



CYFROWY POLSAT S.A.

**Report of the Supervisory Board
for the period
from January 1, 2020
to December 31, 2020**

Warsaw, May 27, 2021



Fulfilling its obligations under the Commercial Companies Code (the “CCC”), the Best Practices of WSE Listed Companies 2016 (“Best Practices 2016”) as well as the Articles of Association and the By-Laws of the Supervisory Board of Cyfrowy Polsat S.A., the Supervisory Board of Cyfrowy Polsat S.A. (hereinafter the “Company” or “Cyfrowy Polsat”) presents to the Annual General Meeting of the Company’s Shareholders a report for the period from January 1, 2020 to December 31, 2020 which includes:

- I. the Supervisory Board’s report on its activities in the financial year 2020 (II.Z.10.2. Best Practices 2016), including:
 - an assessment of the existence of any relations or circumstances which could affect the ability of a given Supervisory Board Member to meet the criteria of independence (II.Z.6 Best Practices 2016)
 - an assessment of the Company’s standing, including an assessment of the internal control, risk management and compliance systems, and the internal audit function (II.Z.10.1. Best Practices 2016),
 - an assessment of the Company’s compliance with information disclosure obligations regarding the observance of corporate governance principles defined in the Warsaw Stock Exchange Rules and in the regulations governing the provision of current and periodical information by issuers of securities (II.Z.10.3. Best Practices 2016),
 - an assessment of the rationality of the Company’s policy in the areas of sponsoring, charity and other activities of similar nature (II.Z.10.4. Best Practices 2016);
- II. the report on the results of the assessment of the Company’s financial statements and consolidated financial statements of Cyfrowy Polsat S.A. Capital Group (“Polsat Group”) for the financial year 2020, the Management Board’s report on the Company’s activities in the financial year 2020 and the consolidated report on Polsat Group’s activities in the financial year 2020, as well as the motion of the Company’s Management Board regarding the distribution of the Company’s net profit for the financial year 2020 (art. 382 § 3 CCC).

I. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITIES IN THE FINANCIAL YEAR 2020

1. Composition of the Supervisory Board

In the period from January 1, 2020 to July 23, 2020 the Supervisory Board comprised the following members:

- Mr. Marek Kapuściński – Chairman of the Supervisory Board,
- Mr. Józef Birka - Member of the Supervisory Board,
- Mr. Robert Gwiazdowski – Independent Member of the Supervisory Board,
- Mr. Aleksander Myszka – Member of the Supervisory Board,
- Mr. Leszek Reksa – Independent Member of the Supervisory Board,
- Mr. Tomasz Szeląg – Member of the Supervisory Board,
- Mr. Piotr Żak – Member of the Supervisory Board.

On July 23, 2020, in connection with the loss of the attribute of independence by Mr. Robert Gwiazdowski and Mr. Leszek Reksa, the Annual General Meeting appointed Mr. Marek Grzybowski and Mr. Paweł Ziółkowski to the Supervisory Board.

In the period from July 23, 2020 to December 31, 2020 the Supervisory Board comprised the following members:

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

Assessment of the existence of any relations or circumstances which could affect a given Supervisory Board Member's ability to meet the criteria of independence

In connection with the lapse of the period of 12 years since the commencement of their fulfillment of the functions of Supervisory Board Members, in July 2020 Mr. Robert Gwiazdowski and Mr. Leszek Reksa ceased to meet the criterion of independence. In the face of the above, on July 23, 2020 the Annual General Meeting of Shareholders appointed Mr. Marek Grzybowski and Mr. Paweł Ziółkowski to the Supervisory Board.

Based on the analysis of the declarations submitted by Mr. Marek Grzybowski and Mr. Paweł Ziółkowski and accounting for all the information available in publicly-accessible registers, as well as information obtained from the Company itself, including the explanatory meetings held by the Supervisory Board Members with the representatives of the Company, especially with regard to the capital structure and the composition of the authorities of Polsat Group companies as well as legal relationships between Mr. Marek Grzybowski and Mr. Paweł Ziółkowski and the Company and companies from Polsat Group, the Supervisory Board confirmed that appointed Supervisory Board Members, i.e. Mr. Marek Grzybowski and Mr. Paweł Ziółkowski, meet the criteria of independence set out in Annex II to the European Commission Recommendation 2005/162/WE dated February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, as well as in the Art. 129, section 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight.

The above constitutes the fulfillment of principle II.Z.3 of the Best Practices 2016, according to which at least two Members of the Supervisory Board meet the criteria of independence from the Company as well as from entities that are substantially related to the Company.

Moreover, according to information obtained by the Supervisory Board, neither Mr. Marek Grzybowski, nor Mr. Paweł Ziółkowski are employed by the Company, or by any of its subsidiaries or related parties and they are not bound by any agreements of similar nature with any of these parties. According to the Supervisory Board's knowledge, Mr. Marek Grzybowski or Mr. Paweł Ziółkowski have no actual or significant relations with any shareholder of the Company who is entitled to at least 5% of the total number of votes in the Company.

In the face of the above, the Supervisory Board has concluded that as at the date of approval of this report there exist no relations or circumstances which could affect the fulfillment of the criteria of independence by the above mentioned Supervisory Board Members.

Composition of the Supervisory Board Committees

In 2020, the Audit Committee and the Remuneration Committee functioned as part of the Supervisory Board.

As of January 1, 2020, the composition of the **Audit Committee** was as follows:

- Mr. Robert Gwiazdowski – Chairman of the Audit Committee,
- Mr. Leszek Reksa – Audit Committee Member,
- Mr. Tomasz Szelaĝ – Audit Committee Member.

In connection with the resignation of Mr. Robert Gwiazdowski and Mr. Leszek Reksa from membership in the Audit Committee, the Supervisory Board made changes to the composition of the Audit Committee and thus from July 23, 2020 until December 31, 2020 the composition of the Audit Committee was as follows:

- Mr. Marek Grzybowski – Chairman of the Audit Committee,
- Mr. Paweł Ziółkowski – Audit Committee Member,
- Mr. Tomasz Szelaĝ – Audit Committee Member.

In compliance with the requirements set forth in Art. 129, section 2 of the Act on Statutory Auditors, Audit Firms and Public Oversight, the majority of members of the Audit Committee, including the Committee's Chairman, meet the criteria of independence. In light of the analysis of all related information, as conducted by the Supervisory Board, the statement that both, Mr. Marek Grzybowski and Mr. Paweł Ziółkowski meet the statutory criteria of independence that Audit Committee members ought to meet raises no doubt. In the Supervisory Board's opinion there exist no circumstances which could lead to lack of independence or loss of independence by the above mentioned persons in the period since the appointment date until the present day.

Associate Professor Marek Grzybowski, Ph.D. has been employed at the Department of Financial Law of the Faculty of Law and Administration of the Warsaw University since 1977. He lectures at the Faculty of Law and Administration of the Warsaw University and at the Faculty of Economic Sciences of the Warsaw University, and also at the master's courses in Financial Law and Treasury as well as in numerous other postgraduate courses, including the inter-faculty studies PS Economics and Law. Since 2012 he has been the Associate Dean for Financial Matters at the Faculty of Law and Administration of the Warsaw University. From 1995 to 1999 he was a member of the Council of the Bank Guarantee Fund (BFG) and was appointed to the position of Chairman of the BFG Council for the term of office from 1999 to 2003. In the opinion of the Supervisory Board, the positions at which he served, the extensive theoretical knowledge and the practical experience in the areas of finance, banking and accounting make Mr. Marek Grzybowski fully qualified for the function of the Audit Committee Chairman.

Mr. Paweł Ziółkowski has the know-how, skills and experience in the fields of accounting and financial statement auditing, as well as in auditing methodologies, and he is familiar with the TMT (Television, Media and Technology) sector in which the Company operates. Moreover he has the theoretical competence that he acquired thanks to his education and training, as well as practical competence from a 26-year-long professional career as a corporate banker.

Mr. Tomasz Szelaż has extensive knowledge and skills in the media and telecommunications sectors, the two industries that the operations of Polsat Group companies rely on. He acquired the knowledge and skills while sitting on the Management Board of Cyfrowy Polsat in the period from May 2009 to September 2016, as well as while being a member of the management boards of numerous Polsat Group companies in the years 2010-2016. While being a management board member of Cyfrowy Polsat and of Polsat Group subsidiaries, Mr. Tomasz Szelaż not only acquired the relevant know-how and industry-related qualifications but he was also responsible for the coordination and supervision of the entire financial area of Polsat Group. The scope of his responsibilities included such areas as accounting, financial controlling, financial reporting, audit, treasury or investor relations. Polsat Group's scale of operations and complexity require that a person in the role of a management board member responsible for finance must demonstrate comprehensive knowledge of the above mentioned areas. That is why Mr. Tomasz Szelaż's professional experience allows one to state that not only he has the broad knowledge and the skills in the area of the Company's business operations, but he is also knowledgeable in such areas as accountancy and financial statement auditing. In addition, he has a Ph.D. degree in economics and international economic relations.

In the period from January 1, 2020 to December 31, 2020, the composition of the **Remuneration Committee** was as follows:

- Mr. Tomasz Szelaż – Chairman of the Remuneration Committee,
- Mr. Marek Kapuściński – Member of the Remuneration Committee.

2. Scope of activities of the Supervisory Board and the Supervisory Board Committees

In 2020, the Supervisory Board acted on the basis of the Commercial Companies Code as well as the Company's Articles of Association (which were amended by virtue of Resolution no. 4 of the Extraordinary General Meeting of Shareholders of May 25, 2020) and the Supervisory Board By-Laws of March 16, 2018.

In 2020, the Supervisory Board held 15 meetings. Due to the restrictions introduced as a result of the COVID-19 pandemic, most of the Supervisory Board Meetings were held using remote communication means, while resolutions were adopted in the mode stipulated by art. 21, section 4 of the Company's Articles of Association and § 5 section 4 of the Supervisory Board By-Laws, i.e. by means of direct remote communication. At the Supervisory Board's invitation, the meetings were attended by Management Board Members who presented issues related to the Company's current business as well as organizational and legal matters.

The table below presents the attendance by Supervisory Board Members at the meetings held in 2020.

Supervisory Board Member	Mean attendance at meetings in 2020
Marek Kapuściński	100%
Józef Birka	100%
Marek Grzybowski ⁽¹⁾	100%
Robert Gwiazdowski	100%
Aleksander Myszka	100%
Leszek Reksa	100%
Tomasz Szelaż	100%
Paweł Ziółkowski ⁽¹⁾	100%
Piotr Żak	100%

(1) The person was a Supervisory Board Member in the period from July 23, 2020 to December 31, 2020 – the indicated attendance ratio is for that period.

In 2020, the Supervisory Board exercised permanent supervision over the Company's operations in all areas of its activities.

The Supervisory Board expressed its consent to issuing by the Company, as part of the bond issue program adopted on December 11, 2019, of up to 1,000,000 (one million) unsecured bearer series C bonds with the nominal value of PLN 1,000 (one thousand) each and the total nominal value of up to PLN 1,000,000,000 (one billion) (series C bonds). The series C bonds were issued on February 14, 2020 and they are the first corporate green bonds issued in Poland. The funds obtained from the bond issue were used for refinancing of pro-environmental projects concerning such areas as improvement of the Group's energy efficiency and reduction of the carbon footprint related to the operations of Polsat Group.

The Supervisory Board granted its consent, as required by the Articles of Association, among others to:

- procuring services necessary for the purpose of carrying out the Company's operations, such as IT services, maintenance and support services, development services, etc.,
- incurring liabilities associated with the implementation of a new version of the system used for coding of the conditional access to encrypted TV services;
- acquiring services related to broadcasting of commercials and sponsoring;
- acquiring licenses for broadcasting TV channels from Cyfrowy Polsat's offer;
- purchasing equipment for end users;
- selling a debt package;
- amending the terms of the agreement with Polkomtel sp. z o.o. regarding the provision by Polkomtel sp. z o.o. of telecommunication services to the Company on wholesale terms;
- placing and executing an offer regarding the sale of set-top boxes as well as the provision of licensing and maintenance services for Netia S.A.;
- amending or entering into agreements for a line of credit for bank guarantees, modifying or establishing collaterals required by banks in connection with claims under the above agreements as well as requesting that guarantees be granted;
- granting of loans to selected Polsat Group companies;
- signing of agreements for the provision of advisory/consulting services for the Company.

Moreover, the Supervisory Board approved the Business Plan of Polsat Group for the years 2020-2024.

The Supervisory Board expressed its consent to entering into the third amendment agreement ("Third Amendment and Consolidation Agreement") to the facilities agreement of September 21, 2015, as amended by the amendment and consolidation agreement of September 21, 2015, as well as by the second amendment agreement of March 2, 2018, originally concluded by and between the Company, Polkomtel sp. z o.o. and selected Polsat Group companies, on the one hand, and a consortium of Polish and foreign financial institutions, on the other (the "Facilities Agreement"). The Facilities Agreement provided for granting of a term loan (the "Term Loan") in the maximum amount of up to PLN 11,500,000,000.00 (eleven billion

five hundred million zloty) as well as a revolving loan (the "Revolving Loan") in the maximum amount of up to PLN 1,000,000,000.00 (one billion zloty).

The Supervisory Board expressed its consent to the acquisition of shares in Alledo sp. z o.o. and BCAST sp. z o.o., as well as to selling of 10 shares of Polkomtel sp. z o.o. and of 10 shares of Telewizja Polsat sp. z o.o. to TiVi Foundation. In addition, the Supervisory Board expressed its consent to taking actions aimed at the execution of the transaction involving the acquisition of a stake in Netia S.A. which, together with Netia S.A. shares already held by the Company, would represent 100% of the total number of votes at the general meeting of Netia S.A.

The Supervisory Board expressed consent to entering by the Company into a preliminary conditional agreement on the acquisition of 100% of shares in Grupa Interia.pl spółka z ograniczoną odpowiedzialnością, as a guarantor of the liabilities of Telewizja Polsat sp. z o.o., and incurring the related liability as well as assuming the rights and obligations of a limited partner in Grupa Interia.pl Media spółka z ograniczoną odpowiedzialnością spółka komandytowa, where the acquired shares offer control over Interia Group.

The Supervisory Board expressed consent to commencing the review of the strategic options associated with potential sale of Polsat Group's telecommunication infrastructure owned by Polkomtel Infrastruktura sp. z o.o.

The Supervisory Board also conducted on-going and periodic assessment of the transactions with related parties, while also assessing if such transactions were concluded on market terms.

Acting pursuant to Art. 66, section 4 of the Accountancy Act of September 29, 1994, upon having read the opinion of the Audit Committee, the Supervisory Board expressed consent to extending the agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa for audit services and selecting that company as an auditor for:

- auditing the Company's financial statements for the years ended December 31, 2020, December 31, 2021 and December 31, 2022,
- reviewing the Company's condensed financial statements for the 6-month periods ending June 30, 2020, June 30, 2021 and June 30, 2022;
- auditing the consolidated financial statements of Polsat Group, for which the Company is the dominant entity, for the years ended December 31, 2020, December 31, 2021 and December 31, 2022,
- reviewing the condensed consolidated financial statements of Polsat Group, for which the Company is the dominant entity, for the 6-month periods ending June 30, 2020, June 30, 2021 and June 30, 2022.

Several times the Supervisory Board expressed its consent to appointing or dismissing members of the authorities of the Company's subsidiaries. Moreover, the Supervisory Board awarded bonuses to the Company's Management Board Members.

Acting pursuant to art. 382 § 3 of the Commercial Companies Code and the principle contained in point II.Z.10 of the Best Practices 2016, the Supervisory Board approved the report on its activities in the financial year 2019, which included in particular the results of the assessment of the Management Board's report on the Company's operations in the financial year 2019, the Company's financial statements for the financial year 2019, and the Management Board's motion concerning the distribution of the profit generated by the Company in the financial year 2019.

In 2020, the Supervisory Board recommended that the Annual General Meeting approve the financial statements for the financial year 2019 and grant a vote of approval for the performance of their duties in 2019 to the Members of the Management Board.

Following an analysis, the Supervisory Board issued a positive opinion on the Management Board's motion regarding the allocation of net profit earned by the Company in the financial year 2019 in the amount of PLN 586,802,125.73 (say: five hundred eighty six million eight hundred two thousand one hundred twenty five zloty and seventy three grosz) in full to the payment of dividends to the shareholders and allocation of the amount of PLN 52,743,890.27 (say: fifty two million seven hundred forty three thousand eight hundred ninety zloty and twenty seven grosz) from the reserve capital for distribution as dividends to the shareholders.

Upon having acquainted itself with the draft resolutions of the General Meetings of the Company's Shareholders held in 2020, the Company's Supervisory Board expressed its positive opinion on the drafts and recommended them for adoption by the General Meetings.

In 2020, the Supervisory Board conducted no controls or investigations and did not suspend any Members of the Management Board of the Company.

Activities of the Audit Committee

The basic tasks of the Audit Committee include supporting the Supervisory Board in the fulfillment of its duties, in particular in the field of correctness and efficiency of functioning of internal controls in the Company as well as supervising the integrity of financial information presented by the Company.

In 2020, the Audit Committee held nine meetings with the participation of the Management Board Member responsible for finance (CFO) and the Director of the Audit and Internal Control Division. In connection with the restrictions introduced as a result of the COVID-19 epidemic, most of the Audit Committee's meetings were held remotely and resolutions were adopted using means of distant communication.

The table below presents the attendance by the Audit Committee members in the Committee's meetings held in 2020:

Supervisory Board Member	Mean attendance at meetings in 2020
Marek Grzybowski ⁽¹⁾	100%
Robert Gwiazdowski ⁽²⁾	100%
Leszek Reksa ⁽²⁾	100%
Tomasz Szelaĝ	100%
Paweł Ziółkowski ⁽¹⁾	100%

(1) An Audit Committee Member in the period from July 23, 2020 to December 31, 2020 – the indicated attendance ratio is for that period

(2) An Audit Committee Member in the period till July 23, 2020 – the indicated attendance ratio is for that period.

As part of its activities in 2020, the Audit Committee:

- reviewed both, the Company's and Polsat Group's interim reports, as well as positively assessed the correctness and the compliance of the accounting principles followed by the Company,
- got acquainted with the assessment of the internal control and risk management systems as well as the internal audit function in the Company and with the opinion concerning the effectiveness of the aforesaid systems and the internal audit function,
- pursuant to art. 130 section 1 items 2) and 4) of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight, the Audit Committee granted consent for the audit firm Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. to perform the agreed procedures concerning the verification of fulfillment of the conditions stipulated in the concluded credit facility agreements based on the analysis of financial data from the audited consolidated financial statements of Cyfrowy Polsat S.A. Group for the years ended December 31, 2020, December 31, 2021 and December 31, 2022.
- pursuant to art. 130, section 2 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight as well as points 25 and 26 of the Procedure regarding the selection of an audit company for the purpose of conducting statutory audit for Cyfrowy Polsat, it confirmed the terms and issued a positive opinion as regards the extension of the agreement with the audit firm Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k., and for contracting to the above mentioned audit firm the examination of the Company's financial statements and the Group's consolidated financial statements for the years 2020-2022,
- expressed consent to open training sessions organized by the companies from the audit group conducting audits and the participation of employees and members of the authorities of Polsat Group companies in these sessions.

Activities of the Remuneration Committee

The Remuneration Committee advises the Supervisory Board on the overall remuneration policy in Cyfrowy Polsat Group and provides recommendations regarding the appointment of Management Board Members, the terms and conditions of remuneration and the amounts of bonuses for Management Board Members.

Four meetings of the Remuneration Committee were held in 2020. Due to the restrictions introduced as a result of the COVID-19 pandemic, most of the Remuneration Committee meetings were held remotely and resolutions were adopted using means of distant communication.

The table below presents the attendance by the Remuneration Committee members in the Committee's meetings held in 2020:

Supervisory Board Member	Mean attendance at meetings in 2020
Tomasz Szelaĝ	100%
Marek Kapuściński	100%

In 2020, the Remuneration Committee prepared a recommendation for the Supervisory Board regarding the bonuses granted to the Management Board Members.

Bearing in mind the above, in the opinion of the Supervisory Board, during the reporting period the Supervisory Board fulfilled properly and efficiently its statutory obligations related to constant supervision of overall operations of the Company. The Supervisory Board also confirms that its Members fulfilled their roles in a professional and reliable manner, while acting with due diligence, including by being actively involved in the works of the Supervisory Board and of its standing Committees.

Assessment of the Company's standing, including the assessment of its internal control, risk management and compliance systems as well as its internal audit function

Assessment of the standing of the Company and of Cyfrowy Polsat Capital Group

The Supervisory Board became acquainted with and analyzed in detail all the major operating indicators, as well as the financial results achieved by the Company and by Cyfrowy Polsat Group in 2020. The Supervisory Board concluded that in spite of the challenges and the difficulties caused by the COVID-19 epidemic in 2020, the Company and its subsidiaries consistently pursued the adopted strategy, with its superior goal of sustainable growth of the value of Cyfrowy Polsat for its Shareholders. The main strategic idea of the Group is to ensure that the services and the products provided by Cyfrowy Polsat and its subsidiaries satisfy every customer's needs and are available at any time and on any device, regardless of the method of service provisioning, in line with the principle "For everyone. Everywhere."

The total number of active revenue generating units (RGUs) in the B2C and B2B services segment reached nearly 18 million¹ at the end of 2020. The share of contract services in the total number of services provided by the Group has been growing systematically and at the end of 2020 it reached the level of 85.4%, which guarantees higher stability of revenues in the future as well as higher customer loyalty. Polsat Group's integrated offer, i.e. the smartDOM program which enjoys high interest among customers and is being successively developed, is yet another factor strengthening customer loyalty and positively contributing to average revenue per customer. At the end of 2020 the program had nearly 2.1 million members using a total of 6.4 million services (RGUs).

The COVID-19 coronavirus epidemic had substantial impact on Polsat Group's media segment. So far, the most significant negative impact from this factor was visible in the second quarter of 2020, when the TV advertising market recorded a 35% decline year on year. A rebound took place in the second half of 2020 thanks to advertisers returning to media but, nevertheless, its scale did not compensate in full for the previous decline. In spite of the difficult situation on the TV advertising market, the media segment recorded stable operating results, as measured by the audience share of Polsat Group's channels at the level of 23.9%, which were in line with the strategic assumptions. At the same time, advertising revenue generated by Polsat Group

¹ Please note that the operational indicators do not include operational results of Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018. Due to the fact that Netia S.A. is a company listed publicly on the Warsaw Stock Exchange in Warsaw, its detailed operational and financial results are continuously available at inwestor.netia.pl.

in 2020 demonstrated better dynamics than the broad market which translated into the Group's share in the TV advertising market of 28.5%.

Solid operating performance translated into very good financial results: stable and diversified revenue, mainly generated from recurrent contract services, and very high EBITDA margin, distinctly above the market average. In 2020, Cyfrowy Polsat Group recorded nearly PLN 12 billion in revenue, which when coupled with effective cost control enabled the Company to maintain its EBITDA at a high level of PLN 4.2 billion. In 2020, Cyfrowy Polsat Group generated high free cash flow at the level of PLN 1.3 billion and paid out PLN 640 million in dividends to shareholders.

Based on the operating and financial results of Polsat Group for 2020, which were achieved in a situation of numerous administrative restrictions imposed on the society and companies in the face of the COVID-19 coronavirus epidemic, the Supervisory Board assessed that Polsat Group's business operations were relatively resistant to the adverse impact of the pandemic. The majority of operations of the Group's companies rely on a diversified business model which is based on a large contract customer base, thanks to which the Group is able to obtain a stable and predictable revenue stream from subscription fees, which translates to a strong, positive stream of generated cash.

In the opinion of the Supervisory Board, the acquisition of Grupa Interia.pl sp. z o.o., finalized in 2020, perfectly complements the strategy of Polsat Group, which assumes delivering the most attractive products and services for households as well as for residential and business customers while using state-of-the-art technologies. The transaction will assure for Polsat Group the continuation of its development on the dynamically-growing Internet and online advertising market, while enabling improved cost efficiency thanks to insourcing of the expenditures related to the advertising campaigns of Polsat Group brands.

The Supervisory Board also sees as positive the decision of Polsat Group to dynamically roll out the modern 5G network. In May 2020, Polsat Group launched the first in Poland commercial 5G network using the spectrum from the 2.6 GHz TDD band. At the end of 2020 this network's coverage extended over an area inhabited by more than 7 million people, with the total number of base stations exceeding 1,000. The decision to increase investments in the roll out of the 5G network is intended to enable Polsat Group to maintain the high quality of services it provides in times of exponential growth of demand for high speed data transmission which has been additionally intensified by the COVID-19 epidemic.

In light of the above, the Supervisory Board positively assessed the standing of the Company and of Cyfrowy Polsat Group, both from operating and financial points of view, as well as the prospects for development in the coming quarters.

Bearing in mind the effective pursuit of the strategic goal of increasing customer loyalty and value, as demonstrated by the very low churn ratio coupled with a simultaneous stable growth of ARPU per contract customer, in spite of the high competitiveness of the markets on which Polsat Group operates, the Supervisory Board has positively assessed the pricing policy of Polsat Group companies.

Assessment of the Company's internal control, risk management and compliance systems as well as its internal audit function

An internal control system operates in the Company, the effectiveness of which is the responsibility of the Management Board. The internal control system covers the Company's major operational processes which require control mechanisms for monitoring and mitigating risks which are material for the Company, including the process of preparing the financial statements and interim and current reports prepared and published based on the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse 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, the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies as well as the Ordinance of the Minister of Finance of March 29, 2018, regarding current and periodic information published by issuers of securities and the conditions for recognizing equivalence of information required under non-member states regulations.

The basic task of the internal control system is to assure the accomplishment of business goals by the Company. The Company has an organizational structure, which is updated on an on-going basis. The reporting paths, the responsibilities and the levels of authorization (the rights) are clearly defined in that structure, which constitutes an additional tool for the neutralization of material risks associated with the conducted business activities. In the Supervisory Board's opinion, the internal control system and critical risk management, as well as the internal audit function are of satisfactory quality.

Just like in the past years, the Company's Audit and Internal Control Division, in cooperation with the audit firm performing statutory audits, carried out an overall audit of the functioning of the key components of the internal control system present in the Company. The results of this audit were presented to the Management Board and to the Audit Committee. Upon becoming acquainted with the report prepared by the Director of Audit and Internal Control Division and by the Management Board, as

well as upon having read the Audit Committee's opinion, which assessed the functioning of internal control and risk management systems and the internal audit function, the Supervisory Board issued a positive opinion on the effectiveness of functioning of the above systems and functions.

No formalized compliance system functions in the Company. Nonetheless, the Supervisory Board is of the opinion that there exists satisfactory control of compliance of the Company's operations in various fields with the valid law, including the Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 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 (General Data Protection Regulation), which is in force since May 25, 2018. The above mentioned compliance control is regulated by the Company's internal regulations and is effectuated at the level of individual organizational units responsible for respective areas of operations.

3. Assessment of the Company's compliance with information disclosure obligations related to the implementation of corporate governance principles defined in the WSE Rules, as well as in other regulations concerning current and periodic information disclosure by issuers of securities

In the Supervisory Board's opinion, in 2020 the Company demonstrated reliable and due compliance with information disclosure obligations related to the implementation of the principles of corporate governance as defined in the WSE Rules, as well as in other regulations concerning current and periodic information disclosure by issuers of securities.

In particular, pursuant to § 70, item 6. 5) of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and the conditions for recognizing equivalence of information required under non-member states regulations, the report on the activities of the Company in the financial year ended December 31, 2020 contains a statement confirming the observance of corporate governance rules, which forms a separate section of the report. In the Supervisory Board's opinion, the disclosures found in the statement are complete and exhaustive and they reflect the actual state of affairs.

Furthermore, pursuant to § 49b of the Accounting Act of September 29, 1994 (as amended), the Company has published the corporate social responsibility report of Polsat Group for 2020, describing the non-financial activities in 2020. The publication has been prepared based on the international Global Reporting Initiative standard in Core option.

4. Assessment of the rationality of the Company's policy in the areas of sponsoring, charity or other similar activities

Polsat Group's social mission is carried out by the Company and its subsidiaries in four areas: safety, aid to children, promotion of sports and physical activity, and education. Both, the Company and its subsidiaries strive in the efforts to make sure that the implementation of individual projects is not only consistent with the list of the topics that are of key importance for Polsat Group but that it is also a response to the selected Sustainable Development Goals (SDGs).

2020 was marked by COVID-19. The Company and its subsidiaries very quickly proceeded with providing aid to the society and these activities are continued. Polsat Group, jointly with its main shareholder, Mr. Zygmunt Solorz, and in cooperation with, among others, Polsat Foundation, donated more than PLN 50 million to support the society, the healthcare system, its customers and viewers as well as its employees in their struggle against the coronavirus pandemic.

Financial support as well as support in kind were provided, with the health and safety of Polish society in mind. Major activities included:

- the purchase of 200 thousand coronavirus tests during the early stage of the pandemic, as well as the purchase of 20 ventilators, protective gear for medical staff and disinfectants;
- broadcasting of a special block of commercials: *"Reklama na ratunek – razem w walce z koronawirusem"* (Commercials to the rescue – fighting the coronavirus together) in Telewizja Polsat;
- *"SMS na ratunek"* (SMS to the Rescue) action by Polsat Foundation, with the entire income from the action being donated to the purchase of personal protective equipment for medical staff.

The following actions were taken to aid children and support good quality education:

- Donating 2200 tablets for remote learning to digitally-excluded children, including the children in foster families and orphanages;

- Donating prepaid starter kits with free calls, SMSs and Internet access to children under the care of local daycare centers which cooperate with Polki Mogą Wszystko Foundation;
- Organizing, as an element of employee volunteering actions, an action of collecting of board games for the Grand Board Game Tournament to be organized in the daycare centers for children which cooperate with Polki Mogą Wszystko Foundation.

In line with the Group's social mission, the pro-social activities carried out during the pandemic also included providing of information about and popularizing support-oriented attitudes as well as proper habits in a lockdown situation. The key activities in this area included:

- Implementation of a social campaign for senior citizens: *"Pomagajmy sobie nawzajem"* (*Let's help each other*);
- Providing access to verified and reliable information about the coronavirus and the pandemics in Polsat New channel (a dedicated show called *"Raport. Wszystko o koronawirusie"* (*"Report. All about the coronavirus"*), in the daily news program *Wydarzenia* (*The News*) on Telewizja Polsat's main channel, as well as via polsatnews.pl portal and via interia.pl web portal;
- Interactive *"Treningi w czasie pandemii"* (*Workouts during the pandemic*) workouts presented in Polsat News channel.

More examples of best practice activities are described in the [Corporate Social Responsibility Report of Polsat Group for 2020](#).

Moreover, other notable sponsoring, charity and other similar activities of the Company and of its subsidiaries included:

- Involvement in numerous initiatives aimed at the protection of the life and health of children as well as support for people in need who face the risk of marginalization (social or economic), carried out in cooperation with public benefit organizations, mainly Polsat Foundation;
- Charity projects implemented as part of corporate volunteering activities, focused on providing material and financial support to people in need, executed in cooperation with, among others, Polsat Foundation and Polki Mogą Wszystko (*Polish Women Can*) Foundation;
- Involvement in actions promoting safety by long-term partnerships and providing financial support for rescue units (TOPR, GOPR, WOPR and MOPR – mountain rescue units and lifeguard service) and cooperation with such units as a technological partner in educational projects and in projects promoting safety (emergency numbers in the mountains and at the seaside as well as the Plus network's proprietary "Help" application);
- Support and promotion of Polish sport, i.e., sponsoring activities targeted to support athletes and continuing the successful long-term cooperation of Polkomtel sp. o.o., the Company's subsidiary, with the Polish Volleyball Association and the Polish Volleyball League as well as presenting to Polish fans sport events in Telewizja Polsat channels;
- Educational and technological projects executed in cooperation with Copernicus Science Center in Warsaw – Polkomtel sp. z o.o., the Company's subsidiary, has been the Center's partner since its establishment in autumn 2017;
- Activities focusing on natural environment conservation and climate protection as well promotion of pro-ecological attitudes in the our closest vicinity which are realized, among others, by:
 - joining the Clean Poland Program Association by the Company and its subsidiaries, an association established by the Company's main shareholder, Mr. Zygmunt Solorz, to initiate changes that are beneficial for natural environment;
 - the involvement of Group's companies in the project of construction by ZE PAK S.A. of the biggest in Poland photovoltaic farm in Brudzew, with the planned power output of 70 MWp. The photovoltaic farm is planned to be launched in 2021;
 - signing with ZE PAK S.A. Group of a long-term contract for the supply of green energy which will be produced by the newly constructed solar power plant. Thanks to the contract in near future the whole electricity used by Polsat Group will be totally clean and green. In addition the Group also plans to offer the green electricity to its corporate clients and residential customers;
 - entering into a new area of business related to offering and installation of photovoltaic panels thanks to which Polsat Group's customers may already today produce green energy for their own needs.

- green bonds issue worth PLN 1 billion used for refinancing the Group's projects aimed at improving the energy efficiency of its telecommunication infrastructure, which directly translates to a reduction of CO₂ emissions. The framework of our green bonds complies with the Green Bond Principles and is supported by a positive review from Sustainalytics, an international agency providing ESG assessment.
- broadcasting the Clean Poland Program Association's educational campaign in Telewizja Polsat with the task of popularization of positive attitudes related to the environment and nature;
- concert by Telewizja Polsat: "Earth Festival. Stars for Clean Poland" as a result of joining the For Earth For Us initiative which has the goal of inspiring the society and making it aware how one can introduced changes to daily life through simple steps;
- continuation of ecological education in "Brawo TY!" Cyfrowy Polsat and Plus subscriber magazine.

The Supervisory Board views the charity and sponsoring activities conducted by the Company and its subsidiaries in 2020 as rational and beneficial for society. The aid provided during the pandemic offered direct and real financial or material support to people who were most in need: hospitals, doctors, nurses, rescuers, customers, viewers and employees. Through sponsoring and promotion of sports, the Group disseminates good attitudes and promotes healthy life style and spending free time with the family, while cooperation with rescue units provides them with technological support and translates into improved safety of Poles, among others during holidays in the mountains and by the water. We hope that the strong involvement in the pro-environmental activities, which were proactively conducted by the Company, will not only contribute to changes which are beneficial for the natural environment and the climate but that they are also a response to the evolving attitudes of our customers and the expectations of our employees. In the opinion of the Supervisory Board, such an attitude, demonstrated by the Group, strengthens positive relations between the organization and its stakeholders – the customers, the business partners, the suppliers, the investors and the social environment.

The full scope of the activities of the Company and of Polsat Group members in the area of sponsoring, charity or other activities of similar nature can be found in the Polsat Group's Corporate Social Responsibility Report for 2020 available on www.grupapolsat.pl web page.

II. ASSESSMENT OF THE COMPANY'S FINANCIAL STATEMENTS AND OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY'S CAPITAL GROUP FOR THE FINANCIAL YEAR 2020, THE REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S AND THE COMPANY'S CAPITAL GROUP'S ACTIVITIES IN THE FINANCIAL YEAR 2020 AS WELL AS THE MANAGEMENT BOARD'S MOTION REGARDING THE DISTRIBUTION OF PROFIT GENERATED BY THE COMPANY IN THE FINANCIAL YEAR 2020

Acting by virtue of art. 382 §3 CCC and art. 18 section 2 letter b) of the Company's Articles of Association, in connection with art. 395 §2 CCC, the Company's Supervisory Board has assessed:

- the stand-alone 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, 2020,
- the Management Board's report on the activities Cyfrowy Polsat S.A. and the consolidated report on the activities of Cyfrowy Polsat S.A. Capital Group in the financial year ended December 31, 2020,
- the motion of the Company's Management Board regarding the distribution of profit generated by the Company in the financial year ended December 31, 2020.

Upon having analyzed the auditor's report on the audit of the Company's financial statements and of Cyfrowy Polsat S.A. Capital Group's consolidated financial statements for the financial year 2020, the opinion of the Audit Committee, as well as upon having assessed these reports, the Supervisory Board has concluded that the Company's financial statements as well as the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year 2020 have been prepared on the basis of properly kept accounts and they comply, in terms of form and content, with the valid regulations, thus presenting a true and fair view of all information essential from the point of view of assessment of the profitability and the financial results for the period subject to audit, as well as of the Company's property and financial standing as at December 31, 2020. Moreover, the Supervisory Board has stated that the Company's financial statements and the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year 2020 comply with the accounts and the Company's documents as well as the factual circumstances. In the face of the above, the Supervisory Board has positively assessed the Company's financial statements and Cyfrowy Polsat S.A. Capital Group's consolidated financial statements for the financial year 2020.

Based on the presented financial statements, the Company's financial results were as follows:

- net profit in the income statement for the period from January 1, 2020 to December 31, 2020: **PLN 405.0 million**,
- total comprehensive income in the total comprehensive income statement for the period from January 1, 2020 to December 31, 2020: **PLN 396.7 million**,
- total assets and total equity and liabilities in the balance sheet as at December 31, 2020: **PLN 15,575.9 million**,
- net increase in cash and cash equivalents in the cash flow statement for the period from January 1, 2020 to December 31, 2020: **PLN 693.3 million**,
- decrease in equity in the statement of changes in equity for the period from January 1, 2020 to December 31, 2020: **PLN 242.8 million**.

Based on the presented consolidated financial statements, the financial results of Polsat Group were as follows:

- net profit in the consolidated income statement for the period from January 1, 2020 to December 31, 2020: **PLN 1,146.2 million**,
- total comprehensive income in the consolidated comprehensive income statement for the period from January 1, 2020 to December 31, 2020: **PLN 1,158.8 million**,
- total assets and total equity and liabilities in the consolidated balance sheet as at December 31, 2020: **PLN 33,115.0 million**,
- net increase in cash and cash equivalents in the consolidated cash flow statement for the period from January 1, 2020 to December 31, 2020: **PLN 609.4 million**,
- decrease in equity in the consolidated statement of changes in equity for the period from January 1, 2020 to December 31, 2020: **PLN 38.3 million**.

Upon having analyzed and assessed the Management Board's report on the Company's activities and the consolidated report on the activities of Cyfrowy Polsat S.A. Capital Group in 2020, the Supervisory Board has concluded that the above mentioned reports are consistent with the Company's accounts and documents and with the factual circumstances. In the Supervisory Board's opinion, information presented in the above mentioned documents present a true and fair view of the Company's and the Group's operating results and their property and financial standing. In the face of the above, the Supervisory Board has positively assessed and accepted the Management Board's report on the Company's activities and the consolidated report on the activities of Cyfrowy Polsat S.A. Capital Group in the year 2020.

The Supervisory Board familiarized itself with the Management Board's motion regarding the distribution of the Company's net profit for the financial year 2020 which assumes:

- the allocation of the entire net profit earned by the Company in the financial year ended December 31, 2020, amounting to PLN 404,982,013.92 (say: four hundred four million nine hundred eighty two thousand thirteen zlotys and ninety two grosze), for distribution as dividends to the shareholders of the Company, and
- the allocation of the amount of PLN 362,473,205.28 (say: three hundred sixty two million four hundred seventy three thousand two hundred five zlotys and twenty eight grosze) 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 amounts to PLN 767,455,219.20 (say: seven hundred sixty seven million four hundred fifty five thousand two hundred nineteen zlotys and twenty grosze), i.e., PLN 1.20 (say: one zloty twenty grosze) per share.

Furthermore, the Management Board of the Company recommended in its motion, in accordance with the provisions of article 348 § 4 of the Commercial Companies Code, 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 255,818,406.40 (say: two hundred fifty five million eight hundred eighteen thousand four hundred six zlotys and forty grosze), i.e., PLN 0.40 (say: forty grosze) per share – on September 28, 2021, and
- the second tranche in the amount of PLN 511,636,812.80 (say: five hundred eleven million six hundred thirty six thousand eight hundred twelve zlotys and eighty grosze), i.e., PLN 0.80 (say: eighty grosze) per share – on December 10, 2021.

The Supervisory Board has assessed that the aforesaid motion is compliant with the dividend policy adopted by the Company and shall not interrupt the development concept of the Company and its capital group, enabling at the same time its further deleveraging and, therefore, has issued a positive opinion on it.

The Supervisory Board recommends that the General Meeting:

- approves the stand-alone financial statements of Cyfrowy Polsat S.A. for the financial year ended December 31, 2020, the consolidated financial statements of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2020 and the Management Board's reports on the activities of Cyfrowy Polsat S.A. and the activities of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2020,
- issues a positive opinion on the report on the remuneration of the Management Board Members and the Supervisory Board Members of Cyfrowy Polsat S.A. for the years 2019-2020,
- adopts a resolution regarding the distribution of the Company's net profit for the financial year ended December 31, 2020 in line with the motion of the Company's Management Board,
- grants votes of approval to the following Management Board Members on account of performance of their duties in the year ended 31 December 2020:
 - Mr. Mirosław Błaszczuk, President of the Management Board in the year 2020,
 - Mr. Maciej Stec, Vice-President of the Management Board in the year 2020,
 - Mr. Jacek Felczykowski, Management Board Member in the year 2020,
 - Ms. Aneta Jaskólska, Management Board Member in the year 2020,
 - Ms. Agnieszka Odorowicz, Management Board Member in the year 2020,
 - Ms. Katarzyna Ostap-Tomann, Management Board Member in the year 2020.

Concurrently, the Supervisory Board of Cyfrowy Polsat S.A. would like to ask the Company's General Meeting to approve the Supervisory Board's report on its activities in the period from January 1, 2020 to December 31, 2020 and to grant all Supervisory Board Members a vote of approval on account of performance of their duties in the year 2020.

Marek Kapuściński
Supervisory Board Chairman

Józef Birka
Supervisory Board Member

Marek Grzybowski
Supervisory Board Member

Robert Gwiazdowski
Supervisory Board Member

Aleksander Myszka
Supervisory Board Member

Leszek Reksa
Supervisory Board Member

Tomasz Szeląg
Supervisory Board Member

Paweł Ziółkowski
Supervisory Board Member

Piotr Żak
Supervisory Board Member

Warsaw, May 27, 2020