,836	3,201,113.4
I	47,260,690	Ordinary shares, introduced to trading	47,260,690	1,890,427.6
J	243,932,490	Ordinary shares, introduced to trading	243,932,490	9,757,299.6
Total	**639,546,016**		**818,963,517**	**25,581,840.6**
including:	179,417,501	not traded	358,835,002	7,176,700.0
	460,128,515	traded	460,128,515	18,405,140,6

The share capital of the Company is PLN 25,581,840.64, divided into 639,546,016 shares. The total number of votes at the General Meeting is 818,963,517.

As at 31 December 2021, 71,174,126 ordinary shares, representing 11.13% of the capital, were held by Cyfrowy Polsat as a result of the acquisition of treasury shares initiated by Resolution No. 7 of the Extraordinary General Meeting of Shareholders of November 16, 2021. Pursuant to Article 364(2) of the Commercial Companies Code, the Company does not exercise the participation rights from its own shares.

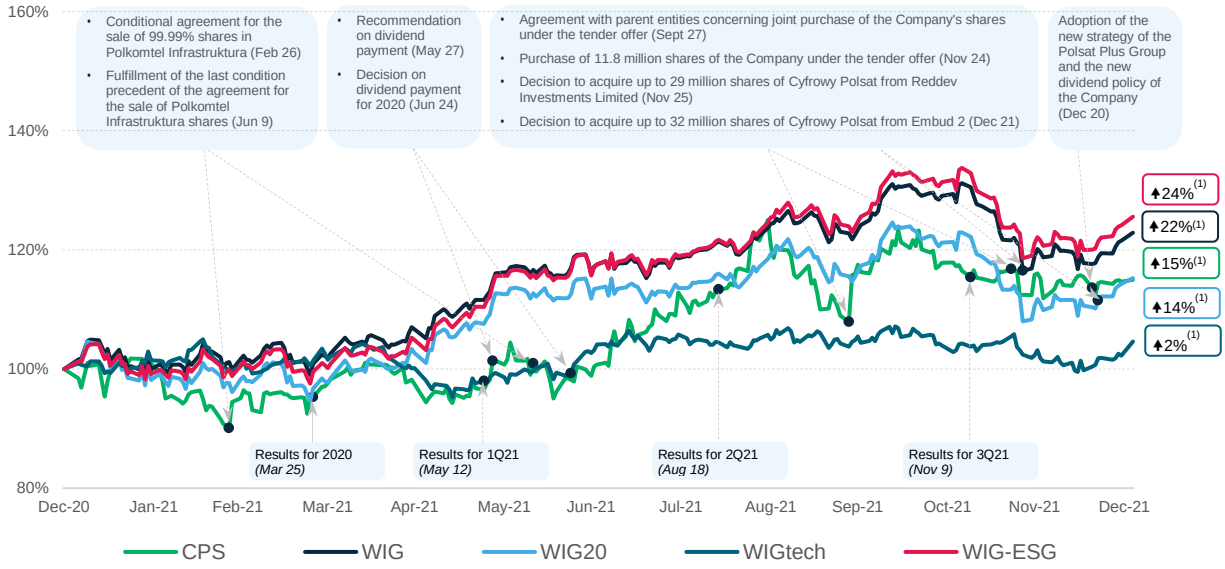
Basic data on Cyfrowy Polsat shares in trading

Date of first quotation	May 6, 2008
Component of indices	WIG, WIG20, WIG30, WIG-ESG, WIGtech
Macrosector	Technology
Market	main
Quotation system	continuous
International Securities Identification Number (ISIN)	PLCFRPT00013 (shares admitted and introduced to trading) PLCFRPT00062 (shares with preferential voting rights)
Cyfrowy Polsat's identification codes	• WSE: CPS • Reuters: CYFWF.PK • Bloomberg: CPS:PW

7.2. Shares quotes

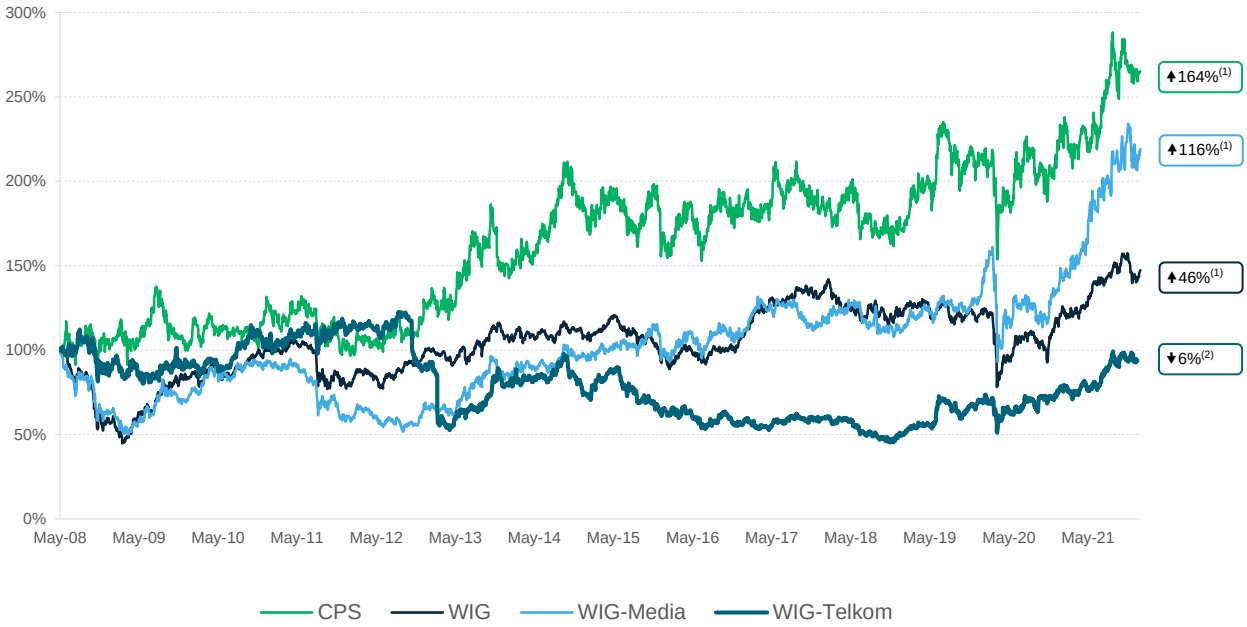
Performance of Cyfrowy Polsat shares in 2021

(indexed; 100 = closing price on December 31, 2020)



Performance of Cyfrowy Polsat shares since the debut on the WSE in May 2008 until the end of 2021 compared to selected WSE indexes

(indexed; 100 = closing price on May 6, 2008)



(1) change December 30, 2021 vs. May 6, 2008
(2) change December 17, 2021 vs. May 6, 2008, index published until December 17, 2021

Performance of Cyfrowy Polsat shares since the debut on the WSE (PLN)

(1) Share price on August 30, 2021

(2) Share price on July 15-16, 2008, March 12, 2009

(3) On April 20, 2011, the Company issued 80,027,836 ordinary bearer H Series shares with a nominal value of PLN 0.04 each. These shares were registered on May 30, 2011 in the Central Securities Depository of Poland under ISIN code PLCFRPT00013, and were admitted to trading on the main market. The proceeds from the issue of H Series shares were used as part of financing the acquisition of Telewizja Polsat. All H Series shares were taken up by the shareholders of Telewizja Polsat.

(4) On May 7, 2014 the Company issued 47,260,690 Series I shares and 243,932,490 Series J shares with the nominal value of PLN 0.04 each. On May 14, 2014 these shares were registered in the Central Securities Depository of Poland with ISIN codes PLCFRPT00013 and PLCFRPT00021, respectively. Series I shares were admitted to trading on May 12, 2014 and Series J shares – on April 20, 2015. The issue of Series I and J shares provided the source of financing of the transaction of acquisition of Metelem Holding Company Limited, an indirect owner of Polkomtel sp. z o.o. The issued shares were acquired by shareholders of Metelem Holding Company Limited.

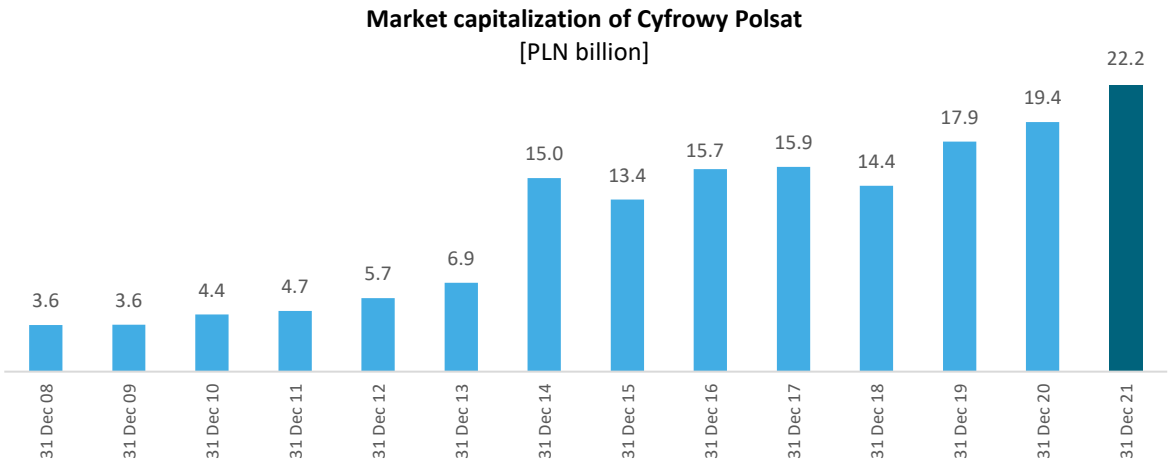
Cyfrowy Polsat shares on the stock exchange in 2021

		2021	2020
Year-end price	PLN	34.72	30.28
High for the year	PLN	37.86	30.68
Low for the year	PLN	27.28	20.20
Average for the year	PLN	32.13	26.77
Average daily turnover	PLN ‘000	15,878	14,950
Average daily trading volume	shares	496,766	568,826
Number of shares (as at year-end)	shares	639,546,016(1)	639,546,016
Bearer shares	shares	460,128,515(1)	460,128,515
Market capitalization (as at year-end)	PLN ‘000	22,205,038	19,365,453

(1) including 71,174,126 own shares acquired under the buy-back program announced on November 16, 2021. Pursuant to Article 364(2) of the Commercial Companies Code, Cyfrowy Polsat S.A. does not exercise the participation rights from its own shares.

Market capitalization of Cyfrowy Polsat since its debut on the WSE

With market capitalization of PLN 22.2 billion at the end of 2021 Cyfrowy Polsat is the largest media and telecommunications company quoted on the Warsaw Stock Exchange and one of the largest in Middle and Eastern Europe.



7.3. Analysts' recommendations

Brokers covering the Company:

Local

- Dom Maklerski BOŚ S.A.
- Biuro Maklerskie mBanku S.A.
- Dom Maklerski PKO BP S.A.
- Trigon Dom Maklerski S.A.
- IPOPEMA Securities S.A.
- Biuro Maklerskie Pekao

International

- Barclays
- Citigroup Global Markets Inc.
- ERSTE Group Research
- Goldman Sachs
- Haitong Bank S.A.
- Raiffeisen Centrobank AG
- Wood&Company
- Santander Biuro Maklerskie

Recommendations for the shares of Cyfrowy Polsat issued in 2021

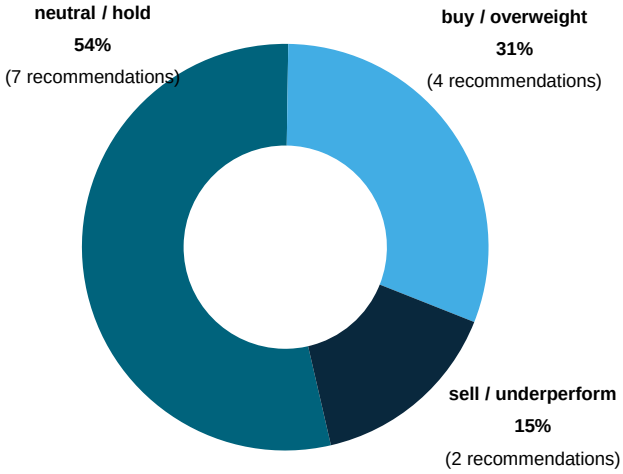
Date	Institution	Recommendation	Target price [PLN]
December 14, 2021	IPOPEMA Securities S.A.	Hold	32.5
December 14, 2021	Haitong Bank S.A.	Neutral	34.9
December 9, 2021	Trigon Dom Maklerski S.A.	Buy	39.0
December 5, 2021	DM BOŚ S.A.	Neutral	35.5
December 3, 2021	Santander Biuro Maklerskie	Sell	33.2
November 29, 2021	Wood&Co	Hold	34.0

Date	Institution	Recommendation	Target price [PLN]
November 9, 2021	Santander Biuro Maklerskie	Sell	34.9
October 19, 2021	Barclays	Overweight	40.0
October 6, 2021	Biuro maklerskie mBanku S.A.	Hold	36.2
October 1, 2021	Goldman Sachs	Sell	28.6
September 30, 2021	Citigroup Global Markets Inc.	Neutral	35.0
September 2, 2021	Haitong Bank S.A.	Neutral	36.7
August 31, 2021	Santander Biuro Maklerskie	Hold	35.6
August 31, 2021	Barclays	Overweight	39.0
August 23, 2021	DM PKO BP S.A	Buy	39.2
July 26, 2021	IPOPEMA Securities S.A.	Buy	38.0
July 23, 2021	Citigroup Global Markets Inc.	Neutral	29.8
July 21, 2021	Barclays	Overweight	36.0
21 July, 2021	Trigon Dom Maklerski S.A.	Buy	36.0
20 July, 2021	DM BOŚ S.A.	Buy	30.5
25 June, 2021	ERSTE Group Research	Buy	36.0
2 June, 2021	Goldman Sachs	Sell	27.2
28 May, 2021	Santander Biuro Maklerskie	Buy	33.7
14 May, 2021	IPOPEMA Securities S.A.	Buy	37.0
April 26, 2021	Trigon Dom Maklerski S.A.	Buy	34.0
March 29, 2021	Barclays	Overweight	35.0
February 5, 2021	Santander Biuro Maklerskie	Hold	28.8
January 16, 2021	Goldman Sachs	Sell	28.3

Recommendations released in 2022

Date	Institution	Recommendation	Target price [PLN]
March 9, 2022	Santander Biuro Maklerskie	Underperform	28.4

Structure of recommendations as at March 23, 2022



Target price as at March 23, 2022 [PLN]
PLN]

minimum	28.4
maximum	39.2
average	34.6

Close dialogue with the capital market

The goal of our corporate strategy is to create sustainable value of the Company. We support this strategy through regular and open communication with all capital market participants.

In order to ensure current access to information we participate in conferences with investors, we organize numerous individual meetings and roadshows both in Europe and in the United States. Moreover, every quarter, after the publication of our financial results, we organize periodical meetings with investors and sell-side analysts, as well as teleconferences with Members of the Company's Management Board. Both are open events. In 2021, we held meetings with approximately 230 representatives of the capital market, including over 20 virtual conferences. Due to the COVID-19 pandemic, in 2021 they were held in the form of online meetings and teleconferences.

When communicating with the capital market we are guided by the main principle of transparency and equal access to information. Following this principle, we introduced the rule of limited communication before the publication of our financial results. Under this rule the representatives of the Company avoid discussions or meetings with analysts and investors two weeks prior to the publication of the quarterly results. This rule is meant to increase transparency and ensure equal access to information about the Company before the publication of our financial results.

To ensure proper fulfillment of the information obligations imposed by the relevant regulations, including the MAR Regulation, we have implemented, at the Group level, detailed internal rules which define, among others, the principles of analysis and identification of events occurring within our organization, the procedures to be followed upon obtaining any information which is subject to reporting as well as the deadlines for fulfillment of information disclosure requirements. We have also adopted an Individual Reporting Standard which supports the identification and classification of events as inside information.

In order to reach a wide audience we also use modern tools to communicate with capital market representatives, such as a website dedicated to investors (http://www.grupapolsat.pl/en/investor-relations), a reliable and practical source of information about Polsat Plus Group, electronic newsletters, selected social media, periodic newsletters including both information on current events in Polsat Plus Group and latest market developments (press review), as well as reminders of the most important events in the Company.

Since the outbreak of the COVID-19 pandemic, we have been using online meeting tools to enable all interested investors and analysts to actively participate in the Company's events.

Numerous distinctions presented to Cyfrowy Polsat in the field of investor relations are the confirmation of our efforts which are aimed at guaranteeing high quality and top standards of the Group's communication with the capital markets in Poland and around the world. Numerous times we were, among others, ranked top and distinguished in the Best Listed Company of the Year ranking organized by *Puls Biznesu* daily and in investor relations surveys among WIG30 companies prepared by the daily *Parkiet* and the Chamber of Brokerage Houses based on annual polls of representatives of financial institutions. In 2021, we were among the winners of the IR Magazine Awards - Europe 2021 competition, winning awards in three categories: best investor relations in the sector: communications, best investor relations professional (small and medium-sized companies) - for Grzegorz Para, Director of Investor Relations, and best investor relations (medium-sized companies). Moreover, the jury of "The Best Annual Report 2020" competition, organized by the Institute of Accounting and Taxes, recognized our "Corporate Governance Statement" as the best among the statements published by private companies.

7.4. Dividend policy

On December 20, 2021, the Management Board of the Company adopted a new dividend policy of the Company for the years 2022-2024.

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

- growth of revenue from services provided to individual and business customers through the 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 and simultaneously increasing average revenue per user (ARPU) and maintaining a high level of customer satisfaction;
- 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;
- use of opportunities arising from the advancing technological changes and market opportunities in order to expand the scope of our products and services;
- building a position on the clean, renewable energy market, in particular from the sun, wind, biomass, thermal waste treatment and building a complete value chain of a hydrogen-based economy, which creates opportunities to build a new stream of revenues for Polsat Plus Group and will bring tangible social benefits in the form of greenhouse gas emissions reduction;
- effective management of the cost base of our integrated capital group by exploiting its inherent synergies and economies of scale, and
- effective management of the Group's finances, including its capital resources.

Predictable dividend payouts to Shareholders is one of the main goals underlying the capital resources management policy of the Company. At the same time, bearing in mind the goal to achieve and maintain a low level of indebtedness, designated by the General Meeting of Shareholders in the Articles of Association of the Company (the "Target Leverage Ratio"), the Management Board of the Company is obligated to formulate the financial policy of Polsat Plus Group in such a way, so as to meet the expected Target Leverage Ratio. In view of the above, the Management Board of the Company intends to present a proposal concerning

dividend payout together with the Management Board's recommendation to the General Meeting annually, subject to the observance of the following general principles:

- the amount of a dividend paid out every year shall guarantee an attractive return on invested capital to the Company's Shareholders;
- the level of the obtained return shall be shaped in relation to the commonly available on the Polish market forms of safe investing of funds, in particular in relation to the level of bank deposits rates, while taking into account a risk premium associated with floating of Cyfrowy Polsat's share prices on the Warsaw Stock Exchange;
- the annually submitted proposal for distribution of the Company's net profit for the previous financial year should allow for the continuation of gradual reduction of the net debt of Polsat Plus Group in order to achieve the Target Leverage Ratio.

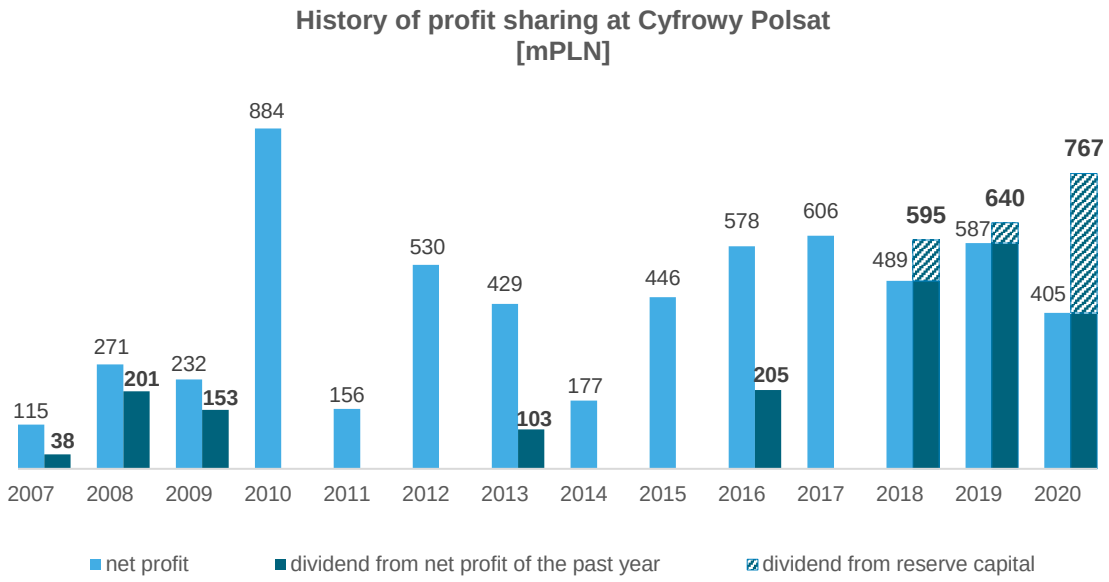
In regard to the above, after having reviewed the investment plans of Polsat Plus Group and evaluated the possibilities of allocating the expected cash resources of the Group with an aim to pay out dividends to the Shareholders of the Company, in the years 2022-2024 the Management Board of the Company intends to recommend to the General Meeting dividend payout in the total amount of not less than PLN 3.00 per share in three installments as follows:

- at least PLN 1.00 per share to be paid out from net profit generated in 2021;
- at least PLN 1.00 per share to be paid out from net profit generated in 2022;
- at least PLN 1.00 per share to be paid out from net profit generated in 2023.

Simultaneously, the Management Board underscores that every time when presenting a proposal for distribution of the profit for the previous year it will take into account the Group's net profit, financial standing and liquidity, existing and future liabilities (including potential restrictions related to facility agreements and other financial documents), the assessment of the Group's prospects in specific market and macroeconomic conditions, potential necessity of spending funds for the Group's development, in particular through acquisitions and embarking on new projects within the framework of the Group's strategy, one-off items, as well as valid legal regulations. The dividend policy will be subject to regular verification by the Company's Management Board. The new dividend policy will take effect from January 1, 2022.

Distribution of net profit of Cyfrowy Polsat for 2020

Acting in accordance with resolution no. 27 of the Ordinary General Meeting, held on June 24, 2021, regarding profit distribution, net profit earned by the Company in the financial year ended December 31, 2020 in the amount of PLN 405.0 million was allocated to the dividend payout. Furthermore, the amount of PLN 362.5 million from the reserve capital created from the profits earned in previous years was also allocated to the dividend payout. The total amount of the dividend was PLN 767.5 million, i.e., PLN 1.20 per share.


History of profit sharing at Cyfrowy Polsat
[mPLN]
115
38
271
201
232
153
884
156
530
429
103
177
446
578
205
606
489
595
587
640
405
767
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
net profit
dividend from net profit of the past year
dividend from reserve capital

8. Corporate governance Statement

8.1. Principles of corporate governance which the Company issuer is subject to

As at December 31, 2021, Cyfrowy Polsat S.A was subject to corporate goverance principles outlined in the "Best Practices of WSE Listed Companies in 2021" ("**Best Practices 2021**"), constituting an appendix to resolution No. 13/1834/2021 of the Council of WSE of March 29, 2021 (this document is available on the official website of the Warsaw Stock Exchange dedicated to the issues of the corporate governance of listed companies - https://www.gpw.pl/dobre-praktyki2021).

Application of principles outlined in the Best Practices 2021

On July 1, 2021, the Management Board of the Company adopted the recommendations and principles specified in the Best Practices 2021. In the second half of 2021, when the Best Practices 2021 were binding, the Company did not comply with principles set out in items 1.4., 1.4.1., 2.1., 2.2., 3.2., 3.6., 3.7., 3.9., 3.10., 4.1. i 4.9.1.

Below, the Company presents explanations regarding non-compliance or partial application of:

- ***Principle 1.4.*** *regarding the ensuring of quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial.*

  The above principle was partly fulfilled in 2021. The assumptions of the business strategy, along with the description of the non-measurable and selected measurable goals, as well as the information on the results achieved and the accomplishment of the strategic goals are published by the Company on its website as well as in its annual reports and sustainability reports. However, due to the fact that the Company did not formulate long-term measurable financial and non-financial goals in 2021, hence such goals were not published by the Company on its website, as required by the principle 1.4.

  In parallel, please note that on December 20, 2021 the Company adopted and published the assumptions of the new strategy of Polsat Plus Group. The strategy assumes maintaining a strong market position in respect of the existing operating segments of the Group while focusing, among others, on the development of new areas of activity, inter alia in the area of energy production from zero- and low-emission sources leading, according to the assumptions of the strategy, to significant reduction of greenhouse gas emissions in the medium and long term.

  In connection with the announcement of the new strategy, the Management Board defined and published on the Company's website its set, measurable, long-term strategic goals, both financial and operational, as well as its non-financial objectives, in particular those related to the expected reduction of greenhouse gas emissions.

- ***Principle 1.4.1.*** *stating that information concerning the ESG strategy should explain, among others, how the decision-making processes of the company and its group members integrate climate change, including the resulting risks.*

  In 2021, the Company did not publish information on its website regarding the assumptions and the goals of its strategy in the ESG area. Nonetheless, in its sustainability reports the Company publishes detailed information regarding governance principles and procedures covering environmental issues that are valid in the Company as well as in the Group's important member companies. The Company also describes in detail the efforts of the entire Group in the areas of conservation of natural

environment and education of the public in this area. In 2021, the Company did not publish in its reports any information regarding the risks associated with climate changes. Nonetheless, the Company is aware of the high importance of these issues and plans to include them in its reports for subsequent reporting periods.

In parallel, please note that on December 20, 2021 the Company adopted and published the assumptions of the new strategy of Polsat Plus Group, which included strategic assumptions in the ESG area. The Management Board has identified an unfavourable local energy mix, translating into both air quality (social aspect) and the cost of conducting business or living in Poland (economic aspect), as a key challenge for the Polish society and economy. Therefore, within the framework of its new strategy Polsat Plus Group intends to focus, among others, on the development of new areas of operation, in particular on the area of production and sales of energy from zero- and low-emission sources. In the opinion of the Management Board of the Company, the implementation of the newly adopted strategy has a chance to effectively combine ESG aspects with building a new revenue stream for Polsat Plus Group, with a long-term benefit for the Company's shareholders.

- ***Principle 2.1.*** *stating that companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.*

  The Company has a diversity policy in place which also operates in the companies that belong to Polsat Plus Group. The provisions of the diversity policy apply to all employees, including Management Board and Supervisory Board members. The Company notes that a high degree of diversity is assured in the Management Board and the Supervisory Board in areas such as age, education, competence and professional experience. Moreover, in spite of the lack of a defined goal, the Management Board fulfills the diversity principle related to gender as women make up 50% of the Management Board. The diversity policy adopted by the Company and member companies of the Group prohibits discrimination of any kind related to employment, direct or indirect, especially in respect of gender, age, sexual orientation, competence, experience, potential disability, nationality, ethnic and social origin, skin color, language, parental status, religion, denomination or lack of denomination, political views as well as in respect of the location of the place of performing work, form of employment, trade union membership, or any other dimension of diversity as defined by valid law. The diversity policy does not define the minimum goal for diversity in terms of gender of the employees, hence the Company does not apply principle 2.1.

- ***Principle 2.2.*** *stating that decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.*

  The provisions of the Group's diversity policy apply to all of the Group's employees, including also the Management Board and the Supervisory Board members. The Company's goal is to assure diversity, including diversity in terms of gender, for higher ranking positions, nevertheless the persons who make decisions while selecting Management Board and Supervisory Board members are above all guided by the candidates' competences, their professional experience and education.

- ***Principle 3.2.*** *stating that the companies' organization includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.*

  Even though the Company effectively carries out the tasks listed in principle 3.1, no dedicated organizational units with the responsibility of managing risk and compliance issues have been established in the Company's organizational structure. Relevant internal processes and procedures have been implemented and operate in the Company, assuring management of financial and operational risks as well as monitoring of compliance of the Company's operations with the valid regulations. High-level managers, managing respective areas covered by the specific procedures, are responsible for the efficiency and the proper functioning of these procedures. In spite of the lack of a centralized compliance system, internal regulations assure control of compliance of the Company's operations in various areas with the valid regulations. Compliance control takes place at the level of individual organizational units which are responsible for a given area of operations in the Group. The Management Board verifies on an on-going basis the correctness of functioning of the internal processes in the areas of risk management and compliance of the operations with the valid regulations, and takes action whenever necessary. The Supervisory Board, and the Supervisory Board's Audit Committee in particular, monitors and assesses the effectiveness of functioning of the internal processes of operational and financial risk management, including the process of drafting of financial statements on the basis of the documents and reports presented by the Management Board and by the person responsible for internal audit as well as on the basis of other information obtained in the course of the Supervisory Board's on-going activity.

- ***Principle 3.6.*** *stating that the head of internal audit reports organizationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.*

  In accordance with the organizational structure adopted in the Company, the internal auditor reports directly to the Management Board Member responsible for Finance – based on IIA (The Institute of Internal Auditors) standards. The internal auditor functionally reports to the Chairman of the Audit Committee. In the opinion of the Company's Management Board, the internal audit function in the Company operates in an effective and independent manner.

- ***Principle 3.7.*** *stating that principles 3.4 to 3.6 (concerning, the linking of the remuneration of persons responsible for risk and compliance management and of the head of internal audit with the performance of delegated tasks rather than short-term results of the company, the direct reporting of persons responsible for risk and compliance management report to the president or other member of the management board and the direct reporting of the head of internal audit reports organizationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee, respectively) apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.*

  The principles are applied partially by the Company. Principles 3.4. and 3.5. also apply to those members of Polsat Plus Group who are material to the Group's operations. Principle 3.6, in turn, does not apply to companies which are material to the Group since in selected companies of the Group the internal audit function is fulfilled by the same internal audit and control unit as in the Company itself. In face of the above, the person managing the internal audit function in selected companies that are material to the Group reports directly to the Management Board Member responsible for financial matters in the Company, as stipulated by the IIA (The Institute of Internal Auditors) standards.

- ***Principle 3.9.*** *stating that the supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.*

  The Supervisory Board, the Audit Committee in particular, monitors and assesses the effectiveness of functioning of the internal processes in the scope of operational and financial risk management, including the process of drafting of financial statements, on the basis of the documents and reports presented by the Management Board and by the person responsible for internal audit as well as on the basis of other information obtained in the course of the Supervisory Board's on-going activity. The Company does not apply the principle 3.9 with regard to the risk and compliance management systems due to the lack of centralized, formal risk and compliance management systems, which has been explained in the justification concerning partial application of the principle 3.2. As at the date of publication of this statement, further formalization of this area is subject of discussions within the Supervisory Board.

- ***Principle 3.10.*** *stating that companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.*

  The Supervisory Board, the Audit Committee specifically, monitors and assesses the efficiency of internal processes, which includes on-going monitoring of the efficiency of the internal audit function.

- ***Principle 4.1.*** *stating that companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.*

  Neither Polish, nor foreign shareholders have so far notified the Company of an interest in or the need for organizing general meetings in such a form. The Management Board, in turn, considers assuring efficient course of debates of general meetings as well as correctness of adoption of resolutions by general meetings a priority. The adopted practice of holding general meetings is intended to reduce the risk of occurrence of any organizational and technical problems during the meetings, potentially causing disruption of the efficient course of the general meetings, as well as the legal risks, especially the ones which could potentially result in the resolutions adopted by a general meeting being questioned due possible transmission delays, technical faults, both on the Company's end as well as in the locations of the shareholders who participate remotely in the meetings.

- ***Principle 4.9.1.*** *stating that candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website.*

  The Company encourages its shareholders to put forward their candidates at within the timeframe indicated in principle 4.9.1, i.a. by publishing the relevant information in notices on convening the general meetings. However, due to the fact that the Company's internal regulations do not provide for any mode of appointing the Supervisory Board members other than stipulated by the generally valid legal regulations, especially in terms of restricting the time during which the candidates for supervisory board members may be put forward, and considering that the to-date practice of putting forward

candidates for Supervisory Board members differed from the requirements of principle 4.9.1, hence the Company may not assure that the principle will be applied in the future.

8.2. Internal control systems and risk management applied with respect to the process of preparing financial statements

The Management Board is responsible for internal control system in Polsat Plus Group and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions 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.

We draw on our employees' extensive experience in the identification, documentation, recording and controlling of economic operations, including numerous control procedures supported by modern information technologies used for recording, processing and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, we apply accounting policies for Polsat Plus Group and various internal procedures relating to transaction control systems and processes resulting from the activities of the Company and the Group.

We keep our accounts in IT systems integrated with the underlying source systems and auxiliary books. We ensure data security through the use of access rights aligned with the needs and requirements of granted to authorized users. Systems operations are assured by the specialists with extended experience in this field. In addition, the system security is ensured by applying the appropriate solutions for physical security of the equipment. We have a complete IT system documentation in all its areas. In accordance with Article 10 of the Accounting Act of September 29, 1994, the accounting information systems documentation is periodically reviewed and updated upon approval by heads of units.

An important element of risk management, in relation to the financial reporting process, is ongoing internal control exercised by the Finance and Controlling Department. The Internal Audit Department conducts an independent verification of functioning of the internal control system and, as such, complements its efficient operation.

The Internal Audit functions on the basis of the Audit Charter adopted by the Management Board and the Audit Committee of the Supervisory Board. Its primary task is to test and evaluate controls for the reliability and consistency of financial data underlying the preparation of financial statements and management information.

The Controlling department functions on the basis of financial controlling system and business controlling system, and exercises control over both the current processes and the implementation of financial and operating plans, and preparation of financial statements and reports.

An important element of quality control and data review is the use of a management reporting system on a standalone and consolidated basis, as well as regular monthly analyses by the Management Board of financial and operational performance, and other key indicators. The monthly results analysis is carried out in relation to both the current financial and operating plan and the prior period results.

The budgetary control system is based on monthly and annual financial and operating plans and long-term business projections. Achieved financial and operating results are monitored regularly in relation to the financial and operating plans. During the year, we perform additional reviews of the financial and operating plans for the year if the need arises. The financial and operating plans are adopted by the Management Board and presented to the Supervisory Board.

One of the basic elements of control in the process of preparation of financial statements of the Company and the Group is the verification carried out by independent auditors. An auditor is chosen from a group of reputable firms, which guarantee a high standard of service and independence. The Supervisory Board of the Company chooses the Company's auditor. In the subsidiaries, the auditor is chosen by either the Supervisory Board, the General Meeting or the Meeting of Shareholders. The tasks of the independent auditor include, in particular: a review of semi-annual standalone and consolidated financial statements and audit of annual standalone and consolidated financial statements. The auditor's independence is fundamental to ensure the accuracy of the audit.

The Audit Committee, appointed within the Company's Supervisory Board, supervises the financial reporting process in the Company. The Audit Committee oversees the financial reporting process, in order to ensure sustainability, transparency and integrity of financial information. As at the date of approval of this Report, two out of three Members of the Audit Committee meet the requirements listed in article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Moreover, under article 4a of the Accounting Act of September 29, 1994, the duties of the Supervisory Board include ensuring that the financial statements and the report on activities meet the requirements of the law, and the Supervisory Board carries out this duty using its competences under applicable law and the Articles of Association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the standalone and consolidated financial statements.

8.3. Share capital and shareholding structure of Cyfrowy Polsat

8.3.1. 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 the Company as at the date of publication of this Report, i.e. March 24, 2022.

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	**387.506.625**	**60.59%**	**566,924,126**	**69.22%**
TiVi Foundation, including through:	353.348.370	55.25%	532,765,871	65.05%
Reddev Investments Limited, including through:	*353.348.360*	*55.25%*	*532,765,851*	*65.05%*
Cyfrowy Polsat S.A.(1)	*71.174.126*	*11.13%*	*71,174,126*	*8.69%*
Embud 2 Sp. z o.o. S.K.A.	32.005.867	5.00%	32,005,867	3.91%
Tipeca Consulting Limited(2)	2.152.388	0.34%	2,152,388	0.26%
Nationale Nederlanden PTE S.A.	**41.066.962**	**6.42%**	**41,066,962**	**5.02%**
Others	**210.972.429**	**32.99%**	**210,972,429**	**25.76%**
Total	**639.546.016**	**100.00%**	**818,963,517**	**100.00%**

(1) Own shares acquired under the buy-back program announced on November 16, 2021. Pursuant to Art. 364 Item 2 of the Commercial Companies Code, Cyfrowy Polsat S.A. does not exercise voting rights attached to own shares.

(2) 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 Company in the period since the publication of the last periodic report

From the date of publication of the previous interim report, i.e. November 9, 2021 (report for the third quarter of 2021), until the date of publication of this Report, i.e. March 24, 2022, the structure of ownership of significant blocks of the shares of the Company changed as described below.

1. On November 24, 2021, the shares in the total number of votes at the Company's general meeting, held indirectly by Mr. Zygmunt Solorz and TiVi Foundation, and directly by Reddev, changed as a result of the settlement of transactions concluded under the tender offer for the sale of the Company's treasury shares, announced on September 28, 2021 by the Company, Reddev and Mr. Zygmunt Solorz. As a result of the settlement of the tender offer, the Company acquired 11,768,260 ordinary treasury shares constituting 1.84% of the share capital of the Company and entitling to 11.768.260 votes at the general meeting of the Company, representing 1.44% of the total number of votes at the general meeting of the Company. Neither Reddev nor Mr. Zygmunt Solorz acquired any shares of the Company directly under the tender offer. At the same time, as a result of the above-mentioned transaction, Mr. Zygmunt Solorz's indirect share in the total number of votes at the Company's General Meeting increased to 67.44%, exceeding the threshold of 66% indicated in Art. 73 Section 1 of the Public Offering Act.

2. On November 26, 2021, the shares in the total number of votes at the general meeting of the Company, held indirectly by Mr. Solorz and TiVi Foundation, and directly held by Reddev and the Company, changed. The change of shares took place as a result of:

   a. the disposal by Reddev of 42,039,946 dematerialized ordinary bearer shares constituting 6.57% of the share capital of the Company, entitling to 42,039,946 votes at the general meeting of the Company, representing 5.13% of the total number of votes at the general meeting of the Company. From the above shares, 27,400,000 dematerialized ordinary bearer shares, constituting 4.28% of the share capital of the Company, entitling to 27,400,000 votes or 3.35% of the total number of votes at the general meeting of the Company, were acquired by the Company under the own shares buyback program; and

   b. the acquisition by Reddev of 14,639,946 dematerialized registered privileged shares of the Company, constituting 2.29% of the share capital of the Company, entitling to exercise 29,279,892 votes at the general meeting of the Company, representing 3.58% of the total number of votes at the general meeting of the Company.

3. On December 22, 2021, the shares in the total number of votes at the Company's general meeting, held indirectly by TiVi Foundation and Reddev, and directly by Embud 2 and the Company, changed as a result of the acquisition by the Company of 32,005,866 ordinary bearer shares from Embud 2 under the own shares buyback program.

4. On December 27, 2021, the Company was informed that as a result of the acquisition of the Company's shares in transactions on the WSE, the funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. increased their total ownership of the Company's shares to over 5% of votes at the Company's general meeting.

The table below summarizes the above mentioned changes in the structure of ownership of significant blocks of the Company's shares.

Shareholder	Holding as at November 9, 2021	Acquisitions	Disposals	Holding as at March 24, 2022

Zygmunt Solorz, through:	**375,738,365**	**11,768,260**	**-**	**387,506,625**
TiVi Foundation, including through:	309,574,244	43,774,126	-	353,348,370
Reddev Investments Limited, including through:	*309,574,234*	*43,774,126*	-	*353,348,360*
Cyfrowy Polsat S.A	-	*71,174,126*	-	*71,174,126*
Embud 2 Sp. z o.o. S.K.A.	64,011,733	-	32,005,866	32,005,867
Tipeca Consulting Limited	2,152,388	-	-	2,152,388
Nationale Nederlanden PTE S.A.	**n/a**	**n/a**	**n/a**	**41,066,965**

8.3.2. Information on material agreements, which can result in a change in the proportion of shares held by hitherto shareholders in the future

As at the date of this Report, i.e. March 24, 2022, the Company did not have any information on agreements which can result in a change in the proportion of shares held by hitherto shareholders in the future.

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

To the Company's best knowledge Members of the Management Board did not hold any shares of the Company, directly or indirectly, as at the date of publication of this Report, i.e. March 24, 2022 as well as at the date of publication of the previous interim report, i.e. November 9, 2021 (report for the third 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. March 24, 2022, along with changes in shareholding from the date of publication of the previous report, i.e. November 9, 2021 (report for the third quarter of 2021).

Name and Surname / Function	Holding as at November 9, 2021	Acquisitions	Disposals	Holding as at March 24, 2022
Mr. Zygmunt Solorz(1) Chairman of the Supervisory Board	375,738,365	11,768,260	-	387,506,625
Mr. Marek Kapuściński Deputy Chairman of the Supervisory Board	22,150	-	-	22,150
Mr. Tomasz Szeląg(2) 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: TiVi Foundation (the parent of Reddev Investments Limited), Embud 2 Sp. z o.o. S.K.A. and Tipeca Consulting Limited.

(2) 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. March 24, 2022, nor at the date of publication of the previous report, i.e. November 9, 2021 (report for the third quarter of 2021).

8.3.4. Securities with special controlling rights

Current shareholders do not have any rights in the General Meeting of Shareholders other than those resulting from holding the Company's shares. As at December 31, 2021 the shares of the A through D series are preferred shares as to the voting rights in the way that:

- Series A shares totaling 2,500,000 have preferential voting rights entitling their holder to two votes per share;
- Series B shares totaling 2,500,000 have preferential voting rights entitling their holder to two votes per share;
- Series C shares totaling 7,500,000 have preferential voting rights entitling their holder to two votes per share;
- Series D shares totaling 166,917,501 numbered 1-166,917,501 have preferential voting rights entitling their holder to two votes per share.

8,082,499 D Series shares, numbered 166,917,502-175,000,000; 75,000,000 E Series shares; 5,825,000 F Series shares, 80,027,836 H Series shares, 47,260,690 I Series shares and 243,932,490 J Series shares are ordinary bearer shares.

8.3.5. Limitations related to shares

As at the date of this Report, i.e. on March 24, 2022, the Company held 71,174,126 of its own ordinary shares constituting 11.13% of the share capital of the Company and entitling to 71,174,126 votes at the general meeting of the Company, representing 8.69% of the total number of votes at the general meeting of the Company. The above mentioned shares were purchased under the own shares buyback program announced on November 16, 2021. Pursuant to Art. 364 Section 2 of the Code of Commercial Companies of Cyfrowy Polsat S.A. does not exercise voting rights attached to the held treasury shares.

Except for the mentioned above limitations and the limitations regarding our securities ownership rights transfer resulting from the general provisions of the law there are no other limitations, in particular contractual limitations, regarding our securities ownership rights transfer.

8.4. Rules of amending the Articles of Association of the Company

An amendment to the Articles of Association of the Company requires a resolution of the General Shareholders' Meeting and a registry in the Court register. The general provisions of law, the Articles of Association and the Bylaws of the General Shareholders' Meeting govern the procedure for adopting resolutions regarding amendments to the Articles of Association.

Pursuant to the provisions of the Articles of Association and taking into account the provisions of art. 417 § 4 of the Commercial Companies Code, an amendment to the Articles of Association may take place without a share buyback.

8.5. General Shareholders' Meeting

The General Shareholders' Meeting acts pursuant to the provisions of the Commercial Companies' Code, the Articles of Association, and the Bylaws of General Shareholders' Meeting adopted by Resolution 6 of the Extraordinary Shareholders' Meeting dated December 4, 2007 and amended by Resolution 29 of the Extraordinary Shareholders' Meeting dated April 23, 2009.

The General Shareholders' Meeting adopts resolutions regarding, in particular, the following issues:

a) reviewing and approving the Management Board's Report and the report of the Supervisory Board as well as the financial statements of the Company for the preceding accounting year and the consolidated financial statements,

b) decisions on dividing the profit or on the manner of covering the losses,

c) acknowledgement of the fulfilment of duties by the Supervisory Board Members and Management Board Members,

d) establishing the remuneration of Supervisory Board Members, subject to the provision of Article 18 sec. 3 c) of the Articles of Association, i.e., determining the amount of remuneration of Supervisory Board Members delegated to perform temporarily the tasks of a Management Board Member,

e) amending the Articles of Association,

f) modifying the scope of the Company's operations,

g) increasing or decreasing share capital,

h) merging, dividing, or transforming the Company,

i) winding up and liquidating the Company,

j) issuing convertible bonds or senior bonds as well as issuing subscription warrants,

k) selling or leasing the enterprise, its organized part or property components constituting a significant part of the enterprise as well as establishing limited rights *in rem* in the aforementioned scope,

l) granting consent to any acquisition and sale of real property, perpetual usufruct right or interest in real property, as well as granting consent to establishing a limited right *in rem* on real property, perpetual usufruct right or interest in real property with a value exceeding the 0.2% ratio of the Company's unit EBITDA for the preceding accounting year as stipulated in Article sec. 3.19 of the Articles of Association,

m) any and all issues connected with claims for remedying a loss caused upon the formation of the Company or in the course of its management or supervision.

As of January 1, 2025, the General Shareholders Meeting shall not be entitled to grant consent to the Company to incur any liability whatsoever if incurring it may result in the debt ratio, expressed as the ratio of the Group's net debt to EBITDA, exceeding a threshold of 2.0x.

The General Meeting shall be attended by persons who are shareholders of the Company sixteen days prior to the date of the General Meeting (the day of registration for participation in the General Meeting). The date of registration for participation in the General Meeting is consistent for bearer shares and preferred shares holders. Pledgees and usufructuaries who are entitled to vote, have the right to participate in the General Meeting if establishment of a limited right on their behalf is registered on a securities account on the day of registration for participation in the General Meeting.

A shareholder, being a natural person, is entitled to participation in the General Shareholders' Meeting and execution of voting rights in person, or through a proxy. A shareholder, being a legal entity, is entitled to participation in the General Shareholders' Meeting and execution of voting rights through a person authorized to make representations of intent on its behalf, or through a proxy.

The power of attorney to attend the General Meeting and exercise voting rights requires a written or electronic form. The shareholder must notify the Company about electronically granting the power of attorney by

providing information specifying the Shareholder and the Shareholder's proxy, including the name and surname or company (the name) and address (seat), and indicating the number of shares and votes, of which the proxy is authorized to exercise to the address: akcjonariusze@cyfrowypolsat.pl.

The General Meeting should be attended by Members of the Management Board and Supervisory Board - in the composition which allows for substantive answers to the questions posed during the General Meeting.

The General Meeting shall be opened by the Chairperson or, in his/her absence, the Deputy Chairperson of the Supervisory Board (if appointed). In their absence, the General Meeting shall be opened by the President of the Management Board or a person nominated by the President. Next, the General Meeting shall appoint the Chairperson of the Meeting from among persons authorised to participate in the General Meeting.

Each participant in the General Meeting is entitled to be elected the Chairman of the General Meeting, and also nominate one person as candidate to the position of Chairman of the General Meeting. Decisions shall not be made until Chairman of the General Meeting is elected.

The Chairman of the General Meeting directs proceedings in accordance with the agreed agenda, provisions of law, the Articles of Association and the Bylaws, and in particular: gives the floor to speakers, orders voting and announces the results thereof. The Chairman ensures efficient proceedings and respecting of the rights and interests of all Shareholders. The Chairman may decide on procedural matters.

After the drawing up and signing of the attendance list the Chairman determines that the Shareholders' Meeting has been convened in a proper manner and is authorized to adopt resolutions; presents the agenda and orders the selection of the Ballot Committee.

The General Meeting may pass a motion regarding nonfeasance of voting over an item on the agenda, and also on adjourning the order of issues on the agenda. However, removing an item from the agenda, or its adjourning upon the request of shareholders, requires prior consent of all the shareholders present who have forwarded such a motion, supported by a majority of votes of the General Meeting. Motions regarding the aforementioned issues shall be justified in detail.

The Chairman, after opening an item on the agenda, may give the floor in order of application to speakers. In the event of a significant number of applications the Chairman may set a time limit or limit the number of speakers. The floor may be taken regarding items on the agenda and currently under discussion only. The Chairman may give the floor outside of the order of application to the Members of the Management Board or Supervisory Board, and also to the Company experts called by them.

The Meeting may not adopt resolutions regarding items that are not on the agenda unless all the share capital is represented in the General Meeting and none of the present in the Meeting raises any objections as to the adoption of a resolution.

Voting shall proceed in a manner adopted by the General Meeting using a computerized system of casting and counting votes, ensuring that votes are cast in the number corresponding to the number of shares held and - in case of a secret ballot - allowing to eliminate the possibility of detecting the manner of voting by individual shareholders.

Subject to mandatory provisions of law, the General Meeting shall be valid, if attended by shareholders representing jointly more than 50% of the total number of votes in the Company. The resolutions of the General Meeting shall be adopted by an absolute majority of votes cast, unless the provisions of the Commercial Companies' Code or the provisions of Company's Articles of Association provide for a greater majority.

As at December 31, 2021 the shareholders participating in the General Meeting had the number of votes corresponding to the number of shares held, with the stipulation that shares listed in item 8.3.4. – *Securities*

with special controlling rights – are preferential in such a way that each of them entitles to two votes at the General Meeting.

The Chairman of the General Meeting closes the General Meeting upon exhausting its agenda.

8.6. Management Board of the Company

8.6.1. Rules regarding appointment and dismissal of the management

Pursuant to article 14 of the Articles of Association of the Company the Management Board consist of one or more members, including the President of the Management Board. The President of the Management Board shall be appointed and dismissed by TiVi Foundation with its registered office in Vaduz, Liechtenstein as a personal right vested in that shareholder. The remaining Management Board Members shall be appointed and dismissed by the Supervisory Board. The number of Management Board Members in any given term of office shall be determined by the Supervisory Board. The term of office of the Management Board is joint and lasts three years.

The Management Board of the Company shall consist in their majority of persons holding Polish citizenship. Prior to their appointment, the Company's Management Board Members are required to submit a written statement that they have familiarized themselves with the Company's Articles of Association, the Bylaws of the Management Board, the Bylaws of the Supervisory Board, the Company's Organizational Regulations, Work Regulations and Employee Remuneration Rules, and that they undertake to strictly observe and apply them.

8.6.2. Composition of the Management Board and changes in 2021

As at January 1, 2021 the Management Board comprised the following Members:

- 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.

In 2021 there were no changes to the composition of the Management Board.

The following table presents names, surnames, functions, dates of appointment and dates of expiry of the current term of particular Members of the Management Board as at December 31, 2021.

Name and surname	Function	First appointment	Appointment for current term	Expiry of term
Mirosław Błaszczyk	President of the Management Board	2019	2019	2022
Maciej Stec	Vice-President of the Management Board	2014	2019	2022
Jacek Felczykowski	Member of the Management Board	2019	2019	2022
Aneta Jaskólska	Member of the Management Board	2010	2019	2022
Agnieszka Odorowicz	Member of the Management Board	2016	2019	2022
Katarzyna Ostap-Tomann	Member of the Management Board	2014	2019	2022

Mirosław Błaszczyk has been President of the Management Board of Cyfrowy Polsat S.A since April 2019. He is also President of the Management Board of the following companies: Polkomtel Sp. z o.o. (since April 2019), Plus Pay Sp. z o.o. and Plus Finanse Sp. z o.o. and Supervisory Board Member of the following companies: Telewizja Polsat Sp. z o.o., Info-TV-FM Sp. z o.o., Muzo FM Sp. z o.o. Plus Flota Sp. z o.o., Liberty Poland S.A., Ossa Medical Center Sp. z o.o. and CKS Ossa Sp. z o.o. In addition, he holds a position of Member of the Council of the Polsat Foundation. In years 2007-2019, has served as President of the Management Board of Telewizja Polsat Sp. z o.o., and, until March 2019, as President of the Management Board of Lemon Records sp. o.o. and Eska TV S.A.

Mirosław Błaszczyk has extensive experience gained during over 30 years of work in management positions in various industries. From 1984 to 1988 he worked as director at Wrocław University of Technology, later he worked for a year as Assistant to President and Sales Representative of the company "Intersoft", next, from 1990 to 1991, as Sales Representative in Munich-based company "Ampol". From 1992 he worked for Przedsiębiorstwo Zagraniczne "Solpol"; until 1993 as Deputy Director, and later as Director of Legal Office. In 1994 he joined Telewizja Polsat, where, until 2007, he held the position of Director of Management Board Office and served as Proxy. At the same time, from March 2005 to September 2006, he was Deputy General Director of Polska Telefonia Cyfrowa Sp. z o.o. Mr. Błaszczyk also served in the past as Member of the Supervisory Boards in, among others, Plus Bank S.A. and Elektrim S.A.

Mirosław Błaszczyk graduated from the German Faculty at the Wrocław University.

Maciej Stec has been Vice President of the Management Board of Cyfrowy Polsat since April 2019 and is responsible for strategy and new areas of business development. He has been serving as Member of the Company's Management Board since November 2014. In April 2019 he became Vice-President of the Management Board of Polkomtel and Member of the Supervisory Board of Telewizja Polsat Sp. z o.o. Mr. Stec is a Member of the Supervisory Boards of ZE PAK S.A., PAK-Polska Czysta Energia Sp z o.o., Exion Hydrogen Polskie Elektrolizery Sp. z o.o., Grupa Interia.pl Sp. z o.o., Polsat Boxing Promotion Sp. z o.o., Mobiem Polska Sp. z o.o., BCast Sp. z o.o., Esoleo Sp. z o.o.,, Muzo.fm Sp. z o.o. He also holds the function of Management Board Member at Polsat Ltd. and Polsat JimJam Ltd. Moreover, he is a member of the supervisory body in the Clean Poland Program Association.

Maciej Stec has versatile and extensive experience in the field of telecommunication and media. Ever since the beginning of his professional career he has been linked with the television market. In 2007-2019 he was Member of the Management Board and Sales & Foreign Acquisition Director of Telewizja Polsat while in 2018-2019 he served as President of the Management Board of Eleven Sports Network Sp. z o.o. From 1998 he worked, among others, for OMD Poland media house, owned by Omnicom Group, where in the years 1998-2003 he held the position of Managing Director of Brand&Media OMD. From February 2003 to May 2007 he was Managing Director of Telewizja Polsat's advertisement office - Polsat Media Sp. z o.o. (currently Polsat Media Biuro Reklamy Sp. z o.o. Sp.k.).

Maciej Stec also has competences in the field of clean energy and has been gaining experience in this area through his involvement since 2020 in the supervisory bodies of companies from the ZE PAK S.A. group as well as managing the Polsat Plus Group's companies operating in the zero and low-emission energy sector - Esoleo and Exion Hydrogen Polskie Elektrolizery.

Maciej Stec graduated from the Management and Marketing Faculty of the Leon Kozminski Academy of Entrepreneurship and Management in Warsaw.

Jacek Felczykowski has been Member of the Management Board of Cyfrowy Polsat since April 2019. He is responsible in the Group for the telecommunication network and technology. Mr. Felczykowski has long-term and versatile experience in company management within the areas of finance and innovative technologies, such as IT and telecommunications. Since 2015 he has been a Member of the Management Board of Polkomtel Sp. z o.o. He is also a Member of the Management Board of BCast Sp. z o.o. and sits on the Supervisory Boards of Interphone Service Sp. z o.o. and Info-TV-FM Sp. z o.o.,

In the years 2006-2008 he served as President of the Management Board of Centrum Obsługi Wierzytelności Cross Sp. z o.o., and from 2007 to 2008 as Member of the Management Board of TFI Plejada S.A. In the years 2008-2010 he managed, as President of the Management Board, NFI Midas S.A., one of the world's pioneers in the implementation of fast, mobile Internet in the LTE technology. In the years 2010-2012 he was President of the Management Board of Sferia S.A. and from 2011 to 2013 he was President of the Management Board of IT Polpager S.A.

Aneta Jaskólska has been a Member of the Management Board of Cyfrowy Polsat since July 2010. She is responsible for the Customer Service Department as well as Information Security and Safety Department, including cybersecurity. Ms. Jaskólska is also President of the Management Board of Info-TV-FM Sp. z o.o. and Member of the Management Boards of Liberty Poland S.A., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o. and Polkomtel Sp. z o.o., as well as a Member of the Supervisory Board of Vindix S.A. She also serves as Vice-President of the Clean Poland Program Association.

Between 2004 and 2007 Ms. Jaskólska held the position of Proxy and Director of Legal Department at UPC Polska Sp. z o.o. She was also a Member of the Copyright Committee *(Komisja Prawa Autorskiego)*. She has many years of experience in legal advisory and services to large business entities.

Ms. Jaskólska graduated from the Faculty of Law and Administration at the Warsaw University and completed legal internship with the District Chamber of Legal Advisers in Warsaw, receiving the title of a solicitor. She also graduated from Copyright, Publishing and Press Law Faculty at the Department of Management and Social Communication of the Jagiellonian University.

Agnieszka Odorowicz has been a Member of the Company's Management Board since March 1, 2016 and is responsible for film production and management of the Group's studios.

From 2001 until 2009 she was an academic staff member at the Department of Trade and Market Institutions at the Cracow Academy of Economics and the author of publications on cultural management and economics as well as the promotion of regions. In the years 2002-2004 the authorities of the Academy appointed her to the position of director of the Development and Promotion Center of the Cracow Academy of Economics. In the years 2003-2004 she acted as deputy Minister of Culture for structural funds, responsible for negotiations with the European Commission regarding the use of EU funds for the development of cultural infrastructure. During the years 1997-2003 she was the artistic director of the International Competition of Contemporary Chamber Music and producer of several dozen shows for public television. In the years 2004-2005 she held the position of Secretary of State at the Ministry of Culture, where she was responsible for the legal and economic departments as well as cooperation with the Parliament. During this period she was the Chairwoman of the inter-ministerial group for the media policy of the State. In the years 2005-2010 she was the first director of the Polish Film Institute. Reelected as director in a competition in 2010, she managed the

Polish Film Institute until October 2015. In the years 2014-2015 she served as Member of the Supervisory Board of Polskie Radio S.A.

Ms. Odorowicz is a graduate of the Cracow University of Economics, an economist and a cultural manager. She is a co-author of numerous publications on culture economy. Awarded for her merit for culture, among others with the Officer's Cross of the Order of Polonia Restituta.

Katarzyna Ostap-Tomann has been connected with Polsat Plus Group since 2009. In the years 2015-2016 she assumed the position of deputy CFO of the Group and she has been a Member of the Management Board responsible for the finance of the Group since October 2016. She also holds the position of Member of the Management Board of Polkomtel Sp. z o.o., INFO-TV-FM Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., CPE Sp. z o.o. and Polsat License Ltd. She is also a Member of the Supervisory Board of Plus Bank S.A., a Member of the Polsat Foundation Council and a Proxy at HCH SPV1 Sp. z o.o. Earlier, until April 2019, she was also a Member of the Management Board of Telewizja Polsat Sp. z o.o.

She has extensive competence and knowledge in the field of accountancy and financial reporting gained during many years of experience on managerial positions, especially in companies operating in media and telecommunication sectors.

In the years 1996–2004 she was employed at various positions at Philip Morris in Poland and in the regional headquarters of the company in Switzerland, where she gained considerable experience in the fields of corporate finance, financial reporting, management accounting and internal audit. In the years 2004-2009 she worked for TVN Group as Financial Controller of the capital group. She was responsible for the preparation of financial statements at the capital group level and internal management reporting. In 2009 she took the position of Director of Controlling at Cyfrowy Polsat, where she became Financial Director in 2012. In 2011 she was appointed to the position of Financial Director at Telewizja Polsat, and then Member of the Management Board in 2014.

She has been a member of the ACCA since 2001. In 2013-2017 she was a member of the ACCA Council in Poland. Ms. Ostap-Tomann is a graduate of the Warsaw School of Economics with a major in International Economics and Political Relations and also holds the title of MBA from Oxford Brookes University.

8.6.3. Competences and Bylaws of the Management Board

In accordance with the Company’s Articles of Association, the Management Board conducts the business of the Company and represents it in external relations.

The following are entitled to submit statements on our behalf:

- in the case of one person Management Board – the President of the Management Board acting together with a commercial proxy, and
- in the case of a more numerous Management Board – the President of the Management Board, a Management Board Member, and the commercial proxy acting jointly.

The Management Board operates under legal regulations in force, the Company’s Articles of Association, the Bylaws of the Management Board, the Bylaws of the Supervisory Board, the Company’s Organizational Regulations, Work Regulations, and Employee Remuneration Rules as well as under the resolutions of the General Meeting of Shareholders.

The Management Board performs its obligations collectively whereas each of its members manages specific areas of the Company's operations within the division of tasks, in accordance with the descriptions included in the biographical notes in item 8.6.2.

All issues related to our management, not restricted by the provisions of the law or the Articles of Association to the competence of the Supervisory Board or the General Meeting, are within the scope of competence of the Management Board.

Decisions regarding an issue or buyback of the Company's shares are within the competence of the General Shareholders' Meeting. The competences of the Board in respect to the above are limited to the execution of any resolutions adopted by the General Shareholders' Meeting.

In accordance with the provisions of Art. 13 of the Company's Articles of Association, as of January 1, 2025, the Company's Management Board is obliged to manage the business of the Group in such a way that the debt ratio, calculated as the quotient of the Group's net financial debt and EBITDA, never exceeds 2.0x. In the period until December 31, 2024, the Company's Management Board shall be obligated to manage the business of the Group in such a way that a debt ratio not exceeding 2.0x is achieved by December 31, 2024 at the latest. The value of the Group's debt ratio as at December 31, 2024 shall ensue upon the Company's Management Board and the Company's Supervisory Board approving the consolidated financial statements for the accounting year ended on December 31, 2024.

Members of the Management Board may attend the sessions of the Supervisory Board. Furthermore, Members of the Management Board may participate in the sessions of any General Meeting. They provide substantive answers to questions asked during the General Meeting in accordance with the binding laws.

The Management Board conducts the Company's business on the basis of adopted resolutions.

The resolutions of the Management Board are adopted during Management Board's meetings. In extraordinary cases, the resolutions of the Management Board may be adopted without holding a meeting either in writing or using means of distance communication. Management Board resolutions adopted at a Management Board meeting are passed by an absolute majority of votes. If the votes are distributed equally, the President of the Management Board has a casting vote. Management Board resolutions may only be adopted, if all Management Board Members have been duly notified of a Management Board meeting and if the meeting is attended by more than half of the Management Board Members.

Management Board resolutions may be adopted in writing or using means of distance communication, if the draft of the resolution has been effectively served to all Management Board Members and the Chairperson of the Supervisory Board, if all Management Board Members take part in the vote, and if an absolute majority of Management Board Members consent to the resolution. Immediately after a resolution is adopted, the President of the Management Board is obliged to deliver it to the Chairperson of the Supervisory Board in the adopted wording together with information on the result of the vote.

Management Board meetings may be attended by the Chairperson of the Supervisory Board and a Supervisory Board Member or Supervisory Board Members appointed by the Chairperson of the Supervisory Board in writing. The President of the Management Board is obliged to notify the Chairperson of the Supervisory Board in writing of the date and agenda of Management Board meetings. The aforementioned notification shall be served at least 72 hours prior to the appointed time of the meeting. In extraordinary cases, said notification may be served within a shorter time-limit upon the written consent of the Chairperson of the Supervisory Board. Management Board meetings may also be attended by the Company's commercial proxy. The Company's Management Board notifies the commercial proxy of the date and agenda of the meeting.

The Company's Management Board is obliged to maintain the continuity of the commercial power of attorney; in particular, if the commercial power of attorney expires for any reason whatsoever, the Company's Management Board shall be obliged to appoint another commercial proxy immediately. Granting a commercial power of attorney requires the consent of all Management Board Members, subject to the stipulation that it shall only be permitted to grant a commercial power of attorney obliging the commercial proxy to perform transactions jointly with the President of the Management Board and a Management Board

Member. A commercial power of attorney may only be granted by the Company's Management Board to candidates approved by the Supervisory Board. A commercial power of attorney can be revoked by any Management Board Member.

8.6.4. Remuneration of the Members of the Management Board

Rules for remuneration of Members of the Management Board are regulated by the Remuneration Policy for the Management Board and Supervisory Board Members. Information regarding remuneration of Members of the Management Board in 2021 is included in Note 46 of the consolidated financial statements for the financial year ended December 31, 2021.

8.6.5. Managerial contracts with Members of the Management Board setting out severance packages payout as a result of their resignation or dismissal from the position without a material cause

The Company has concluded managerial contracts with the following Members of the Management Board: Aneta Jaskólska, Agnieszka Odorowicz and Katarzyna Ostap-Tomann. These contracts do not provide for the payment of severance packages as a result of the resignation of the mentioned above Members of the Management Board or their dismissal from the position without a material cause, or in the case when their resignation or dismissal results from a merger by acquisition of the Company.

8.7. Supervisory Board of the Company

8.7.1. Rules regarding appointment and dismissal of the Supervisory Board

In accordance with Art. 19 of the Company's Articles of Association, the Supervisory Board consists of five to nine members, including the Chairperson of the Supervisory Board. A Supervisory Board Member may be appointed Deputy Chairperson of the Supervisory Board by resolution of the General Shareholders Meeting. The Chairperson of the Supervisory Board is appointed and dismissed by TiVi Foundation with its registered office in Vaduz, Liechtenstein as a personal right vested in that shareholder. The remaining Members of the Supervisory Board are appointed and dismissed by the General Shareholders Meeting.

The Supervisory Board is appointed for a joint five-year term of office. The number of Supervisory Board Members in any given term of office shall be determined by the General Shareholders Meeting.

The Supervisory Board of the Company shall consist in their majority of persons holding Polish citizenship. Prior to their appointment, the Company's Supervisory Board Members are required to submit a written statement that they have familiarized themselves with the Company's Articles of Association, the Bylaws of the Management Board, the Bylaws of the Supervisory Board, the Company's Organizational Regulations, Work Regulations, and Employee Remuneration Rules, and that they undertake to strictly observe and apply them.

The Supervisory Board consists of two Members meeting the criteria of an independent Member of the Supervisory Board as set out in article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight which fulfills the principle 2.3. of the Best Practices 2021. A Supervisory Board Member is required to submit a statement to the Management and Supervisory Boards of the Company on his or her compliance with the independence criteria.

8.7.2. Composition of the Supervisory Board

As at January 1, 2021 the Supervisory Board comprised the following Members:

Name and surname	Function
Marek Kapuściński	Chairman of the Supervisory Board Member of the Remuneration Committee
Józef Birka	Member of the Supervisory Board
Marek Grzybowski	Independent (1) Member of the Supervisory Board Chairman of the Audit Committee
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 Chairman of the Remuneration Committee Member of the Audit Committee
Paweł Ziółkowski	Independent (1) Member of the Supervisory Board Member of the Audit Committee
Piotr Żak	Member of the Supervisory Board

(1) conforms with the independence criteria listed article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and in principle II.Z.4 of the Best Practices 2016.

Based on the resolutions adopted on June 24, 2021, the Annual Shareholders Meeting of the Company resolved, in connection with the expiry of the term of office of members of the Supervisory Board, that the Supervisory Board of the new joint 5-year term of office shall consist of nine members. Simultaneously, the Annual Shareholders Meeting resolved to appoint the following persons to the Supervisory Board of the Company, effective June 24, 2021: 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 of the Company.

In accordance with § 19 item 2 of the Articles of Association of the Company, TiVi Foundation, the Company's shareholder, elected Mr. Zygmunt Solorz as the Chairman of the Supervisory Board on June 24, 2021.

Acting pursuant to § 7 item 3 of the Bylaws of the Supervisory Board, on June 29, 2021 the Supervisory Board appointed Mr. Marek Grzybowski, Mr. Alojzy Nowak and Mr. Tomasz Szeląg as Members of the Audit Committee. In addition, the Supervisory Board, acting pursuant to § 2 item 5 of the Bylaws of the Audit Committee, appointed Mr. Marek Grzybowski as Chairman of the Audit Committee.

The following table presents names, surnames, functions, dates of appointment and dates of expiry of the current term of particular Members of the Supervisory Board as at December 31, 2021.

Name and surname	Function	First appointment	Appointment for current term	Expiry of term
Zygmunt Solorz	Chairman of the Supervisory Board	2008	2021	2026
Marek Kapuściński	Vice-Chairman of the Supervisory Board Member of the Remuneration Committee	2016	2021	2026
Józef Birka	Member of the Supervisory Board	2015	2021	2026
Jarosław Grzesiak	Member of the Supervisory Board	2021	2021	2026
Marek Grzybowski	Independent(1) Member of the Supervisory Board Chairman of the Audit Committee	2020	2021	2026
Alojzy Nowak	Independent(1) Member of the Supervisory Board Member of the Audit Committee	2021	2021	2026
Tobias Solorz	Member of the Supervisory Board	2021	2021	2026
Tomasz Szeląg	Member of the Supervisory Board Chairman of the Remuneration Committee Member of the Audit Committee	2016	2021	2026
Piotr Żak	Member of the Supervisory Board	2018	2021	2026

(1) conforms with the independence criteria listed article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Zygmunt Solorz was appointed to the position of Chairman of the Supervisory Board of the Company of the current term of office in July 2021 whereas he performed previously this function in years 2008-2016. Zygmunt Solorz is one of the largest private investors in Poland, conducting business activities in various areas of the economy for almost 30 years.

He is widely acknowledged as one of the most reputable, effective and successful Polish entrepreneurs, who build from zero the largest Polish private company based on Polish capital. Zygmunt Solorz focuses his activities on media, telecommunications and clean energy production.

The greatest success and the crowning achievement of Zygmunt Solorz's business path is the creation of the largest Polish private company - Polsat Plus Group. Its members are: Cyfrowy Polsat S.A., Telewizja Polsat Sp. z o.o. (of which both Zygmunt Solorz is also the founder), Polkomtel Sp. z o.o., Netia S.A. and Interia Group that jointly form the largest media and telecommunications group in Poland and CEE. From 2021, the strategy of Polsat Plus Group also includes involvement in the production of clean, green energy.

Zygmunt Solorz’s areas of investment activity include also the companies operating in, among others, finance and banking (Plus Bank S.A.) and real estate (Port Praski Sp. z o.o.) as well as the largest Polish private jet airline (Jet Story Sp. z o.o.).

Apart from the above-mentioned areas of business activity, Zygmunt Solorz is also involved in many different philanthropic activities. He is, inter alia, the originator and creator of Polsat Foundation, one of the largest non-governmental organizations in Poland, which helps in the treatment of sick children and supports hospitals and medical centers throughout the country.

In 2019, Zygmunt Solorz established the Association - Clean Poland Program. It is one of the elements of the implementation of Zygmunt Solorz's vision, the aim of which is to improve the condition of the natural environment in Poland, in particular air quality.

Zygmunt Solorz has many years of experience in working in the statutory bodies of commercial companies, currently he performes, iamong others, the function of Chairman of the Supervisory Board in such companies as Telewizja Polsat Sp. z o.o., Polkomtel Sp. z o.o., ZE PAK S.A. or Interia Group.

Marek Kapuściński joined the Company's Supervisory Board in October 2016, and from October 2016 to June 2021 he performed the function of its Chairman while also serving as Member of the Remuneration Committee. In June 2021 he was appointed as Vice-Chairman of the Supervisory Board of the Company. Mr. Kapuściński graduated from the Faculty of Trade of the Academy of Planning and Statistics in Warsaw (now the Warsaw School of Economics) and completed postgraduate studies at SEHNAP in cooperation with Stern School of Business – New York University.

Until the end of September 2016, for over 25 years, he has been part of the Procter&Gamble team. From July 2011 as a General Manager and Vice President (that is President of the Management Board/CEO) for nine key markets of the Central Europe, and before that – from January 2007 he was responsible for Poland and the Baltic states. Currently, he is a Member of the Supervisory Boards of Bank Handlowy w Warszawie S.A. and Cydrownia S.A. and provides consulting services through Essences Consulting Group. He is also involved in the activities of public benefit organizations supporting the development of the young Polish culture and arts.

Józef Birka joined the Company's Supervisory Board in April 2015. He is an advocate and graduate of the Faculty of Law of the Wroclaw University. He has been associated with Telewizja Polsat S.A. since its inception. He held the function of President of the Management Board of Telewizja Polsat during the first licensing procedure granting terrestrial license to broadcast the first independent countrywide TV channel in Poland. Since its establishment, he is a Member of the Board of the Polsat Foundation, one of the largest non-governmental organizations operating in Poland.

Mr. Józef Birka has extensive experience in working in statutory bodies of commercial-law companies. He is a Member of the Supervisory Boards of Polkomtel Sp. z o.o., Telewizja Polsat Sp. z o.o. and Elektrim S.A. Between 2004 and 2006 he was also the Supervisory Board Member of Polska Telefonia Cyfrowa Sp. z o.o. He acted actively in the Association of Private Media Employers, incorporated into Polish Confederation of Private Employers "Lewiatan." He was honored by the Polish Bar Council with a medal "Commendable Service to the Advocates Bar."

Jarosław Grzesiak was appointed as Member of the Company's Supervisory Board in June 2021. He is the Chief Executive Advisor to Mr. Zygmunt Solorz, responsible for supervising the capital group controlled by Mr. Solorz and also a Member of the Supervisory Board of Cyfrowy Polsat, member of the Supervisory Board of Port Praski and member of the Supervisory Board of ZE PAK. Jarosław is a graduate of the Faculty of Law of the Jagiellonian University and has been an advocate since 1995.

From 2012 to 2021, he was the Managing Partner of Greenberg Traurig in Poland and prior to that from 1999 to 2012, the Managing Partner of the Warsaw office of Dewey & LeBoeuf law firm. Previously, from 1995 to 1999, he was the Director of the Legal Department of PepsiCo, Inc. responsible for Poland and CEE.

He has led a vast number of capital markets transactions, including issuances and public offers of shares and bonds, in Poland and on international markets; mergers and acquisitions; private equity as well as restructuring and privatization of enterprises.

He was awarded the Golden Cross of Merit for his work on the development of the Polish economy and the capital market. In 2018, he was named "Lawyer of the Thirty Years" by the Rzeczpospolita daily and the Polish Association of Legal Employers. In 2011, American Lawyer awarded him the prestigious title of

"Dealmaker of the Week". The most important international and Polish legal rankings: Chambers and Partners, IFLR, EMEA Legal 500, as well as Rzeczpospolita, for over 15 years recognized him as the leading lawyer in Poland in the area of mergers and acquisitions, capital markets, private equity as well as banking and finance.

Jarosław Grzesiak is a member of the Young Presidents' Organization - Gold and the American Chamber of Commerce. He is a former member of the Polish Business Council, former board member of the Polish Association of Legal Employers and the Executive Committee of Greenberg Traurig, responsible for the most important decisions regarding the strategy of the law firm at the global level.

Marek Grzybowski was appointed as Member of the Company's Supervisory Board in July 2020, where he is also Chairman of the Audit Committee. Associate Professor Marek Grzybowski PhD has been an employee of the Faculty of Law and Administration of Warsaw University since 1977.

He has authored and co-authored numerous academic publications: monograph studies, commentaries to the Act on the Bank Guarantee Fund, professional journal articles, and judicial interpretations. His academic research interests relate in the main to public policy issues of banking law, including regulation and supervision of financial markets and bank deposit guarantee schemes.

He is an attorney-at-law and, since 1983, a member of the Warsaw Bar Association of Attorneys-at-Law. Between 1987 and 2000, he was a partner in the law firms: Consultor LC and T. Komosa, C. Wiśniewski, M. Grzybowski and Wspólnicy LP. In the years 2001 – 2003, he was partner at the international law firm Linklaters LP, and, until 2020, attorney-at-law and proxy representing the firm. In the period 1995 – 1999, he sat on the Board of Directors of the Bank Guarantee Fund and was elected President of the Board of Directors of the Bank Guarantee Fund for the term of 1999 – 2003.

In 2005, he was awarded the Golden Cross of Merit for service to the Polish banking system.

Since 1997, he has been editor-in-chief of "GLOSA" – a monthly law journal until 2005, subsequently a quarterly, published by Wolters Kluwer. In the years 1999 – 2007, he was an editorial board member of the "Bezpieczny Bank" (Safe Bank) quarterly, and its editor-in-chief between 1999 and 2003. He currently sits on the editorial board of The European Journal of Legal Education.

Since 2012, he has been deputy dean in charge of financial affairs of the Faculty of Law and Administration of Warsaw University.

In 2014, he was elected member of the Board of the European Law Faculties Association (ELFA), of which he is now president since April 2019.

Alojzy Nowak was appointed as Member of the Company's Supervisory Board in June 2021. He graduated from the Academy of Planning and Statistics in Warsaw in 1984 (currently: the Warsaw School of Economics). In 1991 he obtained a doctoral, and in 1995 - a PhD degree. In 1992 he studied economics at the University of Illinois in Urbana-Champaign, USA. In 1993 he completed studies in banking, finance and insurance at the University of Exeter in Great Britain; in 1996 he studied international economics at the Free University of Berlin, and in 1997 he studied international economics at RUCA (Antwerp). In 2002, he obtained the academic title of professor of economics.

He is a laureate of many awards and distinctions, including Rector's Awards for scientific achievements (annually since 1997), Award of the Minister of Education for the book: "European integration. An opportunity for Poland?" and a book entitled "Banks and households – development dynamics." He is a member of numerous scientific organizations and program councils of journals, including, as a member of the editorial boards of "Foundations of Management", "Journal of Interdisciplinary Economics", "Yearbook on Polish European Studies" and "Mazovia Regional Studies"; member of the "Gazeta Bankowa" Program Council; reviewer of PWE SA Warsaw. A long-standing member of the "Teraz Polska" Emblem Chapter and a member of the "European Studies" Scientific Council.

He gained knowledge and experience working, among others, as: the head of the Department of International Economic Relations at the Faculty of Management of the University of Warsaw, the head of the Department of National Economy at the Faculty of Management of the University of Warsaw, the director of the European Centre of the University of Warsaw, the deputy dean of the Faculty of Management at the University of Warsaw for International Cooperation, the dean of the Faculty of Management at the University of Warsaw and Vice-Rector for Scientific Research and Cooperation at the University of Warsaw. For 15 years he was also the head of the Department of Finance at the Kozminski University. Apart from the University of Warsaw, he also delivers lectures in France, Great Britain, USA, Russia, China, Korea, Germany, and Russia.

In addition, he held or still holds the functions of: an advisor to the prime minister, advisor to the Minister of Agriculture, Minister of Finance, president of the Academic Sports Association in Poland, as well as at the University of Warsaw, a member of the NewConnect advisory committee at the Management Board of the Warsaw Stock Exchange, a member of the Council of the National Bank of Poland Foundation, Chairman of the Scientific Council of the National Bank of Poland. Over the years, he was or has been a member of supervisory boards, including PTE WARTA S.A., PKO BP S.A., JSW S.A., PZU S.A., Bank Millennium S.A. He was the Chairman and Vice-Chairman of the Supervisory Board of EUROLOT S.A.

He is a member of the National Development Council, appointed by President Andrzej Duda.

In December 2018, together with 22 prominent economists from around the world – among whom there are 4 Nobel Prize laureates – he became a member of the Scientific Council of the Institute of New Structural Economics at the University of Beijing.

Tobias Solorz was appointed as Member of the Company's Supervisory Board in June 2021. He is a graduate of the Faculty of Management and Marketing at the University of Warsaw.

He has many years of professional experience in the field of telecommunication, finance and controlling. He began his career in 2003 at Telewizja Polsat Sp. z o.o. Between 2007 and 2008 he held the position of Promotion Manager at Cyfrowy Polsat. Between 2008 and 2010 he was a Member of the Management Board of Sferia S.A., where he also served as Marketing, Sales and Operations Director. He was a Member of the Management Board of Polkomtel Sp. z o.o., Plus network operator, from November 2011 and President of the Management Board from February 2014 until March 2019. In the years 2014-2019 he sat on the Management Board of Cyfrowy Polsat S.A., first in the capacity of Management Board Member, then since December 2014 as Vice-President of the Management Board and from 2016 until 2019 as President of the Management Board.

Since 2019 he is a Supervisory Board Member in Polkomtel Sp. z o.o. and Telewizja Polsat Sp. z o.o., and since 2020 also in Group Interia.pl Sp. z o.o. He is also a Member of the Supervisory Boards of Liberty Poland S.A. and Polkomtel Business Development Sp. z o.o. Since 2021 he also serves on the Supervisory Boards of selected SPVs of Port Praski Sp. z o.o. and in 2022 he was appointed to the Supervisory Board of ZE PAK S.A. Moreover, he is a Member of the Board of Polsat Foundation, one of the largest NGOs in Poland that helps to provide treatment for ill children and also supports hospitals and medical center across the country.

Tomasz Szeląg has been a Member of the Company's Supervisory Board since October 2016, where he is also Chairman of the Remuneration Committee and Member of the Audit Committee. He graduated from the National Economy Faculty of the Economic Academy of Wrocław, with a major in International Economics and Political Relations specializing in Foreign Trade. He has been involved with Cyfrowy Polsat since 2009. Apart from the Company, he was appointed a Member of Supervisory Boards of, among others, Polkomtel Sp. z o.o., Telewizja Polska Sp. z o.o., Netia S.A., ZE PAK S.A., PAK-PCE Sp. z o.o. and Port Praski Sp. z o.o.

He has extensive knowledge and competences in the field of media and telecommunication, finance and banking as well as preparing and auditing financial statements.

In 2000-2003, he was an assistant at the Foreign Trade Faculty of the Economic Academy of Wrocław. In May 2003 he received his PhD title for a thesis on hedging transactions used by world copper producers and went on to become a lecturer in the Faculty of International Economic Relations of the Economic Academy of Wrocław. Between 2003 and 2004 he also held a position of lecturer at the Wrocław School of Banking - at the Faculty of International Economic Relations. Parallel to his academic career Mr. Szeląg also developed his professional career gaining experience in managerial positions in the area of finance and investment. From 2003, he was Chief Specialist in the Currency Risk Department of KGHM Polska Miedź S.A., and then of the Market Risk and Analysis Department. In September 2004, he became Director of the Department. In December 2004, he became Director of Hedging Department of KGHM and held the function until March 2007. From April 2007 to June 2008 he worked as Director of Branch of Société Générale Bank in Wrocław. In July 2008, he took the position of Vice-president for Finance in Telefonia Dialog S.A., which he held until March 2009. In Telefonia Dialog S.A. he was responsible for finance, accounting, controlling, and budgeting management, and also owner supervision and capital investment, logistics and purchases, project management and IT.

From May 2009 until September 2016 he held the position of Member of the Management Board and Chief Financial Officer at Cyfrowy Polsat and was responsible for broadly understood finances in Polsat Group. In the years 2010-2016 Mr. Szeląg was Member of the Management Boards of numerous companies from Polsat Plus Group, including Telewizja Polsat (October 2011-October 2014), INFO-TV-FM (July 2012 – November 2016), CPSPV1 and CPSPV2 (April 2013 – November 2016), Plus TM Management (April 2014-December 2016) and Polkomtel (September 2014-December 2016). He was also President of the Management Board of Cyfrowy Polsat Trade Marks Sp. z o.o. (2010-2016) and Telewizja Polsat Holdings Sp. z o.o. (2012-2016).

Piotr Żak was appointed as Member of the Company's Supervisory Board in June 2018. He holds a graduate degree in economics from Royal Holloway, University of London. He also graduated from the Faculty of Management of the Warsaw University.

He has been pursuing business operations in Poland since 2014, among others in the area of establishing and supporting start-up enterprises. He focuses his activities on the high-technology sector, particularly on creating and developing innovative projects that exploit the potential of Internet and traditional media, Internet entertainment, and the use of data transmission in solutions, services and products addressed to individual and business customers. He pursues his professional interests also by developing and implementing modern marketing communications tools for enterprises from the media and telecommunications sector.

He is the founder of, among other, Frenzy Sp. z o.o., a company that conducts e-sports and gaming events on an international scale and since 2018 also produces programs for the channel Polsat Games. At the end of 2021 Frenzy was sold to ESE Entertainment, a Canadian entertainment and technology group. He also founded and is the co-owner of Golden Coil Sp. z o.o., a company operating in the field of marketing and Internet advertising.

Since March 2016 he serves as Supervisory Board Member of Telewizja Polsat Sp. z o.o., the leading television broadcaster on the Polish market. In June 2018 he was appointed to the Supervisory Boards of Cyfrowy Polsat S.A., the parent of Polsat Plus Group, and Netia S.A., one of the largest Polish telecommunication operators belonging to Polsat Plus Group, in which he serves as Chairman. In April 2019 he was appointed to the Supervisory Board of Polkomtel Sp. z o.o., the operator of Plus network. He has been serving on the Supervisory Boards of Asseco Poland S.A. and Mobiem Polska Sp. z o.o. since July 2020, and in November 2020 he was appointed to the Supervisory Board of Grupa Interia.pl Sp. z o.o. In May 2021 he was appointed to the Supervisory Board of Asseco Cloud Sp. z o.o. Since December 2021 he has been discharging supervisory responsibilities in SPVs belonging to Port Praski Sp. z o.o. In March 2022 he was appointed as Supervisory Board Member in ZE PAK S.A.

8.7.3. Competences and Bylaws of the Supervisory Board

The Supervisory Board acts pursuant to the Commercial Companies Code and also pursuant to the Articles of Association of the Company and the Bylaws of the Supervisory Board.

Pursuant to the Articles of Association of the Compan,y the Supervisory Board performs ongoing supervision of the Company's operations in all its fields. In order to exercise supervision in the scope and under the terms stipulated in the Articles of Association, the Supervisory Board is entitled to review any documents of the Company, request reports and explanations from the Management Board, and review the status of the Company's assets. The Supervisory Board performs its obligations collectively but may also delegate its members to perform specific supervisory activities independently. The Supervisory Board is entitled to establish committees in circumstances provided for under applicable law. The Supervisory Board is also be entitled to appoint other committees and determine the scope and terms of their operation.

The Chairperson of the Supervisory Board is authorized to perform individually supervisory tasks with regard to the manner of performing obligations by the Management Board stipulated under Article 13 sec. 1.3 of the Articles of Association as well as to the activity of the Management Board with respect to agreements, revenue, costs, and expenses.

The competences of the Supervisory Board include matters restricted by the Commercial Companies Code and provisions of the Company's Articles of Association, in particular:

a) reviewing the annual financial statements of the Company and the consolidated financial statements with respect to their consistency with both the books and documents and the facts; reviewing the annual Management Board Report on the Company's operations and the assessment of the Management Board's work, reviewing the Management Board's motions with respect to distributing profits or covering losses, and submitting a written report on the results of the aforementioned reviews to the Annual Shareholders Meeting,

b) drafting a report on the activities of the Supervisory Board, the assessment of the Company's standing, the assessment of the manner of performing the information obligations by the Company, the assessment of the rationality of the policy pursued by the Company, including but not limited to the price policy, and the assessment of the internal control system and the system for managing significant risks for the Company, in each case in accordance with the terms of corporate governance adopted by the Company, and presenting them to the Annual Shareholders Meeting,

c) delegating Supervisory Board Members to perform temporarily the tasks of a Management Board Member who has been revoked, has resigned or is unable to perform his/her duties for other reasons, for a period not longer than three months,

d) determining the remuneration of Management Board Members,

e) appointing a statutory auditor to audit the financial statements of the Company,

f) granting consent to the payment of an advance towards the predicted dividend to the shareholders,

g) approving the terms, plans and prices of acquisition or sale of goods and services by the Company in the scope stipulated under the Bylaws of the Management Board or a resolution of the Supervisory Board.

Moreover, the competences of the Supervisory Board include:

a) reviewing and issuing opinions on issues that shall constitute the object of the resolutions of the General Shareholders Meeting,

b) approving quarterly, annual, and multi-year plans for the Company's operations drafted by the Management Board and monitoring their performance on an ongoing basis,

c) determining the amount of remuneration of Supervisory Board Members delegated to perform temporarily the tasks of a Management Board Member,

d) granting consent to the appointment and dismissal of supervisory board members of the following companies: Telewizja Polsat sp. z o.o. with its registered office in Warsaw, Polkomtel sp. z o.o. with its registered office in Warsaw, Netia S.A. with its registered office in Warsaw, and every company from the Group if that company's EBITDA in the preceding 12 months exceeded 5% of the Group's consolidated EBITDA, excluding supervisory board members of the above mentioned companies who are appointed and dismissed on the basis of personal rights granted to a partner or a shareholder of these companies,

e) granting consent to the performance by the Company of any legal transaction that does or can result in the disposal in favor of or liability on any account towards a single entity in the value exceeding 0.2% of the Company's standalone EBITDA in the previous accounting year,

f) approving the selection of bidders in the procurement proceedings held by the Company and approving bids submitted by the Company in procurement proceedings,

g) granting consent to any acquisition and sale of real property, perpetual usufruct right or interest in real property, as well as to establishing a limited right in rem on real property, perpetual usufruct right or interest in real property with a value up to the 0.2% ratio of the Company's standalone EBITDA for the preceding accounting year,

h) granting consent to hiring for the positions of director, deputy director, expert or consultant, irrespective of the basis for such employment, including in particular on the basis of employment relationship and other legal relationships. Modification and termination of the aforementioned employment shall also require the consent of the Supervisory Board.

i) approving the Work Regulations and Employee Remuneration Rules,

j) granting consent to the application for, modification or waiver of any license or permit stipulated under Article 6 sec. 2 of the Articles of Association, as well as to transferring or granting access to them to third parties,

k) granting consent to the conclusion of any agreement on consultancy services by the Management Board,

l) granting consent to the issue of bonds by the Company other than bonds convertible to shares or senior bonds,

m) granting consent to any acquisition, sale, assumption or encumbrance of shares and stock in companies as well as any participation titles in entities and organizations other than companies,

n) approving plans for merging or dividing the Company before they are passed and any plans for the reorganization of the Company.

As from January 1, 2025, the Company's Supervisory Board shall not be entitled to grant consent to the Company to incur any liability whatsoever if incurring it may result in the debt ratio, expressed as the ratio of the Group's net debt to EBITDA, exceeding a threshold of 2.0x.

The detailed terms of activity and operation of the Supervisory Board, including but not limited to the terms of operation of its respective committees, are determined in the Supervisory Board Regulations approved by

the General Shareholders Meeting. Any amendment to the Supervisory Board Regulations shall require a resolution of the General Shareholders Meeting.

Meetings of the Supervisory Board take place at least once a quarter. Supervisory Board meetings are convened by the Chairperson of the Supervisory Board. In the absence of the Chairperson, a Supervisory Board meeting shall be convened by the Deputy Chairperson of the Supervisory Board (if appointed) or, if no Deputy Chairperson has been appointed, the meeting is convened by a Supervisory Board Member so nominated in writing by the Chairperson. Supervisory Board meetings are convened ex officio upon the motion of the Management Board or at least two Supervisory Board Members. Supervisory Board meetings are chaired by the Chairperson of the Supervisory Board or, in the Chairperson's absence, by the Deputy Chairperson (if appointed) or, if no Deputy Chairperson has been appointed, by a Supervisory Board member nominated by the Chairperson.

Apart from Supervisory Board Members, Supervisory Board meetings may be attended by Management Board Members, the commercial proxy, and invited guests. The person chairing a Supervisory Board meeting is entitled to order persons other than Supervisory Board Members to leave the room where the meeting is held.

Supervisory Board resolutions shall be by two-thirds of cast votes. All Supervisory Board Members must be invited to a Supervisory Board meeting and more than 50% of Supervisory Board Members must attend the meeting for the Supervisory Board resolutions to be binding. Supervisory Board Members shall be entitled to participate in adopting Supervisory Board resolutions by casting their vote in writing through the agency of another Supervisory Board Member. Casting a vote in writing shall not apply to issues added to the agenda at the meeting of the Supervisory Board.

The resolutions of the Company's Supervisory Board may be adopted without holding a meeting either in writing or using means of distant communication. Resolutions adopted in writing or using means of distant communication as well as electronically are passed, if the draft resolution has been effectively served to all Supervisory Board Members, if all Supervisory Board Members take part in the vote, and if at least two-thirds of Supervisory Board Members vote for the resolution. Resolutions may also be adopted electronically. An electronic vote shall be ordered by the Chairperson of the Supervisory Board. In the absence of the Chairperson, an electronic vote shall be ordered by the Deputy Chairperson of the Supervisory Board (if appointed) or, if no Deputy Chairperson has been appointed, by a Supervisory Board Member nominated by the Chairperson.

In 2021, the Supervisory Board held 9 meetings. Due to the ongoing COVID-19 epidemic, most of the meetings of the Supervisory Board were held remotely and resolutions were adopted in accordance with Article 21 item 4 of the Company's Articles of Association and Article 5 item 4 of the Bylaws of the Supervisory Board, i.e., using means of distant communication. In 2021, the average attendance at the Supervisory Board meetings was 100%.

The table below presents the attendance of the Supervisory Board Members in meetings held in 2021.

Name of Supervisory Board Member	Attendance
Zygmunt Solorz[(1)]	100%
Marek Kapuściński	100%
Józef Birka	100%
Jarosław Grzesiak[(1)]	100%
Marek Grzybowski	100%
Robert Gwiazdowski [(2)]	100%
Aleksander Myszka[(2)]	100%
Alojzy Nowak[(1)]	100%
Leszek Reksa[(2)]	100%

(1) Supervisory Board Member from June 24, 2021 to December 31, 2021, attendance for the indicated period.
(2) Supervisory Board Member from January 1, 2021 to June 24, 2021, attendance for the indicated period.

8.7.4. Committees of the Supervisory Board

Pursuant to the Bylaws of the Supervisory Board, the Supervisory Board may appoint permanent committees, in particular an Audit Committee, a Remuneration Committee, or a Strategic Committee, as well as ad hoc committees to investigate certain issues remaining in the competence of the Supervisory Board or acting as advisory and opinion bodies of the Supervisory Board.

The functioning of the Audit Committee is regulated by the Bylaws of the Audit Committee. The provisions of the Bylaws of the Supervisory Board apply to meetings, resolutions, and minutes of remaining committees of the Supervisory Board.

The aforesaid committees may be appointed by the Supervisory Board from among its Members by means of a resolution. The committee appoints, by means of a resolution, the Chairman of the particular committee from among its Members. The mandate of a Member of a particular committee expires upon expiry of the mandate of the Member of the Supervisory Board. The Supervisory Board may, by means of a resolution, resolve to dismiss a Member from the composition of a particular committee before the expiry of the mandate of the Member of the Supervisory Board. Dismissal from membership in a committee is not tantamount to dismissal from the Supervisory Board.

The first meeting of a committee is convened by the Chairman of the Supervisory Board or another Member of the Supervisory Board indicated by him or her. Meetings of the committees are convened as the need arises, ensuring thorough delivery of duties assigned to a particular committee. Minutes of committee's meetings and adopted resolutions are made available to the Members of the Supervisory Board that are not Members of the committee. The Chairman of a given committee chairs its proceedings. The Chairman also performs supervision over the preparation of the agenda, distribution of documents, and preparation of minutes of the meetings of the committee.

Pursuant to article 128 item 1 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight, an Audit Committee functions in the Company.

As at January 1, 2021, **the Audit Committee** comprised the following Members of the Supervisory Board:

Name and surname	Function
Marek Grzybowski	Chairman of the Audit Committee Independent Member of the Supervisory Board
Tomasz Szeląg	Member of the Supervisory Board
Paweł Ziółkowski	Independent Member of the Supervisory Board

Due to expiration of the term of office and the appointment of the Supervisory Board for a new term on June 24, 2021, pursuant to § 7 item 3 of the Bylaws of the Supervisory Board, on June 29, 2021 the Supervisory Board appointed to the Audit Committee Mr. Marek Grzybowski, Mr. Alojzy Nowak and Mr. Tomasz Szeląg. In addition, pursuant to § 2 item 5 of the Bylaws of the Audit Committee, the Supervisory Board appointed Mr. Marek Grzybowski as Chairman of the Audit Committee.

As at December 31, 2021, **the Audit Committee** comprised the following Members:

Name and surname	Function
Marek Grzybowski	Chairman of the Audit Committee Independent Member of the Supervisory Board
Alojzy Nowak	Member of the Audit Committee Independent Member of the Supervisory Board
Tomasz Szeląg	Member of the Audit Committee

The composition of the Audit Committee meets the requirements listed in article 128 item 1 and article 129 item 3 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

In 2021, the Audit Committee held seven meetings. Due to the ongoing COVID-19 epidemic, most of the meetings of the Audit Committee were held remotely and resolutions were adopted in accordance with Article 21 item 4 of the Company's Articles of Association and Article 5 item 4 of the Bylaws of the Supervisory Board, i.e., using means of distant communication. In 2021, the average attendance at the Audit Comittee meetings was 100%.

The table below presents the attendance of the Audit Committee Members at meetings held in 2021.

Name of Audit Committee Member	Attendance
Marek Grzybowski	100%
Alojzy Nowak(1)	100%
Tomasz Szeląg	100%
Paweł Ziółkowski(1)	100%

(1) Audit Committee Member from June 24, 2021 to December 31, 2021, attendance for the indicated period.
(2) Audit Committee Member from January 1, 2021 to June 24, 2021, attendance in 2020 for the indicated period.

A **Remuneration Committee** also functions within the Supervisory Board of the Company which, as at January 1, 2021, comprised the following Members of the Supervisory Board:

Name and surname	Function
Tomasz Szeląg	Chairman of the Remuneration Committee
Marek Kapuściński	Member of the Remuneration Committee

During 2021 the composition of the Remuneration Committee remained unchanged.

In 2021, the Remuneration Committee held one meeting. Due to the ongoing COVID-19 epidemic, the meeting was held remotely and resolutions were adopted using means of distant communication.

The table below presents the attendance of the Remuneration Committee Members at meetings held in 2021.

Name of Remuneration Committee Member	Attendance
Tomasz Szeląg	100%
Marek Kapuściński	100%

Audit Committee

In accordance with the Bylaws of the Audit Committee, the Committee consists of at least three Members, appointed for the term of office of the Supervisory Board. The Chairman of the Committee is appointed by the Company's Supervisory Board. Most Members of the Committee, including its Chairman, are independent from the Company that is they meet the independence criteria set out in Article 129 item 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Among the Members of the Audit Committee, the statutory independence criteria are met by Mr. Marek Grzybowski and Mr. Alojzy Nowak

The independence of the indicated Members of the Supervisory Board has been verified by the Supervisory Board on the basis of statements submitted by them confirming that they meet the independence criteria set forth in Article 129 item 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and, moreover, based on information gathered by the Company and sourced in the Company concerning the relations of the persons in question with the Company and other companies from Polsat Plus Group, in particular the capital structure and the composition of governing bodies of Polsat Plus Group and legal relations between the persons in question and the Company and the companies from Polsat Plus Group.

Members of the Audit Committee: Mr. Marek Grzybowski, Mr. Alojzy Nowak and Mr. Tomasz Szeląg, possess knowledge and skills in accounting and/or auditing financial statements which were obtained during studies, scientific career and/or extensive professional practice.

Furthermore, Mr. Tomasz Szeląg possesses knowledge and skills with regard to the sectors in which the Group operates, gained during many years of professional career on key managerial positions within Polsat Plus Group, among others, as Member of the Management Board responsible for finance in Cyfrowy Polsat.

Regulations of the Audit Committee apply to the meetings, resolutions and minutes of meetings of the Audit Committee.

Meetings of the Audit Committee are convened by the Chairman of the Audit Committee or a Member of the Audit Committee authorized by the Chairman and are held at least once a quarter, at dates determined by the Chairman of the Audit Committee. Additional meetings of the Audit Committee may be convened by the Chairman of the Audit Committee at the request of a Member of the Audit Committee, Chairman of the Supervisory Board or another Supervisory Board Member, as well as at the request of the Management Board.

The Audit Committee passes resolutions, if at least half of its Members are present at the meeting and all Members were properly invited. Resolutions are passed by an absolute majority of votes and in the case of an equal number of votes, the Chairman of the Audit Committee shall have a casting vote. Members of the Audit Committee may participate in the Committee's meetings and vote in person, or by means of distant communication.

The work of the Audit Committee is managed by its Chairman who is responsible for preparing an agenda of each meeting or may appoint a Secretary of the Audit Committee whose tasks include in particular the

preparation of an agenda of each meeting and organization of the distribution of documents for the Committee's meetings. A notification of the meeting, including its agenda together with all required materials, must be delivered to the Members of the Audit Committee at least 7 days before the meeting and in extraordinary circumstances a Committee's meeting may be convened at a shorter notice than the above mentioned deadline.

The Chairman of the Audit Committee may ask a relevant Management Board Member to prepare appropriate materials.

Minutes are taken of every meeting of the Audit Committee and are then signed by all Members who participated in a given meeting. Minutes of the Audit Committee meetings, including conclusions, instructions, opinions and recommendations are presented to the Supervisory Board at its next meeting as well as to the Management Board.

Members of the Supervisory Board who are not part of the Audit Committee may, at their own initiative, participate in the Committee's meeting, however without a voting right. The Chairman of the Audit Committee may invite Members of the Supervisory Board, auditors, employees of the Company and other persons as experts.

The tasks of the Audit Committee include in particular monitoring of the financial reporting process, efficiency of internal control systems and risk management systems as well as internal audit and performing financial revision activities, in particular carrying out audits by an audit company.

Pursuant to the Audit Charter, the Internal Audit Director meets directly the Audit Committee. In addition, at the request of the Audit Committee he or she joins its sessions and presents additional/supplementary information.

The Audit Committee evaluates, controls and monitors independence of a certified auditor and audit company, in particular in the case when the audit company provides the Company with services other than auditing of financial documents in the Company. The Audit Committee grants consent to provision of such services by the audit company. The Audit Committee notifies the Company's Supervisory Board about the results of audit and the role of the Committee in the auditing process as well as explains how this audit contributed to the reliability of financial reporting in the Company.

The tasks of the Audit Committee also include developing a policy of selection of an audit company to carry out the audit as well as developing a policy of provision by the selected audit company, its affiliated entities and members of the audit company's network of permitted services which are not part of the audit.

Main assumptions underlying the selection of an auditor in Cyfrowy Polsat

- In accordance with the Company's Articles of Association, the Company's Supervisory Board is the party selecting the chartered accountant (the auditor) for carrying out the statutory audit, while the General Meeting of Shareholders of the company is the party approving the Company's financial statement.
- The first contract with an auditor for carrying out the statutory audit is concluded by the Company for the period of at least 2 years, subject to the possibility of terminating the contract, if justified grounds to do so emerge. It is assumed that the contract for the statutory audit can be extended once for another period of 2 years, however the maximum uninterrupted period of time during which statutory audits can be conducted by the same auditor or by a company related to that auditor, or any member of a given chain of companies operating in EU states of which such companies are members, may not exceed 5 years.

- The Audit Committee approves the procedure of selection of the auditor for performing the statutory audit. The auditor selection procedure is determined at the Audit Committee's discretion.
- If an auditor for statutory audit is selected, the selection procedure must meet the following criteria:
  - the auditor on its own, or as part of a chain of companies operating on the territory of the European Union, has not conducted statutory audits for the Company for a period of at least past 5 consecutive years, or of if such a company did conduct a statutory audit for the Company for a continuous period of 5 consecutive years in the past, then the period of at least 4 years has already elapsed since the last of such audits,
  - the organization of the tender process does not exclude from the selection process companies which have obtained less than 15% of their total remuneration on account of auditing public interest units in the Republic of Poland during the past calendar year which are found in the list of auditors published on the website of the Audit Oversight Committee (Komisja Nadzoru Audytowego) (a sub-page of www.mf.gov.pl).
  - neither the auditor, nor any member of the chain, of which the auditor is a member, has provided, either directly or indirectly to the Company or to its subsidiaries, any prohibited services, as defined by Article 136 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight, during the current financial year (the first year of the period covered by the tender), as well as any services related to the development and implementation of internal control procedures or risk management procedures associated with the development or control of financial information, or the development and implementation of any technological systems concerning financial information during the preceding year (the year preceding the first year of the period covered by the tender).
- The value of permitted services, other than required by the law as provided by the auditor performing a statutory audit of the company and by all of the entities being members of its chain, may not exceed 70% of the average compensation for the audits during the past 3 years.

Major assumptions of the policy of provision to Cyfrowy Polsat of permitted services which are not audit services by the selected auditor, its related companies or members of the chain of which the auditor is a member

- The Company shall not conclude, with the auditor, its related companies or the members of the chain of which the auditor is a member, any agreements for the provision of prohibited services, as defined in Article 5, section 1, paragraph 2 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.
- Prior to contracting any work, being permitted services and not being an audit, the Audit Committee performs an assessment of the threats and safeguards related impartiality, mentioned in Articles 69-73 of the Act on Statutory Auditors, Audit Firms and Public Oversight. The Audit Committee also oversees compliance of the performed work with the valid law.
- Permitted services include:
  - services involving due diligence procedures related to the Company's economic-and-financial standing;

- issuing comfort letters in connection with prospectuses issued by the audited entity, carried out in accordance with the national standard for related services and consisting of performance of agreed procedures;
- assurance services related to pro forma financial information, forecasts of results or estimated results which are included in the audited unit's prospectus;
- audit of historical financial information to be included in the prospectus which is mentioned in the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
- verification of consolidation packages;
- confirmation of fulfillment of the terms of facility agreements concluded by the Company based on the financial information coming from the financial statements examined by a given auditor;
- assurance services in the scope related to reporting on corporate governance, risk management and corporate social responsibility;
- services involving assessment of the compliance of the disclosures made by financial institutions and investment firms with the requirements related to disclosure of information concerning capital adequacy and variable components of remuneration;
- assurance concerning financial statements or other financial information intended for the supervisory authority, the supervisory board or any other supervising body of the company, or the owners whose scope exceeds the scope of the statutory audit and which are intended to assist these authorities in the fulfillment of their statutory duties.

The Audit Committee provides the Supervisory Board with a recommendation regarding the selection of audit company.

In the financial year 2018 the Audit Committee recommended to the Supervisory Board to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. , with its registered office in Warsaw, to audit the financial statements of the Company and the consolidated financial statements of the Company's capital group for the years 2018 and 2019. The recommendation fulfilled the criteria set in the adopted policy of selection of an audit company and followed the selection procedure organized by the Company which met the binding criteria. The recommendation was accepted by the Supervisory Board.

Additionally, the Audit Committee presents recommendations to the Company's Management Board aimed at ensuring the reliability of financial reporting in the Company.

8.7.5. Agreements with the entity certified to perform an audit of the financial statements

On July 6, 2018, the Company entered into an agreement with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of the Company's capital group for the financial years ended December 31, 2018 and December 31, 2019.

On February 26, 2020, the Company's Supervisory Board consented to extend the agreement and choose Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the

consolidated financial statements of Polsat Plus Group for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022.

The following summary presents a list of services provided by the certified auditor and remuneration for the services in the twelve month period ended on December 31, 2021 and December 31, 2020.

[mPLN]	For the year ended December 31	
	2021	2020
Review of interim financial statements	0.7	0.7
Audit of financial statements for the year and other services	2.2	2.5
Total	**2.9**	**3.1**

In the financial year 2021, Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. provided the following permitted services other than audit services: (i) the review of financial statements, (ii) the execution of agreed procedures with regard to verification of the fulfillment of conditions of concluded credit agreements, based on the analysis of the financial information from the audited consolidated financial statements of Cyfrowy Polsat Group and (iii) the audit of the reports on remuneration of the Members of the Management Board and the Supervisory Board of the Company, after being granted consent from the Audit Committee.

8.7.6. Remuneration of the Members of the Supervisory Board

Rules for remuneration of Members of the Supervisory Board are regulated by the Remuneration Policy for the Management Board and Supervisory Board Members. Information regarding remuneration of Members of the Supervisory Board in 2021 is included in Note 47 of the consolidated financial statements for the financial year ended December 31, 2021.

8.8. Information on remuneration policy of Cyfrowy Polsat S.A.

On July 23, 2020, the Annual General Meeting adopted, based on a draft resolution proposed by the Company's Management Board and taking into account the opinion of the Supervisory Board's Remuneration Committee, the Remuneration Policy for the Management Board and Supervisory Board Members of Cyfrowy Polsat S.A. The full wording of the policy is publically available at the following address:

https://grupapolsat.pl/sites/default/files/remuneration_policy_for_mb_and_sb_20200723.pdf

The adopted policy aims to ensure sustained growth of the Company's value, the achievement of which by the Management Board and the Supervisory Board requires, among others, setting up of a relevant structure of remuneration of the members of the Management Board and the Supervisory Board on account of their overall duties. This aim is accomplished by restricting the remuneration of these individuals to a fixed part, allowing them to perform their duties concerning the overall operations of the Company without focusing on the pursuit of selected specific goals only.

The Remuneration Policy for the Management Board and Supervisory Board Members of Cyfrowy Polsat S.A. is based on a general assumption that market volatility, the social and economic situation as well as the need for a flexible response to the emerging risks and business opportunities provide no justification for setting fixed goals. The required flexible response to the changing situation and to the emerging challenges is assured – in the case of Management Board Members – by potential bonuses that can be awarded to them. Such a solution offers flexibility in terms of assuring stable operations of the Company and pursuing its long-term interests.

The remuneration of Management Board Members consists of a fixed part, having the form of a base salary. Management Board Members may have the title to a bonus on the terms defined in the deed establishing their corporate relation or their employment relation. Subject to the terms set by the Supervisory Board in the deed establishing a corporate relation or an employment relation, the Management Board Members may be also covered by additional pension schemes.

In addition, Management Board Members may be entitled to additional benefits of permanent or periodic nature. These include in particular healthcare services for a Management Board Member or for the members of his/her family, right to use the elements of the Company's property, and life insurance and D&O insurance.

Moreover, Management Board Members employed under an employment contract are entitled to the same rights as all other employees of the Company by virtue of the Labor Code regulations, as defined by Article 9 of the Labor Code. Remuneration and other benefits also include benefits on account of the Management Board's activities in the Company's subsidiaries.

The Supervisory Board, based on the recommendation issued by the Supervisory Board's Remuneration Committee, is entitled to determine the amount of the base salary, the conditions for acquiring the right to a bonus as well as other components of the remuneration and benefits in the resolution serving as the basis for entering by a Management Board Member into a corporate relation or into an employment relation, and depending on the nature of the duties of a given Management Board Member as well as the conditions of his/her employment.

Supervisory Board Members receive fixed remuneration on account of the function performed on the basis of a corporate relation. The remuneration may differ depending on the function in the Supervisory Board, especially in connection with participation in the work of respective Supervisory Board committees. In justified cases a Supervisory Board Member may receive additional remuneration. The amount of the remuneration of the Supervisory Board members is determined by the General Meeting.

There were no changes to the Remuneration Policy since the date of its adoption. In parallel, the Remuneration Policy stipulates that it will be adopted by the General Meeting not less frequently than once every four years.

The shape of the Remuneration Policy as proposed by the Management Board and adopted by the General Meeting derives from the many years of remuneration practice developed within Polsat Plus Group and, given the Company's proven track record of achieving long-term value growth for its Shareholders as well as the Group's stable functioning, is evaluated as an effective tool for remunerating and motivating the Company's Management Board and Supervisory Board Members.

Reports on the remuneration of the Management Board and the Supervisory Board Members of Cyfrowy Polsat S.A. are publically available at the Polsat Plus Group's website.

8.9. Diversity policy applicable to administrative, managing and supervising bodies of the Company

Polsat Plus Group adopted the Diversity and Human Rights Policy which has the purpose of supporting the pursuit of the Group's business goals. The policy enables the Group to respond in a better way to the employees' expectations, make full use of their potential and at the same time help the companies who are part of the Group to adjust to the changes occurring on the labor market. We trust that diversity is one of the sources of our competitive advantage, and competing views, opinions, work styles, skills and experience generate new quality and enable companies to achieve better business results.

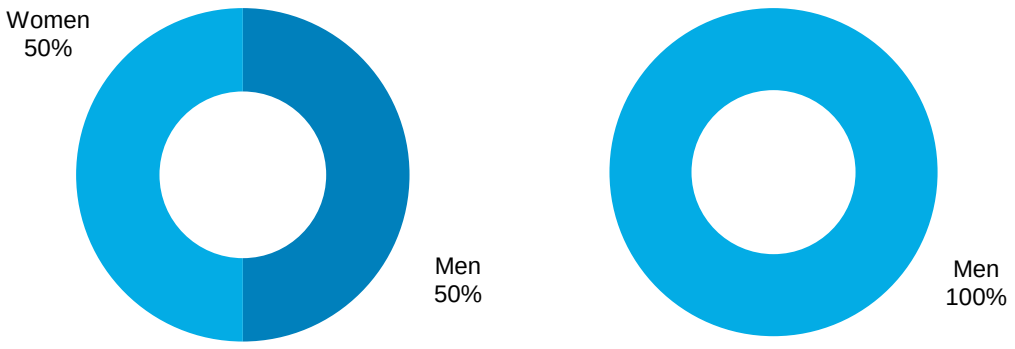
The basic principles of Polsat Plus Group's Diversity Policy include respect for human rights and prohibition of any discrimination due to gender, age, sexual orientation, competence, experience, potential degree of

disability, nationality, ethnic and social origin, color of skin, language, parental status, religion, confession or lack of any confession, political views, or any other dimensions of diversity which are defined by valid law.

Within the empowerment of these principles, we have developed separate documents which protect diversity and indicate the basic ethical rules. These include, among others, the following policies: Human Resources Policy, Anti-Mobbing Policy, Code of Ethics, Work Regulations, Remuneration Regulations or working time register. The Diversity Policy is implemented, among others, by including diversity-related issues in HR processes and tools, such as organization of training and staff development sessions and recruitment. We expect our leaders to have skills that allow for managing diversified teams and benefit from their diversity in order to fully leverage the potential of employees that make up those teams. An Ethics Officer has been appointed in the Group whose tasks include, among others, the prevention of discrimination and mobbing.

The provisions of Polsat Plus Group's Diversity Policy apply to all employees, including Management Board Members and Supervisory Board Members. While our aim is to promote gender equality among top managerial positions, our policy is above all to appoint persons with appropriate competences, professional experience and education to the Management and Supervisory Boards of the Company. The diagrams below present the gender and age structures of the Members of the Management and Supervisory Boards of Cyfrowy Polsat.

Structure of the Management Board and the Supervisory Board with respect to gender in 2021

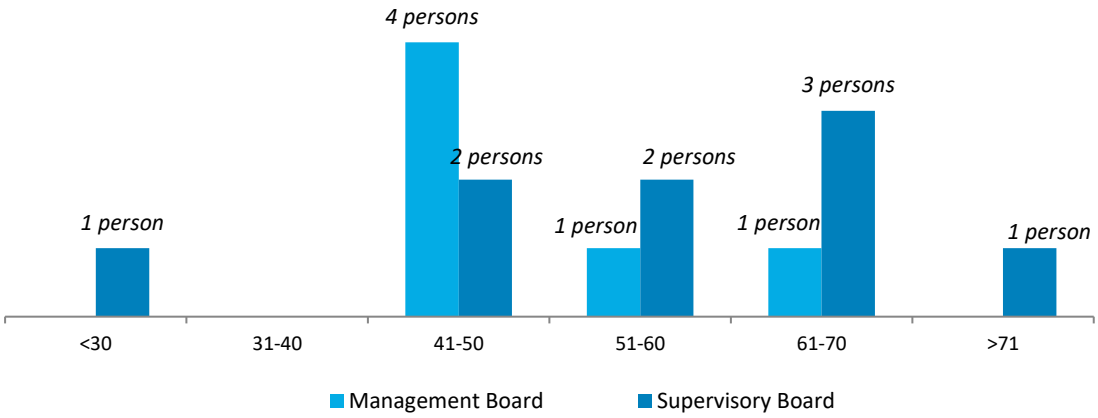


Management Board **Supervisory Board**

As at December 31, 2021 three men and three women sat on Cyfrowy Polsat's Management Board while the Supervisory Board included nine men.

Members of the Management Board and the Supervisory Board have education in fields such as management and marketing, law, economy, finance, or technical education as well as rich and diverse professional experience.

Structure of the Management Board and Supervisory Board with respect to age as at December 31, 2021



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, March 23, 2022

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 September 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 September 30, 2024.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.

Term	Definition
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 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).
ARPU per B2C customer	Average monthly revenue per Customer generated in a given settlement period.
ARPU per prepaid RGU	Average monthly revenue per prepaid RGU generated in a given settlement period.
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.

Term	Definition
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
Churn	Termination of the contract with B2C 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).
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	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model. A customer is identified by a unique ID number (PESEL or REGON).
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).

Term	Definition
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mbps for download and up to 5.7 Mbps for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat 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).
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).

Term	Definition
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 and generating retail revenue service of pay TV in all types of access technology, mobile and fixed-line Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 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.

Term	Definition
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 annual consolidated financial statements 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 Management Board's report on 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 audited the annual consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the consolidated financial statements 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, 23 March 2022

Representations of the Supervisory Board

Pursuant to the requirements of the Regulation of the Minister of Finance of March 29, 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 recognized as equivalent the Supervisory Board of Cyfrowy Polsat S.A. comprised of:

- 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

hereby makes the following representations:

I. Statement on the policy of selection of an auditing company

The Supervisory Board hereby states the following:

1) On February 26, 2020 it consented to extend the agreement and choose Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k., with its registered office in Warsaw, for the performance of the audit of standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, in compliance with the applicable regulations,

2) Both the audit firm and the audit team members met the conditions to develop an impartial and independent report on the audit of annual financial statements in line with the mandatory legal provisions, standards of profession and rules of professional ethics,

3) Cyfrowy Polsat S.A. complies with the provisions on the rotation of the audit firm and the key auditor as well as mandatory cooling-off periods,

4) Cyfrowy Polsat S.A. has adopted the policy of section of an audit company and the policy of provision to the issuer by an audit company, entities affiliated with that audit company or a member of their networks, of authorized non-audit services, including services exempted conditionally from the ban on provision of services by an audit company,

5) The requirements relating to the establishment, composition and functioning of the Audit Committee, including those relating to independence of the majority of its members as well as to knowledge and skills in the sector in which Cyfrowy Polsat S.A. operates and in accounting or auditing are fulfilled,

6) The Audit Committee has performed the tasks set forth in the mandatory legal provisions.

II. Assessment of the financial statements of Cyfrowy Polsat S.A., the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group, the report of the Management Board on the activities of Cyfrowy Polsat S.A. and the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in 2021

The Supervisory Board has examined and assessed the following documents:

1) the financial statements of Cyfrowy Polsat S.A. for the financial year ended December 31, 2021 prepared in accordance with International Financial Reporting Standards, including:

   a) the balance sheet as at December 31, 2021, showing the balance sheet total of PLN 16,176.1 million,

   b) the profit and loss account for the financial year ended December 31, 2021, showing net profit of PLN 3,605.9 million,

   c) the statement of comprehensive income for the financial year ended December 31, 2021, showing a total comprehensive income of PLN 3,623.2 million,

   d) the statement of changes in equity for the financial year ended December 31, 2021, showing an increase in total equity by PLN 379.7 million,

   e) the cash flow statement for the financial year ended December 31, 2021, showing an increase in net cash and cash equivalents by PLN 1,099.4 million,

   f) notes to financial statements.

2) the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2021,

3) the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2021 prepared in accordance with International Financial reporting Standards, including:

   a) the consolidated balance sheet as at December 31, 2021, showing the balance sheet total of PLN 32,237.0 million,

   b) the consolidated profit and loss account for the financial year ended December 31, 2021, showing net profit of PLN 4,414.5 million,

   c) the statement of comprehensive income for the financial year ended December 31, 2021, showing a total comprehensive income of PLN 4,445.0 million,

   d) consolidated statement of changes in equity for the financial year ended December 31, 2021, showing an increase in total consolidated equity by PLN 958.4 million,

   e) consolidated cash flow statement for the financial year ended December 31, 2021, showing an increase in net cash and cash equivalents by PLN 2,279.3 million,

   f) notes to consolidated financial statements.

4) the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in the financial year ended December 31, 2021.

Having analyzed the above-mentioned documents and taking into consideration the independent auditor's reports on the audit of the annual financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2021, and

having acquainted itself with the information of the Audit Committee on the course and results of the examination of fairness of financial reporting in Cyfrowy Polsat S.A. Capital Group, the Supervisory Board hereby states that the information presented in the above mentioned statements reflects in an accurate and proper manner the operational and financial standing of Cyfrowy Polsat S.A. and Cyfrowy Polsat S.A. Capital Group.

Considering the above, the Supervisory Board hereby represents that:

- the financial statements of Cyfrowy Polsat S.A. for the financial year 2021,
- the report of the Management Board on the activities of Cyfrowy Polsat S.A. in the financial year 2021,
- the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year 2021,
- the report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group in 2021

have been drawn up in accordance with the books and documents as well as with the factual status and mandatory legal provisions.

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

Warsaw, March 23, 2022

This is a conversion of the official auditor's report originally issued in xhtml format.
The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa

+48 (0) 22 557 70 00
+48 (0) 22 557 70 01
www.ey.com/pl

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Cyfrowy Polsat S.A.

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Cyfrowy Polsat S.A. Group (the 'Group'),for which the parent company is Cyfrowy Polsat S.A. (the 'Parent Company') located in Warsaw at Łubinowa 4A, which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the period from 1 January 2021 to 31 December 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to the Group and the Parent Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on 23 March 2022.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How our audit responded to this matter
<u>Revenue recognition and accounting</u> Revenues from sales of the Group for the year ended 31 December 2021 amounted to PLN 12,444.0 million. Revenue recognition was assessed as a key audit matter due to the fact that the accuracy of the revenue recognition is an inherent industry risk. This is because of the complexity of the billing and other IT systems, that process large volumes of data, combination of different products and services offered, including bundled offers. The Group also enters into significant agreements with other telecommunication companies as far as access to telecommunication network and wholesale is concerned. This requires specific attention due to complexity of contractual provisions and is interpreted for the purpose of revenue recognition as well as due to its value. Furthermore, the application of International Financial Reporting Standard *15 'Revenue from contracts with customers'* ('IFRS 15'), involves a number of key judgements and estimates, that are related among others to identification of the performance obligations, determination of the transaction price or identification of material rights. Taking into account the above, we considered revenue recognition and accounting as a key audit matter. *Reference to related disclosures in the consolidated financial statements* Disclosure related to applied accounting policies and key judgements related to revenue recognition are included in note 6 'Accounting and consolidation policies' to the consolidated	In the course of performed audit procedures, we have documented our assessment of Group's accounting policies in regards to revenue recognition and accounting in accordance with IFRS 15 and related key judgements and estimates applied by the Company's Management. Additionally, our procedures included, among others: • understanding of the processes of revenue recognition, as well as identification and assessment of key controls mechanisms; • testing of controls over revenue related processes; • evaluation of relevant IT systems, including testing of controls in place, engaging our IT audit experts, which included manage changes as well as logical access controls in IT systems used in the revenue recognition processes; • analytical procedures, including analysis of monthly trends and data for significant revenue streams versus budgets and forecasts; • reconciliation of balances of contract assets, contract costs and contract liabilities to source documentation; • substantive testing on sample of agreements and invoices for customers in respect of revenue recognition and verification of payments received; • analysis of allowance for bad debt, capitalized contract costs and contract assets, including assessment of the adequacy of methodology applied for the purpose of allowance calculation as well as analysis of significant, unsettled balances. We also assessed the adequacy of the Company's disclosures in respect of the

financial statements.

Disclosures on revenue are included in note 9 'Revenue' to the consolidated financial statements.

revenue recognition and accounting in the consolidated financial statements.

Fixed assets (including goodwill) impairment analysis

As at 31 December 2021 the Group presents fixed assets in the amount of PLN 24,159.7 million, including goodwill of PLN 10,802.0 million, which constitute 74.9% and 33,5% of total assets respectively.

Under requirements of International Accounting Standard 36 *'Impairment of assets'* ('IAS 36'), the Group tested the amount of goodwill.

For the purpose of impairment tests the Company's Management used certain judgements such as:

- identification of cash generating units ('CGU') and allocation of goodwill to these cash generating units,
- continuance of current and expected market and economics conditions,
- expected revenue and costs levels,
- planned CAPEX,
- weighted average cost of capital ("WACC").

This matter was considered key audit matter from the consolidated financial statements perspective, due to the following:

- significance of the non-current assets;
- intangible nature of significant part of the these assets;
- significance of the impact of Company's Management professional judgement necessary to establish the carrying amounts of non- current assets based on discounted cash flows, which are generally uncertain.

Reference to related disclosures in the consolidated financial statements

Disclosure related to applied accounting policies and key judgements related to the impairment of assets are included in note 6 'Accounting and consolidation policies' to the consolidated financial statements.

Disclosures related to key estimates and assumptions, including sensitivity analysis as well as results of impairments tests of assets,

Our audit procedures in relation to the described key audit matter, included among others:

- understanding and assessment of the accounting policies and procedures applied (including internal control environment) in the area of assessment of impairment indicators, identification of the events indicating the impairment as well as impairment tests;
- understanding and assessment of the judgements and estimates used by the Company's Management in relation to grouping the assets within CGUs and goodwill allocation;
- assessment, with involvement of the valuation specialists, of assumptions and estimates made by the Company's Management and used for the purposes of defining the recoverable amount, including:
  - applied future key macroeconomic assumptions (including: discount rate, forecasted growth rate) by benchmarking to market data and observable external data,
  - assumptions applied for establishing terminal values i.e. cash flows and interest rate after the forecast period;
- verification of mathematical accuracy of discounted cash flows model;
- inquiring the financial personnel and Company's Management about status of historical accuracy of assumptions made, including validity and applicability of these key assumptions;
- analysis of information from external sources such as industry press in reference to potential risks related to realization of the assumptions made by the Company's Management;
- reconciliation of the source data being the basis for the impairment test models and assessment of impairment indicators based on forecasts and budgets;
- assessing the sensitivity analysis of the

goodwill and intangible assets with indefinite useful life, which were prepared by the Company's Management, are included in note 19 'Impairment test (including goodwill and intangible assets with indefinite useful life)' and in the note 51 'Judgments, financial estimates and assumptions' to the consolidated financial statements.

models prepared by the Company's Management to changes in significant assumptions.

We also assessed the adequacy of the disclosures made in the consolidated financial statements describing the impairment test and sensitivity analysis.

Claims, disputes and contingent liabilities

Due to its complex structure and the fact that the Group is operating in constantly changing legal and regulatory environment, the Group is a party to court and administrative proceedings, including tax and regulatory authorities.

The decision whether to account for the liability or the provisions and in what amount, as well as the estimate and scope of disclosures of contingent liabilities are subject to the Company's Management judgments, often based on currently available information on the legal status of the proceedings, which involves an inherent risk of uncertainty.

Consequently, claims, disputes and contingent liabilities were assessed as a key audit matter.

Reference to related disclosures in the consolidated financial statements

Disclosure of accounting policies related to provisions and contingent liabilities is included in note 6 'Accounting and consolidation policies' to the consolidated financial statements.

Disclosures related to the claims, disputes and contingent liabilities are included in note 45 'Contingent liabilities', note 48 'Important agreements and events' and note 51 'Judgments, financial estimates and assumptions' to the consolidated financial statements.

Our audit procedures in relations to the described key audit matter, included among others:

- understanding and evaluation of the applied procedures, including the internal control environment, relating to the identification, recognition and measurement of events indicating the need to recognize provisions or making disclosures in the consolidated financial statements;
- monitoring of information from the external sources in order to identify the Group's breach or potential breach of laws and regulations;
- analysis and evaluation, with the support of our tax law specialists, of the responses received from law and tax offices responsible for conducting court, tax and administrative proceedings on behalf of the Group, including an assessment of the probability of negative resolutions of these proceedings;
- analysis and assessment of contingent liabilities and changes in the value of provisions for claims and litigations;
- review of minutes from meetings of the decision making bodies of the Company and its subsidiaries as well as protocols from the controls conducted by supervisory authorities and correspondence with these authorities.

We also assessed the adequacy of disclosures regarding significant pending court, out-of-court and tax proceedings and contingent liabilities in the Group's consolidated financial statements.

Taxation (current and deferred tax)

The current composition of the Group is a result of consolidation, structure-related activities and other transactions involving assets of considerable value, implemented over the

Our audit procedures in relations to the described key audit matter, included among others:

- understanding and assessment of the

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recent years by and between the Group's entities. Those activities had an effect on the tax settlements, deferred tax assets and deferred tax liabilities not only for the companies directly involved in such consolidation, structure-related activities and other transactions involving assets of considerable value, but also on members or shareholders.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established rulings that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between tax administration units as well as tax administration authorities and entrepreneurs.

In the light of these ambiguities, the final tax treatment application of particular economic transactions may not be known until issuance of the final administration decision by the relevant tax authority or the courts.

Based on the above, in accordance with the IFRS, an administration or court dispute or fact of examination of a particular tax treatment by the authorized government authority may affect the Group's accounting for a current or deferred tax asset or liability. Consequently, the Company's Management considered key judgements and estimates in respect of most likely outcomes of tax conclusions made by tax organs.

Additionally, on 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland.

As at 31 December 2021, the Group performed detailed analysis of the deferred tax assets recoverability.

In addition, Company's Management's assessment process in respect to deferred tax asset recoverability is based on assumptions, specifically the timing and amount of future taxable profits, against which deductible temporary differences and tax losses carried forward can be utilized.

procedures applied, including internal control environment, in the area of accounting for tax purposes (current and deferred income tax);

- analysis of tax rulings possessed by the companies comprising the Group, internal and external analyses supporting executed structure-related activities and adopted treatment for the tax purposes by the Group;
- monitoring of current case-law and tax rulings for cases where the fact pattern and considered issue were similar to the state and issues existing in the Group;
- analysis and assessment, with assistance of tax experts, obtained responses from Group's tax advisors of regarding status of tax controls, including estimation of probability of unfavorable outcome, including significant transactions from previous years having an impact on tax settlements or recognition of additional deferred tax assets or decrease of deferred tax liabilities;
- understanding of the current and deferred tax computation process and assessment of key control mechanisms in this area;
- review of deferred tax asset recoverability model;
- analysis of assumptions used for recognition and computation of deferred tax and their consistency with the analysis of goodwill impairment test and financial forecasts prepared by the Company's Management.

We also assessed the adequacy of disclosures relating to taxes (both current and deferred) included in the consolidated financial statements.

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Due to the significance of tax settlements and significant element of Company's Management judgement related to interpretation of tax regulations as well as, in many cases, lack of unequivocal certification, we considered this topic as key audit matter.

Reference to related disclosures in the consolidated financial statements

Disclosures on taxes are included in note 13 'Income tax', note 48 'Important agreements and events' and note 51 'Judgments, financial estimates and assumptions' of the financial statements as well as in "Key risk and threat factors" included in the Group's Management Report for the period from 1 January 2021 to 31 December 2021.

Sale of infrastructure and recognition of the service agreement

As presented in note 48 'Significant agreements and events' to the consolidated financial statement, the Parent Company and its subsidiary Polkomtel sp. z o.o. on the basis of the share sale agreement finalized on 8 July 2021, sold 99.99% of shares in Polkomtel Infrastruktura sp. z o.o. (currently Towerlink Poland sp. z o.o. 'Towerlink') for a total amount of PLN 7,026.9 million. Polkomtel Infrastruktura sp. o.o. is the owner of the infrastructure related to the emission of radio signals of the mobile telecommunications network. As a result of that transaction, the Group lost control over Polkomtel Infrastruktura sp. z o.o. Profit on the sale of the subsidiary recognized in the consolidated Income Statement amounted to PLN 3,680.6 million.

Upon completion of the above-mentioned transaction, the Group companies concluded with Towerlink a master service agreement ('Service Agreement') governing the business relationship with the Group concerning the mobile telecommunications network radio signal emission services, services of signal transmission to the core network and between base stations, access to passive and accompanying infrastructure owned by Towerlink for the next 25 years, with the possibility of extending it for further periods of 15 years, in exchange for the payments

Our audit procedures in relations to the described key audit matter, included among others:

- understanding the contractual terms related to the infrastructure sale transaction;
- review of the Group's analysis of the recognition of the transactions in the light of IAS 28, IFRS 10, IFRS 15 and IFRS 16 and the model related to the expected financial effects of the signed maintenance agreement;
- analysis the accounting opinion of the Group's external advisor on the accounting treatment of the above-mentioned transactions;
- analysis of the telecommunications market studies presented to us;
- analysis of the technical due diligence report of the infrastructure being the subject of the above-mentioned transaction;
- reconciliation of the recognition of the transaction in the consolidated financial statement to the contractual provisions, accounting records and external cash flow confirmations.

We assessed the adequacy of the disclosures related to the transaction and its recognition in consolidated financial statements and the key management judgments and estimates.

specified in the contract.

Considering the provisions of the share sale agreement and the service agreement, the accounting treatment of the effects of the above-mentioned the transaction and the conclusion of a service contract in the consolidated financial statements required, in the context of IAS 28, IFRS 10, IFRS 15 and IFRS 16, the significant judgments and estimates of the management and consideration of technical and business characteristics of the infrastructure sold.

Taking into account the size of the transaction, its impact on the consolidated financial statements, the complexity of the contractual terms , as well as a significance of the Parent Company's Management judgments and estimates, we considered this issue to be a key audit matter.

Reference to related disclosures in the consolidated financial statements

Disclosures relating to the transaction are included in note 48 'Important agreements and events' and note 51 'Judgments, financial estimates and assumptions' of the consolidated financial statements.

Responsibilities of the Company's Management and members of the Supervisory Board for the consolidated financial statements

The Parent Company's Management Board is responsible for the preparation the consolidated financial statements that give a true and fair view of the consolidated financial position and the consolidated financial performance in accordance with applicable International Financial Reporting Standards adopted by the European Union, the applied accounting policies, other applicable laws, as well as the Parent Company's Statute, and is also responsible for such internal control as the Parent Company's Management Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's Management Board is responsible for assessing the Group's (the parent company and significant components) ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Prent Company's Management Board either intends to liquidate the Group (the parent company or significant components) or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if they, individually or in the aggregate, could be reasonably expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's opinions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Group nor efficiency or effectiveness of conducting business matters now and in the future by the Parent Company's Management.

As part of an audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the consolidated management report of the Group for the period from 1 January 2021 to 31 December 2021 („Directors' Report") together with the consolidated statement on corporate governance and the consolidated statement on non-financial information that are separate sections of the Directors' Report (jointly 'Other Information'). The Other Information does not include the consolidated financial statements and our auditor's report thereon.

Responsibilities of the Company's Management and members of the Supervisory Board

Parent Company's Management is responsible for the preparation of the Other Information in accordance with the law.

The Parent Company's Management and members of the Parent Company's Supervisory Board are required to ensure that the Directors' Report with separate elements meets the requirements of the Accounting Act.

Auditor's responsibilities

Our opinion on the consolidated financial statements does not include the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to inform whether the Parent Company has prepared the consolidated statement on non-financial information and to issue an opinion on whether the Parent Company has included the required information in the consolidated statement on corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the consolidated financial statements.

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Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance statement

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the consolidated statement on corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Parent Company has included in Directors' Report information on the preparation of a separate consolidated report on non-financial information, referred to in art. 55 par. 2c of the Accounting Act and that the Parent Company has prepared the separate report.

We have not performed any assurance procedures on the separate report on non-financial information and do not provide any assurance thereon.

Report on other legal and regulatory requirements

Opinion on the compliance of marking up of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

As part of our audit of the consolidated financial statements we were engaged to perform a reasonable assurance engagement to express an opinion on whether the consolidated financial statements of the Group as at and for the year ended 31 December 2021, prepared in the single electronic reporting format, included in the file named „ GK CP skonsolidowane SF FY2021_PL.zip" ('consolidated financial statements in ESEF format'), was marked up in accordance with the requirements stipulated in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the 'ESEF Regulations').

Identification of the applicable citeria and description of the subject matter

The consolidated financial statements in ESEF format were prepared by the Company's Management in order to meet the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations.

The subject matter of our assurance engagement is the compliance of marking up of consolidated financial statements in ESEF format with the requirements of the ESEF Regulations, while the requirements specified in these regulations represent, in our opinion, applicable criteria for us to express an opinion.

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the consolidated financial statements in ESEF format in accordance with the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in these regulations.

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The responsibility of Management also includes the design, implementation and maintenance of such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material incompliances with the ESEF Regulations.

The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process, which include also the preparation of financial statements in the format required by applicable regulations.

Auditor's responsibilities

Our objective is to express an opinion, based on the performed reasonable assurance engagement, that the consolidated financial statements in ESEF format have been tagged in accordance with ESEF Regulations.

We have performed our assurance engagement in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3001 PL on audit of financial statement prepared in the single electronic reporting format ('NSAE 3001PL') and when applicable in accordance with National Standard on Assurance Engagements Other than Audit and Review 3000 (R) in the form of the International Standard on Assurance Engagements 3000 (revised) – 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' ('NSAE 3000 (R)').

The standard requires us to design and perform procedures to obtain reasonable assurance that the consolidated financial statements in ESEF format have been prepared in accordance with the applicable criteria.

Reasonable assurance is a high level of assurance, but it is not a guarantee that the assurance engagement conducted in accordance with NSAE 3001PL and, when appropriate, in accordance with NSAE 3000 (R), will always detect material misstatement when it exists.

The selection of procedures depends on the auditor's professional judgment, including the auditor's assessment of risks of material misstatements, whether due to fraud or error. When performing risk assessment the auditor takes account of internal controls related to preparation of the consolidated financial statements in ESEF format, to design procedures responsive to those risks in order to obtain evidence that is sufficient and appropriate. The assessment of internal control was not performed for the purpose of expressing an opinion on its operational effectiveness.

Summary of work performed

Procedures that were designed and performed by us included among others:

- obtaining an understanding of the process of preparation of the consolidated financial statements in ESEF format, including the process of selection and application of XBRL markups and maintaining compliance with the ESEF Regulations;
- reconciling the tagged information in consolidated financial statements in ESEF format to the audited consolidated financial statements;
- assessment of the compliance with the technical standards on the specification of a single electronic reporting format with the use of specialistic IT tools;
- assessment of the completeness of tagging of information in the consolidated financial statements in ESEF format with XBRL tags with the use of specialistic IT tools;
- assessment whether XBRL tags from the taxonomy specified by the ESEF Regulations have been applied appropriately and whether extension taxonomy elements have been used when there are no appropriate elements in the core taxonomy specified in the ESEF Regulations;
- evaluating of the anchoring of the extension taxonomy elements to the core taxonomy elements specified by the ESEF Regulations.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the compliance of marking up with ESEF Regulations.

Ethical requirements, including independence

While performing the assurance engagement, the key statutory auditor and the audit firm have complied with the independence and other ethical requirements as specified by the IESBA Code. The IESBA Code is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have also complied with other independence and ethical requirements applicable to this assurance engagement in Poland.

Quality control requirements

The audit firm applies national quality control standards in the form of International Standard on Quality Control 1 – 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance and Related Services Engagements' as adopted by a resolution of the National Council of Certified Auditors ('NSQC').

In accordance with NSQC, the audit firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on compliance with the ESEF Regulations

Our opinion has been formed on the basis of the matters outlined in this report and therefore should be read in conjunction with these matters.

In our opinion, the consolidated financial statements in ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulations.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Group, are compliant with the laws and regulations applicable in Poland, and that non-audit service, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. The non-audit services, which we have provided to the Group in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of Supervisory Board from 23 January 2018 and reappointed based on the resolution from 26 February 2020.The consolidated financial statements of the Group have been audited by us uninterruptedly starting from the financial year ended on 31 December 2018, i.e. for the past for consecutive years.

Warsaw, 23 March 2022

Key Certified Auditor

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 the audit firms list: 130

Grupa Polsat Plus

This document is a conversion to pdf format of the official consolidated financial statements issued in xhtml format.

Cyfrowy Polsat S.A. Capital Group

Consolidated Financial Statements for the year ended 31 December 2021

Prepared in accordance with International Financial Reporting Standards as adopted by European Union

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Approval of the Consolidated Financial Statements

On 23 March 2022, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Consolidated Income Statement for the period

from 1 January 2021 to 31 December 2021 showing a net profit for the period of: PLN 4,414.5

Consolidated Statement of Comprehensive Income for the period

from 1 January 2021 to 31 December 2021 showing a total comprehensive income for the period of: PLN 4,445.0

Consolidated Balance Sheet as at

31 December 2021 showing total assets and total equity and liabilities of: PLN 32,237.0

Consolidated Cash Flow Statement for the period

from 1 January 2021 to 31 December 2021 showing a net increase in cash and cash equivalents amounting to: PLN 2,279.3

Consolidated Statement of Changes in Equity for the period

from 1 January 2021 to 31 December 2021 showing an increase in equity of: PLN 958.4

Notes to the Consolidated Financial Statements

The 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, 23 March 2022

Consolidated Income Statement

		for the year ended	
	Note	31 December 2021	31 December 2020
Continuing operations			
Revenue	9	12,444.0	11,962.9
Operating costs	10	(10,305.5)	(10,073.8)
Gain on disposal of a subsidiary		3,680.6	-
Other operating income/(cost), net		(22.7)	(2.9)
Profit from operating activities		**5,796.4**	**1,886.2**
Gain/(loss) on investment activities, net	11	(26.9)	(113.1)
Finance costs, net	12	(178.8)	(333.0)
Share of the profit/(loss) of associates accounted for using the equity method		75.4	2.0
Gross profit for the period		**5,666.1**	**1,442.1**
Income tax	13	(1,251.6)	(295.9)
Net profit for the period		**4,414.5**	**1,146.2**
Net profit attributable to equity holders of the Parent		4,408.8	1,141.6
Net profit attributable to non-controlling interest		5.7	4.6
Basic and diluted earnings per share (in PLN)	15	**6.95**	**1.79**

Consolidated Statement of Comprehensive Income

	for the year ended	
	31 December 2021	31 December 2020
Net profit for the period	**4,414.5**	**1,146.2**
Items that may not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain	2.3	(0.5)
Items that may be reclassified subsequently to profit or loss:		
Valuation of hedging instruments	17.3	(8.1)
Share of other comprehensive income of associates	10.9	21.2
Other comprehensive income/(loss), net of tax	**30.5**	**12.6**
Total comprehensive income for the period	**4,445.0**	**1,158.8**
Total comprehensive income attributable to equity holders of the Parent	4,439.3	1,154.3
Total comprehensive income attributable to non-controlling interest	5.7	4.5

Consolidated Balance Sheet - Assets

	Note	31 December 2021	31 December 2020
Reception equipment	16	284.0	293.4
Other property, plant and equipment	16	3,326.9	5,391.0
Goodwill	17	10,802.0	11,808.4
Customer relationships	20	1,005.7	1,412.7
Brands	18	2,069.6	2,031.7
Other intangible assets	20	2,374.1	2,616.4
Right-of-use assets	21	696.5	1,519.4
Non-current programming assets	22	739.4	282.5
Investment property		28.4	50.0
Non-current deferred distribution fees	23	73.5	93.5
Non-current trade receivables	24	777.1	832.0
Other non-current assets, includes:	24	1,902.3	1,283.6
shares in associates accounted for using the equity method		*1,764.4*	*1,257.8*
derivative instruments	40	*23.0*	*0.4*
Deferred tax assets	13	80.2	223.2
Total non-current assets		**24,159.7**	**27,837.8**
Current programming assets	22	630.6	413.2
Contract assets		418.0	537.7
Inventories	25	595.7	299.4
Trade and other receivables	26	2,450.3	2,390.4
Income tax receivable		4.5	9.0
Current deferred distribution fees	23	226.8	222.4
Other current assets, includes:	27	107.1	39.3
derivative instruments	40	*60.9*	*2.0*
Cash and cash equivalents	28	3,632.4	1,355.4
Restricted cash	28	11.9	10.4
Total current assets		**8,077.3**	**5,277.2**
Total assets		**32,237.0**	**33,115.0**

Consolidated Balance Sheet - Equity and Liabilities

	Note	31 December 2021	31 December 2020
Share capital	29	25.6	25.6
Share premium	29	7,174.0	7,174.0
Share of other comprehensive income of associates		32.1	21.2
Other reserves	29	2,801.3	99.7
Retained earnings		7,823.6	7,112.3
Treasury shares	29	(2,461.0)	-
Equity attributable to equity holders of the Parent		**15,395.6**	**14,432.8**
Non-controlling interests		(11.0)	(6.6)
Total equity		**15,384.6**	**14,426.2**
Loans and borrowings	31	7,671.8	8,887.8
Issued bonds	32	1,942.1	1,959.2
Lease liabilities	33	497.5	1,140.5
UMTS license liabilities	35	-	136.7
Deferred tax liabilities	13	794.9	902.1
Other non-current liabilities and provisions, includes:	36	319.8	388.1
derivative instruments		-	*16.8*
Total non-current liabilities		**11,226.1**	**13,414.4**
Loans and borrowings	31	1,072.7	753.0
Issued bonds	32	66.4	38.7
Lease liabilities	33	201.1	432.5
UMTS license liabilities	35	139.9	126.7
Contract liabilities		650.8	675.6
Trade and other payables, includes:	37	2,531.2	2,155.3
derivative instruments		-	*39.2*
Liabilities to shareholders of the Parent Company related to dividend		-	415.7
Liabilities due to tender offer for shares in Netia S.A. [1]	48	-	548.0
Income tax liability		964.2	128.9
Total current liabilities		**5,626.3**	**5,274.4**
Total liabilities		**16,852.4**	**18,688.8**
Total equity and liabilities		**32,237.0**	**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 48.

Consolidated Cash Flow Statement

		for the year ended	
	Note	31 December 2021	31 December 2020
Net profit		**4,414.5**	**1,146.2**
Adjustments for:		**(724.8)**	**2,651.7**
Depreciation, amortization, impairment and liquidation	11	1,903.2	2,305.7
Payments for film licenses and sports rights		(645.0)	(511.9)
Amortization of film licenses and sports rights		558.8	519.6
Interest expense		299.4	364.8
Change in inventories		(295.4)	13.2
Change in receivables and other assets		(25.7)	119.3
Change in liabilities and provisions		(55.0)	(401.3)
Change in contract assets		119.7	101.0
Change in contract liabilities		(30.6)	(37.5)
Foreign exchange (gains)/losses, net		(1.9)	45.8
Income tax		1,251.6	295.9
Net additions of reception equipment		(110.0)	(147.1)
Share of the (profit)/loss of associates accounted for using the equity method		(75.4)	(2.0)
Gain on disposal of subsidiaries		(3,680.6)	-
Cumulative catch-up resulting from modification of the loan agreement		-	(44.8)
Other adjustments		62.1	31.0
Cash from operating activities		**3,689.7**	**3,797.9**
Income tax paid		(463.0)	(552.9)
Interest received from operating activities		7.6	6.7
Net cash from operating activities		**3,234.3**	**3,251.7**
Acquisition of property, plant and equipment		(924.1)	(1,006.4)
Acquisition of intangible assets		(234.7)	(211.5)
Concessions payments		(159.4)	(126.8)
Acquisition of subsidiaries, net of cash acquired	38	(946.4)	(479.2)
Acquisition of shares in associates	39	(500.0)	(11.4)
Proceeds from disposal of subsidiaries		7,111.9	-
Proceeds from sale of property, plant and equipment		5.7	8.4
Investment funds outflows		-	(30.0)
Investment funds inflows		-	30.0
Loans granted		(64.9)	(13.0)
Acquisition of bonds		(27.8)	(8.3)
Bonds redemption with interest		8.6	1.4
Dividends received from associate		59.2	57.2
Other inflows/outflows		(0.2)	3.3
Net cash from/(used) in investing activities		**4,327.9**	**(1,786.3)**

		for the year ended	
	Note	31 December 2021	31 December 2020
Bonds issue (Series C Bonds)	32	-	1,000.0
Loans and borrowings inflows	31	1,665.0	35.0
Repayment of loans and borrowings	31	(2,682.8)	(857.9)
Payment of interest on loans, borrowings, bonds, and commissions [1]		(213.3)	(315.3)
Payment of lease liabilities	33	(335.4)	(399.2)
Payment of interest on lease liabilities	33	(32.4)	(46.0)
Dividend payment		(1,186.2)	(232.5)
Acquisition of treasury shares [2]	48	(2,464.0)	-
Other outflows		(33.8)	(40.1)
Net cash used in financing activities		**(5,282.9)**	**(856.0)**
Net increase in cash and cash equivalents		**2,279.3**	**609.4**
Cash and cash equivalents at the beginning of the period		**1,365.8[3]**	**753.1[4]**
Effect of exchange rate fluctuations on cash and cash equivalents		(0.8)	3.3
Cash and cash equivalents at the end of the period		**3,644.3[5]**	**1,365.8[3]**

[1] Includes impact of derivative instruments and amount paid for costs related to the new financing
[3] Includes amount paid for costs related to acquisition of treasury shares
[3] Includes restricted cash amounting to PLN 10.4
[4] Includes restricted cash amounting to PLN 9.6
[5] Includes restricted cash amounting to PLN 11.9

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Share premium	Share of other comprehensive income of associates	Other reserves	Retained earnings[1]	Treasury shares	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)	(6.0)	**(773.5)**
Acquisition of treasury shares	-	-	-	(15.0)	-	(2,461.0)	(2,476.0)	-	**(2,476.0)**
Reserve capital for treasury shares purchase program	-	-	-	2,930.0	(2,930.0)	-	-	-	**-**
Put option valuation	-	-	-	(106.7)	-	-	(106.7)	654.7	**548.0**
Acquisition of subsidiary (see note 38)	-	-	-	(126.3)	-	-	(126.3)	(658.8)	**(785.1)**
Total comprehensive income	-	-	10.9	19.6	4,408.8	-	4,439.3	5.7	**4,445.0**
Hedge valuation reserve	-	-	-	*17.3*	-	-	*17.3*	-	***17.3***
Share of other comprehensive income of associates	-	-	*10.9*	-	-	-	*10.9*	-	***10.9***
Actuarial profit/(loss)	-	-	-	*2.3*	-	-	*2.3*	-	***2.3***
Net profit for the period	-	-	-	-	*4,408.8*	-	*4,408.8*	*5.7*	***4,414.5***
Balance as at 31 December 2021	**25.6**	**7,174.0**	**32.1**	**2,801.3**	**7,823.6**	**(2,461.0)**	**15,395.6**	**(11.0)**	**15,384.6**

[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 31 December 2021 the capital excluded from distribution amounts to PLN 8.5.

Consolidated Statement of Changes in Equity for the year ended 31 December 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 and share of profits	-	-	-	-	(639.5)	(639.5)	(10.2)	**(649.7)**
Put option valuation	-	-	-	106.7	-	106.7	(654.7)	**(548.0)**
Acquisition of subsidiaries	-	-	-	-	-	-	0.6	**0.6**
Total comprehensive income	-	-	21.2	(8.5)	1,141.6	1,154.3	4.5	**1,158.8**
Hedge valuation reserve	-	-	-	*(8.1)*	-	*(8.1)*	-	***(8.1)***
Share of other comprehensive income of associates	-	-	*21.2*	-	-	*21.2*	-	***21.2***
Actuarial profit/(loss)	-	-	-	*(0.4)*	-	*(0.4)*	*(0.1)*	***(0.5)***
Net profit for the period	-	-	-	-	*1,141.6*	*1,141.6*	*4.6*	***1,146.2***
Balance as at 31 December 2020	**25.6**	**7,174.0**	**21.2**	**99.7**	**7,112.3**	**14,432.8**	**(6.6)**	**14,426.2**

[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 31 December 2020 the capital excluded from distribution amounts to PLN 8.5.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

General information

Name of reporting entity or other means of identification:	Cyfrowy Polsat S.A.
Domicile of entity:	Poland
Legal form of entity:	joint stock company
Country of incorporation:	Poland
Address of entity's registered office:	Łubinowa 4a, 03-878 Warsaw
Principal place of business:	Poland
Name of parent entity:	Cyfrowy Polsat S.A.
Name of ultimate parent of group:	Cyfrowy Polsat S.A.

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 consolidated financial statements

Statement of compliance

These consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS EU). The Group applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2021 and the consolidated financial statements for the year 2020, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2021.

During the year ended 31 December 2021 the following become effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 - updating the approach to COVID-19-related rent exemptions.

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

Standards published but not yet effective:

- Amendments to IFRS 3 Business Combinations,
- Amendments to IAS 16 Property, Plant and Equipment,
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets,
- 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",
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current,
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Board Guidelines - Disclosure of Accounting policies,
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates,

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction,

The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Group is currently analyzing the impact of the published standards that have not entered into force and believes that, apart from additional disclosures, they should not have a significant impact on the consolidated financial statements.

Impact of the Interest Rate Benchmark Reform – Stage 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The benchmark reform involves changing the way certain rates are quoted. From 1 January 2022, some reference rates will not be quoted and will be replaced with other rates. WIBOR and EURIBOR rates are still considered reference rates.

In the Group's opinion, the reform of the interest rate benchmark (IBOR) does not have a significant impact on the consolidated financial statements for 2021.

5. Group structure

These consolidated financial statements for the year ended 31 December 2021 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	31 December 2020
Parent Company:				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/d	n/d
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%
Towerlink Poland Sp. z o.o. (formerly Polkomtel Infrastruktura Sp. z o.o.)	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	(h)	100%
Polsat Investments Ltd. (formerly Polsat Brands AG)[g]	3, Krinou Agios Athanasios, 4103 Limassol, Cyprus	media	100%	100%

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	31 December 2020
Subsidiaries accounted for using full method (cont.):				
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.[(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%
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%

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	31 December 2020
Subsidiaries accounted for using full method (cont.):				
IB 1 FIZAN	Mokotowska 49, 00-542 Warsaw	financial activities	*	*
Aero 2 Sp. z o.o.[(o)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	-	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%
Netia S.A.[(c)]	Poleczki 13, 02-822 Warsaw	telecommunication activities	99.999%	65.98%
Netia 2 Sp. z o.o.[(c)]	Poleczki 13, 02-822 Warsaw	telecommunication activities	99.999%	65.98%
TK Telekom Sp. z o.o.[(c)]	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	99.999%	65.98%
Petrotel Sp. z o.o.[(c)]	Chemików 7, 09-411 Płock	telecommunication activities	99.999%	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%

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	31 December 2020
Subsidiaries accounted for using full method (cont.):				
MESE Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	movie and TV production	(n)	100%
ISTS Sp. z o.o.[c]	Bociana 4a/68a, 31-231 Cracow	wired communication	99.999%	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%
IST Sp. z o.o.[c]	Księcia Janusza I 3, 18-400 Łomża	wired communication	99.999%	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%

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	31 December 2020
Subsidiaries accounted for using full method (cont.):				
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%	-
Premium Mobile Sp. z o.o.[(i)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Visignio Sp. z o.o.[(i)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	sales network management	100%	-
Saveadvisor Sp. z o.o.[(i)]	Warszawska 18, 35-205 Rzeszów	call center services	100%	-
Mobi Dealer Sp. z o.o.[(i)]	Warszawska 18, 35-205 Rzeszów	sales network management	100%	-
CKS Ossa Sp. z o. o. (formerly TMS Ossa Sp. z o.o.)[(j)]	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	hotel activities	100%	-
Ossa Medical Center Sp. z o. o. (formerly Horest, Hotel pod Żaglami Sp. z o o.)[(k)]	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	hospital activities	100%	-
Logitus Sp. z o.o.[(l)]	Orzechowa 5, 80-175 Gdańsk	wired communication	99.999%	-
Stork 5 Sp. z o.o.[(m)]	Łubinowa 4A, 03-878 Warsaw	holding activities	100%	-
Swan 5 Sp. z o.o.[(m)]	Łubinowa 4A, 03-878 Warsaw	agricultural activities	100%	-

* Cyfrowy Polsat S.A. indirectly holds 100% of certificates.
[(a)] On 2 February 2021 company's name change from Tako Media Sp. z o.o. to Polot Media Sp. z o.o. was registered.
[(b)] On 18 February 2021 company's name change from Tako Media Sp. z o.o. to Polot Media Spółka z ograniczoną odpowiedzialnością Sp. k. was registered.
[(c)] On 8 March 2021 Cyfrowy Polsat 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. On 6 July 2021 acquired approx. 23.54% shares. On 6 August 2021 acquired additional 2.18% of shares of Netia. Consequently, Cyfrowy Polsat held 99.999% of the company's share capital as at 31 December 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.
[h] On 8 July 2021 Cyfrowy Polsat sold 74.98% shares, while Polkomtel sold 25.01% shares of Polkomtel Infrastruktura Sp. z o.o.. After closing of the transaction Polkomtel retains approx. 0.01% shares of Polkomtel Infrastruktura Sp. z o.o.. On 12 July 2021 company's name change from Polkomtel Infrastruktura Sp. z o.o. to Towerlink Poland Sp. z o. o. was registered.
[i] On 2 July 2021 Polkomtel acquired 28.01% shares in Premium Mobile Sp. z o.o.. On 9 July 2021 Polkomtel Sp. z o.o. acquired additional 53.69% shares. After closing of the transaction Polkomtel and Aero2 jointly held 100% shares in Premium Mobile Sp. z o. o. and its subsidiaries.
[j] On 6 August 2021 Polkomtel acquired 100% shares in TMS Ossa Sp. z o.o. On 15 December 2021 company's name change from TMS Ossa Sp. z o.o. to CKS Ossa Sp. z o.o. was registered.
[k] On 6 August 2021 Polkomtel acquired 100% shares in Horest, Hotel pod Żaglami Sp. z o.o. On 17 December 2021 company's name change from Horest, Hotel Pod Żaglami Sp. z o.o. to Ossa Medical Center Sp. z o.o. was registered.
[l] On 29 July 2021 Netia acquired 100% shares in Logitus Sp. z o. o. gaining control over Logitus Sp. z o.o. and its subsidiary, Market Software Sp. z o.o.. On 2 December 2021 merger of Logitus Sp. z o.o. with Market Software Sp. z o.o. was registered. The company remaining is Logitus Sp. z o.o.
[m] On 24 November 2021 Cyfrowy Polsat acquired 100% shares in Stork 5 Sp. z o.o. and its subsidiary, Swan 5 Sp. z o.o.
[n] On 2 November 2021 Cyfrowy Polsat sold 90% shares in Mese Sp. z o.o. Cyfrowy Polsat still holds 10% shares in Mese Sp. z o.o.
[o] On 30 November 2021 merger of Polkomtel Sp. z o.o. with Aero 2 Sp. z o.o. was registered. The company remaining is Polkomtel Sp. z o.o.

Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	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.[c]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	-	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%
Modivo S.A. (formerly eObuwie.pl S.A)[a]	Nowy Kisielin-Nowa 9, 66-002 Zielona Góra	retail sales	10%	-
Polsat Boxing Promotion Sp. z o.o. (formerly TMS Kraków Sp. z o. o.)[b]	ul. Ostrobramska 77, 04-175 Warsaw	movie and TV production	24%	-

[a] On 22 June 2021 Cyfrowy Polsat acquired 10% shares of eObuwie.pl S.A. On 21 January 2022 company's name change to Modivo S.A. was registered.
[b] On 20 April 2021 Telewizja Polsat acquired 24% shares in TMS Kraków. On 28 September 2021 company's name change from TMS Kraków Sp. z o.o. to Polsat Boxing Promotion Sp. z o.o. was registered.
[c] On 2 July 2021 Polkomtel acquired 28.01% shares in Premium Mobile Sp. z o.o.. On 9 July 2021, Polkomtel acquired another 53.69% shares. After closing of the transaction, Polkomtel and Aero2 jointly held 100% shares in Premium Mobile Sp. z o.o. and its subsidiaries.

Additionally, the following entities were included in these consolidated financial statements for the year ended 31 December 2021:

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2021	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.[c]	Wilczyńskiego 25E, 216, 10-686 Olsztyn	infrastructure projects advisory	-	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 61, 04-028 Warsaw	production of electrical equipment	10%	-
Towerlink Poland Sp. z o. o. (formerly Polkomtel Infrastruktura Sp. z o.o.)[b]	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	0.01%	-
MESE Sp. z o.o.[d]	Al. Stanów Zjednoczonych 61, 04-028 Warsaw	movie and TV production	10%	100%

[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. held 1.75% share in voting rights in InPlus Sp. z o.o.
[a] On 23 April 2021 Cyfrowy Polsat 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.
[b] On 8 July 2021 Cyfrowy Polsat sold 74.98% shares, while Polkomtel sold 25.01% shares of Polkomtel Infrastruktura Sp. z o.o.. After closing of the transaction Polkomtel retains approx. 0.01% shares of Polkomtel Infrastruktura Sp. z o.o.. On 12 July 2021 company's name change form Polkomtel Infrastruktura Sp. z o.o. to Towerlink Poland Sp. z o. o. was registered.
[c] On 11 August 2021 Altalog Sp. z o. o. sold all shares held in InPlus Sp. z o. o.
[d] On 2 November 2021 Cyfrowy Polsat sold 90% of shares held in Mese Sp. z o.o.

Principles applied in the preparation of financial statements

6. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by all entities within the Group.

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are stated at fair value.

b) Going concern

These consolidated financial statements have been prepared assuming that the Group's entities will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2021.

c) Functional and presentation currency

These consolidated financial statements are presented in the Polish zloty, rounded to million, the Group's functional currency.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with EU IFRS 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. Information about critical estimates and judgments in applying accounting policies is included in note 51.

e) Comparative financial information

Comparative data or data presented in previously published financial statements has been updated, if necessary, in order to reflect presentational changes introduced in the current period. The changes had no impact on previously reported amounts of net income or equity.

f) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Company and using the accounting policies that are consistent with those of the Company for like transactions and events.

Equity transactions between a parent entity and the non-controlling interests are treated as transactions between shareholders, provided that the transactions do not result in a change of control. No gains or losses are recognised in consolidated profit or loss for transactions

between the parent entity and the non-controlling interest, unless control is lost. Transactions where control is not lost are recorded within equity.

Put options granted in business combinations to holders of non-controlling interest in the subsidiary (ie. obligating the Group to acquire non-controlling interests in particular circumstances in the future for a particular price) give rise to a financial liability recognised in the consolidated balance sheet.

While such put option remains unexercised, at the end of each reporting period the Group determines the amount of non-controlling interest (including share of profit/losses attributable to the non-controlling interest), de-recognises the controlling interest as if was acquired at that balance sheet date and recognises a financial liability measured at present value of the redemption amount. The difference is accounted for as a transaction between a parent entity and the non-controlling interests as described above.

On expiry of an unexercised put option the Group derecognises the financial liability in full and recognises non-controlling interest as if the put option was never granted.

Associates and Joint arrangements

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. This is generally the case where the Group hold between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interests in the entity (which includes any long term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

g) Foreign currency transactions

Foreign currency transactions

Transactions in foreign currencies are translated to the Polish zloty at exchange rates in effect one day prior to the recording of these transactions. Monetary assets and liabilities

denominated in foreign currencies at the reporting date are translated to Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign currency exchange differences arising on translation of transactions denominated in foreign currencies and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the average NBP exchange rate in effect at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

h) Financial instruments

Non-derivative financial instruments

Financial assets

Financial assets are classified in the following measurement categories depending on the business model in which assets are managed and their cash flow characteristics:

- assets measured at amortised cost - if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- financial asset measured at fair value through other comprehensive income – if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of this financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- assets measured at fair value through profit or loss - all other financial assets.

Financial assets at initial recognition are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Trade receivables that do not have a significant financial component are initially measured at their transaction price.

Financial assets measured at amortised cost

Financial assets measured at amortised cost include trade and other receivables, loans granted and cash and cash equivalents. Interest income from these financial assets is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net.

Financial asset measured at fair value through other comprehensive income

Financial asset measured at fair value through other comprehensive income include investments in equity instruments for which at initial recognition Group make an irrevocable election to present in other comprehensive income subsequent changes in their fair value. Gains and losses on these financial assets are never recycled to profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial assets classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.

Financial liabilities

Financial liabilities include financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities are recognised initially at fair value and, in the case of financial liabilities which are not measured at fair value through profit or loss, net of directly attributable transaction costs.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include loans and borrowings, issued bonds, UMTS license liabilities, trade and other payables and lease liabilities. Interest expense related to these financial liabilities is calculated using the effective interest rate method and is presented within Gain/(loss) on investment activities, net or Finance costs, net.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include derivative instruments not designated as hedging instruments. Financial liabilities classified to this category are measured at fair value and the subsequent changes in their fair value are recognized in profit or loss. The subsequent changes in their fair value of derivative instruments not designated as hedging instruments are presented in Gain/(loss) on investment activities, net or Finance costs, net depending on the economic substance of hedged transaction.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Accounting policies related to gains and losses on investment activities and finance costs are presented in 6u.

Derivative financial instruments

Hedge accounting

The Group may use derivative financial instruments such as forward currency contracts, foreign exchange call options, interest rate swaps and cross-currency interest rate swaps to hedge its foreign currency and interest rate risks.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognized immediately in profit or loss.

The amounts recognized within other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the related gain or loss is recognized in Finance costs or when a forecast sale occurs.

Gains and losses from the settlement of derivative instruments that are designated as, and are effective hedging instruments, are presented in the same position as the impact of the hedged item. The derivative instrument is divided into a current portion and a non-current portion only if a reliable allocation can be made.

In accordance with IFRS 9, the Group chose to apply hegde accounting requirements as in IAS 39 instead of those included in IFRS 9.

i) Equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

Preference share capital

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Costs attributable to issue and public offering of shares

Costs attributable to a new issue of shares are recognized in equity while costs attributable to a public offering of existing shares are recognized directly in finance costs. These costs relating to both new issue and sale of existing shares are recognized on a pro-rata basis in equity and finance costs.

Share premium

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

Retained earnings

In accordance with the provisions of article 396 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. This capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

j) Property, plant and equipment and investment property

Property, plant and equipment owned by the Group

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received.

The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not

yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Investment property

Investment property is defined as a property (land, building, or both) held by the Group to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost.

Once recognized all investment property held by the Group are measured using the cost model as set out in IAS 16. This means that the assets are recognized at cost model as presented in Property, plant and equipment owned by the Group above.

Investment property is removed from the balance sheet on disposal or when it is permanently withdrawn from use and no further economic benefits are expected from its disposal.

Subsequent costs

Subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the amount of the cost can be measured reliably. Replaced item is derecognized. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

Depreciation

Depreciation expense is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The following are estimated useful lives of respective group of property, plant and equipment:

Reception equipment	2 or 3 or 5	years
Buildings and structures	2-61	years
Technical equipment and machinery	2-30	years
Vehicles	2-10	years
Other	2-26	years

Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end.

Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet lease criteria, are classified separately in the balance sheet as right-of-use assets.

Set-top boxes, modems and routers that are provided to customers under operating lease agreements are recognized within non-current assets (Reception equipment in the balance sheet) and depreciated as described in Depreciation above. The set-top boxes are depreciated over a period that exceeds the period the lease agreements are entered into.

Carrying amounts of reception equipment and other items of property, plant and equipment as well as right-of-use assets may be reduced by impairment losses whenever there is any

indication that an asset may be impaired and there is uncertainty as to those assets' revenue generating potential or their future use in the Group's operations. The accounting policies relating to impairment are presented in note 6n.

Detailed accounting policies related to lease contracts are described in point 6v.

k) Intangible assets

Goodwill

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to acquirer's cash-generating units for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Customer relationships

Customer relationships acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives.

Brands

Brands acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives, except where an indefinite period of use is justified. Brands with an indefinite useful life are tested annually for impairment or more frequently if impairment indicators exist. The estimated useful lives for respective brands are as follows:

- Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands: indefinite useful life,
- Plus brand: 51 lat years (i.e. 2065),
- Netia brand: 10 lat years (i.e. 2028),
- Eleven Sports brand: 15 years (i.e. 2035),
- Interia brand: 30 years (i.e. 2050).

Other intangible assets

The Group capitalises costs of IT software internally generated, including employee-related expenses, directly resulting from generating and preparing an asset to be capable of operating, if the Group is able to measure reliably the expenditure attributable to such development and when it can reliably establish the commencement as well as the completion date of the software development activities.

Other intangible assets acquired by the Group are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the profit or loss as incurred.

Amortization expense is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The recoverable amounts of intangible assets which are not yet available for use are measured as at each balance sheet date.

The estimated useful lives for respective intangible assets groups are as follows:

- Computer software: 2-15 years,
- Customer relationships: 3-13 years,
- Concessions: period resulting from an administrative decision,
- Other: 2-7 years.

l) Programming assets

Programming assets comprise acquired formats, licences and copyrights for broadcasting feature films, series, news and shows, capitalized costs of commissioned external productions ordered by the Group, capitalized sports rights and advance payments made (including advance payments for sports rights).

Initial recognition

Programming rights, other than sports rights, are recognized at cost as programming assets when the legally enforceable licence period begins and all of the following conditions have been met:

- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the licensee in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

Capitalized costs of productions include costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalized costs of productions are measured individually for each program at their respective production or acquisition costs, not to exceed their recoverable amounts.

Sports broadcasting rights are recognized at purchased price at the time of TV transmission. Broadcasting rights to seasonal sport events, acquired under long-term contracts (frequently multi-seasonal), are recognized at the relative value determined by internal experts and allocated to each of the sport events' season as part of the purchased programming package. The Group's method of recognition of sports broadcasting rights is dependent on the type of sports channel on which the use of these rights is planned:

- sports broadcasting rights for premium sports channels are recognized in relation to all seasons contracted by the Group at the start of the first of them,
- sports broadcasting rights for other channels are recognized separately for each season at the start of each of them.

Advance payments for acquired programming assets, prior to licence begin date, are recognized as prepayments for programming assets.

Signed and binding contracts for purchase of programming, which do not meet recognition criteria for programming assets are not recognized in the balance sheet and are instead disclosed as contractual commitments in the amount of the outstanding contract liability at the reporting date.

Programming assets are classified as non-current or current based on the estimate timing of the broadcast. A programming asset is recognized as current when the expected broadcast falls within 1 year from the reporting date. Sport rights and prepayments for sport rights are classified as current or non-current based on dates of related sport events.

Amortization

Programming assets are amortized using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements.

- Feature films and series – amortization starts at the first broadcast. For some assets introduced until 2019, consumption of the economic benefits is measured using a declining balance method according to a standardized rate matrix and depends on the number of showings permitted or planned, primarily as described below:

	Feature films				
Number of depreciable runs	**Rate per run**				
	I	II	III	IV	V
1	100%				
2	60%	40%			
3	40%	30%	30%		
4	35%	25%	25%	15%	
5 and more	30%	20%	20%	15%	15%

	TV series	
Number of depreciable runs	**Rate per run**	
	I	II
1	100%	
2	80%	20%

In other cases, films and series are amortized on a straight-line based on the number of runs and licence term.

- Feature films and series broadcasted on thematic channels are mainly amortized in four or five runs using the rates of 25% and 20% respectively.
- Sports broadcasting rights - 100% of the right's value is recognized as an expense in the income statement at the time of the first broadcast, however acquired rights to game seasons or rights to many seasons or a series of competitions are amortized on a straight-line basis over the period between the beginning of the first season and the end of the last season in respect to sports broadcasting rights primarily intended for premium sports channels or over the duration of the season or series of competitions in respect to sports broadcasting rights intended for other channels.
- Commissioned external productions intended for only one run are fully amortized on their first broadcast.
- News programming is fully amortized at its first broadcast.
- General entertainment shows are fully amortized at their first broadcast.

Amortization of programming assets is presented in Content costs line in the operating costs of the income statement.

Impairment

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment losses are recognized on each license in case of withdrawal from broadcasting an item in the expected future (resulting from changes in strategic program scheduling, changing audience tastes, media law

restrictions on the usability of films) or expected future losses anticipated on disposal of the rights.

Impairment write downs on programming assets are recognized as part of the content costs. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as content cost reductions.

m) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost method.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in making them available for use or sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads determined based on normal operating capacity.

Net realisable value is the current market price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, mobile phones, modems and tablets, which under the business model applied by the Group are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

n) Impairment of assets

Financial assets measured at amortised cost

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets. The trade receivables are assessed for impairment collectively in groups that share similar credit risk characteristics. The expected credit losses are estimated based on historical pattern for overdue receivables collection adjusted with currently available forward-looking information. The credit risk characteristics of contract assets correspond to the credit risk characteristics of trade receivables for a particular type of contract.

The Group considers financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The Group considers a financial asset to be credit impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, including significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Group. The recoverable amount of intangible assets which are not yet available for use as well as of goodwill and brands with indefinite useful life is estimated at each reporting date.

An impairment loss is recognized when the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit represents the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of thereof. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to

the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets that do not generate independent cash inflows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o) Employee benefits

Defined contribution plan

All Group entities that act as employers have an obligation, under applicable legislation, to collect and remit contributions to the state pension fund. According to IAS 19 Employee Benefits such benefits represent state plans that are classified as defined contribution plans. Therefore, the Group's obligations for a given period are estimated as the amount of contributions to be remitted for that period.

Defined benefit plan – retirement benefits

The Group entities have an obligation, under applicable legislation, to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labor code. The minimum retirement benefit is as per the labor code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and expected future employment levels.

Changes in the amount of the retirement benefits liability are recognized in the income statement. Actuarial gains and losses are recognized in the equity, in other comprehensive income in full in the period they originated.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus, if the Group has a present legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

p) Provisions

A provision is recognized if, as a result of past event, the Group has a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Certain disclosures may not be included in these consolidated financial statements as they relate to sensitive information.

Warranties

A provision for warranties is recognized when the underlying products or goods are sold. The amount of the provision is based on historical warranty data and a weighting of all possible outflows against their associated probabilities.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is established, the Group recognizes any impairment loss on the assets dedicated to that contract.

q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events, but its amount cannot be estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

The Group does not recognize a contingent liability, except for contingent liability assumed in a business combination.

Unless the possibility of any outflow in settlement is remote, the Group discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:

- an estimate of its financial effect,
- an indication of the uncertainties relating to the amount or timing of any outflow and
- the possibility of any reimbursement.

r) Revenue

Revenue is measured at the transaction price representing the gross inflow of economic benefit from Group's operating activities, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then such discounts are recognized as a reduction of revenue when it is recognized.

The Group's main sources of revenue are recognized as follows:

- Retail revenue consists primarily of monthly subscription fees paid by our pay digital television contract customers for programming packages, subscription fees paid by our contract customers for telecommunication services, fees for telecommunication services provided to our contract customers, which are not included in the subscription fee, payments for telecommunication services paid by our prepaid and mix customers, fees for the lease of set-top boxes, activation fees, penalties, and fees for additional services.

  Services revenues are recognized in profit and loss in the period when related services are rendered.

  Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited.

  Revenue from the rental of reception equipment and activation fees are recognized on a straight-line basis over the minimum base period of the subscription contract.

- Wholesale revenue comprises advertising and sponsorship revenue, revenue from cable and satellite operator fees, revenue from the lease of infrastructure, interconnect revenue, revenue from roaming, revenue from the sale of broadcasting and signal transmission services and revenue from the sale of licenses, sublicenses and property rights and revenue from premium rate services.

  Advertising and sponsorship revenue is derived primarily from broadcasting of advertising content and is recognized in the period when the advertising is broadcast. Revenue is recognized in profit or loss in the amount due from customers net of value added tax, taxes on revenue from advertising of alcohol beverages and any rebates granted. Advertising and sponsorship revenue also comprises revenue on commissions on sales of commercial airtime when the Group acts as an agent on behalf of third parties. The commissions are recognized at amounts due from the buyers of advertising airtime or sponsorship services, less of any amounts due to television broadcasters. Revenue from commissions on sales of commercial airtime and from sponsorship is recognized in the consolidated income statement when these services are rendered.

  Revenue from charges made to cable and satellite operators includes fees from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognized when the related programs are broadcast.

  Services revenues are recognized in profit and loss in the period when related services are rendered, net of any discount given.

- Revenue from sale of equipment is measured at the fair value of the consideration received or receivable, in case of multi-element contracts after the allocation of the transaction price based on the standalone selling price net of discounts, rebates and returns. Revenue from the sale of goods is recognized in profit or loss when control has been transferred to the customer.
- Other revenue is recognized, net of any discount given, when the relevant goods or service are provided.

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

The Group's process for revenue recognition from multi-element contracts (eg. mobile contract and handset) consists of:

- assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract,
- determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

s) Distribution fees

Commissions payable to distributors for registering new subscribers and for retention of existing subscribers are recognized over the minimum base period of the subscription agreement and presented in Income Statement in Distribution, marketing, customer relation management and retention costs.

Commissions for distributors which will be settled within 12 months of the reporting date are classified as other current assets, while the commissions, which will be settled more than 12-months after the reporting date, are classified as non-current assets.

t) Barter revenue and cost

Barter revenue for dissimilar services or goods is recognized when the services are rendered or goods delivered. Programming licences, products and services received are expensed or capitalized when received or used. The Group recognizes barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognized by the Group. Conversely, when advertising is broadcast before products or services are received, a receivable is recognized by the Group.

u) Gains and losses on investment activities and finance costs

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

Interest income and expense (other than interest expense on borrowings) is recognized as it accrues in profit or loss using the effective interest method. Dividends income is recognized in profit or loss on the date that the Group's right to receive payment is established.

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

v) Lease payments

Group as a lessor

Agreements which meet the lease definition are classified as finance lease or operating lease. The main criterion is the extent to which the risks and rewards associated with the leased asset are transferred between the Group and the lessee.

Similarly to agreements in which the Group acts as a lessee, the Group as a lessor also determines for each agreement: commencement date, lease term, lease payments and interest rate. At the commencement date lessor accounts for the finance lease by:

- excluding carrying amount of the underlying asset,
- recognizing net investment in the lease,
- recognizing selling profit or loss in profit and loss statement (if applicable).

For operating lease, Group recognize revenue in profit and loss statement on a straight line basis.

Group as lessee

Assets

Assets used under agreements which meet the leasing definition are recognized as right-of-use assets and lease liabilities representing the Group's obligation to make payments for the underlying asset on the day when the leased assets are available for use by the Group.

At the commencement date, the right-of-use assets are measured at cost and consist of the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor,

- any initial direct costs incurred by the lessee,
- an estimate of the costs to be incurred by the lessee in dismantling, removing and restoring the underlying assets and/or the site where it is located.

After the commencement date, the right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and adjusted for remeasurement of the lease liability resulting from reassessment or lease modification which does not require recognition of a separate lease component.

Right-of-use assets are depreciated on a straight-line basis over the shorter of: the term of the lease agreement or the useful life of the underlying asset. If the Group is reasonably certain that ownership of the underlying asset will be transferred to the lessee by the end of the lease term – then the right-of-use asset shall be depreciated from the commencement date to the end of its useful life.

The Group depreciates the right-of-use assets as follows:

- technical infrastructure - premises for telecommunications equipment installations: 2-24 years,
- telecommunications infrastructure, including links (“dark fibers”): 2-13 years,
- office space, other premises and perpetual usufruct: 1,5-100 years,
- point of sales premises: 2-7 years,
- vehicles: 3-5 years.

Right-of-use assets are subject to impairment based on the accounting policies as presented in note 6n.

Liabilities

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease (understood as any economic factors discouraging the Group from terminating the contract), if the lease term reflects that the lessee will exercise the option to terminate the lease,
- amounts expected to be payable by the lessee under residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. Otherwise the incremental borrowing rate is used.

After the commencement date, the Group shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made,
- remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. change in the lease term or the amount of future lease payments.

Interest expenses on lease liabilities are recognized in profit or loss over the term of the lease.

w) Income tax

Income tax expense/benefit comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet approach, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities, respectively, using tax rates that are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. An amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realized. When not recognized deferred tax asset becomes recoverable, it is recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. The Group recognizes a deferred tax asset used to carry over unused tax losses to the extent that it is probable that the future taxable profits will be available and unused tax losses may be utilized. While assessing whether the future taxable profits available will be sufficient, the Group takes into account inter alia forecasted future tax revenues.

Deferred tax assets and liabilities are offset by the Group companies.

x) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary and preference shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from the continuing operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares, adjusted by the effects of all dilutive potential ordinary and preference shares.

y) Segment reporting

An operating segment is a component of the Group:

- that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with other components of the same unit),
- whose operating results are reviewed on regular basis by the main responsible authority for making operational decisions in the unit and using those results when making decisions on the resources allocated to the segment and when assessing the results of the segment's activities,
- when separate financial information are available.

The Group presents operating segments according to its internal management accounting principles applied in the preparation of periodical management reports which are regularly analysed by the Management Board of Cyfrowy Polsat S.A. These reports are analyzed on regular basis by management which was identified as the chief operating decision maker.

z) Cash flows statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the consolidated balance sheet.

Purchases of set-top boxes to be provided to customers under operating lease contracts are classified in the cash flows statement within operating activities. The purchases and disposals of these set-top boxes are classified in the cash flows statement within operating activities and

presented as “Net disposals/(additions) of reception equipment provided under operating lease”.

Acquisition of items of property, plant and equipment or intangible assets are presented in their net amount (net of related value added tax).

Payments for film licences and sport rights are presented on a net basis (net of related value added tax) within operating activities. Expenditures on the acquisition of programming assets also include the amount of withholding tax paid to the relevant tax authorities.

7. Determination of fair values

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of derivatives is calculated based on their quoted closing bid price at the balance sheet date or, in the lack thereof, other inputs that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices). In the second case, the fair value of derivatives is estimated as the present value of future cash flows, discounted using the market interest rate at the reporting date. Information on the structure of Polish and eurozone interest rates and Polish złoty exchange rate are used in order to estimate future cash flows and market interest rate.

Non-derivative financial assets

The fair value of non-derivative financial asset for disclosure purposes is estimated as the present value of future cash flows discounted using the market rate of interest rate as at the balance sheet date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on liabilities’ quoted closing bid price at the balance sheet date or, in the lack thereof, estimated on the present value of future principal and interest cash flows, discounted using the market interest rate at the reporting date. Market interest rate is estimated as interbank interest rate for a given currency zone (WIBOR, EURIBOR) plus a margin regarding the Group’s credit risk. A market interest rate for a lease contract is estimated based on interest rates for similar lease contracts.

8. Approval of the Interim Condensed Consolidated Financial Statements

These consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 23 March 2022.

Explanatory notes

9. Revenue

	for the year ended	
	31 December 2021	31 December 2020
Retail revenue	6,767.0	6,480.4
Wholesale revenue	3,678.8	3,526.7
Sale of equipment	1,450.3	1,596.7
Other revenue	547.9	359.1
Total	**12,444.0**	**11,962.9**

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.

10. Operating costs

		for the year ended	
	Note	31 December 2021	31 December 2020
Technical costs and cost of settlements with telecommunication operators		2,849.7	2,460.9
Depreciation, amortization, impairment and liquidation		1,903.2	2,305.7
Cost of equipment sold		1,200.7	1,338.2
Content costs		1,826.9	1,638.4
Distribution, marketing, customer relation management and retention costs		1,025.0	963.2
Salaries and employee-related costs	a)	946.9	905.9
Cost of debt collection services, bad debt allowance and receivables written off		95.4	128.9
Other costs		457.7	332.6
Total		**10,305.5**	**10,073.8**

a) Salaries and employee-related costs

	for the year ended	
	31 December 2021	31 December 2020
Salaries	790.5	754.3
Social security contributions	118.9	118.6
Other employee-related costs	37.5	33.0
Total	**946.9**	**905.9**

Average headcount of non-production employees *

	for the year ended	
	31 December 2021	31 December 2020
Employment contracts (full-time equivalents)	7,498	7,402

* excluding workers who did not perform work in the reporting period due to long-term absences

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

	for the year ended	
	31 December 2021	31 December 2020
Interest on lease liabilities	(32.0)	(49.8)
Interest, net	3.2	(1.9)
Other foreign exchange gains/(losses), net	(5.2)	(59.6)
Other income/costs	7.1	(1.8)
Total	**(26.9)**	**(113.1)**

12. Finance costs, net

	for the year ended	
	31 December 2021	31 December 2020
Interest expense on loans and borrowings	202.9	258.0
Interest expense on issued bonds	49.6	44.0
Cumulative catch-up	-	(44.8)
Valuation and realization of hedging instruments	5.1	1.8
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(83.7)	68.7
Guarantee fess, bank and other charges	4.9	5.3
Total	**178.8**	**333.0**

13. Income tax

Income tax expense

	for the year ended	
	31 December 2021	31 December 2020
Current tax expense	1,303.1	400.5
Change in deferred tax	(55.3)	(103.3)
Other	3.7	(1.3)
Income tax expense in the income statement	**1,251.6**	**295.9**

Change in deferred income tax

	for the year ended	
	31 December 2021	31 December 2020
Tax losses carried forward	(9.3)	5.9
Receivables and other assets	(12.2)	(20.2)
Liabilities	23.6	-
Other property, plant and equipment and intangible assets	(71.0)	(99.1)
Other	13.6	10.1
Change in deferred tax recognized in income statement – total	**(55.3)**	**(103.3)**

Income tax recognized in the statement of other comprehensive income

	for the year ended	
	31 December 2021	31 December 2020
Change in deferred income tax on hedge valuation	4.1	(1.9)
Income tax expense recognized in other comprehensive income - total	**4.1**	**(1.9)**

Effective tax rate reconciliation

	for the year ended	
	31 December 2021	31 December 2020
Gross profit	5,666.1	1,442.1
Income tax at applicable statutory tax rate of 19%	**1,076.6**	**274.0**
Other	175.0	21.9
Tax expense for the year	**1,251.6**	**295.9**
Effective tax rate	**22.1%**	**20.5%**

Deferred tax assets

	31 December 2021	31 December 2020
Tax losses carried forward	22.9	13.6
Liabilities	341.4	396.9
Tangible and intangible assets	22.9	118.8
Receivables and other assets	87.9	92.8
Other	1.7	7.8
Total deferred tax assets	**476.8**	**629.9**
Set off of deferred tax assets and liabilities	(396.6)	(406.7)
Deferred tax assets in the balance sheet	**80.2**	**223.2**

Tax loss

	31 December 2021	31 December 2020
2021 tax loss carried forward	56.1	-
2020 tax loss carried forward	60.7	22.0
2019 tax loss carried forward	68.9	47.7
2018 tax loss carried forward	90.4	66.5
2017 tax loss carried forward	35.1	27.9
2016 tax loss carried forward	31.0	68.3
2015 tax loss carried forward	-	2.4
Tax losses carried forward – total	**342.2**	**234.8**

Tax losses recognized

	31 December 2021	31 December 2020
2021 tax loss carried forward	52.0	-
2020 tax loss carried forward	-	0.3
2019 tax loss carried forward	28.7	28.7
2018 tax loss carried forward	26.4	28.1
2017 tax loss carried forward	13.3	13.9
2016 tax loss carried forward	-	0.6
Tax losses carried forward – total	**120.4**	**71.6**

As at 31 December 2021 the Group recognized deferred tax asset on tax losses to the extent that it was probable that they would be utilized in the future.

According to Art. 7 of the Polish Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilized in the subsequent five fiscal years. However, no more than 50% of a tax loss for any given year can be utilized in a single subsequent fiscal year.

Deferred tax liabilities

	31 December 2021	31 December 2020
Receivables and other assets	190.0	214.7
Liabilities	43.1	35.2
Tangible and intangible assets	920.7	1,032.7
Other	37.7	26.2
Total deferred tax liabilities	**1,191.5**	**1,308.8**
Set off of deferred tax assets and liabilities	(396.6)	(406.7)
Deferred tax liabilities in the balance sheet	**794.9**	**902.1**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. Furthermore, on 15 July 2016 provisions of General Anti-Avoidance Rule (GAAR) were introduced, which aim at preventing establishing and using artificial legal arrangements with tax savings as its principal purpose. Frequent amendments in the tax laws and contradicting legal interpretations among the tax authorities result in uncertainties and lack of consistency in the tax system, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future.

14. EBITDA (unaudited)

EBITDA (earnings before interest, taxes, depreciation, amortization, impairment and liquidation) presents the Group's key measure of earnings performance. The level of EBITDA measures the Group's ability to generate cash from recurring operations, however it is neither a measure of liquidity nor cash level. The Group defines EBITDA as operating profit adjusted by depreciation, amortization, impairment and liquidation. EBITDA is not an IFRS EU measure, and as such can be calculated differently by other entities.

		for the year ended
	31 December 2021	31 December 2020
Net profit for the period	4,414.5	1,146.2
Income tax	1,251.6	295.9
(Gain)/loss on investment activities, net	26.9	113.1
Finance costs	178.8	333.0
Share of the (profit)/loss of associates accounted for using the equity method	(75.4)	(2.0)
Depreciation, amortization, impairment and liquidation*	1,903.2	2,305.7
EBITDA (unaudited)	**7,699.6**	**4,191.9**
Profit from the sale of a subsidiary	(3,680.6)	-
Costs related to COVID (including donations)	-	45.9
EBITDA adjusted (unaudited)	**4,019.0**	**4,237.8**

* depreciation, amortization, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, intangible assets and right-of-use and net book value of disposed property, plant, equipment and intangible assets (excluding amortization of programming assets)

15. Basic and diluted earnings per share

At the reporting date, the Company did not have any financial instruments that could have a dilutive effect, therefore the diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2021	31 December 2020
Net profit	4,414.5	1,146.2
Weighted average number of ordinary and preference shares in the period	634,936,486	639,546,016
Earnings per share in PLN (not in millions)	**6.95**	**1.79**

16. Property, plant and equipment

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	Other property, plant and equipment
Cost as at 1 January 2021	**1,298.5**	**58.2**	**434.2**	**7,747.2**	**110.2**	**216.5**	**583.9**	**9,150.2**
Acquisition of subsidiaries (see note 38)	**-**	21.5	113.5	5.1	-	2.5	0.3	**142.9**
Additions	**110.0**	-	9.5	197.2	34.4	32.8	600.6	**874.5**
Transfer between groups	**-**	-	0.5	0.2	-	(3.3)	(15.8)	**(18.4)**
Transfer from assets under construction	**-**	0.4	45.9	438.9	0.8	12.7	(498.7)	**-**
Disposals	**(132.8)**	-	(2.5)	(96.1)	(6.5)	(12.0)	(9.3)	**(126.4)**
Disposal of a subsidiary	**-**	(0.4)	(27.9)	(5,731.5)	(0.3)	(1.0)	(206.4)	**(5,967.5)**
Cost as at 31 December 2021	**1,275.7**	**79.7**	**573.2**	**2,561.0**	**138.6**	**248.2**	**454.6**	**4,055.3**
Accumulated impairment losses as at 1 January 2021	**3.7**	**-**	**-**	**2.2**	**-**	**0.2**	**20.5**	**22.9**
Recognition	**0.1**	-	0.1	0.8	-	-	1.0	**1.9**
Reversal	**-**	-	-	(1.4)	-	(0.2)	(3.0)	**(4.6)**
Utilisation	**-**	-	-	-	-	-	(0.1)	**(0.1)**
Accumulated impairment losses as at 31 December 2021	**3.8**	**-**	**0.1**	**1.6**	**-**	**-**	**18.4**	**20.1**
Accumulated depreciation as at 1 January 2021	**1,001.4**	**-**	**100.8**	**3,483.5**	**31.7**	**120.3**	**-**	**3,736.3**
Additions	**118.8**	-	26.8	428.5	15.6	27.3	-	**498.2**
Transfer between groups	**-**	-	-	0.1	-	(0.1)	-	**-**
Disposals	**(132.3)**	-	(0.5)	(85.7)	(4.3)	(7.5)	-	**(98.0)**
Disposal of a subsidiary	**-**	-	(11.3)	(3,416.0)	(0.2)	(0.7)	-	**(3,428.2)**
Accumulated depreciation as at 31 December 2021	**987.9**	**-**	**115.8**	**410.4**	**42.8**	**139.3**	**-**	**708.3**
Carrying amount as at 1 January 2021	**293.4**	**58.2**	**333.4**	**4,261.5**	**78.5**	**96.0**	**563.4**	**5,391.0**
Carrying amount as at 31 December 2021	**284.0**	**79.7**	**457.3**	**2,149.0**	**95.8**	**108.9**	**436.2**	**3,326.9**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'. Property, plant and equipment are subject of collateral described in detail in the Management Report in note 4.3.6.

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost as at 1 January 2020	**1,226.9**	**51.1**	**353.6**	**7,028.2**	**61.3**	**170.9**	**466.5**	**8,131.6**
Acquisition of subsidiary	**-**	2.9	28.2	19.6	0.6	2.2	3.0	**56.5**
Additions	**147.5**	-	33.1	334.9	54.1	28.5	728.6	**1,179.2**
Transfer between groups	**-**	-	0.1	1.1	-	-	1.5	**2.7**
Transfer from assets under construction	**-**	4.2	25.5	497.8	1.8	18.0	(547.3)	**-**
Disposals	**(75.9)**	-	(6.3)	(134.4)	(7.6)	(3.1)	(68.4)	**(219.8)**
Cost as at 31 December 2020	**1,298.5**	**58.2**	**434.2**	**7,747.2**	**110.2**	**216.5**	**583.9**	**9,150.2**
Accumulated impairment losses as at 1 January 2020	**4.2**	**-**	**-**	**-**	**-**	**0.2**	**6.0**	**6.2**
Recognition	**-**	-	-	3.5	-	-	15.8	**19.3**
Reversal	**-**	-	-	-	-	-	(1.0)	**(1.0)**
Utilisation	**(0.5)**	-	-	(1.3)	-	-	(0.3)	**(1.6)**
Accumulated impairment losses as at 31 December 2020	**3.7**	**-**	**-**	**2.2**	**-**	**0.2**	**20.5**	**22.9**
Accumulated depreciation as at 1 January 2020	**960.0**	**-**	**85.5**	**2,939.3**	**26.3**	**97.4**	**-**	**3,148.5**
Additions	**116.4**	-	20.9	661.1	10.0	25.6	-	**717.6**
Transfer between groups	**-**	-	-	0.2	-	-	-	**0.2**
Disposals	**(75.0)**	-	(5.6)	(117.1)	(4.6)	(2.7)	-	**(130.0)**
Accumulated depreciation as at 31 December 2020	**1,001.4**	**-**	**100.8**	**3,483.5**	**31.7**	**120.3**	**-**	**3,736.3**
Carrying amount as at 1 January 2020	**262.7**	**51.1**	**268.1**	**4,088.9**	**35.0**	**73.3**	**460.5**	**4,976.9**
Carrying amount as at 31 December 2020	**293.4**	**58.2**	**333.4**	**4,261.5**	**78.5**	**96.0**	**563.4**	**5,391.0**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'.

17. Goodwill

	2021	2020
Balance as at 1 January	**11,808.4**	**11,336.4**
Acquisition of 100% shares of Premium Mobile Sp. z o.o. (see note 38)	131.9	-
Acquisition of 100% shares of CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.) (see note 38)	6.3	-
Acquisition of 100% shares of Logitus Sp. z o. o. (see note 38)	5.5	-
Acquisition of 100% shares of Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.) (see note 38)	0.4	-
Impairment of goodwill of TVO Sp. z o.o.	(7.0)	-
Acquisition of 100% shares of Interia Group (see note 38)*	(125.8)	385.9
Disposal of 99.99% shares of Polkomtel Infrastruktura Sp. z o.o. (see note 48)	(1,017.7)	-
Acquisition of 100% shares of TV Spektrum Sp. z o.o.	-	66.4
Acquisition of 51.25% shares of Esoleo Sp. z o.o. (formerly Alledo Sp. z o.o.)	-	9.0
Acquisition of 70.02% shares of BCAST Sp. z o.o.	-	6.6
Acquisition of 100% shares of IST Sp. z o.o.	-	3.7
Acquisition of data center in the form of an organised part of the enterprise	-	0.4
Acquisition of 60% shares of Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.)	-	0.0
Acquisition of 60% shares directly and indirectly of Polot Media Sp. z o.o. Sp.k. (formerly Tako Media Sp. z o.o. Sp. k.)	-	0.0
Balance as at 31 December	**10,802.0**	**11,808.4**

*Goodwill has been adjusted to reflect the effect of the final purchase price allocation and the fair value assessment of identified net assets.

Impairment tests performed on goodwill balances as at 31 December 2021 did not indicate impairment (see note 19 for impairment test assumptions).

18. Brands

	2021	2020
Balance as at 1 January	**2,031.7**	**2,063.2**
Acquisition of Interia brand	82.7	-
Acquisition of Eleven Sports brand	-	1.5
Amortization of Plus brand	(24.1)	(24.1)
Amortization of Netia brand	(8.8)	(8.8)
Amortization of Eleven Sports brand	(0.1)	(0.1)
Amortization of Interia brand	(4.0)	-
Impairment of IPLA brand	(7.8)	-
Balance as at 31 December	**2,069.6**	**2,031.7**

Plus

Following the acquisition of Metelem Holding Company Ltd. in 2014, the Group recognized a value of the Plus brand. The brand is amortized over the useful life of 51 years (until the year 2065). The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit.

Polsat

The value of the Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (currently Telewizja Polsat Sp. z o.o.) in 2011.

The Polsat brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to “Media: television and online” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Polsat brand balance as at 31 December 2021 did not indicate impairment (see note 19 for impairment test assumptions).

IPLA

In the consolidated financial statements, as a result of acquisition of entities comprising IPLA platform, the Group has recognized in 2012 among others goodwill and IPLA brand. The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit for the impairment testing purposes. The Group recognized impairment of IPLA brand as at 31 December 2021 as the IPLA brand was replaced by Polsat Box Go brand.

TV4 and TV6

In the consolidated financial statements, as a result of acquisition of Polskie Media S.A., the Group has recognized in 2013 among others goodwill and TV4 and TV6 brands.

The TV4 and TV6 brands are not amortized as they are considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Media: television and online” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on TV4 and TV6 brands balance as at 31 December 2021 did not indicate impairment (see note 19 for impairment test assumptions).

Polo TV (Lemon Records)

The value of the Polo TV (Lemon Records) brand is recognized following the acquisition of Lemon Records Sp. z o.o. on 4 December 2017.

The Polo TV (Lemon Records) brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Media: television and online” cash-generating unit.

Impairment test performed on Polo TV (Lemon Records) brand balance as at 31 December 2021 did not indicate impairment (see note 19 for impairment test assumptions).

Netia

The value of the Netia brand is recognized following obtaining control by the Group over Netia S.A. on 22 May 2018. The value of Netia brand recognized in the consolidated financial statements amounted to PLN 88.5.

The brand is amortized over the useful life of 10 years (until the year 2028). The carrying amount of the brand was allocated to ”B2C and B2B services” cash-generating unit.

Impairment test performed on Netia brand balance as at 31 December 2021 did not indicate impairment (see note 19 for impairment test assumptions).

Interia

The value of the Interia brand is recognized following obtaining in 2020 control by the Group over Interia Group, i.e. Grupa Interia.pl Sp. z o.o., Grupa Interia.pl Sp. z o.o. Sp.k., Grupa Interia.pl Media Sp. z o.o. Sp.k., Mobiem Polska Sp. z o.o. and Mobiem Polska Sp. z o.o. Sp.k. In 2021 the Group finalized the purchase price allocation and recognized among others Interia brand in the amount of PLN 82.7.

The brand is amortized over the useful life of 30 years (until the year 2050). The carrying amount of the brand was allocated to ”Media: television and online” cash-generating unit.

19. Impairment test (including goodwill and intangible assets with indefinite useful life)

The Group recognized goodwill and brands with indefinite useful life in the consolidated financial statements. Their carrying amounts were allocated to the cash-generating units which also represent the Group’s operating segments.

Goodwill and brands with indefinite useful life are tested for impairment annually or more frequently if possible impairment is indicated. Goodwill and brands are allocated to the below cash-generating units for the purpose of testing for impairment. The allocation was made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and the brands were identified.

The Group tests the total carrying amount of the cash-generating units and any impairment identified is recognized in the profit or loss immediately with respect to goodwill first and is not subsequently reversed. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to the brands and other assets of the cash-generating unit on a pro rata basis.

	2021
“B2C and B2B services” cash-generating unit	
Cash-generating unit as at 1 January	8,725.3
Goodwill recognized on the acquisition of Premium Mobile Sp. z o.o.	131.9
Goodwill recognized on the acquisition of CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.)	6.3
Goodwill recognized on the acquisition of Logitus Sp. z o.o.	5.5
Goodwill recognized on the acquisition of Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.)	0.4
Impairment of goodwill recognized on the acquisition of TVO Sp. z o.o.	(7.0)
Allocated goodwill on disposal of 99.99% of shares in Polkomtel Infrastruktura Sp. z o.o.	(1,017.7)
Impairment of IPLA brand	(7.8)
Cash-generating unit as at 31 December	7,836.9
“Media: television and online” cash-generating unit	
Cash-generating unit as at 1 January	3,978.6
Adjusted goodwill recognized on the acquisition of Interia Group*	(125.8)
Cash-generating unit as at 31 December	3,852.8

*Goodwill has been adjusted to reflect the effect of the final purchase price allocation and the fair value assessment of identified net assets.

The recoverable amounts of all the cash generating units have been determined based on the value-in-use calculations. These calculations were based on discounted free cash flows and involved the use of estimates related to cash flow before tax projections based on actual financial business plans covering the 5-year period until 2026. Cash flow projections after 5-year forecast period are estimated using the terminal growth. Terminal growth rate does not exceed the long-term average growth rate for the country in which the Group operates.

The key financial assumptions used in the value-in-use calculations

The most sensitive key financial assumptions used in the value-in-use calculations of "Media: television and online" cash-generating unit and "B2C and B2B Services" cash-generating unit were as follows:

- discount rate,
- terminal growth rate used for estimating the cash flows beyond the period of financial plans.

Discount rate – the discount rate reflects the estimate made by the management of the risks specific to each cash-generating unit, taking into account the time value of money and risks specific to the asset. The discount rate was estimated on the basis of weighted average cost of capital method (WACC) and considered Group's and its operating segments' business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment excepted by the Group's investors while cost of debt is based on the interest bearing debt instruments. Operating segment- specific risk is considered by the estimation of beta. Beta is estimated annually and is based on the market data.

Terminal growth rate – growth rates are based on widely available published market data.

The key financial assumptions used for value-in-use calculations in 2021 and 2020 are as follows:

	Media: television and online		B2C and B2B services	
	2021	2020	2021	2020
Terminal growth	3.0%	1.8%	3.0%	2.0%
Discount rate before tax	11.2%	7.9%	7.8%	5.0%

The impairment tests for goodwill and brands allocated to "Media: television and online" and "B2C and B2B services" cash-generating units did not indicate impairment as at 31 December 2021.

Sensitivity analysis of key financial assumptions

The Group believes that the key assumptions made in testing for impairment of the "Media: television and online" and "B2C and B2B services" cash-generating units as at 31 December 2021 are reasonable and are based on our experience and market forecasts that are published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the above mentioned cash-generating units' recoverable amounts are based would not cause the impairment charge to be recognized.

20. Customer relationships and other intangible assets

	31 December 2021	31 December 2020
Customer relationships	1,005.7	1,412.7
Customer relationships total	**1,005.7**	**1,412.7**
Software and licenses	622.9	463.3
Concessions	1,070.6	1,385.0
Other	50.7	29.3
Other intangible assets under development	629.9	738.8
Other intangible assets total	**2,374.1**	**2,616.4**

The customer relationships and telecommunication concessions (900 MHz, 1800 MHz and 2100 MHz) were recognized in the balance sheets following the acquisition of Metelem Holding Company Limited based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to "B2C and B2B services" cash-generating unit.

The telecommunication concessions (800 MHz, 900 MHz, 1800 MHz and 2600 MHz) were recognized in the balance sheets following the acquisition of Midas S.A. based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to "B2C and B2B services" cash-generating unit.

Customer relationships as at 31 December 2021 include the following:

	Amortization period
Customer relationships with retail clients	8 or 10 years
Customer relationships – roaming	13 years

Concessions as at 31 December 2021 include the following:

	Expiry date
License for frequencies in the 900 MHz band	24.02.2026
License for frequencies in the 1800 MHz band	14.09.2029
License for frequencies in the 2600 MHz FDD band	25.01.2031
License for frequencies in the 2100 MHz band	01.01.2023
License for frequencies in the 420 MHz band	31.12.2035
License for frequencies in the 900 MHz band	31.12.2023
License for frequencies in the 1800 MHz band	31.12.2022
License for frequencies in the 1800 MHz band	31.12.2022
License for frequencies in the 2600 MHz TDD band	31.12.2024

	Customer relationships	Software and licenses	Concessions	Other	Other intangible assets under development	Other intangible assets
Cost						
Cost as at 1 January 2021	**4,722.4**	**1,559.3**	**3,709.2**	**74.8**	**741.6**	**6,084.9**
Additions	-	19.9	14.0	5.9	216.2	**256.0**
Acquisition of subsidiaries (see note 38)	**6.2**	71.4	-	(4.4)	0.1	**67.1**
Transfer from intangible assets under development	-	309.5	21.6	7.1	(338.2)	-
Disposals	-	(11.3)	(10.8)	(0.2)	(0.4)	**(22.7)**
Transfer between groups	-	0.7	-	21.1	17.7	**39.5**
Disposal of a subsidiary	-	(80.6)	-	(0.2)	(4.3)	**(85.1)**
Cost as at 31 December 2021	**4,728.6**	**1,868.9**	**3,734.0**	**104.1**	**632.7**	**6,339.7**
Accumulated impairment losses						
Accumulated impairment losses as at 1 January 2021	-	**1.6**	-	-	**2.8**	**4.4**
Accumulated impairment losses as at 31 December 2021	-	**1.6**	-	-	**2.8**	**4.4**
Accumulated amortization						
Accumulated amortization as at 1 January 2021	**3,309.7**	**1,094.4**	**2,324.2**	**45.5**	-	**3,464.1**
Additions	**413.2**	212.1	350.0	8.1	-	**570,2**
Disposals	-	(10.8)	(10.8)	(0.2)	-	**(21.8)**
Disposal of a subsidiary	-	(51.3)	-	-	-	**(51.3)**
Accumulated amortization as at 31 December 2021	**3,722.9**	**1,244.4**	**2,663.4**	**53.4**	-	**3,961.2**
Carrying amounts						
Carrying amount as at 1 January 2021	**1,412.7**	**463.3**	**1,385.0**	**29.3**	**738.8**	**2,616.4**
Carrying amount as at 31 December 2021	**1,005.7**	**622.9**	**1,070.6**	**50.7**	**629.9**	**2,374.1**

	Customer relationships	Software and licenses	Concessions	Other	Other intangible assets under development	Other intangible assets
Cost						
Cost as at 1 January 2020	**4,717.5**	**1,459.0**	**3,700.8**	**65.2**	**590.7**	**5,815.7**
Additions	-	36.8	23.9	0.5	254.2	**315.4**
Acquisition of subsidiary	**4.9**	0.1	11.3	6.5	0.2	**18.1**
Transfer from intangible assets under development	-	79.7	2.6	3.1	(85.4)	-
Disposals	-	(15.2)	(29.4)	(0.5)	(16.5)	**(61.6)**
Transfer between groups	-	(1.1)	-	-	(1.6)	**(2.7)**
Cost as at 31 December 2020	**4,722.4**	**1,559.3**	**3,709.2**	**74.8**	**741.6**	**6,084.9**
Accumulated impairment losses						
Accumulated impairment losses as at 1 January 2020	-	-	-	-	**0.7**	**0.7**
Recognition	-	1.7	-	-	2.3	4.0
Disposals	-	(0.1)	-	-	(0.2)	**(0.3)**
Accumulated impairment losses as at 31 December 2020	-	**1.6**	-	-	**2.8**	**4.4**
Accumulated amortization						
Accumulated amortization as at 1 January 2020	**2,896.1**	**916.9**	**2,005.5**	**34.8**	-	**2,957.2**
Additions	**413.6**	192.6	348.1	11.1	-	**551.8**
Transfer between groups	-	(0.2)	-	-	-	**(0.2)**
Disposals	-	(14.9)	(29.4)	(0.4)	-	**(44.7)**
Accumulated amortization as at 31 December 2020	**3,309.7**	**1,094.4**	**2,324.2**	**45.5**	-	**3,464.1**
Carrying amounts						
Carrying amounts as at 1 January 2020	**1,821.4**	**542.1**	**1,695.3**	**30.4**	**590.0**	**2,857.8**
Carrying amounts as at 31 December 2020	**1,412.7**	**463.3**	**1,385.0**	**29.3**	**738.8**	**2,616.4**

21. Right-of-use assets

	Technical infrastructure	Dark fibers	Vehicles	Points of sale premises	Office space and other premises	**Right-of-use assets**
Cost						
Cost as at 1 January 2021	**1,423.2**	**156.6**	**33.3**	**239.7**	**530.0**	**2,382.8**
Acquisition of subsidiary (see note 38)	-	-	-	-	2.1	**2.1**
Additions	141.9	40.7	1.7	42.8	47.9	**275.0**
Disposals	(40.4)	(7.2)	(6.5)	(17.6)	(10.5)	**(82.2)**
Disposal of a subsidiary	(1,260.0)	(9.4)	-	-	(23.9)	**(1,293.3)**
Cost as at 31 December 2021	**264.7**	**180.7**	**28.5**	**264.9**	**545.6**	**1,284.4**
Accumulated impairment losses						
Accumulated impairment losses as at 1 January 2021	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated impairment losses as at 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation						
Accumulated depreciation as at 1 January 2021	**536.4**	**70.7**	**10.4**	**105.4**	**140.5**	**863.4**
Additions	82.4	32.6	4.6	54.9	68.7	**243.2**
Disposals	(16.0)	(1.9)	(3.3)	(12.8)	(2.9)	**(36.9)**
Disposal of a subsidiary	(472.4)	(3.0)	-	-	(6.4)	**(481.8)**
Accumulated depreciation as at 31 December 2021	**130.4**	**98.4**	**11.7**	**147.5**	**199.9**	**587.9**
Carrying amount						
Carrying amount as at 1 January 2021	**886.8**	**85.9**	**22.9**	**134.3**	**389.5**	**1,519.4**
Carrying amount as at 31 December 2021	**134.3**	**82.3**	**16.8**	**117.4**	**345.7**	**696.5**

	Technical infrastructure	Dark fibers	Vehicles	Points of sale premises	Office space and other premises	**Right-of-use assets**
Cost						
Cost as at 1 January 2020	**1,147.2**	**113.5**	**31.8**	**188.2**	**387.9**	**1,868.6**
Acquisition of subsidiary	4.0	-	-	-	-	**4.0**
Additions	328.1	54.4	7.9	55.8	161.9	**608.1**
Disposals	(56.1)	(11.3)	(6.4)	(4.3)	(19.8)	**(97.9)**
Cost as at 31 December 2020	**1,423.2**	**156.6**	**33.3**	**239.7**	**530.0**	**2,382.8**
Accumulated impairment losses						
Accumulated impairment losses as at 1 January 2020	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated impairment losses as at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation						
Accumulated depreciation as at 1 January 2020	**271.2**	**34.7**	**9.5**	**54.5**	**78.4**	**448.3**
Additions	278.6	36.6	4.8	53.6	75.3	**448.9**
Disposals	(13.4)	(0.6)	(3.9)	(2.7)	(13.2)	**(33.8)**
Accumulated depreciation as at 31 December 2020	**536.4**	**70.7**	**10.4**	**105.4**	**140.5**	**863.4**
Carrying amount						
Carrying amount as at 1 January 2020	**876.0**	**78.8**	**22.3**	**133.7**	**309.5**	**1,420.3**
Carrying amount as at 31 December 2020	**886.8**	**85.9**	**22.9**	**134.3**	**389.5**	**1,519.4**

22. Programming assets

	31 December 2021	31 December 2020
Acquired film licenses	358.3	387.3
Capitalised cost of external production and sports rights	907.7	250.9
Co-productions	7.6	3.4
Prepayments	96.4	54.1
Total	**1,370.0**	**695.7**
Of which: Current	*630.6*	*413.2*
Non-current	*739.4*	*282.5*

Change in programming assets

	2021	2020
Net carrying amount as at 1 January	**695.7**	**914.9**
Acquisition of Polot Media and TV Spektrum (see note 38)	-	24.5
Increase*	1,200.9	253.1
Change in impairment losses:	(3.4)	(0.4)
Film licenses	*(3.4)*	*(0.4)*
Change in internal production *	41.3	31.0
Amortization of film licenses and sports rights	(558.8)	(519.6)
Disposals:	(5.7)	(5.1)
Sale of film licenses	*(5.7)*	*(5.1)*
Other decrease	-	(2.7)
Net carrying amount as at 31 December	**1,370.0**	**695.7**

* includes change in prepayments

Commitments related to acquisition of programming assets by the Group are presented in note 50.

23. Deferred distribution fees

	31 December 2021	31 December 2020
Deferred distribution fees	**300.3**	**315.9**
Of which: Current	*226.8*	*222.4*
Non-current	*73.5*	*93.5*

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Group to profit or loss over the minimum base period of the subscription contracts.

As at 31 December 2021, the balance of distribution fees relating to agreements whose basic period as at the date of signing was more than 12 months amounted to PLN 300.3 (as at 31 December 2020: PLN 315.5).

24. Non-current trade receivables and other non-current assets

	31 December 2021	31 December 2020
Non-current trade receivables	777.1	832.0
Non-current trade receivables total	**777.1**	**832.0**
Shares in associates accounted for using the equity method	1,764.4	1,257.8
Bonds	39.3	8.4
Deferred costs	8.8	4.7
Investment in joint ventures	5.9	5.9
Deposits paid	2.0	4.3
Loans granted	57.1	0.7
Other shares	1.8	1.4
Derivative instruments IRS (note 40)	23.0	0.4
Total	**1,902.3**	**1,283.6**

As at 31 December 2021 and 31 December 2020 Non-current trade receivables include receivables from installment plan purchases. Non-current trade receivables are denominated in PLN.

- Shares in associates accounted for using the equity method – Asseco Poland S.A.

On 31 July 2020 Cyfrowy Polsat purchased from Reddev 184,127 (not in millions) Asseco shares for the price of PLN 11.4. Following the transaction, the Company holds a total of 22.95% of Asseco shares (note 39).

- Shares in associates accounted for using the equity method – Vindix S.A.

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

- Shares in associates accounted for using the equity method – Modivo S.A. (formerly eObuwie.pl S.A.)

On 22 June 2021 the Company acquired 10% shares in eObuwie.pl S.A. for the purchase price of PLN 500. On 21 January 202 company's name change to Modivo S.A. was registered by the court.

25. Inventories

Types of inventories	31 December 2021	31 December 2020
Mobile phones	186.5	83.0
Laptops, tablets and modems	41.9	22.5
Set-top boxes and disc drives	46.4	34.4
Other inventories	320.9	159.5
Total net book value	**595.7**	**299.4**

Other inventories comprise primarily of raw materials used in the production of set-top boxes and components of photovoltaic installations.

Write-downs of inventories	2021	2020
Opening balance	**16.4**	**9.8**
Increase	4.8	9.8
Utilisation	(8.2)	(3.0)
Decrease	(1.1)	(0.2)
Closing balance	**11.9**	**16.4**

26. Trade and other receivables

	31 December 2021	31 December 2020
Trade receivables from related parties	6.6	17.3
Trade receivables from third parties	2,268.4	2,226.7
Tax and social security receivables	94.1	82.8
Other receivables	81.2	63.6
Total	**2,450.3**	**2,390.4**

Trade receivables from third parties include primarily receivables from individual customers, media houses and distributors.

Trade receivables by currency

Currency	31 December 2021	31 December 2020
PLN	2,168.1	2,170.1
EUR	89.3	54.9
USD	15.3	10.5
Other	2.3	8.5
Total	**2,275.0**	**2,244.0**

Movements in the allowance for impairment of accounts receivable

	2021	2020
Opening balance	**187.8**	**194.5**
Increase	100.5	126.0
Reversal	(5.4)	(11.9)
Utilisation	(100.7)	(120.8)
Closing balance	**182.2**	**187.8**
Of which: Short-term	*139.3*	*143.9*
Long-term	*42.9*	*43.9*

27. Other current assets

	31 December 2021	31 December 2020
Derivative instruments IRS (note 40)	60.9	2.0
Unbilled revenue	3.1	5.1
Other deferred costs	43.1	32.2
Total	**107.1**	**39.3**

28. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	1.0	0.9
Current accounts	641.1	635.1
Cash in transit	-	70.0
Deposits *	2,990.3	649.4
Total	**3,632.4**	**1,355.4**

* with maturity of up to 3 months from the date of establishing the deposit

The Group places its cash and cash equivalents in banks and financial institutions with reliability proven by ratings awarded by universally recognized agencies Standard & Poor's, Moody's or Fitch, and in Plus Bank and EFG Bank as required by the loan agreement and policies adopted therein. As at 31 December 2021 cash and cash equivalents were placed primarily with institutions rated A2-A3 by Moody's Investors Service Ltd, rated A by S&P Global Ratings and rated A by Fitch.

Currency	31 December 2021	31 December 2020
PLN	3,554.0	1,273.8
EUR	55.2	47.1
USD	21.8	8.1
CHF	1.4	26.4
Total	**3,632.4**	**1,355.4**

As the Group cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

Restricted cash in the amount of PLN 11.9 includes mainly guarantee deposits.

29. Equity

Share capital

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

Share series	Number of shares*	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	Registered, preference shares (2 voting rights)
Series B	2,500,000	0.1	Registered, preference shares (2 voting rights)
Series C	7,500,000	0.3	Registered, preference shares (2 voting rights)
Series D	166,917,501	6.7	Registered, 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 31 December 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:	353,348,370	14.1	55.25%	532,765,871	65.05%
Reddev Investments Ltd. [1]	*353,348,360*	*14.1*	*55.25%*	*532,765,851*	*65.05%*
incl. through:					
Cyfrowy Polsat S.A.[4]	*71,174,126*	*2.8*	*11.13%*	*71,174,126*	*8.69%*
Embud 2 Sp. z o.o. S.K.A. [2]	32,005,867	1.3	5.00%	32,005,867	3.91%
Tipeca Consulting Limited [3]	2,152,388	0.1	0.34%	2,152,388	0.26%
Nationale-Nederlanden PTE	41,066,962	1.6	6.42%	41,066,962	5.02%
Others	210,972,429	8.5	32.99%	210,972,429	25.76%
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.
[4] Own shares acquired under the buy-back program announced on 16 November 2021. Pursuant to Art. 364 Item 2 of the Commercial Companies Code, Cyfrowy Polsat S.A. does not exercise voting rights attached to own shares.

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%*	*45,797,788*	*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.

Retained earnings

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 amounted to PLN 767.5. The dividend day was scheduled for 15 September 2021 and the dividend payout was made in two tranches as follows:

- Tranche I: PLN 255.8 on 28 September 2021,
- Tranche II: PLN 511.7 on 10 December 2021.

Other reserves

Other reserves include mainly the reserve capital created for the purposes of the share buyback program in the amount of PLN 2,915.0. More information about the purchase of treasury shares is described in note 48.

Treasury shares

Treasury shares include a total of 71,174,126 (not in millions) own shares, representing in total 11.13% of the share capital of the Company and entitling to exercise 71,174,126 (not in millions) votes at the general meeting of the Company, constituting 8.69% of the total number of votes at the general meeting of the Company. More information about the purchase of treasury shares is described in note 48.

30. Hedge valuation reserve

On 11 February 2020 the Company concluded interest rate swap transaction with PKO Bank Polski S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.6170%.

The transaction was concluded for the period from 31 December 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

On 28 February 2020 the Company concluded interest rate swap transaction with BNP Paribas. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.1600%.

The transaction was concluded for the period from 30 September 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

On 6 March 2020 the Company concluded interest rate swap transaction with Santander Bank Polska S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 1.0625%.

The transaction was concluded for the period from 30 September 2020 to 31 March 2023. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

On 26 November 2021 the Company concluded interest rate swap transaction with Santander Bank Polska S.A. The transaction exchanges interest payments based on a floating rate WIBOR 3M into interest payments based on a fixed interests rate amounting to 3.0925%.

The transaction was concluded for the period from 31 March 2022 to 31 December 2024. The transaction protects the nominal amount of a bank loan in the amount of PLN 125.

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2021

	IRS
Liabilities	
Long-term	4.1
Short-term	9.3
Total	**13.4**

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2020

	IRS
Liabilities	
Long-term	(4.7)
Short-term	(5.5)
Total	**(10.2)**

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	21.4	(10.0)
Deferred tax	(4.1)	1.9
Change for the period	**17.3**	**(8.1)**
Balance as at 31 December	**9.0**	**(8.3)**

31. Loans and borrowings

	31 December 2021	31 December 2020
Short-term liabilities	1,072.7	753.0
Long-term liabilities	7,671.8	8,887.8
Total	**8,744.5**	**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 TMS Ossa Sp. z o.o. (see note 38)	72.4	-
Loans and borrowings on acquisition of Stork 5 Sp. z o.o. (see note 38)	10.4	-
Loans and borrowings on acquisition of TV Spektrum Sp. z o.o.	-	33.1
Loans and borrowings on acquisition of Alledo Sp. z o.o.	-	3.0
Loans and borrowings on acquisition of BCAST Sp. z o.o.	-	3.6
Effect of gaining control over TV Spektrum Sp. z o.o. and consolidation	-	(33.1)
Effect of gaining control over BCAST Sp. z o.o. and consolidation	-	(3.6)
Revolving facility loan	1,665.0	35.0
Repayment of capital	(2,682.8)	(857.9)
Repayment of interest and commissions	(165.2)	(261.6)
Cumulative catch-up	-	(44.8)
Interest accrued and commissions	203.9	257.6
Balance as at 31 December	**8,744.5**	**9,640.8**

32. Issued bonds

	31 December 2021	31 December 2020
Short-term liabilities	66.4	38.7
Long-term liabilities	1,942.1	1,959.2
Total	**2,008.5**	**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 commission	(39.0)	(49.1)
Interest and commissions accrued	49.6	43.0
Balance as at 31 December	**2,008.5**	**1,997.9**

33. Lease liabilities

	31 December 2021	31 December 2020
Short-term liabilities	201.1	432.5
Long-term liabilities	497.5	1,140.5
Total	**698.6**	**1,573.0**

Change in lease liabilities:

	2021	2020
Balance as at 1 January	**1,573.0**	**1,437.3**
Acquisition of subsidiary (see note 38)	2.1	4.2
Disposal of a subsidiary	(769.8)	-
Changes	232.2	506.7
Interest accrued	32.0	49.9
Repayment of capital and interest	(367.8)	(445.2)
Foreign exchange differences	(3.1)	20.1
Balance as at 31 December	**698.6**	**1,573.0**

34. Group as a lessor

Operating lease

The Group entered into contracts with third parties, which are classified as operating leases based on their economic substance. The contracts relate to the rental of reception equipment and lease of office and other premises. Assets connected with such contracts are presented as either reception equipment or other property, plant and equipment.

Lease contracts for set-top boxes were concluded for a base contractual period ranging from 12 to 24 months. After each base period, the contracts are converted into contracts with indefinite term, unless terminated by the subscribers or new contracts are signed.

Future minimum lease payments with respect to operating lease are as follows.

	31 December 2021	31 December 2020
less than 1 year	188.1	197.8
between 1 and 5 years	55.2	106.3
more than 5 years	-	1.1
Total	**243.3**	**305.2**

The Group generated revenues from operating leasing agreements in the amount of PLN 258.4 in 2021 and in the amount of PLN 248.7 in 2020.

35. UMTS license liabilities

Future payments	31 December 2021	31 December 2020
30 September 2021	-	129.2
30 September 2022	142.6	143.0
Total payments	**142.6**	**272.2**
Amounts representing discount	(2.7)	(8.8)
Discounted minimum payments	**139.9**	**263.4**
Of which:		
Short-term	*139.9*	*126.7*
Long-term	*-*	*136.7*

UMTS license liability is denominated in EUR. The value of the liability is subject to annual reduction due to subsequent installments paid to the regulator. UMTS license liability is due in 2022.

36. Other non-current liabilities and provisions

	31 December 2021	31 December 2020
Payables relating to purchase of programming rights	251.0	20.9
Provisions	14.5	289.6
Other	54.3	77.6
Total	**319.8**	**388.1**

37. Trade and other payables

	31 December 2021	31 December 2020
Trade payables to related parties	27.4	32.8
Trade payables to third parties	456.3	361.1
Taxation and social security payables	164.7	134.2
Payables relating to purchase of programming rights to related parties	2.9	1.4
Payables relating to purchase of programming rights to third parties	567.8	209.6
Payables relating to purchases of tangible and intangible assets	159.8	186.7
Accruals	919.6	970.4
Short-term provisions	123.4	120.6
Derivative instruments (IRS) liabilities (note 40)	-	39.2
Other	109.3	99.3
Total	**2,531.2**	**2,155.3**

Accruals

	31 December 2021	31 December 2020
Salaries	75.2	153.0
License fees and royalties for copyright management organizations	89.3	80.6
Distribution costs	66.5	68.6
Costs of settlements with telecommunication operators	75.1	118.9
Network maintenance costs	135.1	68.9
Investment purchases	131.7	207.5
Other	346.7	272.9
Total	**919.6**	**970.4**

Short-term and long-term provisions

	2021	2020
Balance as at 1 January	**410.2**	**333.4**
Acquisition of subsidiary	-	4.2
Increases	51.4	81.7
Reversal	(37.9)	(4.7)
Utilisation	(42.4)	(4.4)
Disposal of a subsidiary	(243.4)	-
Balance as at 31 December	**137.9**	**410.2**
Of which:		
Short-term	*123.4*	*120.6*
Long-term	*14.5*	*289.6*

Provisions comprise *inter alia* of provision for license fees, litigation and disputes and retirement.

Trade payables and payables relating to purchases of programming rights and non-current assets by currency

Currency	31 December 2021	31 December 2020
PLN	553.1	509.5
EUR	562.2	224.7
USD	94.8	55.9
Other	4.1	1.5
Total	**1,214.2**	**791.6**

Accruals by currency

Currency	31 December 2021	31 December 2020
PLN	822.3	855.9
EUR	57.9	85.1
USD	14.4	9.0
Other	25.0	20.4
Total	**919.6**	**970.4**

Other notes

38. 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;
- 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.

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. – final 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.

CONSIDERATION TRANSFERRED

	Final value of consideration transferred
Consideration	29.7
Final 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)**

FINAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Final fair value of assets and liabilities as at 18 September 2020:

	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)
Value of net assets (100%)	**(36.7)**
Consideration transferred	**29.7**
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 – final purchase price allocation

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 millions).

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 millions).

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.

CONSIDERATION TRANSFERRED

	Final value of consideration transferred
Consideration	0.1
Final 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 the period of 12 months ended 31 December 2020	**2.4**

FINAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Final fair value of assets and liabilities as at 1 December 2020:

	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)
Value of net assets (100%)	**2.3**
Value of net assets attributable to non-controlling interest	**2.3**
Value of net assets attributable to Cyfrowy Polsat S.A. Capital Group	**0.0**
Increase in share capital of purchased entities	**(0.1)**
Consideration transferred	**0.1**
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. – final 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.

As at 31 December 2020 the Company holds a total of 70.02% of BCAST Sp. z o.o. shares.

CONSIDERATION TRANSFERRED

	Final value of consideration transferred
Consideration	7.3
Final 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 the period of 12 months ended 31 December 2020	**(7.0)**

FINAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Final fair value of assets and liabilities as at 23 December 2020:

	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)
Value of net assets (100%)	**1.0**
Value of net assets attributable to non-controlling interest	**0.3**
Value of net assets attributable to Cyfrowy Polsat S.A. Capital Group	**0.7**
Consideration transferred	**7.3**
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.

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

On 2 July 2021 Polkomtel Sp. z o.o. (Company’s subsidiary) acquired 28.01% shares in Premium Mobile Sp. z o.o. for the purchase price of PLN 35.5.

On 9 July 2021 Polkomtel Sp. z o.o. acquired additional 53.69% shares in Premium Mobile Sp. z o.o. for the purchase price of PLN 68.1.

As a result of the above-mentioned transactions, the Group holds a total of 100.0% shares in Premium Mobile Sp. z o.o. and obtained control over the Premium Mobile Group entities i.e. Premium Mobile Sp. z o.o., Visignio Sp. z o.o., Saveadvisor Sp. z o.o. oraz Mobi Dealer Sp. z o.o. (jointly the “Premium Mobile Group”).

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	125.1
Provisional value as at 9 July 2021	**125.1**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred for 28.01% shares	(35.5)
Cash transferred for 53.69% shares	(68.1)
Cash and cash equivalents received	8.6
Cash decrease in the period of 12 months ended 31 December 2021	**(95.0)**

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 9 July 2021:

	Provisional fair value as at the acquisition date (9 July 2021)
Net assets:	
Other property, plant and equipment	0.2
Other intangible assets	0.1
Right-of-use assets	2.1
Deferred tax assets	1.1
Inventories	0.1
Trade and other receivables	5.0
Other current assets	0.5
Cash and cash equivalents	8.6
Lease liabilities	(2.1)
Contract liabilities	(4.4)
Trade and other payables	(18.0)
Provisional value of net assets	**(6.8)**
Provisional consideration transferred	**125.1**
Provisional goodwill	**131.9**

Goodwill is allocated to the “B2C and B2B services” operating segment.

The revenue and net profit for the reporting period since 9 July 2021 contributed by Premium Mobile Group amounted to PLN 47.6 and PLN 11.2, respectively. Had it been acquired on 1 January 2021, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2021 would have amounted to PLN 12,487.6 and PLN 4,415.7, respectively.

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

On 29 July 2021 Netia S.A. (Company's subsidiary) acquired 100% shares in Logitus Sp. z o.o. ("Logitus").

The consideration for 100% shares of Logitus Sp. z o.o. amounted to PLN 12.9.

Logitus holds 100% of shares in Market Software Sp. z o.o. On 2 December 2021, Logitus merged with its subsidiary Market Software Sp. z o.o. by transferring all assets to Logitus.

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Cash transferred for the 100% shares of Logitus	12.2
Liability to pay in accordance with purchase agreement	0.7
Provisional value as at 29 July 2021	**12.9**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(12.2)
Cash and cash equivalents received	0.1
Cash decrease in the period of 12 months ended 31 December 2021	**(12.1)**

PROVISIONAL FAIR VALUE VALUATION OF NET ASSETS AS AT THE ACQUISITION DATE

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

Provisional and temporary fair value of assets and liabilities as at 29 July 2021:

	Provisional fair value as at the acquisition date (29 July 2021)
Net assets:	
Customer relationships	6.2
Other property, plant and equipment	2.3
Trade and other receivables	0.1
Cash and cash equivalents	0.1
Trade and other payables	(0.1)
Deferred tax liabilities	(1.2)
Provisional value of net assets	**7.4**
Provisional consideration transferred	**12.9**
Provisional goodwill	**5.5**

Goodwill is allocated to the "B2C and B2B services" operating segment.

The revenue and net profit included in the consolidated income statement for the reporting period since 29 July 2021 to 31 December 2021 contributed by Logitus amounted to PLN 1.5 and PLN 0.4, respectively. Had it been acquired on 1 January 2021 the pro forma revenue

and net income included in the consolidated income statement for the 12 months ended 31 December 2021 would have amounted to PLN 12,446.1 and PLN 4,414.0, respectively.

Acquisition of shares in CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.) – provisional purchase price allocation

On 6 August 2021 Polkomtel Sp. z o.o. (Company's subsidiary) acquired 100% shares in TMS Ossa Sp. z o.o.

The consideration for 100% shares in TMS Ossa Sp. z o.o. amounted to PLN 47.0.

On 15 December 2021 company's name change from TMS Ossa Sp. z o.o. to CKS Ossa Sp. z o.o. was registered.

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	47.0
Provisional value as at 6 August 2021	**47.0**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(47.0)
Cash and cash equivalents received	2.9
Cash decrease in the period of 12 months ended 31 December 2021	**(44.1)**

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 6 August 2021:

	Provisional fair value as at the acquisition date (6 August 2021)
Net assets:	
Other property, plant and equipment	120.5
Other intangible assets	0.2
Inventories	0.1
Trade and other receivables	0.7
Other current assets	0.4
Cash and cash equivalents	2.9
Deferred tax liabilities	(3.4)
Other non-current liabilities and provisions	(0.1)
Loans and borrowings	(72.4)
Contract liabilities	(1.4)
Trade and other payables	(6.8)
Provisional value of net assets	**40.7**
Provisional consideration transferred	**47.0**
Provisional goodwill	**6.3**

Goodwill is allocated to the “B2C and B2B services” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 6 August 2021 contributed by CKS Ossa Sp. z o.o. amounted to PLN 2.7 and PLN 4.2, respectively. Had it been acquired on 1 January 2021, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2021 would have amounted to PLN 12,444.5 and PLN 4,407.0 respectively.

Acquisition of shares in Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.) – provisional purchase price allocation

On 6 August 2021 Polkomtel Sp. z o.o. (Company’s subsidiary) acquired 100% shares in Horest, Hotel pod Żaglami Sp. z o.o.

The consideration for 100% shares in Horest, Hotel pod Żaglami Sp. z o.o. amounted to PLN 2.2.

On 17 December 2021 company’s name change from Horest, Hotel pod Żaglami Sp. z o.o. to Ossa Medical Center Sp. z o.o. was registered.

PROVISIONAL CONSIDERATION TRANSFERRED

	Provisional value of consideration transferred
Consideration	2.2
Provisional value as at 6 August 2021	**2.2**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(2.2)
Cash and cash equivalents received	0.6
Cash decrease in the period of 12 months ended 31 December 2021	**(1.6)**

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 6 August 2021:

	Provisional fair value as at the acquisition date (6 August 2021)
Net assets:	
Other property, plant and equipment	0.9
Trade and other receivables	0.3
Cash and cash equivalents	0.6
Provisional value of net assets	**1.8**
Provisional consideration transferred	**2.2**
Provisional goodwill	**0.4**

Goodwill is allocated to the “B2C and B2B services” operating segment.

The revenue and net loss included in the consolidated income statement for the reporting period since 6 August 2021 contributed by Ossa Medical Center Sp. z o.o. amounted to PLN 0.0 and PLN 0.3, respectively. Had it been acquired on 1 January 2021, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2021 would have amounted to PLN 12,444.0 and PLN 4,414.5 respectively.

Acquisition of shares in Stork 5 Sp. z o.o. – final purchase price allocation

On 24 November 2021 the Company acquired 100% shares in Stork 5 Sp. z o.o. and its subsidiary, Swan 5 Sp. z o.o.

The consideration for 100% shares in Stork 5 Sp. z o.o. amounted to PLN 8.2.

CONSIDERATION TRANSFERRED

	Final value of consideration transferred
Consideration	8.2
Final value as at 24 November 2021	**8.2**

RECONCILIATION OF TRANSACTIONAL CASH FLOW

Cash transferred	(8.2)
Cash and cash equivalents received	0.0
Cash decrease in the period of 12 months ended 31 December 2021	**(8.2)**

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. The transaction has been accounted for as an asset acquisition.

Final fair value of assets and liabilities as at 24 November 2021:

	Fair value as at the acquisition date (24 November 2021)
Net assets:	
Other property, plant and equipment	19.0
Trade and other receivables	0.1
Cash and cash equivalents	0.0
Loans and borrowings	(10.4)
Trade and other payables	(0.5)
Value of net assets (100%)	**8.2**

The revenue and net loss for the reporting period since 24 November 2021 contributed by Stork 5 Sp. z o.o. amounted to PLN 0.0 and PLN 0.0, respectively. Had it been acquired on 1 January 2021, the pro forma revenue and net income included in the consolidated income statement for the 12 months ended 31 December 2021 would have amounted to PLN 12,444.3 and PLN 4,414.1, respectively.

39. Investment in associates

Acquisition of Asseco Poland S.A. shares

The transfer of ownership of the Asseco Poland 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 millions) 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 Group's financial data as at 31 December 2021:

	for the 12 months ended
	31 December 2021
Revenue	14,498.1
Profit from operating activities	1,456.1
Net profit	1,045.4
Other comprehensive income, net	246.9
Total comprehensive income	**1,292.3**

	31 December 2021
Non-current assets	10,425.7
Current assets	8,132.8
Assets held for sale	12.3
Total assets	**18,570.8**
Non-current liabilities	3,403.3
Current liabilities	5,520.8
Total liabilities	**8,924.1**

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. The impairment test performed as at 31 December 2021 did not indicate impairment.

Acquisition of shares in Modivo S.A. (formerly 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 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.

Fair value of the investment held in eObuwie as at 22 June 2021 amounted to PLN 500. Following the completion of the purchase price allocation process for the acquisition of eObuwie as at 22 June 2021, the Group identified goodwill in the amount of PLN 245.6, included in the carrying amount of the investment. The effective share in the net assets held by Cyfrowy Polsat amounted to PLN 254.4.

On 21 January 2022 company's name change to Modivo S.A. was registered.

40. Financial instruments

Overview

Cyfrowy Polsat S.A. Capital Group has exposure to the following risks from its use of financial instruments:

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

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

The Management Board has overall responsibility for the oversight and management of the risks 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.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these consolidated financial statements.

Bank loans, bonds, cash, forwards, interest rate swaps and short-term bank deposits are the main financial instruments used by the Group, with the intention of securing the financing for the Group's activities. The Group also holds other financial instruments including trade receivables and payables, payables relating to purchases of programming rights and payables relating to purchases of tangible and intangible assets which arise in the course of its business activities.

FINANCIAL ASSETS	Carrying amount	
	31 December 2021	31 December 2020
Financial assets measured at amortized cost	**6,834.2**	**4,495.2**
Loans granted	72.4	7.8
Trade and other receivables from related parties	10.3	25.4
Trade and other receivables from third parties	3,107.2	3,096.2
Cash and cash equivalents	3,632.4	1,355.4
Restricted cash	11.9	10.4
Financial assets measured at fair value though other comprehensive income	**0.6**	**0.2**
Investments in equity instruments	0.6	0.2
Hedging derivative instruments	**13.4**	**-**
Interest rate swaps	13.4	-
Derivative instruments not designated as hedging instruments:	**70.5**	**2.4**
Forward transactions	-	2.0
Interest rate swaps	70.5	0.4

FINANCIAL LIABILITIES	Carrying amount	
	31 December 2021	31 December 2020
Financial liabilities measured at amortized cost	**14,138.8**	**16,379.1**
Lease liabilities	698.6	1,573.0
Loans and borrowings	8,744.5	9,640.8
Bonds	2,008.5	1,997.9
UMTS license liabilities	139.9	263.4
Trade and other payables to third parties and deposits	1,564.2	901.3
Trade and other payables to related parties	63.5	68.6
Liabilities to shareholders of the Parent Company related to dividend for 2019	-	415.7
Liabilities due to tender offer for shares in Netia S.A.*	-	548.0
Accruals	919.6	970.4
Hedging derivative instruments	**-**	**10.2**
Interest rate swaps	-	10.2
Derivative instruments not designated as hedging instruments	**-**	**45.8**
Forward transactions	-	-
Interest rate swaps	-	45.8

* 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 derecognised from the balance sheet. See note 48.

Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging or other derivative transactions are undertaken,
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

The Group's exposure to credit risk is associated primarily with trade receivables and contract assets. The Parent's customer base includes a large number of individual subscribers who are dispersed geographically over the entire country, and who are required to prepay their subscription fees. Receivables from Parent's sales network are covered with commission liabilities or deposits. Receivables from subscribers are continuously monitored and recovery actions are taken, including blocking the signal transferred to subscribers or termination of services to a telephony client and Internet customer. Telewizja Polsat and its subsidiaries provide services with deferred payment which may cause the risk of delays. Assessment of the creditworthiness of the counterparties is regularly carried out and in principle the company does not require security in relation to the financial assets. Polkomtel's customer base is dispersed geographically over the entire country. In case of important postpaid clients services are rendered following positive credit approval while in case of individual retail clients the verification process is automatized and based on IT-supported customer relationship management system and characteristics of the billing systems. Receivables from Polkomtel's sales network are continuously monitored, sales limits and utilization limits are used.

The Group pursues a credit policy under which credit risk exposure is constantly monitored.

Due to diversification of risk in terms of the nature of individual entities, their geographical location and cooperation with highly-rated financial institutions, also taking into consideration the fair value of liabilities arising from derivative transactions, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

Maximum exposure to credit risk

	Carrying amount	
	31 December 2021	31 December 2020
Loans granted	72.4	7.8
Trade and other receivables from related parties	10.3	25.4
Trade and other receivables from third parties	3,107.2	3,096.2
Contract assets	418.0	537.7
Cash and cash equivalents	3,632.4	1,355.4
Restricted cash	11.9	10.4
Hedging derivative instruments:	**13.4**	**-**
Interest rate swaps	13.4	-
Derivative instruments not designated as hedging instruments:	**70.5**	**2.4**
Forward transactions	-	2.0
Interest rate swaps	70.5	0.4
Total	**7,336.1**	**5,035.3**

The concentration of credit risk for trade and other receivables, loans granted and contract assets is presented in the tables below:

	Carrying amount	
	31 December 2021	31 December 2020
Receivables from subscribers	2,582.2	2,735.6
Receivables from media companies	346.3	313.2
Receivables from satellite and cable operators	37.2	41.4
Roaming and interconnect receivables	317.8	337.6
Receivables from distributors	77.1	81.5
Receivables and loans granted to related parties	43.4	32.3
Other receivables and loans granted to third parties	203.9	125.5
Total	**3,607.9**	**3,667.1**

	Carrying amount	
	31 December 2021	31 December 2020
Company A	63.3	49.0
Company B	62.3	45.1
Company C	32.5	30.4
Company D	31.5	26.4
Company E	22.5	26.0
Other	3,395.8	3,490.2
Total	**3,607.9**	**3,667.1**

Note: for each year 5 largest debtors are presented, not necessarily the same entities in both periods.

The ageing of trade and other receivables, loans granted and contract assets at the reporting date was:

	31 December 2021			31 December 2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	2,801.5	43.3	2,758.2	2,690.8	46.3	2,644.5
Past due 1-30 days	130.5	10.0	120.5	323.1	9.0	314.1
Past due 31-60 days	187.8	10.7	177.1	89.1	10.5	78.6
Past due more than 60 days	284.3	150.2	134.1	247.7	155.5	92.2
Total	**3,404.1**	**214.2**	**3,189.9**	**3,350.7**	**221.3**	**3,129.4**
Contract assets	432.2	14.2	418.0	551.9	14.2	537.7
Total	**3,836.3**	**228.4**	**3,607.9**	**3,902.6**	**235.5**	**3,667.1**

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Any surplus cash is invested mainly into bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of its cash requirements based on projected cash flows.

The following are the contractual maturities of the Group's financial liabilities, that will be settled net in the appropriate age ranges, based on the remaining period until the contractual maturity date as at the balance sheet date.

	31 December 2021						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	8,744.5	9,615.8	547.8	551.8	1,024.1	7,483.7	8.4
Bonds	2,008.5	2,430.9	22.8	45.3	90.8	1,249.6	1,022.4
UMTS license liabilities	139.9	142.6	-	142.6	-	-	-
Lease liabilities	698.6	789.3	108.1	105.7	188.2	233.7	153.6
Trade and other payables to third parties and deposits	1,564.2	1,564.2	1,564.2	-	-	-	-
Trade and other payables to related parties	63.5	63.5	63.5	-	-	-	-
Accruals	919.6	919.6	919.6	-	-	-	-
	14,138.8	**15,525.9**	**3,226.0**	**845.4**	**1,303.1**	**8,967.0**	**1,184.4**

Undiscounted future cash flows related to lease agreements for an indefinite period equal PLN 159.5 as at 31 December 2021.

	31 December 2020						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	9,640.8	10,334.8	285.8	485.2	959.2	8,597.6	7.0
Bonds	1,997.9	2,233.8	19.7	19.4	39.0	117.2	2,038.5
UMTS license liabilities	263.4	272.2	-	129.2	143.0	-	-
Lease liabilities	1,573.0	1,708.9	241.2	235.7	422.5	533.4	276.1
Trade and other payables to third parties and deposits	901.3	901.3	901.3	-	-	-	-
Trade and other payables to related parties	68.6	68.6	68.6	-	-	-	-
Liabilities to shareholders of the Parent Company related to dividend for 2019	415.7	415.7	415.7	-	-	-	-
Liabilities due to tender offer for shares in Netia S.A.[2]	548.0	548.0	548.0	-	-	-	-
Accruals	970.4	970.4	970.4	-	-	-	-
Hedging derivative instruments:							
IRS[1]	10.2	10.3	2.9	2.7	3.9	0.8	-
Derivative instruments not designated as hedging instruments:							
IRS[1]	45.8	45.8	20.7	13.0	12.1	-	-
	16,435.1	**17,509.8**	**3,474.3**	**885.2**	**1,579.7**	**9,249.0**	**2,321.6**

[1] pursuant to the agreements settlements shall be on a net basis

[2] 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 derecognised from the balance sheet. See note 48.

Undiscounted future cash flows related to lease agreements for an indefinite period equal PLN 206.9 as at 31 December 2020.

Market risk

The Group has an active approach to managing its market risk exposure. The objectives of market risk management are:

- to limit fluctuations in profit/loss before tax ,
- to increase the probability of meeting budget assumptions ,
- to maintain the healthy financial condition and
- to 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 realisation is dependant primarily upon the internal situation and market conditions.

The Group applies 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, natural hedging is also used 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 of the Group, 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. The Group transacts only those derivatives for which it has 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, the Group relies on information obtained from particular market leading banks, brokers and information services.

It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity 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 purchase of Telewizja Polsat Sp. z o.o. currency risk exposure is also associated to purchases of foreign programming licences (EUR and USD). After the purchase of Metelem Holding Company Ltd. currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR and USD), roaming and interconnect agreements and rental of office space (various currencies).

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

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

The Group's exposure to foreign currency was as follows based on currency amounts:

	31 December 2021			
	EUR	USD	CHF	XDR
Trade receivables	19.4	3.8	-	0.4
Cash and cash equivalents	12.0	5.4	0.3	-
UMTS license liabilities	(30.4)	-	-	-
Lease liabilities	(37.0)	(0.7)	-	-
Trade payables	(176.8)	(23.3)	-	(0.5)
Accruals	(12.6)	(3.5)	-	(4.2)
Gross balance sheet exposure	**(225.4)**	**(18.3)**	**0.3**	**(4.3)**
Forward transactions	6.0	-	-	-
Net exposure	**(219.4)**	**(18.3)**	**0.3**	**(4.3)**

	31 December 2020			
	EUR	USD	CHF	XDR
Trade receivables	11.9	2.8	-	1.5
Cash and cash equivalents	10.2	2.2	6.2	-
UMTS license liabilities	(57.1)	-	-	-
Lease liabilities	(55.9)	(10.3)	-	-
Trade payables	(50.8)	(17.9)	-	(0.1)
Accruals	(18.4)	(2.4)	-	(3.6)
Gross balance sheet exposure	**(160.1)**	**(25.6)**	**6.2**	**(2.2)**
Forward transactions	12.0	-	-	-
Net exposure	**(148.1)**	**(25.6)**	**6.2**	**(2.2)**

The following foreign exchange rates were applied in the presented periods:

	Average rate		Rates at the reporting date	
(in PLN)	2021	2020	31 December 2021	31 December 2020
1 EUR	4.5674	4.4448	4.5994	4.6148
1 USD	3.8629	3.8993	4.0600	3.7584
1 CHF	4.2252	4.1532	4.4484	4.2641
1 XDR	5.5009	5.4301	5.6917	5.4632

For the purposes of the exchange rate sensitivity analysis as at 31 December 2021 and 31 December 2020, exchange rate volatility in the +/- 5% range was assumed as probable. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2021					2020				
	As at 31 December 2021		Estimated change in exchange rate	Estimated change in profit	Estimated change in other comprehensive income	As at 31 December 2020		Estimated change in exchange rate	Estimated change in profit	Estimated change in other comprehensive income
	in currency	in PLN	in %	in PLN	in PLN	in currency	in PLN	in %	in PLN	in PLN
Trade receivables										
EUR	19.4	89.3	5%	4.4	-	11.9	54.9	5%	2.8	-
USD	3.8	15.3	5%	0.9	-	2.8	10.5	5%	0.5	-
XDR	0.4	2.3	5%	0.1	-	1.5	8.2	5%	0.4	-
Cash and cash equivalents										
EUR	12.0	55.2	5%	2.8	-	10.2	47.1	5%	2.3	-
USD	5.4	21.8	5%	1.2	-	2.2	8.1	5%	0.6	-
CHF	0.3	1.4	5%	-	-	6.2	26.4	5%	1.4	-
UMTS license liabilities										
EUR	(30.4)	(139.9)	5%	(6.9)	-	(57.1)	(263.4)	5%	(13.3)	-
Lease liabilities										
EUR	(37.0)	(170.2)	5%	(8.5)	-	(55.9)	(258.0)	5%	(12.9)	-
USD	(0.7)	(2.8)	5%	(0.2)	-	(10.3)	(38.7)	5%	(1.9)	-
Trade payables										
EUR	(176.8)	(813.2)	5%	(40.6)	-	(50.8)	(234.4)	5%	(11.8)	-
USD	(23.3)	(94.8)	5%	(4.5)	-	(17.9)	(67.3)	5%	(3.3)	-
XDR	(0.5)	(2.8)	5%	(0.2)	-	(0.1)	(0.5)	5%	(0.1)	-
Accruals										
EUR	(12.6)	(57.9)	5%	(3.0)	-	(18.4)	(85.1)	5%	(4.1)	-
USD	(3.5)	(14.4)	5%	(0.5)	-	(2.4)	(9.0)	5%	(0.5)	-
XDR	(4.2)	(23.9)	5%	(1.2)	-	(3.6)	(19.7)	5%	(1.0)	-

Change in operating profit				**(56.2)**	**-**				**(40.9)**	**-**
Forwards										
EUR	6.0	27.6	5%	1.4	-	12.0	55.4	5%	2.7	-
Income tax				10.4	-				7.3	-
Change in net profit				**(44.4)**	**-**				**(30.9)**	**-**

	2021					2020				
	As at 31 December 2021		Estimated change in exchange rate	Estimated change in profit	Estimated change in other comprehensive income	As at 31 December 2020		Estimated change in exchange rate	Estimated change in profit	Estimated change in other comprehensive income
	in currency	in PLN	in %	in PLN	in PLN	in currency	in PLN	in %	in PLN	in PLN
Trade receivables										
EUR	19.4	89.3	-5%	(4.4)	-	11.9	54.9	-5%	(2.8)	-
USD	3.8	15.3	-5%	(0.9)	-	2.8	10.5	-5%	(0.5)	-
XDR	0.4	2.3	-5%	(0.1)	-	1.5	8.2	-5%	(0.4)	-
Cash and cash equivalents										
EUR	12.0	55.2	-5%	(2.8)	-	10.2	47.1	-5%	(2.3)	-
USD	5.4	21.8	-5%	(1.2)	-	2.2	8.1	-5%	(0.6)	-
CHF	0.3	1.4	-5%	-	-	6.2	26.4	-5%	(1.4)	-
UMTS license liabilities										
EUR	(30.4)	(139.9)	-5%	6.9	-	(57.1)	(263.4)	-5%	13.3	-
Lease liabilities										
EUR	(37.0)	(170.2)	-5%	8.5	-	(55.9)	(258.0)	-5%	12.9	-
USD	(0.7)	(2.8)	-5%	0.2	-	(10.3)	(38.7)	-5%	1.9	-
Trade payables										
EUR	(176.8)	(813.2)	-5%	40.6	-	(50.8)	(234.4)	-5%	11.8	-
USD	(23.3)	(94.8)	-5%	4.5	-	(17.9)	(67.3)	-5%	3.3	-
XDR	(0.5)	(2.8)	-5%	0.2	-	(0.1)	(0.5)	-5%	0.1	-
Accruals										
EUR	(12.6)	(57.9)	-5%	3.0	-	(18.4)	(85.1)	-5%	4.1	-
USD	(3.5)	(14.4)	-5%	0.5	-	(2.4)	(9.0)	-5%	0.5	-
XDR	(4.2)	(23.9)	-5%	1.2	-	(3.6)	(19.7)	-5%	1.0	-

Change in operating profit				**56.2**	**-**				**40.9**	**-**
Forwards										
EUR	6.0	27.6	-5%	(1.4)	-	12.0	55.4	-5%	(2.7)	-
Income tax				(10.4)	-				(7.3)	-
Change in net profit				**44.4**	**-**				**30.9**	**-**

	2021		2020	
	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
Estimated change in exchange rate by 5 %				
EUR	(40.8)	-	(27.8)	-
USD	(2.5)	-	(3.7)	-
CHF	-	-	1.1	-
XDR	(1.1)	-	(0.5)	-
Estimated change in exchange rate by -5 %				
EUR	40.8	-	27.8	-
USD	2.5	-	3.7	-
CHF	-	-	(1.1)	-
XDR	1.1	-	0.5	-

Had Polish zloty strengthened 5% against the basket of currencies as at 31 December 2021 and 31 December 2020, the Group's net profit would have decreased by PLN 44.4 and decreased by PLN 30.9, respectively and other comprehensive income would have been unchanged in 2021 and would have been unchanged in 2020. Had the Polish zloty appreciated 5%, the Group's net profit would have correspondingly increased by PLN 44.4 in 2021 and increased by PLN 30.9 in 2020, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

Interest rate risk

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

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted (see note 30). In order to reduce interest rate risk exposure resulting from Metelem Holding Company Ltd. group (currently Polkomtel Sp. z o.o. group) interest payments on floating rate senior facilities, the Group also uses interest rate swaps and for them hedge accounting was not adopted.

At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount	
	31 December 2021	31 December 2020
Fixed rate instruments		
Financial assets	41.6	60.1
Variable rate instruments		
Financial assets *	3,219.2	1,100.7
Financial liabilities *	(11,602.4)	(13,456.8)
Net interest exposure	**(8,383.2)**	**(12,356.1)**

* nominal debt

The Group classifies loan liabilities as variable rate instruments. Changes in the interest rate components do not result in a change in the carrying amount of the loan liability. The changes are reflected prospectively in the interest expense on loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments (pre-tax effect):

	Income statement		Other comprehensive income		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2021						
Variable rate instruments *	(61.6)	61.6	7.8	(7.8)	(53.8)	53.8
Cash flow sensitivity (net)	**(61.6)**	**61.6**	**7.8**	**(7.8)**	**(53.8)**	**53.8**
31 December 2020						
Variable rate instruments *	(89.0)	89.0	9.3	(9.3)	(79.7)	79.7
Cash flow sensitivity (net)	**(89.0)**	**89.0**	**9.3**	**(9.3)**	**(79.7)**	**79.7**

* include sensitivity in fair value changes of hedging instruments (interest rate swaps) due to changes in interest rates

For some instruments the Group applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN on senior facility hedged by interest rate swap.

Fair value vs. carrying amount

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

			31 December 2021		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	72.1	72.4	7.8	7.8
Trade and other receivables	A	*	3,117.5	3,117.5	3,121.6	3,121.6
Cash and cash equivalents and short-term deposits	A	*	3,632.4	3,632.4	1,355.4	1,355.4
Restricted cash	A	*	11.9	11.9	10.4	10.4
Loans and borrowings	B	2	(8,656.2)	(8,744.5)	(9,796.2)	(9,640.8)
Issued bonds	B	1	(2,045.5)	(2,008.5)	(2,023.1)	(1,997.9)
UMTS licence liabilities	B	2	(143.2)	(139.9)	(274.2)	(263.4)
Lease liabilities	B	2	(698.6)	(698.6)	(1,573.0)	(1,573.0)
Accruals	B	*	(919.6)	(919.6)	(970.4)	(970.4)
Liabilities to shareholders of the Parent Company related to dividend for 2019	B	*	-	-	(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	*	(1,627.7)	(1,627.7)	(969.9)	(969.9)
Total			**(7,256.9)**	**(7,304.6)**	**(12,075.3)**	**(11,883.9)**
Unrecognized gain/(loss)				47.7		(191.4)

A – assets measured at amortised costs

B – liabilities measured at amortised costs

* 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 an 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 or EURIBOR interest rate plus a margin regarding the credit risk.

As at 31 December 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 31 December 2021 and 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) were analyzed.

The fair value of issued bonds as at 31 December 2021 and 31 December 2020 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

As at 31 December 2021, the Group held the following financial instruments carried at fair value on the statement of financial position:

ASSETS MEASURED AT FAIR VALUE

	31 December 2021	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**70.5**	**-**
Interest rate swaps		-	70.5	-
Hedging derivative instruments		**-**	**13.4**	**-**
Interest rate swaps		-	13.4	-
Investments in equity instruments		**-**	**0.6**	**-**
Total		**-**	**84.5**	**-**

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

As at 31 December 2020, the Group held the following financial instruments measured at fair value:

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)**	**-**

Items of income, costs, profit and losses recognized in profit or loss generated by loans and bonds (including hedging transactions)

For the period from 1 January 2021 to 31 December 2021	Loans and borrowings	Bonds	Hedging instruments	Derivative instruments not designated as hedging instruments	Total
Interest expense on loans and borrowings	(202.9)	-	(5.1)	83.7	**(124.3)**
Interest expense on bonds	-	(49.6)	-	-	**(49.6)**
Total finance costs	(202.9)	(49.6)	(5.1)	83.7	**(173.9)**
Total gross profit/(loss)	**(202.9)**	**(49.6)**	**(5.1)**	**83.7**	**(173.9)**
Hedge valuation reserve	**-**	**-**	**21.4**	-	**21.4**

For the period from 1 January 2020 to 31 December 2020	Loans and borrowings	Bonds	Hedging instruments	Derivative instruments not designated as hedging instruments	Total
Interest expense on loans and borrowings	(213.2)	-	(1.8)	(68.7)	**(283.7)**
Interest expense on bonds	-	(44.0)	-	-	**(44.0)**
Total finance costs	(213.2)	(44.0)	(1.8)	(68.7)	**(327.7)**
Total gross profit/(loss)	**(213.2)**	**(44.0)**	**(1.8)**	**(68.7)**	**(327.7)**
Hedge valuation reserve	**-**	**-**	**(10.0)**	-	**(10.0)**

Hedge accounting and derivatives

Cash Flow Hedge of interest rate risk of interest payments

As at 31 December 2021, the Group held a number of interest rate swaps not designated as hedges in order to reduce the risk of floating interest payments on senior facilities denominated in PLN.

The table below presents the basic parameters of IRS not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2021	31 December 2020
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	3,000.0	3,500.0
Fair value of hedging instruments	70.5	(45.4)
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 30 September 2024	Until 30 June 2023

As at 31 December 2021, the Group held a number of interest rate swaps designated as hedges of floating interest payments on senior facility denominated in PLN. The interest rate swaps are being used to hedge the interest rate risk of the Group's floating rate financing in PLN.

The terms of the interest rate swaps have been negotiated to match the terms of the floating rate financing in PLN. The hedge ineffectiveness identified during the reporting period was recognized in the income statement.

The table below presents the basic parameters of IRS designated as hedging instruments, including the periods in which cash flows occur due to cash flow hedges, periods they will affect the financial results and fair value in PLN of hedging instruments as at the balance sheet date.

	31 December 2021	31 December 2020
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	500.0	500.0
Fair value of hedging instruments	13.4	(10.2)
Hedge accounting approach	Cash Flow Hedge	Cash Flow Hedge
Expected period the hedge item affect income statement	Until 31 December 2024	Until 31 March 2023

Change in fair value of cash flow hedges is presented below (pre-tax):

	2021	2020
Opening Balance	**(10.2)**	**0.2**
Effective part of gains or losses on the hedging instrument	20.8	(12.2)
Amounts recognized in equity transferred to the profit and loss statement, of which:	2.8	1.8
• adjustment of interest costs	5.1	1.8
• recognition of inefficiencies	(2.3)	-
Closing Balance	**13.4**	**(10.2)**

Cash Flow Hedge of foreign exchange risk of operational payments

As at 31 December 2021 the Group held a number of forwards not designated as hedges in order to reduce the risk of operational payments in EUR.

The table below presents the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occurred, periods they affected the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2021	31 December 2020
Type of instrument	Forward	Forward
Exposure	Operational payments in euro	Operational payments in euro
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	6.0	12.0
Fair value of hedging instruments	-	2.0
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 21 January 2022	Until 26 March 2021

41. Capital management

This note presents information about the Group's management of capital. Further quantitative disclosures are also included throughout these financial statements.

The goal of capital management is to maintain the Group's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

The Group monitors capital on the basis of leverage ratio, which is calculated as a ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings and issued bonds less cash and cash equivalents (including restricted cash).

	Carrying amount	
	31 December 2021	31 December 2020
Loans and borrowings	8,744.5	9,640.8
Bonds	2,008.5	1,997.9
Cash and cash equivalents and restricted cash	(3,644.3)	(1,365.8)
Net debt	**7,108.7**	**10,272.9**
Equity	15,384.6	14,426.2
Equity and net debt	**22,493.3**	**24,699.1**
Leverage ratio	**0.32**	**0.42**

42. 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 (Polsat Box Go, formerly 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.

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 year ended 31 December 2021:

The year ended 31 December 2021	B2C and B2B services	Media: TV and online	Consolidation adjustments	Total
Revenues from sales to third parties	10,396.3	2,047.7	-	**12,444.0**
Inter-segment revenues	58.4	216.4	(274.8)	**-**
Revenues	10,454.7	2,264.1	(274.8)	**12,444.0**
EBITDA adjusted (unaudited)	**3,389.7**	**629.3**	**-**	**4,019.0**
Gain on disposal of a subsidiary	3,680.6	-	-	**3,680.6**
EBITDA (unaudited)	**7,070.3**	**629.3**	**-**	**7,699.6**
Depreciation, amortization, impairment and liquidation	1,787.5	115.7	-	**1,903.2**
Profit from operating activities	**5,282.8**	**513.6**	-	**5,796.4**
Acquisition of property, plant and equipment and other intangible assets	1,049.3	109.5	-	**1,158.8**
Acquisition of reception equipment	110.0	-	-	**110.0**
Balance as at 31 December 2021				
Assets, including:	25,633.1	6,713.7*	(109.8)	**32,237.0**
Investments in joint venture and shares in associates	1,764.4	5.9	-	**1,770.3**

* includes non-current assets located outside of Poland in the amount of PLN 8.7

All material revenues are generated in Poland.

It should be noted that the data for 12 months ended 31 December 2021 allocated to both the "B2C and B2B services" segment and "Media" segment are not fully comparable to the data for 12 months ended 31 December 2020 due to changes in the structure of the Group, described in notes 5, 38, 39 and 48.

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 year ended 31 December 2020:

The year ended 31 December 2020	B2C and B2B services	Media: TV and online	Consolidation adjustments	Total
Revenues from sales to third parties	10,167.1	1,795.8	-	**11,962.9**
Inter-segment revenues	63.7	211.1	(274.8)	**-**
Revenues	**10,230.8**	**2,006.9**	**(274.8)**	**11,962.9**
EBITDA adjusted (unaudited)	**3,631.6**	**606.2**	**-**	**4,237.8**
Costs related to COVID (including donations)	41.8	4.1	-	**45.9**
EBITDA (unaudited)	**3,589.8**	**602.1**	**-**	**4,191.9**
Depreciation, amortization, impairment and liquidation	2,238.3	67.4	-	**2,305.7**
Profit from operating activities	**1,351.5**	**534.7**	**-**	**1,886.2**
Acquisition of property, plant and equipment and other intangible assets	1,112.4	105.5	-	**1,217.9**
Acquisition of reception equipment	147.5	-	-	**147.5**
Balance as at 31 December 2020				
Assets, including:	27,448.6	5,717.2*	(50.8)	**33,115.0**
Investments in joint venture and shares in associates	1,257.8	5.9	-	**1,263.7**

* includes non-current assets located outside of Poland in the amount of PLN 10.8

Reconciliation of EBITDA and Net profit for the period:

	for the year ended	
	31 December 2021	31 December 2020
EBITDA adjusted (unaudited)	**4,019.0**	**4,237.8**
Gain on disposal of a subsidiary	3,680.6	-
Costs related to COVID (including donations)	-	(45.9)
EBITDA (unaudited)	**7,699.6**	**4,191.9**
Depreciation, amortization, impairment and liquidation (note 10)	(1,903.2)	(2,305.7)
Profit from operating activities	**5,796.4**	**1,886.2**
Other foreign exchange rate differences, net (note 11)	(5.2)	(59.6)
Interest costs, net (note 11 and 12)	(202.7)	(424.2)
Share of the profit/(loss) of associates accounted for using the equity method	75.4	2.0
Cumulative catch-up (note 12)	-	44.8
Other	2.2	(7.1)
Gross profit for the period	**5,666.1**	**1,442.1**
Income tax	(1,251.6)	(295.9)
Net profit for the period	**4,414.5**	**1,146.2**

43. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenue comprise revenue from services, products, goods and materials sold, costs comprise selling expenses.

	for the year ended	
	31 December 2021	31 December 2020
Revenues from barter transactions	41.3	53.7
Cost of barter transactions	40.1	48.4

	31 December 2021	31 December 2020
Barter receivables	12.9	14.8
Barter payables	6.2	1.3

44. Transactions with related parties

Receivables

	31 December 2021	31 December 2020
Joint ventures and associates	0.7	17.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	9.6	7.5
Total*	**10.3**	**25.4**

* amounts presented above do not include deposits paid (31 December 2021 – PLN 3.5, 31 December 2020 – PLN 3.5)

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

Other assets

	31 December 2021	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.	1.2	2.3
Total	**1.2**	**2.3**

Liabilities

	31 December 2021	31 December 2020
Joint ventures and associates	83.8	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.	195.1	482.8[(1)]
Total	**278.9**	**559.9**

[(1)]Includes liabilities related to dividend paid on 11 January 2021 in the amount of PLN 236.8.

Liabilities relate mainly to liabilities for lease of premises and facilities.

Loans granted

	31 December 2021	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.	33.1	6.9
Total	**33.1**	**6.9**

Loans received

	31 December 2021	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.	5.6	5.4
Total	**5.6**	**5.4**

REVENUE

	for the year ended	
	31 December 2021	31 December 2020
Subsidiaries*	12.7	4.0
Joint ventures and associates	4.3	24.9
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.	120.3	41.5
Total	**137.3**	**70.4**

* Concerns transaction with subsidiaries executed prior to their acquisition.

In the period of 12 months ended 31 December 2021 the most significant transactions include photovoltaic installations.

EXPENSES AND PURCHASES OF PROGRAMMING ASSETS

	for the year ended	
	31 December 2021	31 December 2020
Subsidiaries*	0.2	14.8
Joint ventures and associates	11.4	13.6
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.	307.7	269.1
Total	**319.3**	**297.5**

* Concerns transaction with subsidiaries executed prior to their acquisition.

In the period of 12 months ended 31 December 2021 and 12 months ended 31 December 2020 the most significant transactions include *inter alia* cost of electrical energy and advertising services.

GAIN/(LOSS) ON INVESTMENT ACTIVITIES, NET

	for the year ended	
	31 December 2021	31 December 2020
Subsidiaries*	-	1.4
Joint ventures and associates	59.2	
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.	(7.0)	(9.0)
Total	**52.2**	**(7.6)**

* Concerns transaction with subsidiaries executed prior to their acquisition.

FINANCE COSTS

	for the year ended	
	31 December 2021	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.	0.2	0.3
Total	**0.2**	**0.3**

Transactions with related parties are also described in note 48.

45. Contingent liabilities

Management believes that the provisions as at 31 December 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 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 (i.e. EUR 1.0). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. On 28 April 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3. Polkomtel and President of UOKiK appealed against the verdict. On 3 April 2020 both Polkomtel's and the President's of UOKiK appeals have been dismissed. The Court of Appeal upheld the SOKiK's decision. On 20 April 2020 Polkomtel made a payment in the amount of PLN 1.3. Polkomtel and the President of UOKiK filed cassation appeals against the Court of Appeal's verdict.

On 23 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK, Polkomtel was charged with a penalty in the amount of PLN 8.8. The company appealed to SOKiK against the decision. On 24 October 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict. On 30 August 2018 Court of Appeals issued a decision where the penalty has been reduced to PLN 1.5. On 20 November 2018 Polkomtel made a payment in the amount of PLN 1.5. On 13 March 2019 SOKiK dismissed the appeal in remaining scope. Polkomtel appealed against the decision. On 5 February 2021 the Court of Appeals verdict reduced the amount of penalty in the remaining scope to PLN 0.7. On 18 February 2021 Polkomtel paid a penalty of PLN 0.7. Polkomtel did not file a cassation appeal.

On 30 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's subsidiary) alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0. The

company appealed to SOKiK against the decision. On 5 March 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw. The Court of Appeal annulled in full the verdict of the first instance court and returned the case back to the first instance court. On 1 April 2021 SOKiK dismissed Polkomtel's appeal. On 24 January 2022 Polkomtel's appeal was dismissed. Polkomtel examines the possibility of bringing a cassation 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 24 November 2020, the Court of Appeal revoked the SOKiK decision and transferred the case for re-examination. On 19 April 2021, SOKiK dismissed Polkomtel's appeal in its entirety. Polkomtel appealed against the SOKiK decision. On 10 November 2021, the Court of Appeal upheld the penalty originally imposed by UOKiK. Polkomtel examines the possibility of bringing a cassation appeal. 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 12 January 2022, the Supreme Court accepted the Company's cassation appeal for consideration.

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 the Court 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 submitted 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. Polkomtel appealed against the SOKiK judgment.

On 19 December 2019 the President of UOKiK issued a decision stating that the operations of the Company were allegedly infringing collective consumer interests by hindering access to ZDF and Das Erste channels during the Euro 2016 championship by removing these channels and incomplete and unreliable information to consumers in response to reports regarding unavailability of the above programs. Pursuant to the decision of the President of UOKiK the Company was charged with a penalty in the amount of PLN 34.9. The Company appealed against this decision to SOKiK. On 14 February 2022 First Instance Court dismissed the Company's appeal in its entirety. The Company plans to file an appeal.

On 31 December 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 additional fees for data transmission using the RSTP protocol, despite the subscribers having internet packages or unlimited LTE Internet services. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 50.6. Polkomtel appealed to SOKiK against the decision. On 15 December 2021, SOKiK

announced decision in which it dismissed Polkomtel's appeal in its entirety. Polkomtel is considering an appeal against the SOKiK decision.

On 22 January 2020 the President of UOKiK issued a decision stating that the operations of Polkomtel (Company's subsidiary) were allegedly infringing collective consumer interests by clauses included in the terms and conditions of telecommunications services regarding prepaid services and expiration of the unused value of the subscribers' accounts. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 20.4. Polkomtel appealed to SOKiK against the decision.

Other proceedings

In September 2015, Polkomtel (Company's subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of PLN 316.0 (including interest of PLN 85.0), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland S.A., Polkomtel and T-Mobile Poland S.A. On 27 December 2018 Court dismissed the entire claim. P4 Sp. z o.o. appealed against the decision. On 28 December 2020, the Court of Appeal referred the case to the District Court for reconsideration, Polkomtel appealed to the Supreme Court against this decision. On 13 November 2020, the P4 sp. z o.o. claim for payment of PLN 313, including interest of PLN 85, was delivered by the court. This lawsuit constitutes an "extension" of P4 Sp. z o.o claim dated September 2015 and concerns a further period of the acts alleged against the defendants, i.e. from April 2012 to December 2014.

Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

On 28 April 2017, 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 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 hearing took place on 20 October 2021. The next hearing is scheduled for 11 May 2022.

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 last hearing took place on 16 March 2022, the hearing was postponed without a deadline.

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.

46. Remuneration of the Management Board

The table below presents the Management Board's remuneration.

Name	Function	2021	2020
Mirosław Błaszczyk	President of the Management Board	1.0	1.0
Maciej Stec	Vice-President of the Management Board	0.8	0.8
Jacek Felczykowski	Member of the Management Board	1.0	1.0
Aneta Jaskólska	Member of the Management Board	0.9	0.9
Agnieszka Odorowicz	Member of the Management Board	0.6	0.6
Katarzyna Ostap-Tomann	Member of the Management Board	1.0	1.0
Total		**5.3**	**5.3**

The amounts of bonuses and other remuneration payable to each member of the Management Board for 2021 and 2020 are presented below:

Name	Function	2021	2020
Mirosław Błaszczyk	President of the Management Board	2.5	2.5
Maciej Stec	Vice-President of the Management Board	3.5	2.5
Jacek Felczykowski	Member of the Management Board	1.0	1.5
Aneta Jaskólska	Member of the Management Board	1.8	1.7
Agnieszka Odorowicz	Member of the Management Board	0.8	0.8
Katarzyna Ostap-Tomann	Member of the Management Board	2.2	2.0
Total		**11.8**	**11.0**

47. Remuneration of the Supervisory Board

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007. On 29 June 2016 the Annual General Meeting adopted the resolution concerning changes in remuneration of members of the Supervisory Board.

Presented below is the total remuneration payable to the Supervisory Board members in 2021 and 2020:

Name	Function	2021	2020
Zygmunt Solorz	Chairman of the Supervisory Board (from 24 June 2021)	0.12	-
Marek Kapuściński	Vice-Chairman of the Supervisory Board	0.21	0.24
Józef Birka	Member of the Supervisory Board	0.18	0.18
Jarosław Grzesiak	Member of the Supervisory Board (from 24 June 2021)	0.09	-
Marek Grzybowski	Independent Member of the Supervisory Board (from 23 July 2020)	0.18	0.08
Alojzy Nowak	Independent Member of the Supervisory Board (from 24 June 2021)	-	-
Tobias Solorz	Member of the Supervisory Board (from 24 June 2021)	0.09	-
Tomasz Szeląg	Member of the Supervisory Board	0.18	0.18
Piotr Żak	Member of the Supervisory Board	0.18	0.18
Robert Gwiazdowski	Member of the Supervisory Board (until 24 June 2021)	0.09	0.18
Aleksander Myszka	Member of the Supervisory Board (until 24 June 2021)	0.09	0.18
Leszek Reksa	Member of the Supervisory Board (until 24 June 2021)	0.09	0.18
Paweł Ziółkowski	Independent Member of the Supervisory Board (until 24 June 2021)	0.09	0.08
Total		**1.59**	**1.48**

48. 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 millions) shares issued by Netia S.A. entitling to 114,173,459 (not in millions) 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 millions) 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. As of 8 March 2021 the Company held 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. Due to the fact that the share price of PLN 4.80 (not in millions) set in the tender offer was lower than the price for which the Company acquired Netia's shares in transactions described below, the Company made additional payment in September 2021 to Netia's shares sellers in the tender offer announced on 23 December 2020 in the amount of PLN 0.2.

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.

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 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.

All above transactions as at 31 December 2021 were recognized in equity as transactions with non-controlling shareholders.

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. ("Towerlink").

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 7,070.3. 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 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 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.

On 12 July 2021 company's name change from Polkomtel Infrastruktura Sp. z o.o. to Towerlink Poland Sp. z o.o. was registered.

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 commitments. Future payments for the services provided by Towerlink as well as early termination payments are variable and depend on a number of conditions specified in the Master Service Agreement. Had the Master Service Agreement been concluded on 1 January 2021 the estimated Group's related expenses would have amounted to PLN 1,099 for the period of 12 months ended 31 December 2021.

Polkomtel Infrastruktura's financial results were presented in the "B2C and B2B services" segment.

Acquisition of the Company's own treasury shares

On 28 September 2021 the Company, in agreement with its parent entities, announced a tender offer for the sale of 263,807,651 (not in millions) shares, issued by Cyfrowy Polsat S.A. representing in total approximately 41.24% of the share capital of the Company and carrying the right to 278,447,597 (not in millions) votes at the general meeting of the Company, which is equivalent to approximately 34.00% votes at the general meeting of the Company.

Cyfrowy Polsat intended to acquire no more than 82,904,517 (not in millions) own treasury shares in the tender offer. The tender offer price was set at PLN 35.00 (not in millions) per share.

On 16 November 2021, the Extraordinary General Meeting of the Company adopted a resolution authorizing the Management Board to acquire own treasury shares and to create a capital reserve for the purposes of the own treasury shares buy-back program in the amount of PLN 2,930.0.

On 24 November 2021, the tender offer was settled. As a result of the settlement the Company acquired directly 11,768,260 (not in millions) own treasury shares for the amount of PLN 411.9, representing in total 1.84% of the share capital of the Company and carrying the right to 11,768,260 (not in millions) votes at the general meeting of the Company, which is equivalent to 1.44% of votes at the general meeting of the Company.

On 25 November 2021, the Management Board of the Company decided that the Company shall acquire up to 29,000,000 (not in millions) ordinary shares in the Company from Reddev Investments Limited (Company's related entity) at a price not exceeding PLN 35.00 (not in millions) per share.

On 26 November 2021 the Company acquired 27,400,000 (not in millions) own treasury shares from Reddev Investments Limited (Company's related entity) for the amount of PLN 959.0, representing in total 4.28% of the share capital of the Company and carrying the right to 27,400,000 (not in millions) votes at the general meeting of the Company, which is equivalent to 3.35% of votes at the general meeting of the Company.

On 21 December 2021 the Management Board of the Company decided that the Company shall acquire up to 32,005,866 (not in millions) ordinary shares in the Company from Embud 2 spółka z ograniczoną odpowiedzialnością S.K.A. (Company's related entity) at a price not exceeding PLN 35.00 (not in millions) per share.

On 22 December 2021 the Company acquired 32,005,866 (not in millions) own treasury shares from Embud 2 spółka z ograniczoną odpowiedzialnością S.K.A. (Company's related

entity) for the amount of PLN 1,090.1, representing in total 5.00% of the share capital of the Company and carrying the right to 32,005,866 (not in millions) votes at the general meeting of the Company, which is equivalent to 3.92% of votes at the general meeting of the Company.

As at 31 December 2021, the Company holds 71,174,126 (not in millions) own treasury shares, representing in total 11.13% of the share capital of the Company and carrying the right to 71,174,126 (not in millions) votes at the general meeting of the Company, which is equivalent to 8.69% of votes at the general meeting of the Company.

Adoption of the Company's dividend policy for the years 2022-2024

On 20 December 2021 the Management Board of Cyfrowy Polsat has adopted a resolution regarding the dividend policy which assumes that dividend payout proposals, along with the Management Board's recommendations, will be presented every year to the General Meeting, subject to the following general principles:

- the amount of a dividend paid out every year shall guarantee the Company's shareholders an attractive return from invested capital,
- the level of the obtained return shall reflect the commonly available forms of safe investing of funds on the Polish market , in particular reflect the level of bank deposits rates, while taking into account a risk premium associated with floating of Cyfrowy Polsat's share prices on the Warsaw Stock Exchange
- the annually submitted proposal for distribution of the Company's net profit for the previous financial year should allow for the continuation of gradual reduction of the Group's net debt in order to achieve a level of indebtedness, as defined in the Company's Articles of Association.

The Company's Management Board reviewed the Group's investment plans and evaluated the possibilities of allocating the expected cash resources to pay out dividends to the Company's shareholders. Based on the conducted analysis, the Management Board intends to recommend in the years 2022-2024 dividend payout in the total amount of not less than PLN 3.00 (not in millions) per share in three installments as follows:

- at least PLN 1.00 (not in millions) per share to be paid out from net profit generated in 2021,
- at least PLN 1.00 (not in millions) per share to be paid out from net profit generated in 2022,
- at least PLN 1.00 (not in millions) per share to be paid out from net profit generated in 2023.

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

The dividend policy will be subject to regular verification by the Company's Management Board. The new dividend policy will take effect from 1 January 2022.

Adoption of the Group's new strategy

On 20 December 2021 the Company's Management Board has adopted a resolution regarding the Group's new strategy. The superior goal of the Group's strategy is the permanent, long-term growth of the Company's value for its shareholders. The Company's

Management Board intends to achieve this goal by implementing the key elements of operating strategy based on three main pillars and supported by an effective financial policy. The pillars of the new strategy, which are connectivity, content and clean energy, are described in detail in the Management Report in note 1.5

Preliminary share purchase agreements concerning PAK-Polska Czysta Energia Sp. z o.o., Port Praski Sp. z o.o. and Pantanomo Limited

In connection with the Group's new strategy announced on 20 December 2021, on 20 December 2021 Cyfrowy Polsat entered into the following agreements with related entities ("Agreements"):

- a preliminary agreement concerning the Company's purchase of shares in PAK-Polska Czysta Energia Sp. z o.o.("PAK-PCE"), representing 67% of PAK-PCE's share capital, executed between the Company and ZE PAK S.A. ("ZE PAK")
- a preliminary agreement concerning the Company's purchase of 1,070,000 (not in millions) shares in Port Praski Sp. z o.o. ("Port Praski"), representing approximately 66.94% of Port Praski's share capital, executed between the Company and Embud 2 Sp. z o.o. S.K.A. ("Embud"), and
- a preliminary agreement concerning the Company's purchase of 4,705 (not in millions) shares in Pantanomo Limited ("Pantanomo"), representing approximately 32% of Pantanomo's share capital, executed between the Company and Tobe Investments Group Limited ("Tobe")

The base purchase price for shares in PAK-PCE was set at PLN 193.1, for shares in Port Praski at PLN 572.2 and for shares in Pantanomo at PLN 307.2.

The agreement concerning shares in PAK-PCE also provides for an additional ZE PAK obligation, to be performed after the date of sale of shares in PAK-PCE being the subject of the agreement. The whole biomass-based electricity generation business conducted in Elektrownia Konin will be spun-off from the ZE PAK enterprise as an organized part of the enterprise ("Elektrownia Konin OPE"). ZE PAK agreed to contribute the Elektrownia Konin OPE to PAK-PCE (after the Company acquires shares in PAK-PCE) as in-kind contribution valued at PLN 906.5 as at 30 September 2021. In consideration for this in-kind contribution, PAK-PCE will issue shares to ZE PAK and ZE PAK agrees to sell to the Company 67% of those shares for a total price of PLN 607.4. Part of the price for the new PAK-PCE shares in the amount of PLN 90.0 will be required to be paid as a down payment by the Company upon acquisition of shares in PAK-PCE.

The total price for shares in PAK-PCE and the new PAK-PCE shares to be issued in relation to the in-kind contribution in the form of Elektrownia Konin OPE will amount to PLN 800.5. If ZE PAK does not contribute the Elektrownia Konin OPE as an in-kind contribution to PAK-PCE, ZE PAK will be obliged to return the down payment and pay a contractual penalty to the Company in the amount of PLN 100.0.

The closing of the transactions pursuant to the Agreements is contingent on the satisfaction of the following conditions precedent:

- the Company being satisfied with the results of a documentation review, including specifically the legal and tax documents of the companies whose shares are being acquired and their subsidiaries
- the Company obtaining the Supervisory Board's approval for completing the transactions pursuant to the Agreements.

In addition, the closing of the transactions is contingent on the satisfaction of additional conditions precedent in the Agreements including the implementation of agreed changes to the acquired capital structures.

Pursuant to the Agreements, all the conditions precedent have been reserved for the benefit of the Company, therefore the Company may decide to proceed with the closing, despite a condition precedent not having been fulfilled in whole or in part and, should the transactions to which the additional conditions refer not be completed, may accordingly reduce the base prices.

Pursuant to the Agreements, the Company may terminate each of them with immediate effect, if:

- any of the conditions precedent is not satisfied by 31 March 2022 (the deadline may be extended by the parties by no more than 90 days), regardless of the reason,
- a seller fails to provide the Company with documents that are key for the legal due diligence review, or
- irregularities identified in the course of a legal due diligence review may result in losses in a significant amount (which varies depending on the Agreement), and remedying the identified irregularities is not objectively feasible.

Power purchase agreement for green energy

On 12 March 2021, Polkomtel (Company's subsidiary) and ZE PAK group concluded an agreement for the purchase of the total volume of green energy produced by the photovoltaic farm Brudzew. 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.

Decision of the Head of the Małopolska Tax Office in Cracow

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

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

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

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

The Head of the Małopolska Tax Office in Cracow issued a decision on 19 July 2019 in respect to the year 2013. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2013 in the amount of PLN 25.1 increased by interest on tax arrears. The Company appealed against the decision, but on 14 February 2020 the Tax Authority maintained its position. The Company filed a complaint against the decision to the Administrative Court. On 15 October 2020, the Voivodship Administrative Court in Cracow dismissed the complaint. The Company, based on the opinions of reputable advisers, does not agree with the court's decision and filed a cassation appeal to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set. The Company has not created any provisions encumbering its financial results.

The Head of the Tax Office in Cracow issued a decision on 20 September 2019 in respect to the year 2014. The decision assessed the Company's tax liability from uncollected withholding corporate income tax in 2014 in the amount of PLN 1.7 increased by interest on tax arrears. The Company appealed against the decision of the Tax Authority. In a second instance decision issued on 8 June 2020, the Tax Authority fully maintained its position. The Company filed a complaint against the decision to the Administrative Court. On 20 October 2020, the Voivodship Administrative Court in Cracow dismissed the complaint. The Company, based on the opinions of reputable advisers, does not agree with the court's decision and filed a cassation appeal to the Supreme Administrative Court in Warsaw. The date of the hearing has not been set. The Company has not created any provisions encumbering its financial results.

The legal dispute in respect to the telecommunication concession

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

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

In the proceedings instigated by T-Mobile Polska S.A., the President of UKE resumed the proceedings which were terminated on 23 April 2009 by the issuance of a final decision by the President of UKE which sustained the decision of the President of UKE dated 30 November 2007 concerning the frequency reservation in the 1710-1730 MHz and 1805-1825 MHz range. Under these proceedings, in the decision dated 28 November 2017 the President of UKE refused, after resuming the proceedings, to annul the reservation decision of the President of UKE dated 23 April 2009. This decision was upheld by the decision of the President of UKE dated 4 June 2018. In connection with complaints filed against this decision, in the ruling of 11 March 2019 the Voivodship Administrative Court in Warsaw annulled the decision of the President of UKE dated 4 June 2018. Aero2 Sp. z o.o. (currently Polkomtel Sp. z o.o.) filed a cassation appeal against the judgment, which is awaiting the consideration by the NSA.

On 4 October 2018, T-Mobile Polska S.A. filed a complaint with the Voivodship Administrative Court in Warsaw against the announcement dated 5 September 2018 issued by the President of UKE in respect to the activities necessary to remove the breach constituting the reason for invalidating two frequency reservations (each including 48 duplex radio channels with a duplex spacing of 95 MHz each, ranges 1710-1730 MHz and 1805-1825 MHz). On 20 November 2018, Voivodship Administrative Court in Warsaw rejected the complaint of T-Mobile Polska S.A. On 4 July 2019, the Supreme Administrative Court annulled the decision of the Voivodship Administrative Court in Warsaw dated 20 November 2018, as a result of a cassation appeal filed by T-Mobile Polska S.A. On 18 August 2020, the announcement of the President of UKE dated 5 September 2018 was considered ineffective by the Voivodship Administrative Court in Warsaw. NSA annulled that judgment on 9 December 2021 (act sign II GSK 584/21). The case was remanded for re-examination to Voivodship Administrative Court in Warsaw and is awaiting the consideration.

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 S.A. and Sferia S.A. (Sferia), a company owned by the Cyfrowy Polsat Group in 51% since 29 February 2016, received from the Ministry of Digital Affairs a copy of the European Commission's decision dated 21 September 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. On 4 February 2022, the European Commission began consultations on this matter and Cyfrowy Polsat and Sferia submitted their comments. Both companies believe that no illegal state aid was granted.

Auction for spectrum reservation from the 3.6 GHz band

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

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

Due to the state of the epidemic announced on 20 March 2020 and pursuant to the provision 15 zzs par. 1 item 10 of the Act on the specific solutions related to preventing, blocking and combating COVID-19 the above deadline was suspended with effect from 31 March 2020 until the termination of the epidemic emergency status. On 10 June 2020 the President of UKE annulled the auction for the reservation of frequencies in the 3.6-3.8 GHz band announced on 6 March 2020 based on provisions of "Anti-Crisis Shield 3.0" Act of 14 May 2020. The ordinance of the Minister of Digitization on the distribution schedule of frequency resources used as civilian in civil or civil-government use specifies the deadline for issuing a decision on the reservation of 3.6-3.8 GHz frequencies by 27 August 2021. However, the exact date of the re-auction for frequency reservations in the 3.6-3.8 GHz band is unknown yet.

Renewal of the frequency reservations

Frequency reservations allocated in the 2100 MHz band held by Polkomtel Sp. z o.o. and frequency reservations allocated in the 1800 MHz band held by Aero 2 Sp. z o.o will expire at the end of 2022. On 30 November 2021 Polkomtel and Aero were merged, consequently Polkomtel entered into the rights and obligations of Aero 2 and thus taking over the right to Aero 2 frequencies. In December 2021 Polkomtel Sp. z o.o. applied to UKE President for the reservation of frequencies allocated in the 2100 MHz band for the next period as well as for the reservation of frequencies allocated in 1800 MHz band.

Due to the fact that in December 2021 a process of ensuring order in the frequencies management relating to frequencies allocated in the 2100 MHz band was undertaken by the UKE President and due to the fact that the procedure aiming at changing the reservations of frequencies allocated in the 2100 MHz band to four mobile network operators in Poland (including Polkomtel) was completed in March 2022 as well as due to the UKE President's proceedings still pending with regard to the four operators for the reservation of frequencies in the 2100 MHz band for the next period, Polkomtel decided to modify its request for renewal in the 2100 MHz band. The modification relates to reserving frequencies only in the 1950,1-1064,9 MHz and 2140,1-2154,9 MHz bands for the use throughout the country (mobile or fixed) for the next period until 31 December 2037.

It is estimated that the UKE President's decision on the above mentioned frequency reservations for the next period will take place no earlier than in mid of 2022, and the amounts to be paid for making these reservations may be respectively PLN 822 for frequency reservations in the 1800 MHz band (in accordance with the UKE President's preliminary estimate from December 2021) and PLN 404 for frequency reservations in the 2100 MHz band (Polkomtel's own estimate). The final, exact amounts for the renewal of the above mentioned frequency reservations will be known after the President of UKE publishes the draft reservation decisions.

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.

49. Events subsequent to the reporting date

Acquisition of shares in Vindix S.A.

On 19 January 2022 Cyfrowy Polsat acquired 53.73% shares in Vindix S.A. for the amount of PLN 24.0. As a result of the transaction the Company holds 100% of shares in Vindix S.A. and its subsidiaries.

Influence of the political and economic situation in Ukraine on the Group's operations and financial prospects

In the Management Board's view, the Company and Group's core business is relatively resistant to the adverse impact of the political and economic situation in Ukraine. More information is presented in the Management Report in note 5.10.1.

50. 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 4.3.6.

Commitments to purchase programming assets

As at 31 December 2021 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 December 2021	31 December 2020
within one year	205.0	182.9
between 1 to 5 years	366.1	315.6
more than 5 years	35.5	45.1
Total	**606.6**	**543.6**

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

	31 December 2021	31 December 2020
within one year	9.7	22.1
between 1 to 5 years	-	0.2
Total	**9.7**	**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 243.7 as at 31 December 2021 (PLN 313.2 as at 31 December 2020). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets was PLN 31.0 as at 31 December 2021 (PLN 64.9 as at 31 December 2020).

Future contractual obligations

As at 31 December 2021 and 31 December 2020 the Group had future liabilities due for transponder capacity agreements.

The table below presents future payments (total):

	31 December 2021	31 December 2020
within one year	125.6	126.0
between 1 to 5 years	376.7	503.9
Total	**502.3**	**629.9**

51. 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.

The most significant estimates and assumptions made primarily related to the following:

- Classification of lease agreements

For contracts in which the Group acts as a lessor, the Group classifies leasing agreements as operating or financial based on the assessment as to what extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on the economical substance of each transaction. The Group concludes agreements for the rental of reception equipment (set-top boxes, modems and routers) to its customers in the course of its business operations. These lease agreements are classified as operating leases as the Group holds substantially all the risks and rewards incidental to ownership of the reception equipment.

The Group entered into leases of office and other premises which are classified as operating leases. For more information see note 34.

- Lease term

For agreements which meet the lease definition, the Group determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. While determining the lease term the Group considers all relevant facts and circumstances, which could indicate that the Group will exercise the option to extend the lease. Lessee shall reassess an extension option, upon the occurrence of either a significant event or a significant change in the circumstances that are within control of the lessee. In terms of contracts with an indefinite period, the lease term is determined based on a professional judgment regarding the contract term. Contracts with indefinite periods for which the Group estimates reasonable certain lease terms include mainly the following:

- premises for technical infrastructure – estimated lease term is 2-10 years,
- dark fibers – estimated lease term is 2-10 years,
- points of sale premises – estimated lease term is 2 years.

- Discount rate used by the lessee

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

- Depreciation rates of property, plant and equipment and intangible assets with definite useful lives

Depreciation rates are based on the expected economic useful lives of property, plant and equipment (including reception equipment provided to customers under lease agreements) and intangible assets (including customer relationships and Plus and Netia brands). The expected economic useful lives are reviewed on an annual basis based on the experience of the entity.

The economic useful lives of the set-top boxes rented to customers under operating lease agreements are estimated for 5 years, modems and routers 3 years. For information on the useful lives of property, plant and equipment, programming assets and other intangible assets with definite useful lives see notes 6j and 6k. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives see notes 16 and 20.

- Economic useful lives and amortization method of programming assets

Economic useful life of programming assets is based on the shorter of the expected consumption of future economic benefits from the underlying asset and the license period. Amortisation method of programming assets reflects how these economical benefits are consumed. The estimation of the useful life and the amortization method requires assessment of the timing during which the Group is expecting to obtain the income from the acquired programming assets and the percentage apportionment of this income in the given period. For more information about the amortization method and amortization charge for the period by programming assets' category see notes 6l and 22.

- Indefinite useful life of Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands

As at the reporting date, the Group has reviewed whether relevant factors continue to indicate indefinite useful life of Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands recognised in 2011-2017 on the acquisition of Telewizja Polsat S.A., Polskie Media S.A., entities comprising IPLA network and Lemon Records Sp. z o.o.

The Group has reviewed the following factors which are essential for estimating the economic useful life of the Polsat, TV4, TV6, IPLA and Polo TV (Lemon Records) brands:

- The expected usage of the asset by the entity and whether the asset could be managed more efficiently,
- Technical, technological, commercial or other types of obsolescence,
- The stability of the industry in which the asset operates and changes in the market demand for media services,
- Expected actions by competitors or potential competitors,
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset,
- Whether the useful life of the asset is dependent on the useful life of other asset of the entity.

Having analyzed the above factors, the Group has concluded that there is no foreseeable limit to the period over which the Polsat, TV4, TV6 and Polo TV (Lemon Records) brands are expected to generate net cash inflows for the Group and thus the indefinite useful life was assumed. This means that the above brands are not subject to amortization but rather are tested for impairment on annual basis. The Management believes that Polsat, TV4, TV6 and Polo TV (Lemon Records) brands have a positive impact on the revenues from advertising and sponsorship. Furthermore, the Polsat brand is widely recognized by media and is highly appreciated in numerous rankings. Numerous awards for employees, individuals associated with the brand as well as high Power Ratio index also indicate a strong position of the brand.

As a result of replacing the IPLA brand with Polsat Box Go brand, the Group recognized impairment of IPLA brand as at 31 December 2021.

As at the balance sheet date the Management states there are no plans to cease using or significantly modify Polsat, TV4, TV6 or Polo TV (Lemon Records) brands. The value assigned to the brands relate to the name “Polsat”, "TV4", “TV6” and “Polo TV” respectively and the related logotypes both of which are reserved trademarks. In case the Group decides about discontinuance of use or significant modification of the name or logotype the Management would review whether events and circumstances continue to support an indefinite useful life assessment of the Polsat, TV4, TV6 and Polo TV (Lemon Records) brands and assess whether there are indicators of possible impairment.

- Fair value of assets and liabilities of Interia Group, TV Spektrum Sp. z o.o., Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) and Polot Media Sp. z o.o. Sp. k. (formerly Tako Media Sp. z o.o. Sp.k.) and BCAST Sp. z o.o.

The Group identified assets and liabilities and estimated their fair value under the purchase price allocation process relating to the acquisition of Interia Group, TV Spektrum Sp. z o.o., Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) and Polot Media Sp. z o.o. Sp. k. (formerly Tako Media Sp. z o.o. Sp.k.) and BCAST Sp. z o.o . For more information see note 38.

- Preliminary fair value of assets and liabilities of Premium Mobile Sp. z o.o., Logitus Sp. z o.o., CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.), Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.) and Stork 5 Sp. z o.o.

The Group identified assets and liabilities and estimated their preliminary fair value under the purchase price allocation process relating to the acquisition of Premium Mobile Sp. z o.o., Logitus Sp. z o.o., CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.), Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.) and Stork 5 Sp. z o.o. For more information see note 38.

- The impairment of goodwill and intangible assets with indefinite useful lives

The Group performed impairment test of a goodwill and of the intangible assets with indefinite useful lives (Polsat brand, TV4 and TV6 brands and Polo TV (Lemon Records) brand). The impairment test was based on the value-in-use calculations of the cash-generating unit to which the goodwill and brands have been allocated on the initial recognition. Goodwill and brands with indefinite useful lives have been allocated to the following cash-generating units, which also represent the Group's business segments:

- “B2C and B2B services” - goodwill recognized on the acquisition of M.Punkt Holdings Ltd., goodwill recognized on the acquisition of INFO-TV-FM Sp. z o.o., the goodwill recognized on the acquisition of entities comprising the IPLA platform, the goodwill recognized on the acquisition of Metelem Holding Company Ltd., the goodwill recognized on the acquisition of Orsen Holding Ltd., the goodwill recognized on the acquisition of Litenite Ltd., the goodwill recognized on the acquisition of IT Polpager S.A., the goodwill recognized on the acquisition of 65.98% shares of Netia S.A., the goodwill recognized on the acquisition of Coltex ST Sp. z o.o., the goodwill recognized on the acquisition of Netshare Media Group Sp. z o.o., the goodwill recognized on the acquisition of 51.22%

shares of TVO Sp. z o. o., the goodwill recognized on the acquisition of ISTS Sp. z o. o., the goodwill recognized on the acquisition of 51.25% shares of Esoleo Sp. z o.o., the goodwill recognized on the acquisition of IST Sp. z o. o., the goodwill recognized on the acquisition of data center in the form of an organised part of the enterprise, the goodwill recognized on the acquisition of 70.02% shares of BCAST Sp. z o.o., the goodwill recognized on the acquisition of Premium Mobile Sp. z o.o., the goodwill recognized on the acquisition of Logitus Sp. z o.o., the goodwill recognized on the acquisition of CKS Ossa Sp. z o.o. (formerly TMS Ossa Sp. z o.o.), the goodwill recognized on the acquisition of Ossa Medical Center Sp. z o.o. (formerly Horest, Hotel pod Żaglami Sp. z o.o.) and the goodwill recognized on the acquisition of Stork 5 Sp. z o.o.

- "Media: television and online" - goodwill and Polsat brand recognized on the acquisition of Telewizja Polsat S.A., goodwill and TV4 and TV6 brands recognized on the acquisition of Polskie Media S.A., goodwill recognized on the acquisition of Radio PIN S.A., goodwill recognized on the acquisition of ESKA TV S.A., goodwill recognized on the acquisition of Lemon Records Sp. z o.o., the goodwill recognized on the acquisition 99,99% share of Eleven Sports Network Sp. z o.o. and the goodwill recognized on the acquisition of Superstacja Sp. z o.o., the goodwill recognized on the acquisition of TV Spektrum Sp. z o.o., the goodwill recognized on the acquisition of 60% shares of Polot Media Sp. z o.o. (formerly Tako Media Sp. z o.o.) and Polot Media Sp. z o.o. Sp. k. (formerly Tako Media Sp. z o.o. S.k.).

The value-in-use calculations included estimation of discounted cash flows for the given cash-generating unit and the relevant discount rate. The value of goodwill and brands tested at each cash-generating unit, the key assumptions used in the value-in-used calculations for each cash-generating unit, impairment test results and sensitivity analysis of reasonably possible changes in the key assumptions are presented in note 19.

- The impairment of non-financial non-current assets

As at the reporting date the Group has assessed whether there are any indications that intangible, tangible assets or right-of-use assets with definite useful lives may be impaired. The impairment loss recognised equals the difference between net book value and recoverable amount. The impairment values are presented in note 16, 20 and 21.

- Impairment of receivables

The value of receivables is updated taking into account the expected credit losses for trade receivables and contract assets in the amount corresponding to the expected credit losses throughout the life of the instrument. The amount of expected losses is calculated on the basis of historical data regarding the repayment of receivables and the effectiveness of debt collection, taking into account current expectations regarding the future development of these parameters. For more information see notes 6n, 26 and 40.

- Impairment of inventories

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and current marketing plans. The purchase cost or production cost is determined based on weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. For more information see notes 6m and 25.

- Provisions for pending litigation

During the normal course of its operations the Group participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Group, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Group's lawyers who participate in the current litigations and who estimate Group's possible future obligations taking the progress of litigation proceedings into account. The Group also recognizes provisions for potential unreported

claims resulting from past events, should the Management Board find that the resulting outflow of economic benefits is likely. Provisions regarding probable claims are recognized as a result of Management Board's estimates based on accessible information regarding market rates for similar claims. Management believes that the provisions as at 31 December 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.

- Deferred tax

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses. The key assumption in relation to deferred tax accounting is the assessment of the expected timing and manner of realization or settlement of the carrying amounts of assets and liabilities held at the reporting date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deductible temporary differences can be utilized. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For further details refer to note 6w and 13.

- Fair value of financial instruments

Fair value of financial instruments for which there is no active market is estimated using appropriate techniques of measurements. The techniques are chosen based on the professional judgment. For more information about the method of establishing the fair value of financial instruments and key assumption made see note 6h.

- Loan liabilities measured at amortised cost

The CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA. Accordingly, the Company's management classifies loan liabilities as variable rate instruments.

- Sale of shares in Polkomtel Infrastruktura

As a result of the sale transaction the Group lost control over Polkomtel Infrastruktura. The Group conducted analysis in accordance with IFRS 10 and IAS 28 resulting in conclusion that neither the remaining 207 shares (of Polkomtel Infrastruktura owned by the Group) nor settlements of the existing agreements allow to exercise control or to have an impact on the financial results of the entity. The Group does not have control over entity's operating activities.

As a result of the sale transaction the Group entered into a Master Service Agreement (see note 48) that does not result in recognition of a lease. After analysis of the agreement's settlements in accordance with IFRS 16 requirements, it has been concluded that i) the Group lost control over the active and passive Towerlink's infrastructure and ii) provided that the services are provided at the sufficient level as specified in the Master Service Agreement, Towerlink factually disposes of the active and passive infrastructure and has the right to use the infrastructure to provide services to other users.

Financial results for the 3 months ended 31 December 2021 and 31 December 2020

52. Consolidated Income Statement

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Continuing operations		
Revenue	3,265.0	3,248.2
Operating costs	(2,810.6)	(2,731.3)
Gain on disposal of a subsidiary	(10.2)	-
Other operating income/(costs), net	(24.4)	7.1
Profit from operating activities	**419.8**	**524.0**
Gain/(loss) on investment activities, net	4.2	(11.5)
Finance costs, net	(6.5)	(64.9)
Share of the profit/(loss) of associates accounted for using the equity method	11.4	(45.6)
Gross profit for the period	**428.9**	**402.0**
Income tax	(95.2)	(75.3)
Net profit for the period	**333.7**	**326.7**
Net profit attributable to equity holders of the Parent	337.5	324.9
Net profit/(loss) attributable to non-controlling interest	(3.8)	1.8
Basic and diluted earnings per share (in PLN)	**0.54**	**0.51**

53. Consolidated Statement of Comprehensive Income

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Net profit for the period	**333.7**	**326.7**
Items that may not be reclassified subsequently to profit or loss :		
Actuarial (loss)/gain	2.3	(0.5)
Items that may be reclassified subsequently to profit or loss :		
Valuation of hedging instruments	10.3	0.8
Share of other comprehensive income of associates	10.7	4.1
Other comprehensive income/(loss), net of tax	**23.3**	**4.4**
Total comprehensive income for the period	**357.0**	**331.1**
Total comprehensive income attributable to equity holders of the Parent	360.8	329.4
Total comprehensive income/(loss) attributable to non-controlling interest	(3.8)	1.7

54. Revenue

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Retail revenue	1,730.7	1,660.1
Wholesale revenue	1,006.8	1,043.9
Sale of equipment	408.1	424.4
Other revenue	119.4	119.8
Total	**3,265.0**	**3,248.2**

55. Operating costs

		for the 3 months ended	
	Note	31 December 2021 unaudited	31 December 2020 unaudited
Technical costs and cost of settlements with telecommunication operators		801.7	615.0
Depreciation, amortization, impairment and liquidation		461.2	602.3
Cost of equipment sold		337.2	359.5
Content costs		531.4	484.0
Distribution, marketing, customer relation management and retention costs		284.8	259.4
Salaries and employee-related costs	a)	271.3	265.8
Cost of debt collection services, bad debt allowance and receivables written off		12.5	25.2
Other costs		110.5	120.1
Total		**2,810.6**	**2,731.3**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Salaries	234.6	227.4
Social security contributions	26.4	28.9
Other employee-related costs	10.3	9.5
Total	**271.3**	**265.8**

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

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Interest on lease liabilities	(4.9)	(12.0)
Interest, net	2.1	(1.3)
Other foreign exchange gains/(losses), net	5.4	(7.7)
Other income/costs	1.6	9.5
Total	**4.2**	**(11.5)**

57. Finance costs, net

	for the 3 months ended	
	31 December 2021 unaudited	31 December 2020 unaudited
Interest expense on loans and borrowings	52.6	52.8
Interest expense on issued bonds	18.7	10.4
Valuation and realization of hedging instruments	1.0	1.0
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(67.1)	(0.9)
Guarantee fess, bank and other charges	1.3	1.6
Total	**6.5**	**64.9**