

Current Report no. 12/2020

Date 22 April 2020

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

While relying on the current assessment of the situation and according to the Management Board's best knowledge as of 22 April 2020, the Management Board of Cyfrowy Polsat S.A. ("**Cyfrowy Polsat**," the "**Company**") hereby provides information on the estimated impact that the COVID-19 coronavirus disease pandemic may have on the operations and financial prospects of the Company and the Company's capital group ("**Polsat Group**," the "**Group**").

Immediately upon the introduction by the Polish government of the state of emergency due to epidemics, in effect from 13 March 2020, Polsat Group took actions to assure business continuity and reduce the negative impact of the pandemic on its operations. The priorities included in particular ensuring safety of the employees, most of whom now work remotely from home, as well as guaranteeing high quality of services provided to the customers of Polsat Group's companies. The Group's companies and their employees are also engaged in numerous initiatives aimed at supporting the society and healthcare institutions in combatting the COVID-19 coronavirus pandemic, of which the Company has been informing in its corporate communication.

In the Management Board's view, Polsat Group's core business is relatively resistant to the adverse impact of the pandemic as most of the Group's companies rely on a business model involving a big base of contract customers, thanks to which the Group is able to generate stable and predictable revenue streams from subscription fees. During the initial weeks of COVID-19 coronavirus pandemic Polsat Group observed that voice traffic in its mobile network grew by approximately 50%, while the volume of data transmission increased by approximately 25% versus the levels from before the epidemic emergency state. Both, the mobile and the fixed-line networks operated by the Group are technologically prepared to handle the increased traffic levels and the quality of the services provided to customers remains high. At the same time, the substantially higher voice traffic levels translate into a higher scale of interconnect settlements, which, in turn, should be positively reflected in the level of ARPU in the coming periods while also causing an increase in technical costs. Moreover, increased usage of telecommunication services should translate into higher retail revenue from services based on "pay-as-you-go" tariff plans, which is especially common in the case of prepaid services.

Partial closure of the sales network, especially points of sales (POS) located in large shopping centers, was a significant negative consequence of the restrictions introduced as a result of the pandemic. As of the date of this report, approximately 65% of the Group's POSs are operational, however customer traffic in the open POSs is significantly lower than in the past. On the one hand, limited operation of the sales network has adverse impact on the levels of new services sold and on customer adds. However, on the other hand, the number of resignations from existing customers has fallen significantly, which should have a positive influence on the churn level in the coming months. Additionally, Polsat Group is consistently making efforts to intensify sales via remote sales channels, which in recent weeks recorded significant growth of sales, which partially compensates for the lower

number of transactions concluded via the physical points of sale. As a result of the above, the Group expects its customer base to remain relatively stable.

Concurrently, it should be noted that closing of part of the physical sales network resulted in a significant decrease of the volume of equipment sales, smartphones in particular, which will translate into lower revenue from equipment sales in the coming quarters.

A number of sports events, to which the Group holds broadcasting rights, have been postponed. The Group is following closely the developments and remains in active dialogue with sports organizations, while the ultimate impact of this factor will depend on whether, when and to what extent sports competitions are going to be restarted.

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

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

As of the date of this report, Polsat Group maintains a high level of liquidity and generates high positive cash flows. As a result, the Group is pursuing planned CAPEX projects without any hindrance, while Telewizja Polsat continues its involvement in the negotiations concerning the acquisition of Interia Group companies, of which the Company informed in its current reports no. 8/2020 of 17 March 2020 and no. 11/2020 of 21 March 2020.

The Management Board would like to note that the above factors have been presented according to the Management Board's best knowledge as at the date of this report. The ultimate impact that the COVID-19 coronavirus pandemic may have on the Company's, as well as the entire Polsat Group's operations and financial situation is impossible to foresee at present and depends on numerous factors which are beyond the Group's control and which include in particular the duration of the pandemic and its further development as well as further potential measures that the Polish government may adopt. The Company's Management Board would like to note that the Company does not publish any standalone or consolidated financial forecasts, however as at the date of this report the Management Board sees no reasons for modifying the assumptions underlying the implementation of the projects which have been planned for 2020. At the same time the Management Board analyzes the situation associated with the development of the pandemic on a daily basis and assesses its impact on the Group's operations. The Company will inform the market in separate current reports should any new factors be identified which could have a material influence on the operations and financial results of the Group.

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

Signed by

/-/ Miroslaw Błaszczyk

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