

ZOOM TV

STOPKLATKA



KINO POLSKA MUZYKA

KINO TV

FILM BOX

GAME TOON G



KINO POLSKA TV S.A.

Annual report of Kino Polska TV S.A.
Capital Group for 2020



**KINO
POLSKA
TV S.A.**

**THE CAPITAL GROUP OF
KINO POLSKA TV S.A.**

**CONSOLIDATED ANNUAL REPORT
FOR 2020**

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**LETTER OF THE PRESIDENT
OF THE MANAGEMENT BOARD
OF KINO POLSKA TV S.A.**

Dear Sir / Madam,

On behalf of the Management Board of Kino Polska TV S.A. ("the Company"), I hereby present the Annual Report of the Kino Polska TV S.A. Group ("the Group") for the year 2020.

Due to the global COVID-19 pandemic, 2020 was an unprecedented year. Both the Polish and global economies had to operate in previously unknown circumstances. Many companies have not coped with the new reality, marked by the introduction of pandemic restrictions, such as the temporary freezing of certain sectors of the economy. I would like to emphasize even more strongly that the COVID-19 pandemic has not had a significantly negative impact on the operations of the Kino Polska TV S.A. Capital Group.

In 2020, the Company did not have any liquidity problems. Most segments of our business, including Stopklatka, improved their profitability, and all channels in the Group's portfolio reported an increase in advertising revenue, including terrestrial channels, despite the impact of the pandemic being felt in the second quarter of 2020. Compared to 2019, revenue on sales of advertising on the Group's channels increased by 11%. Broadcasting revenue recorded a 10% increase and amounted to PLN 113 million at the end of 2020. This was mainly due to growing revenue from broadcasting the FilmBox brand and thematic channels, primarily in international markets, i.e. in the Czech Republic, Slovakia, Romania and Hungary. The Group's total sales revenue increased by 5% (y/y) in the period discussed. The Group is also developing steadily on international markets, where the revenue growth rate reached 4.3% year-on-year in the period discussed. At the same time, in 2020 we meticulously controlled costs, which, combined with higher revenues, allowed us to generate a net profit in excess of PLN 27 million, 47% higher than in 2019. EBITDA amounted to PLN 88.5 million, an increase of 14% (y/y).

Due to investments in the purchase of attractive content and a well-thought-out programming policy, the Group's channels recorded higher audience ratings. In 2020, our channels' share in the commercial audience was 2.30% (SHR%, All 16-49, live), nearly 17% higher than in the previous, also record-breaking 2019. Stopklatka's share was 1.09% (SHR%, all 16-49, live) in the period discussed, an increase of almost 14% year-on-year, and the channel itself became one of the leaders in the film and TV series channel segment. Zoom TV's share was 0.57% (SHR%, all 16-49, live), up by nearly 8% compared with 2019. The channels Kino Polska Muzyka (+50% y/y), Kino Polska (+36% y/y) and Kino TV (+13% y/y) also recorded increases. Our channels average time spent (ATS) was as much as 19% higher than in 2019, while the average market-wide ATS increase was just under 3%. Film and TV series channels have clearly strengthened, gaining over 6% more audience across the market compared with the prior year.

We also spent 2020 developing the digital area. In addition, we invested in know-how and developed cooperation with partners to whom we provide attractive content for streaming platforms and VOD services. We have worked intensively on the implementation of the new FilmBox+ platform, so that we could announce its launch in Poland in the first months of 2021.

In addition to maintaining liquidity, the Management Board's priority over the past year was to simultaneously ensure the safety of the Group's employees. During the COVID-19 pandemic, remote working became a daily occurrence for the vast majority of our Team. I would like to take this opportunity to thank our Employees for their commitment and professionalism which allowed us to fully maintain the continuity of the Group's operations.

The Kino Polska TV S.A. Capital Group continues to pursue its strategy. Our goal remains to achieve and maintain our position as one of the five largest TV groups in Poland and to achieve average annual audience ratings for our Group's channels of 2.6-3% (SHR%, all 16-49, live). We also have ambitious plans related to the digital segment, where we will gradually develop through more modern platforms and own applications, as well as through cooperation with local and global partners looking for attractive programming content.

Planning for the future must clearly take into account the ongoing COVID-19 pandemic. As at the date of this Report, we continue to anticipate no material adverse effect of the pandemic on the Group's results. The Management Board continues to monitor the situation, remaining ready to take appropriate action to mitigate the possible impact of the pandemic on our business. Nevertheless, I believe that with our shared commitment and determination, the Group's position will remain unthreatened, and 2021 will bring us closer to achieving our goals.

You are cordially invited to read the Report.

Bogusław Kisielewski

President of the Management Board of Kino Polska TV S.A.

This report (the “Report”) of the Kino Polska TV S.A. Group (the “Group”) for the year 2020 has been prepared in accordance with §60, clause 2 and §71, clauses 1, 2, 4, 5 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (the “Regulation”).

Based on §79, clause 2 of the Regulation, Kino Polska TV S.A. (“the Company” or “the Issuer”) has not submitted a separate quarterly consolidated report for the 4th quarter of 2020.

I. SELECTED FINANCIAL DATA

Selected financial data		12 months ended 31 December 2020	12 months ended 31 December 2019	12 months ended 31 December 2020	12 months ended 31 December 2019
		in PLN '000		in EUR '000	
I	Revenue from contracts with customers	211,810	201,594	47,340	46,863
II	Operating profit	35,112	26,103	7,848	6,068
III	Profit before tax	33,067	23,273	7,391	5,410
IV	Total comprehensive income	27,754	19,218	6,203	4,467
V	Weighted average number of treasury shares (not in thousands)	19,821,404	19,821,404	19,821,404	19,821,404
VI	Number of treasury shares (not in thousands)	-	-	-	-
VII	Net earnings per share attributable to the parent company's owners (not in thousands)	1.37	0.94	0.31	0.22
VIII	Net cash from operating activities	28,445	22,852	6,358	5,312
IX	Net cash from investing activities	(3,867)	(4,404)	(864)	(1,024)
X	Net cash from financing activities	(20,313)	(18,218)	(4,540)	(4,235)
XI	Cash and cash equivalents as at the end of the period	9,098	4,834	2,033	1,124
		<i>As at</i> 31 December 2020	<i>As at</i> 31 December 2019	<i>As at</i> 31 December 2020	<i>As at</i> 31 December 2019
		in PLN '000		in '000 EUR	
XII	Non-current assets	149,252	152,176	32,342	35,735
XIII	Current assets	81,154	72,713	17,586	17,075
XIV	Total assets	230,406	224,889	49,928	52,809
XV	Non-current liabilities	55,163	49,623	11,954	11,653
XVI	Current liabilities	58,116	85,729	12,593	20,131
XVII	Equity	117,127	89,537	25,381	21,025
XVIII	Share capital	1,982	1,982	429	465

The above financial data for the years 2020 and 2019 was translated into EUR in accordance with the following rules:

- assets and equity & liabilities – at the mid exchange rate determined by the National Bank of Poland as at 31 December 2020 – PLN 4.6148/EUR. For comparative data, the mid exchange rate as at 31 December 2019 was PLN 4.2585/EUR;
- individual items of the statement of comprehensive income and the statement of cash flows – at the mid exchange rate calculated as the arithmetic mean of the exchange rates in force as at the last day of each month in the period from 1 January 2020 to 31 December 2020, determined by the National Bank of Poland PLN 4.4742/EUR. For comparative figures in the period from 1 January 2019 to 31 December 2019 – PLN 4.3018/EUR.

II. DIRECTORS' REPORT

OF THE KINO POLSKA TV S.A. GROUP FOR 2020



1. Description of the Kino Polska TV S.A. Group

The Kino Polska TV S.A. Group is a modern, dynamically developing media group which aspires to be a key player on the Central and Eastern European market. The Group's parent entity is Kino Polska TV S.A. ("the Company", "the Issuer").

The Group dates back to June 2003 when the company Kino Polska TV Sp. z o.o. was established. Six months later, it started broadcasting Telewizja Kino Polska – the first channel in the world devoted exclusively to Polish cinematography. In 2007, Kino Polska TV Sp. z o.o. was purchased by one of the global media market leaders – SPI International. Within a short time, Kino Polska TV Sp. z o.o. started distributing the FilmBox channels owned by SPI International. In 2010 Kino Polska TV Sp. z o.o. was transformed into a joint-stock company, Kino Polska TV S.A., and on 12 April 2011, Kino Polska TV S.A. made its debut on the Warsaw Stock Exchange. SPI International B.V. ("SPI") is the Issuer's majority shareholder.

The Group's core operations include: broadcasting and producing television channels (Kino Polska, Kino Polska Muzyka, Kino TV, FilmBox Premium HD, theme channels and terrestrial channels – Zoom TV and Stopklatka), sales of advertising time (in Poland and in the Czech Republic) and trading in licensing rights. The channels produced, broadcast and distributed by the Group are included in the offers of all major Polish operators. They are also available in 40 countries in all parts of the world.

The Kino Polska TV S.A. Group diversifies the sources of its revenues by developing channels distributed terrestrially. Kino Polska TV S.A. broadcasts the Zoom TV channel and (as at the date of the Report) owns 100% of the shares in Stopklatka S.A. ("Stopklatka") – the broadcaster of the first terrestrial film channel Stopklatka (formerly: Stopklatka TV); the channel is also available in the offer of most paid TV providers in Poland.

In the 12-month period ended 31 December 2020, the Company concluded share sale agreements for the shares in Stopklatka S.A. (on 22 June 2020, 29 June 2020, 7 July 2020, 13 July 2020, 5 August 2020, 10 November 2020, 17 November 2020, 1 December 2020 and 8 December 2020) based on which it acquired from the then shareholders of Stopklatka 23,417 shares in that Company totalling PLN 163,919.00. Therefore, as at 31 December 2020, the Issuer held 11,152,562 shares in Stopklatka representing 99.83% of its share capital.

On 17 November 2020, pursuant to Article 418(1) of the Commercial Companies Code, the Extraordinary Shareholders' Meeting adopted the Resolution on the mandatory buy-out (squeeze-out) of shares held by Stopklatka's minority shareholders. In accordance with the Resolution, the Issuer bought all shares subject to squeeze-out. The selected expert determined the price of one Stopklatka's share subject to squeeze-out at PLN 6.18.

On 27 January 2021, as part of the squeeze-out procedure, the Company purchased 18,698 of Stopklatka's shares for a total of PLN 115,553.64. In connection with the above, as at the date of publication of the Report, the Issuer held 11,171,260 of Stopklatka's shares representing 100% of its share capital.

As at 31 December 2020, the following entities were part of the Kino Polska TV S.A. Group:

-
- Kino Polska TV S.A. (Poland) – the parent company;
 - Stopklatka S.A. (Poland) – subsidiary;
 - Filmbox Iberia S.L.U. (Spain) – a subsidiary;
 - Filmbox Estonia OU in liquidation (Estonia) – a subsidiary;
 - Filmbox International Ltd. (United Kingdom) – a subsidiary;
 - Help Film s.r.o. (the Czech Republic) – an indirect subsidiary;
 - Help Film Slovakia s.r.o. (Slovakia) – an indirect subsidiary;
 - SPI International Magyarorszag, Kft. (Hungary) – an indirect subsidiary.

On 31 January 2020, the process of liquidating Filmbox Estonia OU in liquidation started.

2. The Group's external business environment

2.1 Macroeconomic environment¹

The operations and financial results of the Group are influenced by the economic situation both in Poland and on international markets. The factors that have a particular impact on the Group's operations include GDP growth, the level of consumer spending of households, capital expenditure of enterprises (including in particular demand for TV advertising), the level of expenditure on the services provided by the Group, the unemployment rate, and the rate of growth of real wages and salaries.

In 2020, the Polish economy, like global markets, had to (and still has to) face the COVID-19 pandemic and the resulting restrictions (the biggest slump was seen in the second quarter). According to preliminary estimates of the Central Statistical Office, Polish GDP in 2020 was 2.8% lower than in 2019, which is still below the average for the European Union, which recorded a 7.4% drop in GDP. According to a World Bank report, GDP worldwide fell by 5.2% in 2020 compared to 2019.

According to analysts, the coming quarters should bring stabilization. However, forecasts for the outcome of Polish GDP are mixed. Economists at mBank estimate a growth of 3%, while according to IPAG, it will be 4.3%. However, experts agree that the state of both the Polish and global economies will be directly linked to the process of easing pandemic restrictions, which largely depends on the pace of distribution and execution of the COVID-19 vaccine.

2.2 The television market in Poland

On the Polish market, more than 200 television channels belonging to over a dozen media groups are available. Channels belonging to the portfolio of three entities, namely Polsat Group, TVN Group and the Public Television (TVP) hold almost 70% of the market.

¹ Source: The World Bank, <https://businessinsider.com.pl>

According to the data of Nielsen Media Research, the number of households with access to television is stable. In 2020, it amounted to nearly 14 million, the same as in 2019. More than 5 million households only had access to digital terrestrial TVs.

Paid TV is used by more than 64% of households, with Cyfrowy Polsat, NC+ and UPC Polska being the largest operators here. The cable market consolidation whose progress has been observed for several years limits the number of paid television providers. However, the number of such providers is still high, which distinguishes Poland against the background of other countries in Europe and around the world.

Operators of satellite platforms and cable networks focus mainly on reaching to viewers who are looking for a top quality programming offer. This forces TV providers to produce and acquire unique content for their channels.

In 2020, due to the closure of certain sectors of the economy – in particular the entertainment industry (cinemas, theatres, concerts) – television gained popularity as a home entertainment source. Film and series channels increased their combined shares by around 6% in the commercial group over the year. News channels recorded the largest gains (57%), at the very peak of the *lockdown* associated with the development of the pandemic in March 2020, news channels collectively gained 167% year-on-year, averaging a nearly 12% audience share.

2.3 The television advertising segment of the Polish media market²

According to Nielsen Audience Measurement data, in the All 16-49 commercial group in 2020, the average time watching TV in Poland (ATV) was 3h 13min 23sec, up 0.5% compared with 2019. The channels of the Kino Polska TV S.A. Group stand out positively against the market, with their average viewing time in the commercial audience All 16-49 increasing by 17%, and their average year-on-year audience share (SHR) rising to 2.3% which represents an increase of almost 17% year-on-year.

In 2020, the Polish advertising market recorded its first decline in spending in seven years. The cause was the SARS-CoV-2 pandemic and the subsequent lockdown and deceleration in many sectors of the economy. Estimates by the Publicis Groupe media group show a drop in media spending in Poland in 2020 by almost 9%, to PLN 8.973 billion. According to the Publicis Groupe report, the decline applies to all media except the internet. The weakest months in terms of growth were April and May (the first spring lockdown), when falls exceeded 30%.

TV advertising spending in the whole of 2020 amounted to PLN 3.94 billion, 10% lower than in 2019. (Publicis Group report). Despite this decline, television is still the channel with the highest advertising spending, and accounts for 43.9% of media investment. Against this backdrop, the Kino Polska Group's advertising channels look excellent, achieving year-on-year growth in advertising revenues of almost 10% in Poland, and including the Czech market, total advertising revenues grew by 11% (y/y) in 2020.

² Source: Nielsen Audience Measurement ("NAM"), live data

2.4 The capital market and quotations of the Issuer's shares

The capital market in 2020

As at the end of 2020, 433 companies were listed on the Warsaw Stock Exchange main market (384 Polish and 49 foreign companies). Seven companies made their debut on the WSE main market, while shares of 24 issuers have been delisted. During the period discussed, the WIG20 index fell by almost 8%, the sWIG80 rose by almost 34%, the mWIG40 increased by less than 2%, while the WIG recorded a drop of around 1%.

2.4.2 Quotations of the Issuer's shares

The table below shows data relating to the Issuer's shares compared on a year by year basis.

In 2020, the highest price of the Company's shares at the closing of a session was PLN 9.95 (on 2 January 2020), and the lowest price was PLN 5.60 (on 17 March 2020).

Data on the quotation of Kino Polska TV S.A. shares

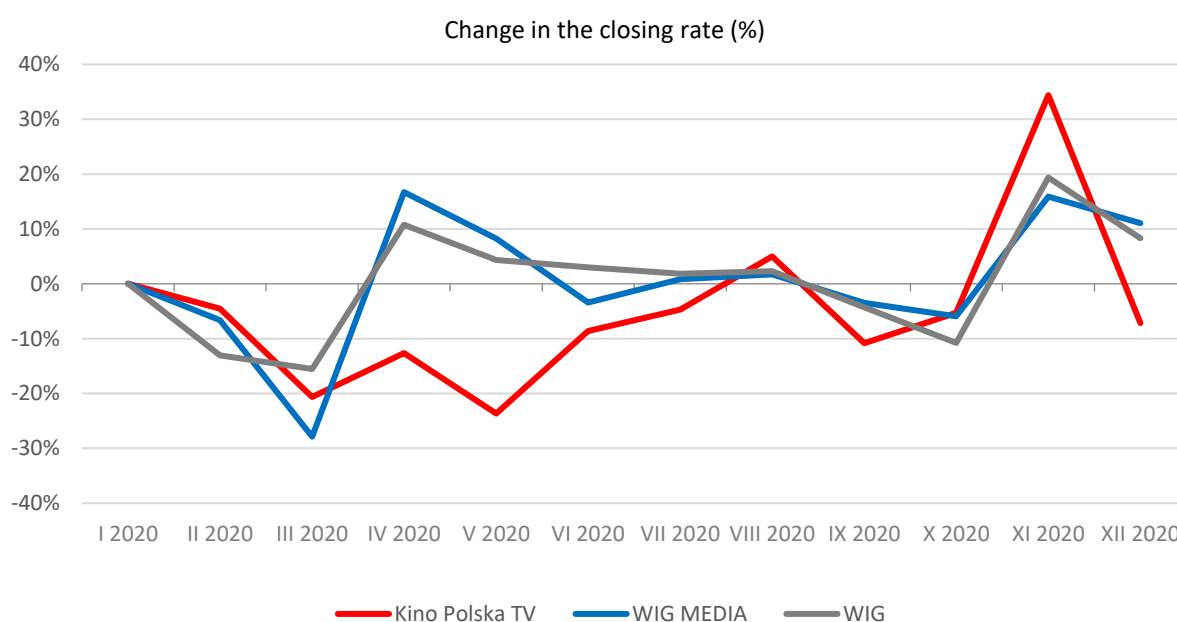
	<i>12 months ended 31/12/2020</i>	<i>12 months ended 31/12/2019</i>	<i>12 months ended 31/12/2018</i>	<i>12 months ended 31/12/2017</i>	<i>12 months ended 31/12/2016</i>	<i>12 months ended 31/12/2015</i>
Price as at the end of the period	7.8	9.7	10.5	11.5	11.7	11.5
Change year on year (in terms of value)	(1.9)	(0.8)	(1.0)	(0.2)	0.2	(1)
Change year on year (in %)	(19.6)	(7.6)	(9.5%)	(2%)	2%	(8%)
Minimum closing price	5.60	9.60	9.72	9.89	10.94	11.29
Maximum closing price	9.95	13.0	13.8	13.9	14.2	17.0
Average closing price in all sessions during the year	7.68	10.8	11.8	11.7	12.5	13.7
Trading volume (pieces) – daily average	10,376	5,558	5,058	3,498	2,920	4,462
Trades (in PLN'000) – daily average	76	60	61	41	36	61
Number of shares at the end of the year	19,821,404	19,821,404	19,821,404	19,821,404	19,821,404	19,821,404
Capitalization	154,606,951	192,267,619	208,124,742	227,946,146	231,910,427	227,946,146

The Issuer shares the profit earned with its shareholders by paying out dividend. The details are shown in the table below.

<i>Period for which dividend was paid</i>	<i>Amount of dividend per share</i>	<i>Number of shares covered by dividend</i>	<i>Dividend Record Date</i>	<i>Dividend payment date</i>
2018	PLN 0,30	19,821,404	01/07/2019	12/07/2019
2017	PLN 0,55	19,821,404	29/06/2018	16/07/2018
2016	PLN 1,13	19,821,404	04/07/2017	18/07/2017 03/08/2017
2015	PLN 1	19,821,404	06/06/2016	20/06/2016
ca. 2014	PLN 1	19,821,404	30/06/2015	14/07/2015
2013	PLN 0,45	13,821,404	14/07/2014	14/08/2014
2012	PLN 1	13,821,404	10/09/2013	25/09/2013
2011	PLN 1	13,859,000	29/05/2012	13/06/2012

The total value of dividends paid by the Company was PLN 112,789,223.72.

Price of Kino Polska TV S.A. shares versus WIG-Media and WIG indices in 2020



3. Information on the Group's expected development

The ultimate goal of the Kino Polska TV S.A. Group is to continue strengthening its position on the Polish television market and develop its offer on the international markets. At present, the channels from the Group's portfolio are available, among others, in Poland, the Czech Republic, Romania, Slovakia, Hungary, Turkey, Ukraine, as well as countries of the Balkan Peninsula, the Baltic States and the Middle East.

The Group consistently invests in the purchases of programming content in order to make the programming offer of its channels even more attractive and, consequently, continue to increase the number of subscribers of its channels.

Further development of the offer of premium channels under the FilmBox brand is planned. In cooperation with the local operators, the Group plans to carry out a number of seasonal marketing campaigns aimed at maintaining the growth of the revenues from the sales of such channels. In the future, the Group plans to start selling advertising time on the FilmBox basic channel in selected Central and Eastern European countries (at present, advertisements are broadcast on the FilmBox Basic channel in the Czech Republic). Therefore, the Group expects higher advertising revenue, which will translate into a further improvement in its financial result.

Stopklatka will continue to strengthen its position on the market of channels broadcasting films and TV shows. The expenditure made on the purchases of programmes should contribute to a further increase in the audience ratings of this channel. Due to full consolidation of the channel provider in the Group's results, the Group also expects the positive synergy effects to continue. A consistent programme strategy and marketing activity should result in even higher audience ratings of Stopklatka and, consequently, an increase in its financial result.

The Group intends to further expand Zoom TV's programme library through the consistent acquisition of attractive content, which, in addition to films and series, will include many entertainment programmes which are very popular among the channel's viewers. The Group also plans to produce its own entertainment programmes which will be based on popular international formats. The realization of one of these has already begun – its premiere on Zoom TV is planned for the first half of 2021. The activities described are aimed at increasing the channel's audience and improving its attractiveness for advertisers. The Group also intends to continue increasing the technical reach of Zoom TV.

Due to the dynamic growth of e-sports popularity in Poland, the Group is developing its e-sports channel Gametoon HD, investing in its programming offer and building a broad community around the Gametoon brand. These activities will enable expanding the distribution of the channel and increasing advertising revenue.

The development of the digital segment will also continue in the coming periods. In the first quarter of 2021, the Group launched the FilmBox+ platform, which replaced the FilmBox Live service. The service runs on a completely new technological infrastructure, has an easier to use, user-friendly interface, the ability to watch content on four devices at the same time, as well as a specially prepared programming offer for users, consisting of, among other things, films, series and documentaries. The Group therefore expects the number of its subscribers to increase. In the future, it is also planned to launch a service linked to the Kino Polska channel.

When analysing the information on the Group's expected development provided above, it should be borne in mind that the actual implementation of the plans described herein will depend on the economic situation. As at the date of publication of the Report, the Management Board is not expecting any direct, materially negative impact due to the coronavirus (SARS-CoV-2) pandemic on the Group's operations, financial position and results of operations. Nevertheless, it cannot be precluded that a prolonged period of restrictions in business activities, extension and prolongation of measures to limit the spread of the virus which are painful for the Polish economy will negatively affect the Groups financial position and results of operations in the medium and long term. The Management Board is monitoring the situation on an ongoing basis and will respond appropriately to mitigate the impact of such measures, if any.

4. Information on significant research and development achievements

In 2020 the Group did not engage in any research and development work.

5. Events having a significant effect on the Kino Polska TV S.A. Group's operations, which took place in the financial year and after the balance sheet date, up to the date of approval of the financial statements

2020

Changes in the composition of the Supervisory Board

On **31 January 2020**, Jacek Koskowski submitted his resignation from the Supervisory Board with immediate effect. Jacek Koskowski did not specify the reasons for his resignation.

On **27 February 2020**, the Extraordinary General Meeting appointed Mr Marcin Boroszko to the Supervisory Board.

1 July 2020. Alber Uziyel resigned from the Company's Management Board, while Katarzyna Woznicka resigned from the Company's Supervisory. Both resignations were submitted with immediate effect without indicating the reasons for their resignation.

2 July 2020. The Supervisory Board of the Company appointed Katarzyna Woznicka to the Management Board and she was entrusted with the function of Member of the Management Board.

21 August 21 2020. The Ordinary General Shareholders' Meeting of Kino Polska TV S.A. appointed Alber Uziyel to the Supervisory Board.

20 October 2020. Marcin Kowalski resigned from the Issuer's Management Board with immediate effect.

In connection with the above, as at the date of the Report, the composition of the Management and Supervisory Boards of Kino Polska TV S.A. is as follows:

Management Board of Kino Polska TV S.A.

- Bogusław Kisielewski – President of the Management Board;
- Levent Gültan – Member of the Management Board;
- Berk Uziyel – Member of the Management Board;
- Katarzyna Woźnicka – Member of the Management Board;

Supervisory Board of Kino Polska TV S.A.

- Loni Farhi – Chair of the Supervisory Board;
- Stacey Sobel – Deputy Chair of the Supervisory Board;
- Marcin Boroszko – Member of the Supervisory Board;
- Piotr Orłowski – Member of the Supervisory Board;
- Jesus Perezagua Sanchez – Member of the Supervisory Board;
- Krzysztof Rudnik – Member of the Supervisory Board;
- Alber Uziyel – Member of the Supervisory Board.

Withdrawal of Stopklatka S.A.'s shares from trading

18 February 2020. Stopklatka received permission from the Polish Financial Supervision Authority ("PFSA") to withdraw its shares from trading in the alternative trading system. The PFSA set a deadline of 29 February 2020 after which the shares would be withdrawn.

21 February 2020. Stopklatka submitted to the Warsaw Stock Exchange S.A. ("WSE") a letter regarding the withdrawal of its shares from trading in the alternative trading system on the NewConnect market.

25 February 2020. Stopklatka received from the WSE a Resolution of the Management Board of the WSE on the withdrawal of Stopklatka S.A. shares from trading on the NewConnect market. ("Resolution"). Pursuant to the Resolution, Stopklatka's shares were to be withdrawn from trading on the NewConnect market as of 29 February 2020. In addition, brokerage orders for Stopklatka shares submitted in the alternative trading system on the NewConnect market and not executed by 28 February 2020 (inclusive), were no longer valid. The Resolution entered into force upon its adoption, i.e. on 25 February 2020.

On **29 February 2020**, the shares of Stopklatka S.A. were withdrawn from the alternative trading system on the NewConnect market.

General Shareholders' Meeting of Kino Polska TV S.A.

On **27 February 2020**, the Company's Extraordinary Shareholders Meeting took place during which a resolution concerning appointment of Alber Uziyel to the Supervisory Board was adopted.

On **21 August 2020**, an ordinary General Shareholders' Meeting of Kino Polska TV S.A. took place and adopted the following resolutions:

- on the approval of the Directors' Report and the financial statements of Kino Polska TV S.A. prepared in accordance with the International Financial Reporting Standards for the financial year ended 31 December 2019;
- on the approval of the Directors' Report for the Group and the consolidated financial statements of the Kino Polska TV S.A. Group prepared in accordance with the International Financial Reporting Standards for the financial year ended 31 December 2019;
- on the appropriation of profit for 2019;

- on granting a vote of approval to the Management Board and Member of the Supervisory Boards for the financial year 2019;
- on the appointment of a Member of the Supervisory Board;
- on the adoption of the Remuneration Policy for Members of the Management and Supervisory Boards of Kino Polska TV Spółka Akcyjna with its registered office in Warsaw.

The full content of the resolutions adopted at the Issuer's General Meetings is available on the Company's website.

General Shareholders' Meeting of Stopklatka S.A.

On **21 September 2020**, the Ordinary General Shareholders' Meeting of Stopklatka S.A. took place and adopted the following resolutions:

- on the approval of Stopklatka's Directors' Report and the financial statements of Stopklatka S.A. prepared in accordance with the International Financial Reporting Standards for the financial year ended 31 December 2019;
- on the appropriation of profit for 2019;
- on granting a vote of approval to the Management Board and Member of the Supervisory Boards for the financial year 2019;
- on the selection of the entity authorized to maintain the register of shareholders.

On **17 November 2020**, an Extraordinary General Shareholders' Meeting of Stopklatka S.A. took place and adopted the following resolutions:

- on the compulsory buyout (squeeze-out) of shares, pursuant to Article 418 of the Commercial Companies Code;
- on the selection of an expert to value the shares subject to the squeeze-out.

The full content of resolutions adopted at Stopklatka's General Meetings is available on its website.

Appropriation of the profit for 2019

On **24 June 2020**, having obtained an assessment of the Company's Supervisory Board, the Issuer's Management Board decided to submit to the next Ordinary General Meeting, a motion to transfer the entire net profit earned by the Issuer for 2019 of PLN 9,250,198.11 to the Company's supplementary capital. To justify this decision, the Management Board indicated that its priority was to maintain the Company's safety and liquidity. The decision stemmed from the exceptional circumstances caused by the SARS-CoV-2 coronavirus pandemic. In the opinion of the Management Board, as at the date of adopting the decision, it was not possible to precisely estimate the extent to which the pandemic would affect the financial position of Kino Polska TV S.A. The detailed impact of the pandemic on the financial results of the Issuer and its Group is presented in Note 2 to the consolidated financial statements of the Kino Polska TV S.A. Group for the 12-month period ended 31 December 2020.

On **2 July 2020**, the Issuer's Supervisory Board issued a positive opinion on the said motion.

On **21 August 2020**, the Ordinary General Shareholders' Meeting of Kino Polska TV S.A. took place and adopted, among other things, a resolution on the transfer of the Company's entire net profit for the financial year ended 31 December 2019 of PLN 9,250,198.11 to supplementary capital.

Distribution of FilmBox film channels outside Poland:

In 2020, the Group continued to extend the area of distribution of the FilmBox film channels. The biggest increases in revenue were recorded in Hungary, the Czech Republic, Slovakia, Romania, in Poland, in the Balkan Peninsula countries and the Baltic States.

Stopklatka S.A.

In 2020, Stopklatka S.A. continued working on strengthening the position of its channel, Stopklatka (formerly: Stopklatka TV) on the Polish television market. The Company continued expanding its programming library which resulted in Stopklatka's share in the commercial audience reaching 1.09%, an increase of 13.5% compared with 2019. (SHR%, All 16-49, live). Improved audience ratings combined with a more effective use of the programming content led to an almost 6% increase in revenues from sales of advertising spots broadcast on Stopklatka.

Stopklatka's financial results and the audience share of its channel are discussed more broadly further in the Report.

Additional information

Additional information on material factors having an impact on the Group's financial results in the period under discussion is provided in Note 11 to the Directors' Report for 2020.

6. Information on the current and anticipated financial standing

In the opinion of the Management Board of Kino Polska TV S.A., the Group's financial position is stable and it is not exposed to liquidity risk.

The Issuer's Management Board expects the revenues of the Kino Polska TV S.A. Group to increase regularly in consecutive years.

The risks which could result in the deterioration of the Group's financial position are discussed in Note 13 to the Directors' Report for 2020.

A detailed description of the Group's financial results is presented in Note 11 to the Directors' Report for 2020.

7. Information on the purchase of treasury shares, and in particular, the purpose of their purchase, their number and nominal value, indicating the portion of share capital they represent, their purchase price and sales price in the event of their sale

The Issuer did not purchase any treasury shares in 2020.

8. Information on the branches or permanent establishments owned by the entity

The Group companies did not own any branches or permanent establishments in 2020.

9. Information on financial instruments

Risks: price risk, credit risk, a risk of significant disturbances in cash flows and loss of financial liquidity, to which the Group is exposed

In the reporting period, the Kino Polska TV S.A. Group was not exposed to a significant risk related to changes in the prices of the services offered or a drop in demand for its services. On the other hand, when purchasing services or assets, the Group tried to negotiate their prices and payment terms. Liquidity risk is minimized through ongoing monitoring and managing the maturities of licence and distribution liabilities and repayment deadlines of receivables in respect of sales made in foreign currencies, mainly in respect of production services and programming library management.

To ensure the smooth financing of the Group's operations, on 8 June 2016 the Issuer signed a MultiLinia agreement with Bank Zachodni WBK S.A. (currently Santander Bank Polska S.A.). Based on the Agreement, the Bank agreed to provide services to the Company in the form of a bank overdraft designated for financing the ongoing business operations of the Issuer and a guarantee line of up to a total of PLN 30,000 thousand. Within the aforementioned amount, the guarantee limit was set at PLN 1,000 thousand. In accordance with an annex to the Agreement, signed on 5 June 2018, the overdraft was due to be repaid by 9 June 2020. The interest rate on the bank overdraft is variable and amounts to 1M WIBOR for each day, plus the Bank's margin. On 20 May 2020, the Group signed the following annexes to agreements with Santander Bank Polska S.A.:

- an annex based on which the overdraft limit available to Kino Polska TV S.A. was increased to PLN 38 million and the lending period was extended until 10 June 2022;
- an annex based on which the lending period of an overdraft facility for Stopklatka S.A. was extended until 30 June 2022.

Detailed information on loans obtained by the Group is presented in Note 5.6.3 to the Group's Consolidated Financial Statements for the year ended 31 December 2020.

Further details on the Group's financial risks and the way of managing them are presented in Note 5.10.4 to the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2020.

Financial risk management objectives and methods used by the Group to manage financial risk, including methods used for hedging significant types of planned transactions for which hedge accounting is used.

Further details on the financial risks to which the Kino Polska TV S.A. Group is exposed and the way of managing them are presented in Note 5.10.4 to the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2020.

The Group does not apply hedge accounting.

10. Financial and non-financial ratios, including information on environmental and employment issues, as well as additional explanations of amounts disclosed in the financial statements

The Group's key financial ratios in the years 2020 and 2019 were as follows:

Ratio	Formula	12 months ended 31 December 2020	12 months ended 31 December 2019
Return on assets (ROA)	net profit* / average annual assets balance	12%	10%
Return on equity (ROE)	net profit* / average annual equity balance	26%	24%
Net profitability of sales	net profit* / sales revenue	13%	9%
EBITDA profitability	EBITDA / sales revenue	42%	38%
Cash ratio	Total current assets / current liabilities	1.4	0.8
Gearing	Total liabilities / total assets	0.5	0.6

*net profit from continued operations

A detailed description of the Kino Polska TV S.A. Group's financial results is presented in Note 11 to the Directors' Report for 2020.

The Kino Polska TV S.A. Group's employment structure by key departments is presented in Note 5.9.3 to the Consolidated Financial Statements of the Company as at and for the year ended 31 December 2020.

Environmental issues do not apply to the Group.

11. Discussion of the basic economic and financial values and, in particular, description of the factors, including non-typical ones, which have a significant impact on the Group's operations and its financial statements, including the profit or loss for the financial year

11.1 Financial results

Selected economic and financial data	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)	Change (%)
Revenue from contracts with customers	211,810	201,594	+5%
Operating profit/(loss)	35,112	26,103	+35%
Net profit/ (loss) from continued operations	27,244	18,564	+47%
EBITDA	88,527	77,542	+14%

EBITDA profitability	42%	38%	+3%
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In the 12-month period ended 31 December 2020, the Group generated sales revenue of PLN 211,810 thousand, which represents a 5% increase compared with the prior year. This is mainly due to 10% higher broadcasting revenues (+ PLN 10,301 thousand) and 11% higher advertising revenues (+ PLN 7,723 thousand).

The Group's advertising revenues increased mainly on the Kino Polska brand channels (+PLN 2,627 thousand) and on FilmBox channels in the Polish and Czech markets (+PLN 2,545 thousand). At the same time, terrestrial channels, despite the perceived slowdown in the second quarter due to COVID-19, also recorded higher advertising revenues. Stopklatka generated an additional PLN 1,751 thousand and Zoom TV an additional PLN 800 thousand, which represents increases of 6% and 5%, respectively, compared with 2019.

An increase in broadcasting revenue was mainly recorded in the FilmBox film channels and theme channels segment (an increase of 12%, +PLN 10,102 thousand). The most dynamic markets were Poland, the Czech Republic, Slovakia and Romania. In 2020, the revenues from broadcasting the Kino Polska channels remained at a level close to 2019 (1% increase, +PLN 200 thousand).

Revenues of the segment Sales of licence rights decreased year-on-year by 29% (-PLN 7,562 thousand). This is the result of a change in recognition of revenue from sales of licences in foreign markets and lower sales in Poland.

The operating profit generated in the period under review was 35% higher than in 2019, which is mainly due to the significantly higher profitability of the FilmBox brand channels, as well as an increase in the financial result of the Kino Polska and Stopklatka channel segments. Due to higher operating profitability, also the net profit from continued operations was 47% higher in the period under discussion than in the 12-month period ended 31 December 2019.

11.2 Audience ratings of the Group's channels³

As at the end of 2020, the Kino Polska TV S.A. Group was the sixth largest television group in Poland with an audience share of 2.30% in the commercial audience (SHR%, All 16-49), which represents an increase of almost 17% y/y. Viewers also devoted much more time to the Group's channels – in 2020, the average daily viewing time was 41 minutes and 11 seconds (ATS, All 16-49, live) and was as much as 19% higher than in 2019. This is a significantly higher increase than the market average which was less than 3% in the case of ATS during that period.

Among the Group's channels, Kino Polska Muzyka (+50% y/y) and Kino Polska (+36% y/y) recorded the highest increases in audience shares. Next were the terrestrial Stopklatka, which has the highest share among the broadcaster's channels (+13.5% y/y), Kino TV (+13.3% y/y) and terrestrial Zoom TV (+7.5% y/y).

³ Source: NAM, live data

The Group's channels recorded significant increases in average viewing time (ATS, All 16-49, live). The record-holder here is the Kino Polska Muzyka channel which increased its viewing time by as much as 91.8% y/y. Next in terms of ATS increases were: Kino Polska (+28.7% y/y), Stopklatka (+15.9%), Zoom TV (+10.6%) and Kino TV (+5%).

In the period ended 31 December 2020, the Group's channels premiered series such as "Ufak Tefek Cinayetler", "Chicago P.D.", "Criminal Minds" (Zoom TV), "Hudson & Rex" (Stopklatka) and "The Librarians" (Kino TV), as well as Polish film hits such as "Kiler" and "Kiler-ów 2-óch" (Kino Polska).

Stopklatka

In 2020, Stopklatka recorded a share of 1.09% in the commercial audience, achieving a more than 13.5% increase than in 2019 (SHR%, All 16-49, live).

The channel's result was more than twice as good among the viewers of terrestrial digital television – Stopklatka's share in this audience group was 2.19%, which is 16.5% more than in 2019 (SHR%, All TV Terrestrial 16-49, live).

The average time of watching Stopklatka in the period discussed was 36 minutes and 21 seconds, which means an almost 16% increase compared with 2019 (ATS, All 16-49, live). The increase in ATS reflects the growing attractiveness of Stopklatka's programme offer.

The biggest event on Stopklatka in 2020 was the Polish premiere of the series "Hudson & Rex" and the large product and image-building campaign and PR activities supporting the premiere. In the period discussed, Stopklatka also presented such titles as "Speed", "Predator", "Romancing the Stone" and "The Kindergarten Cop", among others.

Zoom TV

In 2020, the channel's share in the commercial audience was 0.57%, which means a 7.5% increase compared with 2019. In terms of monthly results, July 2020 was the best month for this youngest channel in the Group's portfolio, when Zoom TV recorded a commercial audience share of 0.67%, which is the highest result in the channel's history (SHR%, All 16-49, live).

Zoom TV's among terrestrial digital TV viewers in 2020 was 0.68% (SHR%, All TV Terrestrial 16-49, live), down 5.6% from 2019 (SHR%, All TV Terrestrial 16-49, live).

Zoom TV's average time of watching in 2020 increased over 10% compared with the prior year and amounted to 35 minutes and 44 seconds (ATS, All 16-49, live). An increase of the ATS rating indicates a growing interest in the channel's programming offer.

Zoom TV's 2020 premieres include, among others, one of the most popular series in the history of television "The X-files", the series "Criminal Minds" and "Chicago P.D.", the Turkish production "Ufak Tefek Cinayetler" and the second season of the entertainment show "I Love Cabaret".

Kino Polska

In 2020, the Kino Polska channel recorded a share of 0.34% in the commercial audience, achieving a more than 36% increase compared with 2019) (SHR%, All 16-49, live).

The channel recorded equally big increases among cable and satellite TV viewers, where it boasts, respectively, 0.54% (+28.5% y/y; SHR%, All TV Cable 16-49, live) and 0.45% (+32.3%; SHR%, All TV Satellite 16-49, live).

The average time of watching Kino Polska in 2020 was 27 minutes and 14 seconds, which means that its viewers spent 29% more time in front of their TV sets than a year before (ATS, All 16-49, live).

In the period discussed, the largest advertising campaign for the Kino Polska channel in years took place. "What's allowed in films is not allowed in life". By promoting iconic Polish comedies, the campaign drew attention to the differences between film and reality and encouraged the use of a language free of stereotypes and hatred.

Kino TV

In the 12-month period ended 31 December 2020, Kino TV recorded a share of 0.17% in the commercial audience which means a more than 13% increase compared with 2019 (SHR%, All 16-49, live).

The channel achieved even better results among the cable and satellite TV viewers. The share of Kino TV in the former audience was 0.21% (SHR%, All TV Cable 16-49, live), and in the latter it was 0.28% (an increase of 40% y/y).

In the period analysed, the average time of watching Kino TV was 25 minutes and 18 seconds (ATS, All 16-49, live), i.e. 5% longer than in 2019. The increase in ATS reflects the growing attractiveness of Kino TV's programme offer.

Among the most important events of 2020 in Kino TV, one should mention the premiere of the series "The Librarians" and the campaign supporting it, the second part of the image-building and product campaign "Films of your life" and a nationwide campaign supporting studio and local cinemas entitled "The cinema of your life". The second part of the image and product campaign "Films of your life" and a nationwide action to support art-house and local cinemas "I help with Kino TV". As part of the campaign, it was possible to book a free ticket for a home movie screening in Kino TV and thus financially support the Association of Art-house Cinemas.

Kino Polska Muzyka

In 2020, the Kino Polska Muzyka channel recorded the highest commercial audience share of all the Group's stations, with an SHR of 0.12%, a 50% increase compared to 2019. April 2020 turned out to be the best month in the history of Kino Polska Muzyka, when the channel achieved a 0.21% share in commercial audience, second only to terrestrial music channels (SHR%, All 16-49, live).

During the period in question, Kino Polska Muzyka recorded a spectacular increase in its share of the cable TV audience. The channel achieved a 0.29% share there, recording a more than 93% year-on-year growth (SHR%, All TV Cable 16-49, live).

ATS recorded an equally large increase. In 2020, the channel's average viewing time was 49 minutes and 39 seconds, up 92% year-on-year (ATS, All 16-49, live). The increase in ATS reflects the growing attractiveness of Kino Polska Muzyka's programming offer.

In Kino Polska Muzyka, 2020 was the year of Zbigniew Wodecki. The station broadcast the artist's greatest hits and an exceptional concert "1976. A Space Odyssey" with the Mitch & Mitch Orchestra and Choir, constituting a musical journey back in time to 1976.

12. Information about the development strategy adopted by the Issuer and its Group and actions taken to implement this strategy, and a description of the Issuer's development prospects in the next financial year

The Issuer's and the Group's strategy continues to focus on the further strengthening of the Issuer's and its Group's position on the domestic media market and continuing their dynamic expansion to the international market. The actions taken are aimed at the Group's winning and maintaining the position of the fifth largest media group in Poland, with an average annual share in the commercial audience (SHR, All 16-49, live) of 2.6-3%.

As part of the execution of this strategy, the Group invests in the programme offer of its channels, so that they can attract new viewers to make their audience ratings further improve. Intensive marketing activities associated with the products offered by the Group will also be continued (including popularization of products in the online environment). The Group expects that these actions will bring an increase in the revenues from broadcasting of pay TV channels and generate higher advertising revenues.

In the coming periods, the Group will also develop the digital segment of its operations in order to gradually increase the share of sales of non-linear products (FilmBox+, the successor to FilmBox Live and FilmBox On Demand) in its revenues. One of the Group's strategic objectives is also to create a VOD service which will present popular Polish films and TV shows, already known from the iconic Kino Polska channel, as well as unique productions of the Group and interviews with the best-known Polish film makers, which have never before been published. In the light of the present changes, it can be expected that the non-linear products segment will become an even more important source of the Group's revenues in the future.

The Group is working on increasing sales of FilmBox Premium packages on foreign markets and expanding the distribution of those channels to new territories. It is also planned to gradually introduce advertising blocks to FilmBox basic channels in selected countries in Central and Eastern Europe.

The Kino Polska TV S.A. Group decided to increase its involvement in production activities. This includes producing content for the Group's channels (e.g. making original series for the Kino Polska and Stopklatka channels, as well as producing popular international entertainment programmes for the Zoom TV channel), but also involvement in the production of cinema films. Thanks to the above actions, it will be possible to expand the library of own productions, which in the opinion of the Management Board is an important element in building the Group's competitive advantage. However, it should be noted that the Group's activities related to the production segment are

significantly related to the epidemiological situation in Poland. Prolonged restrictions related to the ongoing COVID-19 pandemic may delay various stages of planned production.

When analysing the information on the Issuer's and Group's strategy provided above, it should be borne in mind that the actual implementation of the plans described above will depend on the economic situation. As at the date of publication of the Report, the Management Board is not expecting any direct, materially negative impact due to the coronavirus (SARS-CoV-2) pandemic on the Group's operations, financial position and results of operations. Nevertheless, it cannot be precluded that a prolonged period of restrictions in business activities, extension and prolongation of measures to limit the spread of the virus which are painful for the Polish economy will negatively affect the Group's financial position and results of operations in the medium and long term. The Management Board is monitoring the situation on an ongoing basis and will respond appropriately to mitigate the impact of such measures, if any.

13. Description of material risk factors and threats related to the Group's environment

Macroeconomic risk and risk relating to the financial position of households

The level of the Group's revenues mainly depends on the wealth of those who live in Poland and other countries where the Group operates (especially big-city dwellers), which changes depending on the economic conditions, including: the pace of economic growth, level of unemployment, individual consumption, consumer sentiment indices, EUR/PLN exchange rate, and the government's fiscal policy. There is a risk that in the case of a protracted economic slowdown or recession, the demand for the services offered by the Group may fall, which may adversely impact its growth and results of operations.

The sources of the Group's revenues include sales of advertising through the channels it distributes (in Poland and the Czech Republic). An economic crisis or, in particular, a recession in Poland could lead to a situation where the existing advertisers would reduce their expenditure on advertising time on the Group's channels.

According to the Institute for Economic Forecasting and Analysis (Instytut Prognoz i Analiz Gospodarczych – IPAG), in 2021 Poland will record economic growth of 4.3% (mBank's analyses indicates a 3% growth).⁴ Experts agree that the GDP level in 2021 will depend on the pace at which Poland and other countries will ease restrictions introduced in connection with the SARS-CoV-2 coronavirus pandemic. The pace of the COVID-19 vaccination process will also play an important role. Prolonged restrictions and delays in the delivery of vaccines could result in a further economic slowdown, which could have a negative impact on advertiser activity, among other things. Lower expenditure on advertising would likely also be reflected in the Group's financial results. However, in the opinion of the Company's Management Board, at the current stage of the pandemic, the Group, thanks to the diversification of its revenues, is not exposed to a significant decrease in total revenues.

⁴ Source: Dziennik Gazeta Prawna

A long-term regional or global economic slowdown would have an adverse effect on the amount of consumer spending in Poland. Some of the channels from the Group's portfolio are offered by cable and satellite operators as part of paid TV packages. The resignation of some subscribers from paid TV cannot be excluded. As a result, the Group's revenues from broadcasting of its channels would decrease. It should be noted, though, that since the Polish government introduced certain solutions to encourage people to stay at home, a greater interest in both television and VOD platforms can be expected in these special circumstances.

There is also a risk of deterioration in the financial standing of the Group's business partners who may have problems with the timely repayment of their liabilities to the Group.

It is also possible that the value of the Polish currency in relation to other currencies will decrease due to the SARS-CoV-2 pandemic, which could also have an adverse effect on the Group's financial standing.

As at the date of publication of the Report, the Management Board is not expecting any direct, materially negative impact due to the coronavirus (SARS-CoV-2) pandemic on the Group's operations, financial position and results of operations. Nevertheless, it cannot be precluded that a prolonged period of restrictions in business activities, extension and prolongation of measures to limit the spread of the virus which are painful for the Polish economy will negatively affect the Groups financial position and results of operations in the medium and long term. The Management Board is monitoring the situation on an ongoing basis and will respond appropriately to mitigate the impact of such measures, if any. If the Management Board obtains data suggesting a significant adverse effect of the pandemic on the Issuer's and its Group's finances, it will publish such information immediately (in accordance with Articles 1 and 4 of the Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

Competition risk

The Group operates on a highly competitive market with many film television stations competing for end customers, which broadcast in Polish or foreign languages, in standard or high-definition format, and offer a variety of films and television programmes produced in Poland, the U.S., Europe and elsewhere.

Moreover, the Group's offer competes with that of a number of broadcasters of general, non-film television channels. This is especially noticeable in the programming provided by cable television operators, where the finite capacity of a cable connection limits the programming on offer to several dozen channels, which entails the regular replacement of the least interesting channels provided. The end customers' interest can also be influenced by the conditions created by the operator that can be influenced by the Group only to a very limited extent, among other things, the structure of basic and additional television channel packages provided, contents of the packages relative to their prices and relative to the contents of competitors' packages, signal availability, set-top boxes provided, etc. The channels distributed via free terrestrial television also constitute significant competition for the programming offered by the Group. As a result of finalizing the process of the digitization of terrestrial television in Poland in July 2013, twenty-four television channels are distributed terrestrially. Multiplex Eight ("MUX8") is yet another DVB-T

terrestrial digital television channel network which has been launched in Poland. Ultimately, the new multiplex was to comprise either seven standard-definition channels (three Telewizja Polska channels and four commercial TV channels) or six channels, including one high-definition one (two SD and one HD channel of Telewizja Polska and four commercial SD channels). In November 2015, the National Broadcasting Council (KRRiTV) granted four concessions for terrestrial distribution of channels on Multiplex Eight. Towards the end of 2016, four commercial broadcasters started broadcasting through MUX8. Two Telewizja Polska channels (TVP Rozrywka and TVP Sport HD) started broadcasting through Multiplex Eight in December 2018. As a result of changes introduced by TVP in 2019, ultimately TVP Kultura HD and TVP HD channels (the latter in SD resolution) have been provided through MUX8 multiplex since April 2020. In March 2021, the TVP Rozrywka channel was transformed into TVP Kobieta. In the Group's opinion, given the high volatility of TVP's offer in MUX8 and the seasonality of audience ratings, at present it is difficult to clearly assess the impact of the functioning of the said TVP channels set on the audience rating of the entire MUX8. According to a NAM survey, the percentage of households which can receive channels broadcast through MUX-8 was 68.9% at the end of 2020.

The Group seeks to maintain attractive programming of its channels; however, the risk that, in spite of this, the competition in the segment of film programmes or in the entire media industry will intensify cannot be ruled out, which could cause a drop in the viewership (audience) of the Group's channels and, consequently, adversely affect its results of operations. Plans for setting up another multiplex cannot be ruled out, either. This will result in a further increase in the number of competitors.

Risk of claims of infringement of intellectual property rights

The Group's business is based, to a significant extent, on using intellectual property rights and licence agreements. The Group believes that it does not infringe any intellectual property rights of third parties in its business. However, the Group cannot rule out the possibility that it might involuntarily infringe such rights. Consequently, claims could be lodged against it in that respect, as a result of which the Group would have to pay appropriate compensation. This could adversely affect the Group's results of operations and its growth prospects.

Risk of volatility of legal regulations, in particular those governing the Group's business

Due to the fact that the Polish legal system is subject to frequent changes, they may have an adverse impact on the business of the Kino Polska TV S.A. Group and entail serious business risks. In particular, the Group's activities may be affected by changes in the legislation governing its business, including the Radio and Television Act and the respective secondary legislation, the Copyright Act, the EU regulations concerning the operations of reproduction rights organizations, as well as changes in the capital market legislation in Poland.

Such new legislation may potentially pose some risks related to interpretation issues, lack of history of relevant court decisions, unfavourable interpretations adopted by courts or public administration bodies, etc. Additionally, the tax system in Poland is highly volatile. Any changes to business taxation, in terms of income tax, VAT and other taxes, may have an adverse effect on the operations and the level of income of the Kino Polska TV S.A. Group. The Group

is also exposed to the risk of possible changes in the interpretations of the tax law published by the tax authorities, which may influence the operating activities and financial results of the Group.

To minimize this risk factor, the Group is working together with a consulting company and has the necessary insurance. In addition, the employees and associates of the Kino Polska TV S.A. Group participate in training/workshops on current changes in the legislation governing the Group's business.

Foreign exchange risk

The Kino Polska TV S.A. Group incurs the costs of broadcasting services and other ancillary services for each television channel in the currency generally accepted for this type of agreement, including the euro. Additionally, the Group incurs a part of the costs involved in purchasing programming licences in US dollars and the euro. Therefore, certain costs incurred by the Group are exposed to foreign exchange risk. Any significant weakening of the Polish zloty against the euro or the US dollar could reduce the Group's profitability. To minimize this risk factor, the Group companies have foreign currency current accounts, used for the settlement of foreign exchange transactions, and monitor foreign currency cash inflows and outflows on an ongoing basis.

This factor may have a significant adverse impact on the development prospects, the results and the financial standing of the Group.

Further details on the Group's financial risks and the way of managing them are presented in Note 5.10.4 to the Consolidated Financial Statements as at and for the year ended 31 December 2020.

Risk of administrative penalties being imposed on the Issuer by the Polish Financial Supervision Authority for the incorrect performance of disclosure obligations

The Polish Financial Supervision Authority (PFSA), as the regulator of public companies, may impose administrative penalties (including financial penalties) for incorrect fulfilment of disclosure obligations envisaged in the Act on Public Offering and in the Act on Trading in Financial Instruments. Such penalties may have a significant impact on the Group's financial position.

Moreover, as of 3 July 2016 companies quoted on a regulated market and in alternative trading systems are obliged to directly apply the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, and the scope of their responsibilities is specified in the Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse. The entry into force of the legislation referred to above involves not only an extension of the catalogue of events constituting a violation of disclosure obligations, but also leads to increased penalties which may be imposed on public companies for such violation.

The Issuer seeks to diligently discharge the disclosure obligations imposed on it. To that end, it participates in conferences (held – among others – by the Warsaw Stock Exchange and the PFSA) and in training aimed at keeping abreast of the applicable legislation. The Group also cooperates in this regard with a law firm.

Risk of non-compliance with personal data protection legislation resulting in the possibility of penalties being imposed for non-compliance with GDPR

As part of its operations, the Company processes the personal data of its customers, suppliers, employees and collaborators, and therefore is a personal data controller. As such, the Company is subject to the provisions of Regulation (EU) 2016/679 of the European Parliament and the Council 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").

With the implementation of GDPR, personal data protection standards became stricter. It should also be remembered that penalties which may be imposed on controllers in the case of infringements were also significantly increased. Currently, they may reach up to EUR 20 million or 4% of the total annual turnover for the preceding year. The regulator may also impose a temporary or permanent ban on personal data processing.

The Issuer developed and implemented the procedures set out in the GDPR. Training for the Company's employees was conducted by employees of law firms which specialize in GDPR issues. In addition, the Management Board of the Issuer appointed a Personal Data Coordinator. The Company also cooperates in this regard with a law firm.

Risk of introduction of a levy on advertising revenues

The Group is diversifying its sources of revenue. One of these is revenue from the sale of advertising time on the Group's TV channels (currently advertising time is sold on channels broadcast in Poland and in the Czech Republic – on the FilmBox channel).

In early February 2021, the Ministry of Finance published a draft Act on Additional Revenues of the National Health Fund, the National Fund for the Protection of Historical Monuments and the Creation of a Fund for the Support of Culture and National Heritage in the Media, which would introduce a tax on advertising revenues (the "Draft Act"). The draft provides for imposing a tax on advertising revenue ("advertising tax") from July 2021 on all types of media whose advertising revenue exceeds PLN 1 million in a calendar year (for the press, the revenue threshold is set at PLN 15 million per year). In the case of television, a rate of 7.5% (on revenues up to PLN 50 million a year) or 10% (on revenues above PLN 50 million a year) is to apply. The Draft Act also introduces a separate category of advertising, defined as "advertising of qualified goods", which includes advertisements for medicinal products, dietary supplements, medical devices and heavily sweetened beverages. Advertising rates for products in this category will be higher and will amount to 10% (on revenues up to PLN 50 million per year) or 15% (on revenues above PLN 50 million per year). The Draft Act provides for applying the above rates to revenues from advertising qualified goods in all types of media, including those whose advertising revenues do not exceed the annual value of PLN 1 million in this category (except for the press).

Advertising revenue is one of the components of the Group's total revenue (for the 12 months ended 31 December 2020, its share in total consolidated revenue was 36%). The Management Board therefore does not expect the introduction of the advertising tax to have a material adverse effect on the Group's financial results. Nevertheless,

the Management Board is closely watching the legislative work on the Draft Act. Kino Polska TV S.A. is also a member of many industry organizations which actively participate in consultations of the Draft Act.

14. Description of material risk factors and threats related to the Group's operations

Risk of loss of concession/not obtaining an extension of concession after the end of its term

The operations of the Kino Polska TV S.A. Group in the area of Telewizja Kino Polska production and distribution are based on concession no. 238/K/2013-T for the satellite broadcast of coded "Telewizja Kino Polska" channel. The concession is valid until 17 December 2023.

Kino Polska TV S.A. also holds the following concessions:

- No. 489/2011-T for the "Kino Polska Muzyka" channel, which expires on 6 December 2021;
- No. 541/2013-T for the "Kino Polska Muzyka International" channel, which expires on 15 October 2023.

Stopklatka S.A., holds a concession no. 544/2013-T for the digital terrestrial distribution of the Stopklatka channel (formerly: Stopklatka TV) on the first multiplex and for its satellite distribution, amended on 27 February 2014, which has been valid from 30 October 2013 and expires on 29 October 2023. The channel started broadcasting on 15 March 2014.

Moreover, CTN&P obtained concession no. **629/2015-T for the distribution of the Zoom TV channel on the eighth multiplex (expiring on 28 December 2025) and concession no. 654/2016-T**, on the basis of which the channel is distributed via satellite (expiring on 28 July 2026). The Company merged with the Issuer on 26 June 2018.

There is a risk that potential non-compliance with the terms of the concession, in particular in respect of the programming content or the maximum advertising broadcast time, or permanent discontinuation of broadcasting the channel, may lead to KRRiT imposing sanctions (call to repair the violations, monetary penalties of up to 50% of the annual fee for the use of the frequency or up to 10% of the broadcaster's revenue for the previous fiscal year, or losing the concession). Theoretically, there is a risk that KRRiT could refuse to re-grant the concessions to Kino Polska TV S.A. or Stopklatka after the period for which they were initially granted or that the terms of the re-granted concessions (or concession-related contracts, such as the lease of a transponder or broadcasting services) would be less favourable from the Issuer's perspective than the current ones. However, the Company's Management Board believes that this risk is minimal. The observed market conditions also confirm this.

A Group company Filmbox International Ltd. held a concession for FilmBox film channels granted by the Office of Communications ("Ofcom") in London for an unlimited period. In 2020, the Group moved all of its concessions for FilmBox film channels to Spain. Filmbox Iberia S.L.U. is the owner of the concessions issued for an unlimited period.

Risk of not extending cooperation contracts with cable and digital operators

The Group's revenue consists mainly of the fees paid by operators of cable TV and digital satellite platforms for re-broadcasting TV programs produced/distributed by Kino Polska TV S.A. and Filmbox International Ltd.

The Group signed agreements for re-broadcasting the Telewizja Kino Polska channel with all operators of digital satellite platforms and with most cable TV operators, including all the largest ones (UPC, Multimedia Polska, Vectra, Toya, Inea); the largest operators cover approx. 75% of all cable TV subscribers in Poland. The Issuer also signed agreements for the distribution of the Kino TV (formerly FilmBox) channel with all operators of satellite platforms and most cable TV operators. The Issuer also signed agreements for the distribution of the FilmBox Premium channels with all operators of satellite platforms and more than 150 cable TV operators, including all the largest ones (UPC, Multimedia Polska, Vectra, Toya, Inea). Kino Polska Muzyka is available in offers of selected cable operators (such as UPC Polska, Multimedia Polska, Vectra, Toya, Inea) and on all satellite platforms.

Some of the agreements with operators provide for flat-rate revenues, and some determine revenues based on the actual number of subscribers in a given month.

The agreements with the key operators are concluded:

- for one to three years, with the option of termination not earlier than three months before the end of the first term of the agreement, and if the agreement is not terminated, it is automatically extended for a consecutive specified period;
- for an unspecified period, usually with a three months' notice period.

The risk of terminating one or more agreements or not extending them by the operators cannot be ruled out. Termination or non-extension of an agreement, in particular by an operator who has many subscribers, would have a significant negative impact on the revenue and results of the Kino Polska TV S.A. Group. The Group tries to mitigate the above risk by creating an attractive programme offer for the individual channels and negotiating appropriate provisions in the agreements, including the termination and extension conditions.

Business model risk

The Group's business activities are based on the distribution of the following channels: Kino Polska, Kino Polska Muzyka, Zoom TV, Stopklatka TV; as well as on the distribution and production of TV programmes with a film profile intended for other market niches (Kino TV and FilmBox Premium package). The Group is also working hard to develop the digital segment of its business (expanding the distribution of VOD content through B2B partners, its own online platforms and applications).

There is a risk of ill adjustment of the Group's programme offer to the changing viewers' expectations, outflow of viewers to the Internet or the Group's inability to introduce new attractive products to the offer as the current markets become saturated.

The Group engages in operations on markets where commercial success depends on factors that are difficult to predict, such as customer satisfaction and acceptance of the programming content. Viewer satisfaction with the programme offer is of key importance for the possibility of acquiring and retaining customers, as well as achieving and increasing subscription revenues. The ability to generate advertising revenues depends on the viewers' demand for TV programmes broadcast by the Group. Therefore, the audience ratings of the programmes broadcast by the

Group have a direct impact both on the attractiveness of the television channels for the current and potential advertisers and on the fees the Group may earn for advertising time.

Demand for television channels and viewers' preferences are subject to frequent changes. The Group may be unable to acquire and retain customers if it does not effectively forecast the demand for programmes or changes in tastes with respect to programming content or if the Group's competitors manage to forecast such demand or changes in tastes more effectively. As a result, it may lead to an increase in the customer churn rate and a drop in viewership, and – as a result – difficulties with acquiring advertisers. In consequence, a lack of acceptance for the programme offer of the Kino Polska TV S.A. Group or the Group's inability to acquire rights to broadcast programmes/films may have a significant adverse effect on its results, financial position and development prospects. The Group attempts to mitigate such risk by preparing an attractive programme offer for its viewers.

Also worth mentioning are the limitations in the availability of the programming content in Polish which is due, among other things, to the liquidation of film studios. This is a challenge for the Group, because not only is Polish content the foundation of the Kino Polska programming (mainly older, iconic productions), but is also very valuable to other channels in the Group's portfolio. The Group is therefore working on neutralizing the impact of this limitation on its business. It was decided to rejuvenate the audience of the Kino Polska channel (while maintaining the nostalgic character of the channel which is so important for its viewers), which has started showing more content which will be attractive to the younger audience, too.

To minimize this risk, the Group has also systematically been increasing its presence in the new media, among other things using the new FilmBox+ platform (formerly FilmBox Live), the presence of Telewizja Kino Polska in Cyfrowy Polsat's Mobile TV, and the availability of the following channels: Telewizja Kino Polska, Kino TV and FightBox in live online television Orange Tu i Tam, Play Now and WPPilot.

The FilmBox+ platform was launched in the first quarter of 2021 and replaced the FilmBox Live service. The service runs on a completely new technological infrastructure, has an easier to use, user-friendly interface, the ability to watch content on four devices at the same time, as well as a specially prepared programming offer for users, consisting of, among others, films, series and documentaries. In the future, it is also planned to launch a service linked to the Kino Polska channel.

The Issuer holds 100% of the shares in Filmbox Iberia S.L.U. and FilmBox International Ltd, which allows the Kino Polska TV S.A. Group to control activities related to the production and distribution of FilmBox film channels on a global scale. Expansion to other foreign markets is another factor that minimizes the risk of market saturation. Thanks to its strategy, the Group is present in more than 40 countries.

The Group is constantly expanding its programme offer. The Company is the sole shareholder of Stopklatka S.A., the broadcaster of the first terrestrial film channel in Poland – Stopklatka which has been broadcast since 2014. In 2016, another terrestrial television channel was added to the Company's portfolio – Zoom TV, which was then broadcast by the Issuer's subsidiary – Cable Television Networks & Partners sp. z o.o. In 2018, a business combination of the Company and CTN&P took place. It is described in Note 5 to the Directors' Report of the Kino Polska TV S.A. Group.

Risk of interruptions in the transmission of television signal

The risk of interruptions in the transmission of the television signal is a typical and characteristic element of the operations of all television broadcasters. The Group provides its customers, cable television operators and the operators of digital satellite platforms mainly with a signal which transmits the Group's television programmes via a satellite. The satellite signal for each of the channels is encoded. The technical services related to the transmission of the signal of the Group's channels have been outsourced to specialized entities.

There is a risk, however, that despite the signed agreements and the application of technological solutions, an interruption may occur in the receipt of the Group's one or many channels by the operators or by end viewers, especially in the event of the defective functioning of or damage to fibre optic devices or networks, or in the event of force majeure (e.g. natural disasters). These factors may have a significant adverse impact on the development prospects, the results and the financial standing of the Kino Polska TV S.A. Group.

The Group tries to minimize the risk of interruptions in the transmission of the television signal. The devices used to produce and broadcast the Group's television channels are equipped with a number of safety features to lower the probability of the occurrence and the consequences of potential malfunction.

Risk of loss of managers and key personnel

The operations and development of the Group depend on the knowledge and experience of its managers and employees. Conducting this type of activity requires well-qualified senior managers. The loss or lack of possibility to find qualified staff for the key positions may have a significant adverse impact on the operating activities or further development prospects of the Group.

The operations of the Kino Polska TV S.A. Group in the media industry requires acquiring and retaining employees with a specific educational background and experience, whose supply on the market is relatively limited. Additionally, there are media industry enterprises and holdings on the market which, due to the scale of their operations, generate demand for such employees (in particular, for specialists dealing with technical services and the preparation of programmes) and are in a position to offer better conditions of employment.

Consequently, the risk of difficulties arising in attracting or retaining the employees necessary to conduct the operations cannot be ruled out. The Group seeks to prevent the loss of managers and key employees by offering them remuneration which is attractive compared to that offered on the market.

Risk of external services

The specific nature of the Group's operations leads to a substantial share of third party services in operating expenses. External services comprise licence and distribution fees, fees for specialist services regarding the production and distribution of television programmes, and fees for various kinds of typical services provided to a given business. The risk that the trade conditions for the purchase of one or many external services by the Group will deteriorate, especially that the costs of licences or the cost of broadcasting programmes via a satellite will increase, cannot be ruled out.

To mitigate this risk the Group monitors the terms and conditions arising from the contracts it concludes on a current basis, analyses the available market options and negotiates the terms and conditions of contracts.

Risk of the key shareholder dominating the Group's operations

SPI International B.V. holds shares which constitute 65.15% of all shares and votes at the General Shareholders' Meeting of the Issuer. The risk that the interests and operations of the key shareholder will not be in line with those of minority shareholders cannot be ruled out. In particular, it is not possible to rule out the risk that the key shareholder will decide to change the sequence of pursuit of the Group's individual strategic goals, or to change the strategy itself, or to change the scope of the Group's operations. The risk that the key shareholder will exert decisive influence on the Issuer's decisions, including decisions about the content of the resolutions passed by the General Meeting, cannot be ruled out, either.

This risk is minimized by applying the recommendations and detailed rules set out in the Good Practices of Companies Listed on the WSE, as well as by the provisions of the Company's Articles of Association and of the Commercial Companies Code, which stipulate that the most important resolutions passed by the General Shareholders' Meeting require a qualified majority of votes.

Risk related to distribution and production agreements for the FilmBox programmes

The Group has been offering production and distribution of FilmBox programmes since 2009. On 18 February 2014, a distribution agreement was concluded by and between the Issuer and Filmbox International Ltd. (the "FB Agreement"). Under the FB Agreement, Filmbox International Ltd. (a subsidiary of the Issuer) grants the Issuer a licence (exclusively in the territory of Poland and non-exclusively in other countries throughout the world) for the rights to rebroadcast the movie channels of the FilmBox brand (to which Filmbox International Ltd. holds concessions), along with the possibility of sublicensing them to cable and satellite operators, and to operators using other techniques of transmission and rebroadcast. In 2018, the scope of the FB Agreement was extended to include the television programmes covered by a concession held by Mediabox Broadcasting International Ltd., which Filmbox International Ltd. has the right to distribute. The FB Agreement replaced, to the extent described above, the distribution agreement of 30 September 2011 between the Issuer and Cinephil France S.A.S.

Following the UK's exit from the European Union, the Group has decided to transfer the FilmBox film channel concessions to Spain. In 2020, the Group moved all of its concessions for FilmBox film channels to Spain. The concessions are owned by a Group company, Filmbox Iberia S.L.U.

Additionally, on 13 March 2013 KPTV Media Sp. z o.o. signed two significant agreements with Filmbox International Ltd.: a production agreement and a telecommunications agreement under which it provides services which consist of preparing the FilmBox channels, and therefore the scope of the work of Kino Polska TV S.A. was limited to operations complementary to KPTV Media Sp. z o.o.'s activities in this area. Both the Issuer and KPTV Media Sp. z o.o. have also signed agreements on the preparation of theme channels with Mediabox Broadcasting International Ltd. and Rox Entertainment B.V. KPTV Media merged with the Company on 26 June 2018, and the Issuer took over all KPTV Media's obligations under the aforementioned agreements.

In 2020, the production and telecommunications agreements concluded with Filmbox International Ltd. for the preparation of the FilmBox channels were terminated. The Issuer concluded similar agreements with Filmbox Iberia S.L.U., due to the fact that it currently owns the concession to broadcast FilmBox film channels. In addition, in 2020, an agreement was concluded between Filmbox International Ltd. and Filmbox Iberia S.L.U. under which Filmbox Iberia S.L.U. is entitled to use the trademarks of the FilmBox brand.

It cannot be ruled out that the above agreements will not be extended for consecutive periods or that new, less favourable trade conditions will be negotiated. Nor can it be ruled out that for reasons beyond the Company's control the concessionaire will lose one or more concessions, which would have a significant adverse effect on the results and the financial position of the Issuer.

In order to minimize these risks, Kino Polska TV S.A. holds 100% of the shares in Filmbox Iberia S.L.U, the Company which owns the broadcasting concessions of the FilmBox film channels.

In 2018, the Company signed a trilateral agreement with Filmbox International Ltd. and Mediabox Broadcasting International Ltd. for the distribution of FilmBox and Mediabox channels on the CEE markets. Under this agreement, Filmbox International Ltd. took over the revenues from Mediabox channels on the CEE markets and the costs of the Mediabox channels production services.

15. Indication of litigation pending before courts, arbitration bodies or public administration authorities, including information on litigation relating to the Issuer's or its subsidiaries' liabilities or receivables amounting to at least 10% of the Issuer's equity

In the reporting period and after its end, no proceedings were pending in respect of the Issuer before a court, an arbitration body or a public administration authority, which would meet the above criteria, either individually and in respect of two or more proceedings.

16. Information on key products, goods for resale and services

The Group's core products and services comprise:

- Stopklatka (formerly: Stopklatka TV0 – a channel broadcast since 15 March 2014 based on concession no. 544/2013-T dated 30 October 2013. Stopklatka presents a wide range of Polish and foreign films: from Hollywood hits through award-winning films to classic action films. The channel also broadcasts praised television series and documentaries. The channel is available on digital terrestrial television, on satellite platforms: Cyfrowy Polsat, nc+, Orange, as well as in the offer of over 300 cable operators, including, among others: UPC, Vectra, Multimedia Polska, Netia, Inea, Toya. Stopklatka sells advertising time.
- The Zoom TV channel, which has been broadcast since 25 October 2016 (until 26 June 2018 through CTN&P), based on concession no. 629/2015-T; a universal TV channel presenting current events from various parts of Poland and programmes promoting the idea of self-government and informing about the functioning of local communities, civil education and various actions taken to promote public interest, in which a wide range of political views are represented. The channel is available via free terrestrial television free of charge on MUX8.

The Issuer also signed distribution agreements with all operators of digital satellite platforms and most cable TV operators, including all the largest ones (UPC Polska, Vectra, Multimedia Polska, Inea, Toya); the largest operators cover approx. 90% of all cable TV subscribers in Poland. The channel is also available in the Play Now offer. Zoom TV sells advertising time.

- Telewizja Kino Polska which draws upon the long-standing heritage of Polish film, valuable for all age groups, and which is the Issuer's core product. The channel's unique formula places it high in the audience rankings of theme channels in Poland. This channel presents the classic films and invites the audience to rediscover them. Telewizja Kino Polska sells advertising time. The channel operates based on concession no. 238/K/2013-T. The Company signed agreements for re-broadcasting the Telewizja Kino Polska channel with all operators of digital satellite platforms and with most cable TV operators, including all the largest ones (UPC Polska, Vectra, Multimedia Polska, Vectra, Inea, Toya); the largest operators cover approx. 75% of all cable TV subscribers in Poland. Telewizja Kino Polska is also available on Cyfrowy Polsat's TV Mobilna, live Internet television Play Now, WPPilot and in the FilmBox Live package.
- The television channel Kino TV (formerly: FilmBox) and the FilmBox Premium package – film television channels, presenting feature films and documentaries from all over the world divided into categories by type, band and thematic cycles. The Issuer also signed agreements for the distribution of the Kino TV channel with all operators of satellite platforms and most cable TV operators, including all the largest ones (UPC Polska, Multimedia Polska, Vectra, Toya, Inea). The Issuer also signed agreements for the distribution of the FilmBox Premium channels with all operators of satellite platforms and more than 150 cable TV operators, including all the largest ones. The channels are also available in other countries, including the Czech Republic, Romania, Slovakia and Hungary. Advertising time is sold on the Kino TV channel in Poland and on FilmBox – in the Czech market.
- The television channel Kino Polska Muzyka – the only station in the world which broadcasts exclusively Polish music. Apart from cult music videos, unforgettable concerts and golden hits of the greatest Polish stars it also broadcasts show hits and interesting archival programmes. Since January 2012, Kino Polska Muzyka has sold advertising time. The channel operates based on concession no. 489/2011-T. Kino Polska Muzyka is available in the offers of cable operators (such as UPC Polska, Multimedia Polska, Vectra, Toya, Inea) and on all satellite platforms. Since January 2012, Kino Polska Muzyka has sold advertising time.
- archiving services – creating archival copies and for the purposes of storing and exchanging digital material.
- services in respect of the preparation of language versions and adaptations:
 - preparing language versions of films and their adaptations to various fields of use;
 - inserting language versions of films in master copies;
 - preparing edit decision lists for digitally reconstructed materials, on the basis of which comprehensive solutions could be created for a context search of digitally reconstructed materials.

The Group's other activities comprise:

- sale of advertising time on the following channels: Telewizja Kino Polska, Kino Polska Muzyka, Kino TV, Zoom TV and Stopklatka;
- production of television channels;
- sales of licence rights.

Additionally, Note 5.4 to the Consolidated Financial Statements of the Kino Polska TV S.A. Group as at and for the year ended 31 December 2020 also presents the Group's sales revenues broken down by main operating segments.

17. Information on sales markets, taking into account the break-down into domestic and foreign markets, and information on the sources of supply of production materials and goods and services, specifying reliance on one or more customers and suppliers, and in the event of one customer or supplier having a share of at least 10% of total sales revenues – the name of that supplier or customer, its share in the sales or purchases and its formal relationship with the Group

Key customers

The main recipients of the Group's products are cable television and digital satellite platform operators who provide the signal of the channels produced by the Group to their subscribers (households).

The other recipients of the services provided by the Group in 2020 include:

- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.;
- other television broadcasters who acquire rights to broadcast films owned by the Kino Polska TV S.A. Group;
- video on demand operators;
- individuals (purchasers of DVDs) via a distribution company.

The Group's key market in 2020 was the domestic market, which was responsible for approx. 64% of the Group's revenues. The remaining revenue was generated based on foreign markets.

2020	Poland	European Union	Other	Total
Total revenues (in PLN '000)	134,932	63,772	13,106	211,810

The key customers whose share in the Group's sales in 2020 was at least 10%:

- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. – 32% of total sales revenue;

The Group's relationship with the aforementioned entities is commercial.

Key suppliers

The key suppliers whose share in the Group's sales in 2020 was at least 10%:

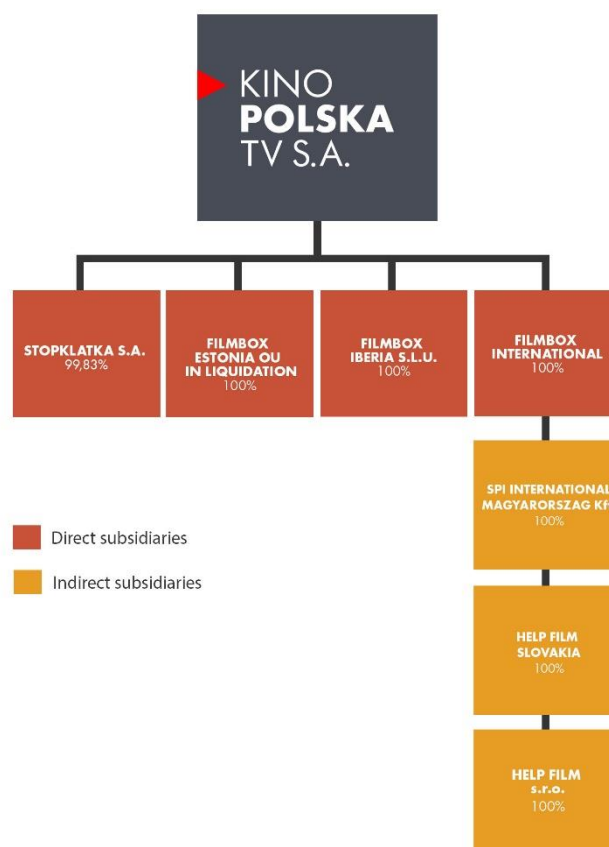
- SPI International B.V. – 10% of total sales revenue;
- Emitel Sp. z o.o. – 10% of total sales revenue;

18. Information on contracts significant to the Group's operations, including contracts concluded by and between the shareholders of which the Group is aware, insurance contracts, and cooperation contracts

In the 12-month period ended 31 December 2020, the Group did not enter into any agreements significant to the Group's operations. Neither is the Group aware of any agreements concluded by and between its shareholders which would have a material impact on the Group's operations.

19. Information on the Group's organizational or equity relationships with other entities and determining its main investments in Poland and abroad, in particular securities, financial instruments, intangible assets and real estate, including equity investments made outside the group of related entities and a description of the methods of financing them

Kino Polska TV S.A. is related in terms of equity to its subsidiaries.



A detailed composition of the Group as at 31 December 2020 is presented in Note 5.1 to the Consolidated Financial Statements as at and for the year ended 31 December 2020.

Information on the composition of the management bodies of the Issuer's subsidiaries as at 31 December 2020:

<i>Company name</i>	<i>Composition of the Management Board</i>
Stopklatka S.A.	Bogusław Kisielewski – President of the Management Board Małgorzata Parczewska-Pałka – Member of the Management Board Berk Uziyel – Member of the Management Board
Filmbox International Ltd.	Berk Uziyel – Director John Logan – Director
Filmbox Estonia OU in liquidation	Jaanus Magi – Member of the Management Board
Filmox Iberia S.L.U.	María Almudena Campo Marquina – Member of the Management Board

Information on the composition of the management bodies of the Issuer's subsidiaries as at the date of publication of this Report:

<i>Company name</i>	<i>Composition of the Management Board</i>
Stopklatka S.A.	Bogusław Kisielewski – President of the Management Board Małgorzata Parczewska-Pałka – Member of the Management Board Berk Uziyel – Member of the Management Board
Filmbox International Ltd.	Berk Uziyel – Director John Logan – Director
Filmbox Estonia OU in liquidation	Jaanus Magi – Member of the Management Board
Filmox Iberia S.L.U.	María Almudena Campo Marquina – Member of the Management Board

20. Information on transactions concluded by the Issuer or its subsidiaries with related entities on conditions other than arm's length

In 2020, the Kino Polska TV S.A. Group entities did not conclude any significant transactions with related entities on conditions other than arm's length.

21. Information on loan agreements concluded and terminated in a given financial year, including at least the amounts of such loans, type and amount of interest rate, currency and repayment deadlines

On 20 May 2020, the Group signed the following annexes to agreements with Santander Bank Polska S.A.:

- an annex based on which the overdraft limit available to Kino Polska TV S.A. was increased to PLN 38 million and the lending period was extended until 10 June 2022;
- an annex based on which the lending period of an overdraft facility for Stopklatka S.A. was extended until 30 June 2022.

Other terms and conditions of the agreements with Santander Bank Polska S.A. did not change.

Other Group companies did not conclude or terminate any agreements relating to loans and borrowings in 2020.

Details of the loans and borrowings received are presented in Note 5.6.3 to the Consolidated Financial Statements for the year ended 31 December 2020.

22. Information on loans granted in the given financial year (including those granted to the Issuer's related entities), giving at least their amounts, type and interest rate, currency and repayment deadline

In 2019, the Company granted a loan of EUR 20 thousand to another Group company, Filmbox Iberia S.L.U.. The interest rate on the loan is EURIBOR 3M + margin, and its repayment date falls no later than one year after the disbursement of a given tranche. On 18 March 2020, the General Meeting of Filmbox Iberia S.L.U. adopted a resolution on converting the said loan to equity.

On 2 December 2020, the Issuer (lender) signed an annex to the loan agreement concluded on 18 December 2018 with Stopklatka S.A. The subject of the annex was to extend the loan repayment period to 3 years from the disbursement of the relevant tranche.

Details of the loans granted are presented in Note 5.10.7 to the Consolidated Financial Statements for the year ended 31 December 2020.

23. Information on warranties and guarantees granted and received in a given financial year, in particular warranties and guarantees granted to related entities

In 2020, the Group did not receive any warranties and guarantees, but only continued the guarantees granted/received in prior years.

24. Description of the Group's use of proceeds from securities issued in the period covered by the report up to the Directors' Report date – if any securities were issued in the period covered by the report

The Group companies did not issue any securities in the period covered by the report.

25. Explanation of differences between the financial results shown in the Annual Report and the forecasts of the results for the year published previously

The Group did not publish any forecasts of financial results for 2020.

26. Assessment, with justification, of the management of financial resources, in particular, the ability to meet liabilities, and determination of potential threats and actions taken or intended to be taken by the Group to counteract those threats

The Management Boards of the individual companies are responsible for managing the Group's financial resources. In the Issuer's opinion, those resources are managed in a reasonable and efficient manner.

The decisions taken by the Management Boards, both relating to the Group's operations and to their finances, are preceded by an analysis of all potential benefits and threats.

The Group uses its best efforts to meet its financial liabilities on a current basis and, in the opinion of the Management Board, it is not at risk of losing its liquidity. The cash held, funds generated on current operations and available under the overdraft facility should suffice to finance future needs, both those related to ongoing operations, development of the services provided on new markets and repayment of liabilities, and those related to the planned new investment projects.

As at 31 December 2020, the Group's cash and cash equivalents amounted to PLN 9,098 thousand, and the amount of debt under the overdraft facility amounted to PLN 42,876 thousand.

27. Assessment of the feasibility of investment plans, including capital expenditure, relative to the financial resources held, taking into account possible changes in the structure of financing of investing activities

In accordance with its operating plans, the Kino Polska TV S.A. Group intends to invest in programming inventory on an ongoing basis. If necessary, the Group will use a bank overdraft facility. The cash held, funds generated on current operations and available under the overdraft facility should suffice to finance future needs, both those related to ongoing operations and those related to the Group's planned investment projects.

The Kino Polska TV S.A. Group does not rule out the possibility of other investments if an attractive offer arises. In such an instance, depending on the scale of the projects, the Group will consider the possibility of using alternative sources of financing.

28. Assessment of factors and unusual events affecting the results for the financial year and determination of the degree of impact of those factors or unusual events on the results achieved

Factors having an impact on the Group's financial results are described in Notes 5 and 11 of the Directors' Report for 2020.

29. Description of external and internal factors that are significant for the Group's development

The Group's operations depend on many internal and external factors.

External factors include the macroeconomic conditions in Poland and abroad, development of competition on the market, change in the level of advertising expenditure, change in television viewers' preferences and change in the legal regulations applicable to the Group.

Internal factors include, among other things, the risk of not being granted concessions for broadcasting a channel after the previous one expires, cooperation with cable and satellite television operators and other material counterparties, access to attractive content and controlling whether the broadcast content complies with concession requirements.

The Group's development prospects are described in Note 3 to the Directors' Report for 2020.

30. Changes in basic principles for managing the Issuer's business and its Group

In 2020 there were no significant changes in the basic principles of managing Kino Polska TV S.A. and its Group.

31. Information on agreements, if any, concluded by the Issuer with its managers, stipulating compensation in the event of their resignation or dismissal from the position held without an important reason or due to the Issuer's business combination by acquisition

The Issuer did not conclude any agreements with its managers, stipulating compensation in the event of their resignation or dismissal from the position held without an important reason or due to the Issuer's business combination by acquisition.

On the basis of resolutions of the Issuer's Supervisory Board, each member of the Management Board is entitled to twelve times the monthly net remuneration in the event of being dismissed from the function performed.

32. Information on remuneration, bonuses or benefits, including those resulting from incentive or bonus schemes based on the Issuer's capital, including plans of pre-emptive rights to bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or conditionally payable to each of the Issuer's managers or supervisors, or members of the Issuer's administrative bodies in the Issuer's business, separately

Remuneration of the Members of the Management Board of Kino Polska TV S.A. received from the Issuer in 2020 was as follows:

	<i>Due to appointment</i>	<i>Due to employment contract</i>	<i>Due to bonuses, awards</i>	<i>Business activities</i>	<i>Total</i>
Bogusław Kisielewski	549,397.00	50,747.22	185,294.00	-	723,556.22
Berk Uziyel	135,000.00	-	-	-	135,000.00
Marcin Kowalski	650,024.00	47,306.74	123,412.00	-	820,742.74
Alber Uziyel	75,404.00	-	-	-	75,404.00
Levent Gültan	637,851.00	73,216.78	-	-	711,067.78
Katarzyna Woźnicka	65,180.00	-	-	-	65,180.00

Gross remuneration of the Members of the Management Board of Kino Polska TV S.A. received from the Issuer's subsidiaries in 2020 was as follows:

Stopklatka S.A.				
	<i>Due to appointment</i>	<i>Due to employment contract</i>	<i>Due to bonuses, awards</i>	<i>Business activities</i>
Bogusław Kisielewski	259,372.00	-	-	-
Berk Uziyel	15,000.00	-	-	-

Filmbox International Ltd.				
	<i>Due to appointment</i>	<i>Due to employment contract</i>	<i>Due to bonuses, awards</i>	<i>Business activities</i>
Berk Uziyel	-	-	-	PLN 306,922.62

(Gross) remuneration of the Members of the Supervisory of Kino Polska TV S.A. received from the Issuer in 2020 was as follows:

<i>Remuneration of the Supervisory Board</i>	<i>Due to appointment</i>	<i>Due to employment contract</i>	<i>Due to bonuses, awards</i>	<i>Business activities</i>
Loni Farhi	1,000.00	-	-	-
Stacey Sobel	1,000.00	-	-	-
Piotr Orłowski	29,991.84	-	-	-
Jacek Koskowski	6,803.31	-	-	-
Krzysztof Rudnik	83,415.72	-	-	-
Jesus Perezagua Sanchez	88,855.97	-	-	-
Katarzyna Woźnicka	42,866.83	-	-	-
Alber Uziyel	-	-	-	-
Marcin Boroszko	53,998.62	-	-	-

In 2020 Members of the Supervisory Board of Kino Polska TV S.A. did not receive any benefits in kind from the Issuer.

In the period analysed, Members of the Supervisory Board of Kino Polska TV S.A. did not receive remuneration or benefits in kind from the Issuer's subsidiaries.

33. Information on pensions and similar benefits, if any, payable to the Issuer's former managers or supervisors, or former members of the Issuer's administrative bodies, and on liabilities assumed in relation to those pensions, indicating the total amount for each category

Kino Polska TV S.A. does not have any liabilities resulting from pensions or similar benefits payable to former managers, supervisors or former members of its administrative bodies.

34. Total number and par value of all the Issuer's shares and shares in the Issuer's related entities held by the Issuer's Management or Member of the Supervisory Boards

Kino Polska TV S.A.

The number of Kino Polska TV S.A. shares held by the Issuer's Management and Member of the Supervisory Boards is as follows:

<i>Name and surname</i>	<i>Number of shares / par value in PLN</i>	<i>Number of votes</i>	<i>% of the total number of votes</i>	<i>% of share capital</i>
As at 25 March 2021				
Bogusław Kisielewski	PLN 129,688/ 12,968.80	129,688	0.7%	0.7%

In accordance with the Issuer's best knowledge, no other members of the supervisory or management bodies of Kino Polska TV S.A. hold shares in the Company.

Stopklatka S.A.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Stopklatka S.A. as at the date of this Report's approval.

Filmbox Iberia S.L.U.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Filmbox Iberia S.L.U. as at the date of this Report's approval.

Filmbox Estonia OU in liquidation

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Filmbox Estonia OU in liquidation as at the date of this Report's approval.

Filmbox International Ltd.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Filmbox International Ltd. as at the date of this Report's approval.

Help Film s.r.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Help Film s.r.o. as at the date of this Report's approval.

Help Film Slovakia s.r.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in Help Film Slovakia s.r.o. as at the date of this Report's approval.

SPI International Magyarország, Kft.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no members of the Issuer's supervisory or management bodies hold shares in SPI International Magyarország, Kft as at the date of this Report.

35. Information on agreements of which the Issuer is aware (including also those concluded after the balance sheet date) as a result of which future changes may occur in the proportions of the shares held by the current shareholders and bondholders

The Group is not aware of any agreements which could result in future changes in the proportion of shares held by the current shareholders or bondholders.

36. Information on the control system for employee share schemes

There are no employee share schemes in the Group.

37. Information on the date of conclusion of the contract for the audit or review of the financial statements or the consolidated financial statements by and between the Issuer and the registered audit firm, and on the period for which the contract was concluded. Information on whether and in what period the Issuer used the services of the selected audit firm and specification of the scope of such services. Indication of the authority which selected the registered audit firm. Indication of the fee of the registered audit firm paid or payable for the current and the previous financial year, separately for: the audit of the annual financial statements, other assurance services, including a review of the financial statements, tax advisory services, other services

On 18 July 2019, the Company concluded a contract with KPMG Audyt Sp. z o.o. Sp. k. ("KPMG"), for the audit of the separate and consolidated financial statements as at and for the year ended, respectively, 31 December 2019 and 31 December 2020, as well as for the review of the Issuer's separate and consolidated financial statements for the periods from 1 January 2019 to 30 June 2020 and from 1 January 2020 to 30 June 2020.

Before signing the said agreement, the Issuer did not use the services of the selected audit firm.

KPMG was selected by the Issuer's Supervisory Board, which acted pursuant to § 17, clause 1 sections 2 and 3 of the Company's Articles of Association.

Fees of the registered audit firm:

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Statutory audit and review of financial statements	377	369
Total	377	369

38. Description of the structure of the consolidated balance sheet assets and equity and liabilities, also from the perspective of the liquidity of the Issuer's Group

Consolidated statement of financial position of the Kino Polska TV S.A. Group as at 31 December 2020

<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
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ASSETS		
Non-current assets		
Property, plant and equipment	2,097	3,065
Right-of-use assets	5,204	6,389
Goodwill	55,671	55,671
Non-current programming inventory	54,026	48,911
Other intangible assets	30,496	35,589
Trade and other receivables	195	180
Long-term prepayments and deferred costs	-	1,003
Deferred tax assets	1,563	1,368
Total non-current assets	149,252	152,176
Current assets		
Inventory	41	83
Current programming inventory	8,959	6,966
Trade and other receivables	61,342	59,190
Short-term-term prepayments and deferred costs	1,003	1,003
Income tax receivable	711	637
Cash and cash equivalents	9,098	4,834
Total current assets	81,154	72,713
TOTAL ASSETS	230,406	224,889
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	1,982	1,982
Share premium	148,940	148,940
Reserve on translation of foreign operations	1,466	956
Other reserves	(110,466)	(110,466)
Retained earnings	75,162	48,028
Total	117,084	89,440
Non-controlling (minority) interests	43	97
Total equity	117,127	89,537
Non-current liabilities		
Loans and borrowings received	35,190	23,895
Derivative financial instruments	438	305
Concession liabilities	8,451	11,507
Trade and other payables	1,482	2,314
Provisions	187	303
Liabilities in respect of contracts with customers	2,679	2,578
Lease liabilities	2,788	4,238
Deferred income tax provision	3,948	4,483
Total non-current liabilities	55,163	49,623
Current liabilities		
Loans and borrowings received	7,686	35,423
Derivative financial instruments	-	197
Concession liabilities	3,056	2,823
Trade and other payables	42,801	43,030
Provisions	991	671
Liabilities in respect of contracts with customers	634	521
Lease liabilities	1,929	1,880
Income tax liabilities	1,019	1,184
Total current liabilities	58,116	85,729
TOTAL EQUITY AND LIABILITIES	230,406	224,889

In the opinion of the Issuer' Management Board, the Kino Polska TV S.A. Capital Group is not at risk of losing its financial liquidity.

39. Information on major events which have a significant impact on the operations and financial results of the Issuer's Group in the financial year or could have an impact in the following years

The events and factors affecting the operations and financial results of the Issuer's Group are described in Notes 3, 5 and 11 of the Directors' Report for 2020.

40. Description of major deposits and investments made in the Issuer's Group in the financial year

In 2020, the Kino Polska TV S.A. Group companies did not place any investment deposits.

41. Organization of the Issuer's Group, including the consolidated entities, and description of changes in the organization of the Issuer's Group and reasons behind such changes

As at the date of approval of this Report, the Issuer's Group consisted of the following entities:

- **"Kino Polska TV" Spółka Akcyjna** – the parent company – entered in Register of Businesses maintained by the District Court for the capital city of Warsaw, 13th Business Department of the National Court Register with the number 0000363674, with share capital of PLN 1,982,140.40, consisting of 19,821,404 ordinary bearer shares with a par value of PLN 0.10 each;
- **Stopklatka S.A.** – a subsidiary – entered in Register of Businesses maintained by the District Court for the capital city of Warsaw, 13th Business Department of the National Court Register with the number 0000332145, with share capital of PLN 11,171,260.00, consisting of 11,171,260 ordinary bearer shares with a par value of PLN 1 each;
- **Filmbox Iberia S.L.U.** – a subsidiary – entered in the commercial register maintained by the Commercial Registry of Madrid with the number 38.970, page 41, M-692494 in Madrid, with share capital of EUR 3,500;
- **Filmbox Estonia OU in liquidation** – a subsidiary – entered to the commercial register maintained by the Estonian Commercial Register with the number 14685786, with share capital of EUR 2,500;
- **Filmbox International Ltd.** – a subsidiary – entered in the commercial register maintained by the Companies House with the number 06931548 in London, with share capital of GBP 3,350,000.

Filmbox International Ltd. is a direct shareholder of the following companies:

- **SPI International Magyarorszag, Kft.** (Budapest, Hungary) – a 100% interest
- **Help Film s.r.o.** (Prague, Czech Republic) – a 100% interest
- **Help Film Slovakia s.r.o.** (Bratislava, Slovakia) – a 100% interest

On 31 January 2020, the process of liquidating Filmbox Estonia OU in liquidation was begun.

In the 12-month period ended 31 December 2020, the Company concluded share sale agreements for the shares in Stopklatka S.A. (on 22 June 2020, 29 June 2020, 7 July 2020, 13 July 2020, 5 August 2020, 10 November 2020, 17 November 2020, 1 December 2020 and 8 December 2020) based on which it acquired from the then shareholders of Stopklatka 23,417 shares in that Company totalling PLN 163,919.00. Therefore, as at 31 December 2020, the Issuer held 11,152,562 shares in Stopklatka representing 99.83% of its share capital.

On 17 November 2020, pursuant to Article 418(1) of the Commercial Companies Code, the Extraordinary Shareholders' Meeting adopted a Resolution on the mandatory buy-out (squeeze-out) of shares held by Stopklatka's minority shareholders. In accordance with the Resolution, the Issuer bought all shares subject to squeeze-out. The selected expert determined the price of one Stopklatka share subject to squeeze-out at PLN 6.18.

On 27 January 2021, as part of the squeeze-out procedure, the Company purchased 18,698 of Stopklatka's shares for a total of PLN 115,553.64. In connection with the above, as at the date of publication of the Report, the Issuer held 11,171,260 of Stopklatka's shares representing 100% of its share capital.

The annual consolidated financial statements of the Kino Polska TV S.A. Group for the 12 months ended 31 December 2020 cover the following entities:

- Kino Polska TV S.A.;
- Stopklatka SA;
- Filmbox Iberia S.L.U.;
- Filmbox Estonia OU in liquidation;
- Filmbox International Ltd.;
- Help Film s.r.o.,
- Help Film Slovakia s.r.o.;
- SPI International Magyarország, Kft.

The annual consolidated financial statements of the Kino Polska TV S.A. Group for the 12 months ended 31 December 2019 cover the following entities:

- Kino Polska TV S.A.;
- Stopklatka SA;
- Filmbox Iberia S.L.U.;
- Filmbox Estonia OU;
- Filmbox International Ltd.;
- Help Film s.r.o.,

- Help Film Slovakia s.r.o.;
- SPI International Magyarország, Kft.

42. Policy in respect of the development paths of the Issuer's Group

The policy with respect to development paths of the Issuer's Group is described in Note 3 to the Directors' Report for 2020.

43. Description of significant off-balance sheet items by entity, type and value

The Issuer's Group did not have any significant off-balance sheet items in the period analysed.

44. Investor relations

The Group's parent company, Kino Polska TV S.A., appreciates the importance of conducting efficient and transparent communication with the investors.

The Company publishes the current and periodic reports required by law. Additionally, in each quarter, meetings and chats are organized with investors and analysts during which the Management Board presents the results for the period and the most important achievements and plans of the Group. The Issuer publishes all the presentations from the said meetings on its website.

Apart from the said meetings presenting results, the Company's representatives regularly participate in chats and meetings with investors and analysts organized, among others, by brokerage houses. The Issuer's Management Board also continues the good practice of organizing individual meetings with analysts.

In addition, the Company cooperates with two market makers in order to increase the liquidity of its quotations. The Issuer also uses the services of a professional PR/IR advisor.

The Issuer is aware that its corporate website is an important source of information on its business. Therefore, it makes every effort to ensure that the information presented there is up-to-date and complete. All the published reports, annual financial results, information on General Meetings, monthly audience ratings of the Group's key channels and the presentations for investors and analysts referred to above can be found in the INVESTOR RELATIONS tab. The Company also publishes an English language version of its website.

45. The Group's corporate social responsibility

The Kino Polska TV S.A. Capital Group, as one of the largest media groups in Poland, conducts its activities in a responsible manner. The Group's main objective is to strengthen its position in Poland and develop dynamically on international markets, thus increasing the value of the Group for its investors and shareholders.

In carrying out its activities, the Group also takes due care to ensure appropriate, safe working conditions and to provide development opportunities for its employees. Operating in international markets, the Group employs many people from all over the world. The Management Board is aware that success depends on many factors, starting with diversity and respect for each other. The Group's structures are built by people with different backgrounds, experiences and worldviews. The Group's aim is for its employees and collaborators to represent all sections of society, and for everyone to be and feel respected. These principles are governed by the Group's "Diversity Policy", which all Group employees and collaborators are required to comply with.

During the 12 months ended 31 December 2020, the Group also engaged in the following social activities:

- "Pomagam z Kino TV" (Helping with Kino TV) – a nationwide campaign to support art house and local cinemas, in which the Group created a website allowing free booking of symbolic tickets for home screenings of "Filmy Twojego życia" (Films of your life) on Kino TV. For every ticket generated by users, the channel donated PLN 1 to the Association of Arthouse Cinemas.
- "Długi weekend na legalu" (A legal long weekend) – an initiative organized together with the Legal Culture Foundation, with the aim of encouraging people to reach for films from legal sources.
- "Co wolno w filmie, to nie w życiu" (What's allowed in film is not allowed in life – a campaign of the Kino Polska channel organized in cooperation with Digital Kingdom agency. It promoted iconic Polish comedies while encouraging the use of language free of stereotypes and hatred. The following celebrities were involved in the project: Katarzyna Figura, Cezary Pazura and Michał Milowicz. The campaign was recognized in the Kreatura competition for independent creation.
- support for "Zakątek Weteranów" (Veterans' Corner) – on the occasion of the premiere of the series "Hudson & Rex", the Stopklatka channel supported a shelter for animals (dogs and horses) which had been retired from the uniformed services. Marcin Dorociński was involved in the initiative.

III. INFORMATION ON CORPORATE GOVERNANCE

1. The Issuer's corporate governance principles and the place where the text of the set of the principles is publicly available

The Issuer's Management Board makes every effort to ensure that all shareholders have equal access to information on the Company. To ensure full transparency for the Company, since the moment of achieving the status of a listed company Kino Polska TV S.A. has applied a significant part of the best practices of listed companies.

Since 22 March 2011, the Issuer has published current and periodic reports and placed them on its corporate website. In 2020, the Company followed certain principles applicable to public companies, specified in the "Good Practices of Companies Listed on the WSE 2016". The principles are published on the website of the Warsaw Stock Exchange at:

https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf

Details of the "Good Practices of Companies Listed on the WSE 2016" applied by the Issuer are presented on the Issuer's website at:

https://relacjeinvestorskie.kinopolska.pl/relacjeinvestorskie/lad_korporacyjny

Editors of the channels produced by the Company comply with the professional standards generally accepted in the profession. The Media Ethics Charter is the foundation of their professional standards. In addition to that, the editors are also familiar with the Journalists' Code of Conduct, as published by the Association of Journalists of the Republic of Poland, and the Journalists' Code of Ethics of the Association of Polish Journalists, which specify desirable rules of conduct.

2. The extent to which the Issuer departed from the corporate governance principles referred to above, indication of the principles and explanation of the reasons for departure, as well as explanation of how the company intends to remedy the consequences, if any, of its failure to apply a particular principle, or what steps it intends to take to mitigate the risk of its future failure to apply the principle

The extent to which the Issuer departed from the recommendations and corporate governance principles specified in the "Good Practices of Companies Listed on the WSE 2020", indication of the principles and explanation of the reasons for departure, as well as explanation how the Company intends to remedy the consequences, if any, of its failure to apply a particular principle, or what steps it intends to take to mitigate the risk of its future failure to apply the principle, are presented below.

I. Information policy and communication with investors

PRINCIPLE I.Z.1

The Company maintains its corporate website on which it publishes (in addition to the information required by law) the following information, in a legible form and a designated location:

COMMENTS

I.Z.1.10 financial projections – if the Company has decided to publish them – published at least in the last 5 years, including information about the degree of their implementation;

The forecast of the financial results of the Kino Polska TV S.A. Group for 2016 and the information about the degree of its implementation, prepared by the Issuer, were presented to the general public in the form of reports published in the ESPI system, in compliance with the Regulation of the Minister of Finance on current and periodic reporting (...) of 29 March 2018. All current and period reports are available on the Company's website. The Company did not publish a forecast of its financial results for 2018.

I.Z.1.11. information about the content of the Company's internal principle in respect of changing the registered audit firm or information about the absence of such a principle;
(...)

The Company does not publish information on its principle on changing the registered audit firm or information on the absence of such a principle on its website. The appointment of a registered audit firm and the change thereof is at the discretion of the Supervisory Board and it is not subject to any internal rules, only the statutory regulations, i.e. the Act on Registered Auditors. Nevertheless, the Company advised the Supervisory Board of the said principle.

I.Z.1.15. information about the Company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; if the company has not drafted and implemented a diversity policy, it should publish an explanation of its decision on its website;

The Company has not drafted and implemented a formalized diversity policy. Nevertheless, in taking HR decisions as part of its current operations, it takes account of various diversity aspects, e.g. gender, education, age, professional experience. At the same time, the Company believes that it should have certain discretion in selecting its governing bodies and key managers.

I.Z.1.16. information about the planned transmission of a General Meeting, not later than 7 days before the date of the General Meeting;
(...)

In the near future, this principle will not be applied by Kino Polska TV S.A. because the Company does not apply Principle I.Z.1.20. The Issuer will consider applying this Good Practice in the event of significant interest in the forms of remote communication indicated in Principle I.Z.1.20 on the part of the Company's shareholders.

I.Z.1.19 the shareholders' questions addressed to the Management Board pursuant to Article 428 §1 or §6 of the Commercial Companies Code together with answers of the Management Board to those questions, or a detailed explanation of the reasons for not giving an answer, pursuant to principle IV.Z.13;

The Company will comply with this Principle to the extent required by the generally applicable legislation, i.e. the Commercial Companies Code and the Regulation of the Minister of Finance on current and periodic reporting (...) of 29 March 2018. The Company will not publish questions asked during a General Meeting and respective answers on its website because of the large number of questions asked, which are often unimportant. The Company does not keep detailed records (either written or electronic) of general meetings – notarized General Meeting minutes may be the source of such information, which, however, do not include all the statements, questions and answers. Under the Commercial Companies Code and the General Meeting Regulations, general meeting participants are allowed to make statements in writing which are appended to the minutes. In the Company's opinion, these principles both ensure the transparency of General Meetings and defend the Company against potential claims of those shareholders who do not wish for their image or statements to be published. As far as questions asked outside a General Meeting are concerned, this Principle is a duplication of the duty stipulated in §38, clause 1 section 12 of the Regulation of the Minister of Finance on current and periodic reporting (...). A report on the matter in question will

be published on the website, under the Current Reports tab.

I.Z.1.20 an audio or video recording of a general meeting;
(...)

Currently, due to the existing legal limitations and reservations, the Company will not record General Meetings in audio or video form. Nevertheless, if appropriate legal regulations are introduced which allow the Company to record General Meetings without the consent of their participants, the Company will apply the said principle.

II. Management Board and Supervisory Board

RECOMMENDATION II.R.2.

Persons making decisions about the election of members of the Company's Management Board or Supervisory Board should aim at ensuring diversity in terms of their gender, education, age and professional experience.

It is not up to the Company's Management Board to apply this recommendation. Nevertheless, the Management Board informed the competent authorities about this recommendation.

RECOMMENDATION II.R.3.

Performing the function in the Company's Management Board constitutes the main area of a Member of the Management Board's professional activity. Any additional professional activity of a Member of the Management Board must not have an adverse effect on the proper performance of his/her function in the Company in terms of time and workload.

The Company applies this recommendation with the reservation that the Member of the Management Boards also perform functions in the authorities of other Group companies.

In particular, a Member of the Management Board should not be a member of the authorities of any other entities if the time spent on performing their functions in such entities make it impossible to properly perform his/her obligations at the Company.
(...)

PRINCIPLE II.Z.5.

A Member of the Supervisory Board makes a statement on satisfying the independence criteria specified in Principle II.Z.4 addressed to the other Member of the Supervisory Boards and the Member of the Management Boards.

The Management Board will notify the Supervisory Board of the said principle. Nevertheless, its application is up to a given Member of the Supervisory Board.

PRINCIPLE II.Z.6.

The Supervisory Board shall identify any relationships or circumstances which may affect the fulfilment of the independence criteria by a Member of the Supervisory Board. An assessment of Member of the Supervisory Boards' fulfilment of the independence criteria shall be presented by the Supervisory Board in accordance with the principle II.Z.10.2.

The Management Board will notify the Supervisory Board of the said principle. Nevertheless, its application is up to the Supervisory Board.

PRINCIPLE II.Z.7.

Annex I to the Commission Recommendation referred to in Principle II.Z.4 applies to the tasks and the operation of the Supervisory Board committees. Where the functions of the audit committee are performed by the Supervisory Board, the foregoing shall apply accordingly.

The committees operating within the Company's Supervisory Board will act in accordance with the applicable legislation and internal regulations.

(...)

PRINCIPLE II.Z.10.

In addition to its responsibilities laid down in the legislation, the Supervisory Board shall prepare and present to the Ordinary General Meeting once a year the following:

II.Z.10.1. an assessment of the Company's standing, including an assessment of the internal control, risk management and compliance systems and the internal audit function; such an assessment should cover all significant controls, including in particular financial reporting and operational controls;

The principle is applied, except that the Company's organizational structure does not include separate units responsible for the performance of tasks in individual systems.

(...)

II.Z.10.3 an assessment of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Stock Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

In the opinion of the Management Board, assessment of compliance with the corporate governance principles by the body which itself is obliged to comply with them is not appropriate. As far as foreign members of the Supervisory Board are concerned, the provisions governing the correctness of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles are not generally available in English.

II.Z.10.4 an assessment of the reasonableness of the Company's policy referred to in recommendation I.R.2 or information about the absence of such a policy.

Once the Company undertakes any sponsoring, charity or similar activities, it will apply this principle.

PRINCIPLE II.Z.11.

The Supervisory Board considers issues which are to be the subject matter of the resolutions of the GM and expresses its opinion on such issues.

The Company will not apply this principle. In this respect, the Company believes that the competences granted to the Supervisory Board in the Commercial Companies Code and in the Issuer's Articles of Association are sufficient to correctly supervise the Company's operations.

III. Internal systems and functions

RECOMMENDATION III.R.1

The Company has separate units in its structure that are responsible for performing the tasks within different systems or functions, unless the existence of such separate units is not justified in view of the size or type of the Company's activities.

The Company does not have separate units in its structure that are responsible for performing the tasks within different systems due to the size of its activities. Internal control, risk management and supervision of compliance are executed in a dispersed structure.

PRINCIPLE III.Z.1.

The Company's Management Board is responsible for the implementation and maintenance of efficient

The principle is applied, except that the Company's organizational structure does not include separate

internal control, risk management and compliance systems and an internal audit function. *units responsible for the performance of tasks in individual systems.*

PRINCIPLE III.Z.2.

Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or another member of the Management Board and should be allowed to report directly to the Supervisory Board or the audit committee. *The Company does not have separate units in its structure that are responsible for performing the tasks within different systems due to the size of its activities. Internal control, risk management and supervision of compliance are executed in a dispersed structure, and the persons performing such tasks report directly to the Management Board.*

PRINCIPLE III.Z.3.

The independence rules defined in generally accepted international professional standards for the internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks. *The Company does not have separate units in its structure that are responsible for performing the tasks within different systems due to the size of its activities, and the persons performing the individual functions are subject to the Company's internal regulations only.*

PRINCIPLE III.Z.4.

At least once a year, the person responsible for internal audit (if there is a separate internal audit function within the Company) and the Management Board shall present to the Supervisory Board their assessment of the effectiveness of the systems and functions referred to in Principle III.Z.1 and a relevant report. *The Company believes that, due to the size of the Company's operations, there is no need to prepare an additional report.*

PRINCIPLE III.Z.5.

The Supervisory Board shall monitor the effectiveness of the systems and functions referred to in Principle III.Z.1, among others based on the reports provided periodically by the persons responsible for such functions and the Company's Management Board, and make an annual assessment of the effectiveness of such systems and functions according to Principle II.Z.10.1. *The Supervisory Board and the Audit Committee monitor the systems and functions operating in the Company by reference to the generally applicable legislation and the internal regulations implemented at the Company.*

If the Company has an audit committee, it shall monitor the effectiveness of the systems and functions referred to in Principle III.Z.1, which, however, does not release the Supervisory Board from the obligation to make an annual assessment of the effectiveness of such systems and functions.

PRINCIPLE III.Z.6.

If the Company has no separate internal audit function in its organization, the audit committee (or the Supervisory Board if it performs the functions of the audit committee) shall review on an annual basis whether such a function needs to be separated.

In the Company's opinion, decisions concerning the organizational structure and the need to form separate units should be taken by the Management Board.

IV. General Meeting and shareholder relations

RECOMMENDATION IV.R.2

If the shareholding structure or the shareholders' expectations reported to the Company so require and the Company is able to provide the technical infrastructure necessary for holding a General Meeting effectively with the use of the means of electronic communication, the Company should give the shareholders an opportunity to participate in the General Meeting with the use of such means, in particular by:

Points 1) and 2) of this Recommendation will not be applied in the near future due to the absence of appropriate regulations in the Company's Articles of Association and the General Meeting Rules and Regulations, as well as due to the high cost of implementing a data transmission system. The Issuer will consider the implementation of this Good Practice in the event of significant interest in this form of communication on the part of the Company's shareholders.

- 1) broadcasting the General Meeting in real time;
- 2) real-time bilateral communication, so that the shareholders can speak during the General Meeting from a remote location;
- 3) voting during the General Meeting (personally or by proxy).

(...)

PRINCIPLE IV.Z.2.

If justified by the shareholding structure, companies should ensure generally available real-time broadcasts of General Meetings.

This Principle will not be applied in the near future due to the absence of appropriate regulations in the Company's Articles of Association and the

General Meeting Rules and Regulations, as well as due to the high cost of implementing a data transmission system. The Issuer will consider the implementation of this Good Practice in the event of significant interest in this form of communication on the part of the Company's shareholders.

PRINCIPLE IV.Z.3.

The media should be allowed to be present at the General Meetings.
(...)

Authorized persons and persons servicing General Meetings shall take part in General Meetings. The applicable legal regulations, including the Regulation of the Minister of Finance on current and periodic reporting of 29 March 2018 (...) sufficiently govern the discharge of the disclosure obligations imposed on public companies in terms of the transparency of matters discussed at General Meetings. The Company will be responding to any media queries relating to General Meetings on a current basis.

PRINCIPLE IV.Z.11.

Members of the Management Board and the Supervisory Board should participate in a General Meeting as necessary to answer questions asked at the General Meeting.
(...)

The Company will use its best efforts to apply this principle, however, it cannot guarantee the participation of members of the Supervisory Board on each occasion.

PRINCIPLE IV.Z.13.

If a shareholder requests information about the Company, the Management Board of the Company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information, if the Management Board has made such a decision under Article 428 §2 or §3 of the Commercial Companies Code.
(...)

The Company will comply with this Principle to the extent required by the generally applicable legislation, i.e. the Commercial Companies Code and the Regulation of the Minister of Finance on current and periodic reporting (...) of 29 March 2018.
As far as questions asked outside a General Meeting are concerned, this Principle is a duplication of the duty stipulated in §38, clause 1

section 12 of the Regulation of the Minister of Finance on current and periodic reporting (...). A report on the matter in question will be published on the website, under the Current Reports tab.

V. Conflict of interests and transactions with related entities

PRINCIPLE V.Z.2.

A member of the Management Board or Supervisory Board shall inform the Management Board or the Supervisory Board (as appropriate) of an existing or potential conflict of interests and shall not vote on resolutions on matters which may be associated with a conflict of interest.

(...)

This principle will not be applied, unless generally applicable regulations prevent a given person from voting.

PRINCIPLE V.Z.5.

Before the Company concludes a significant agreement with a shareholder who holds at least 5% of the total number of votes in the Company or with a related party, the Management Board shall request the Supervisory Board's approval for the transaction. Before giving its approval, the Supervisory Board shall evaluate the impact of the transaction on the Company's interest. The foregoing does not apply to typical transactions or transactions concluded on an arm's-length basis as part of the Company's operations with members of the Company's group. If a decision about signing a significant agreement between the Company and a related party is made by the General Meeting, the Company should give all shareholders access to the information necessary for assessing the impact of the transaction on the Company's interest before the decision is made.

The Company's Articles of Association contain regulations for verifying transactions by the Supervisory Board, which, in the Company's opinion, guarantee transparency with respect to concluding agreements.

PRINCIPLE V.Z.6.

In its internal regulations, the Company shall define the criteria and circumstances under which a conflict of interests may arise in the Company, as well as the rules of conduct in the situation or an actual or potential conflict of interest. The Company's internal regulations shall, among others, provide ways to prevent, identify and solve conflicts of interest, as well as rules for excluding Management Board or Member of the Supervisory Boards from participating in reviewing matters that are subject to an actual or potential conflict of interest.

The Company will analyse the need to implement the appropriate internal regulations and, if such a need is identified, publish a relevant report.

VI. Remuneration

RECOMMENDATION VI.R.1

Remuneration of members of the Company's authorities and key managers should result from the remuneration policy adopted.

On 21 August 2020, the Ordinary General Meeting of the Issuer passed a resolution on adopting the Remuneration Policy for the Members of the Management Board and the Supervisory Board of Kino Polska TV Spółka Akcyjna with its registered office in Warsaw (the "Policy"). The Policy lays down the grounds, rules and procedures for determining, calculating and paying remuneration to Members of the Management Board and Members of the Supervisory Board.

The solutions adopted in the Policy are intended to contribute to the pursuit of the business strategy, long-term interests and stability of the Company. The remuneration of the key managers is determined based on the scope of their duties and responsibilities.

RECOMMENDATION VI.R.2.

The remuneration policy should be closely associated with the Company's strategy, its short-term and long-term goals and long-term interests and results. It should also include solutions aimed at preventing any discrimination.

The Remuneration Policy adopted by the Company was determined on the basis of Article 90c and the following ones of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading and on

public companies, and on the basis of the provisions of the Commercial Companies Code.

PRINCIPLE VI.Z.3.

The remuneration of Member of the Supervisory Boards should not be linked to options or other derivatives or any other variable components, and should not be linked to the Company's results of operations.

Decisions as to the type of remuneration payable to the Member of the Supervisory Boards are taken by the General Meeting and the Company's Management Board has no influence over them. Nevertheless, the Company will inform the General Meeting about the existence of this principle. In addition, in accordance with the Company's currently applicable Policy, the Issuer does not envisage the introduction of variable remuneration components for members of the Supervisory Board.

PRINCIPLE VI.Z.4.

In the Directors' Report, the Company presents a report on the remuneration policy, including at least the following:

- 1) general information about the Company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each Member of the Management Board, divided into fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance pay and other amounts due on termination of employment, contract or a similar legal relationship, separately for the Company and each group entity;
- 3) information about non-financial remuneration components due to the individual Member of the Management Boards and key managers;
- 4) significant amendments made to the remuneration policy in the last financial year or information about the absence thereof;

This principle is not applied. Pursuant to Article 90g of Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies, the Issuer's Supervisory Board prepares annually a remuneration report presenting a comprehensive overview of the remuneration, including all benefits, regardless of their form, received or receivable to individual members of the Management Board and Supervisory Board in the last financial year in accordance with the remuneration policy. The Remuneration Report will be available on the Issuer's website.

5) assessment of the implementation of the remuneration policy in terms of the achievement of its goals, in particular long-term shareholder value creation and the Company's stability.

3. Description of the main features of the internal control and risk management systems applied by the Issuer in respect of the process of preparing the financial statements and consolidated financial statements

The Management Board of Kino Polska TV S.A. is responsible for the internal control system in the Group and for its effectiveness in the process of preparing the financial statements.

The internal control system in the Group operates on many levels, as described below.

3.1 Specialized Finance Department supported by the accounting and financial systems

Business transactions and events are recorded in an integrated financial and accounting system. Access to the system is limited to the persons employed in the Finance Department. The configuration of the system allows the restriction of systemic rights so as to ensure the appropriate segregation of duties among the employees.

The Company has an effective document flow process, which ensures the completeness of the information recorded in the financial and accounting system, and, subsequently, in a periodic report prepared based on the data obtained from the system.

The financial statements are prepared by a specialized Finance Department in accordance with the adopted accounting policy. The policy is standardized for all Kino Polska TV S.A. Group companies. It is periodically updated mainly to ensure consistency with the currently binding regulations, in particular with IFRS, the Accounting Act of 29 September 1994 and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information submitted by issuers of securities.

The Company applies authorization procedures, in accordance with which periodic financial data prepared by the Finance Department is submitted to the Management Board, and, subsequently, to the Audit Committee of the Supervisory Board for expressing an opinion. After an opinion of the Audit Committee is obtained and an audit of the financial statements by an external independent registered auditor is completed, the report is approved by the Management Board for publication (the Investor Relations Department is in charge of the publication). To protect the data presented in periodic reports, any information to be included therein is made available exclusively to those involved in the preparation of these reports.

3.2 Corporate risk management

The Company consistently carries out the process of identification, assessment and management of corporate risk in various areas of the Issuer's business.

Both risk identification and risk assessment are managed by the Controlling Department in cooperation with the Audit Committee. Risk is managed and mitigated on many levels through the introduction of appropriate controls.

3.3. External audit

In accordance with the applicable legislation, semi-annual separate and consolidated financial statements of Kino Polska TV S.A. are reviewed by an independent registered auditor, and annual separate and consolidated financial statements of Kino Polska TV S.A. are audited by an independent registered auditor.

A registered auditor is appointed by the Supervisory Board based on the recommendations of the Audit Committee,

The audit of the financial statements for the years 2019 – 2020 is performed by KPMG Audyt Sp. z o.o. Sp. k.

As part of its audit procedures, a registered auditor conducts an independent assessment of the accounting policies applied by the parent company in preparing financial statements and of the fairness and correctness of the separate and consolidated financial statements. The effectiveness of the internal control and risk management systems in the process of preparing the financial statements is confirmed by the opinions on the audit of the separate and consolidated financial statements of Kino Polska TV S.A. issued by the independent registered auditor.

3.4 Supervisory Board, Audit Committee and internal audit

Actions taken by the Controlling Department are a significant element of internal control. This department indirectly strengthens the process of preparing financial statements.

The objective of the Controlling Department is to monitor and report to the Management Board and the Audit Committee on an ongoing basis.

In the second half of 2020, the internal control system was expanded and internal controls were strengthened to support the Management Board in risk management.

The body which supervises the financial reporting process to ensure the fairness of the presented financial information at the Company is the Audit Committee appointed within the Issuer's Supervisory Board.

Moreover, under Article 4a of the Accounting Act of 29 September 1994, the duties of the Supervisory Board include ensuring that the financial statements and Directors' Report meet the legal requirements, and the Supervisory Board performs this duty using its powers laid down in the legislation and the Company's Articles of Association. This is another level of control exercised by an independent body, which ensures the correctness

and fairness of information presented in the separate and consolidated financial statements.

4. Shareholders holding, directly or indirectly, significant blocks of shares, including the number of shares held by those entities, their percentage interest in the share capital, number of votes resulting thereof and percentage of the total number of votes at the General Meeting

The table below presents the shareholders of Kino Polska TV S.A. holding, to the best of the Company's knowledge, at least 5% of the votes at the Company's General Meeting as at the date of issue of this Report.

<i>Shareholder</i>	<i>Type of shares</i>	<i>Number of shares¹</i>	<i>Interest in the share capital (in %)</i>	<i>Number of votes at the GM</i>	<i>Share of total votes at the GM</i>
SPI International B.V.	Ordinary bearer shares	12,913,285	65.15%	12,913,285	65.15%
Investment funds managed by Ipopema TFI S.A. (including Total FIZ and TTL 1 Sp. z o.o)	Ordinary bearer shares	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. (including Nationale-Nederlanden OFE and Nationale-Nederlanden DFE) ²	Ordinary bearer shares	1,038,944	5.24%	1,038,944	5.24%
Other	Ordinary bearer shares	4,166,713	21.02%	4,166,713	21.02%
TOTAL	Ordinary bearer shares	19,821,404	100.00%	19,821,404	100.00%

¹ the information in the table is based on the notifications received from the shareholders pursuant to Article 69 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies, and on the notification submitted by SPI International B.V. about the actual number of the Issuer's shares held.

The parent company of SPI International B.V., which holds 100% of the shares in that Company, is Cooperatieve SPI International U.A.

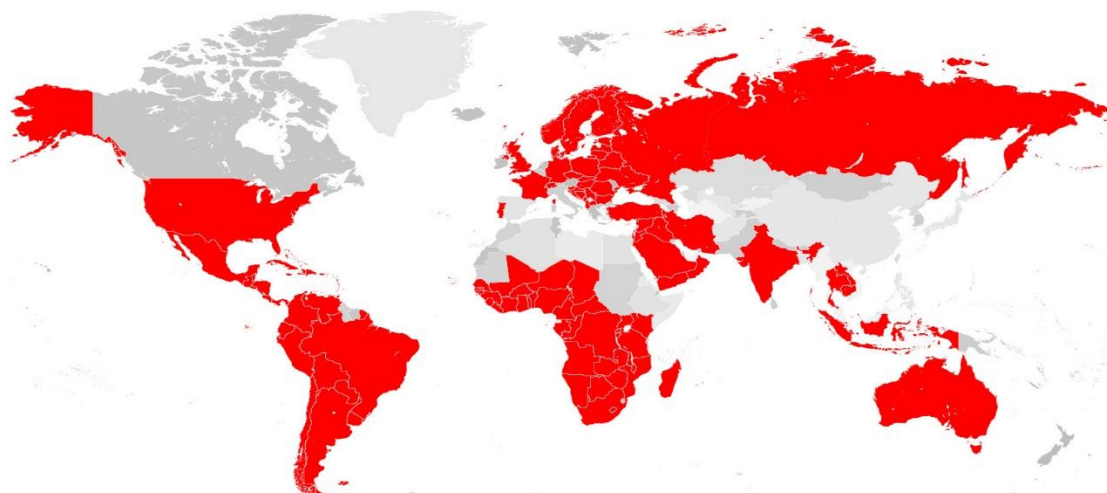
To the best knowledge of the Company's Management Board, since the date of submitting the quarterly report for the third quarter of 2020, i.e. since 19 November 2020, there have been no changes in the shareholding structure of Kino Polska TV S.A. with regard to shareholders holding at least 5% of the votes at the Company's General Meeting.

The following table shows the shareholders holding at least 5% of the total number of votes who were present at the last General Meeting of Kino Polska TV S.A., i.e. on 21 August 2020.

<i>Shareholder</i>	<i>Type of shares</i>	<i>Number of shares</i>	<i>Interest in the share capital (in %)</i>	<i>Number of votes at the last GM</i>	<i>Share of total votes at the last GM</i>
SPI INTERNATIONAL B.V.	Ordinary bearer shares	12,913,285	65.15%	12,913,285	87.74%
NATIONALE NEDERLANDEN OTWARTY FUNDUSZ EMERYTALNY	Ordinary bearer shares	1,044,054	5.27%	1,044,054	7.09%
GOVERNMENT OF NORWAY	Ordinary bearer shares	760,637	3.84%	760,637	5.17%

Information on the Company's main shareholder⁵

SPI International B.V. is a global media group, which has been a leading global distributor of cinema and television films for over 25 years. The map below shows the territories on which SPI conducts its operations.



SPI International B.V. is a global media group, which has been a leading global distributor of cinema and television films for over 25 years. SPI offers more than 42 television channels on six continents. The SPI channels are available in 17 language versions and are offered by more than 700 pay TV operators.

SPI uses state of the art technologies to provide its customers with both linear channels (such as the FilmBox brand) and video on demand content, including UHD programmes. The SPI programme offer is available on almost all devices with Internet access via global streaming services and local OTT television operators.

⁵Source: SPI own materials

5. Holders of any securities carrying special controlling rights, including a description of those rights

There are no securities which give special controlling rights over the Company.

6. All voting restrictions, such as voting restrictions applicable to holders of a specified percentage or number of votes, time restrictions on voting or provisions separating the equity rights attached to securities from holding such securities

In the reporting period, there were no securities that would be associated with any voting restrictions.

7. Any restrictions on the transferability of title to the Issuer's securities

In the reporting period, there were no restrictions on the transfer of ownership of the Issuer's shares.

8. Description of the rules for appointment and dismissal of Member of the Management Boards and their powers, in particular the right to make decisions about an issue or redemption of shares

In accordance with § 11 clause 1 of the Issuer's Articles of Association, the Management Board consists of not less than two and not more than five persons, including the President and other members of the Management Board. The Management Board manages the Company's affairs and represents it before third parties. The following people are authorized to make representations and sign on behalf of the Company: President of the Management Board jointly with another member of the Management Board or a proxy.

Member of the Management Boards, including the President, are appointed and dismissed by the Supervisory Board for a three-year term. They have no special powers relating to the issue or redemption of shares.

9. Description of the rules for amending the Issuer's Articles of Association

The Issuer's Articles of Association are amended in accordance with the provisions of the Commercial Companies Code, i.e. by resolution of the General Meeting.

10. The way the General Meeting acts and its key rights, as well as the rights of shareholders and the manner of exercising them

Pursuant to Article 402¹ of the Commercial Companies Code, the General Meeting of a public company is convened by an announcement published on the Company's website and in the form of a current report – in accordance with the provisions of the Act on Public Offering. The announcement should be made no later than

26 days before the date of the General Meeting. Article 402² of the Commercial Companies Code defines the content of the announcement on the General Meeting of a public company. It should include at least the date, time and place of the General Meeting and a detailed agenda, as well as a precise description of the procedures for participating in the General Meetings and voting. In particular, the announcement should include information on the following issues:

- The right of a shareholder to request placing certain issues on the agenda of the General Meeting – according to Article 401 § 1 of the Commercial Companies Code, a shareholder or shareholders representing at least one twentieth of the share capital may demand placing certain issues on the agenda of the next General Meeting. Such a request should be submitted to the Management Board no later than 21 days before the scheduled date of the GM. It should contain a justification for or a draft resolution on the issue that is proposed to be placed on the agenda. A request may be submitted in electronic form. The Management Board shall be obliged to announce the changes made to the agenda at the shareholders' request immediately, no later than 18 days before the scheduled date of the GM. Such an announcement should be consistent with the procedure for convening the GM (Article 401 § 2 of the Commercial Companies Code).
- The right of a shareholder to submit drafts of resolutions on issues placed on the agenda of the General Meeting or issues which are to be placed on the agenda before the date of the GM – in accordance with Article 401 § 4 of the Commercial Companies Code, before the date of the General Meeting a shareholder or shareholders of a public company representing at least one-twentieth of the share capital may submit to the Company, in writing or using electronic means of communication, draft resolutions relating to the issues that have been or are to be placed on the agenda of the General Meeting. The Company publishes draft resolutions on its webpage immediately.
- According to Article 401 § 6 of the Commercial Companies Code, the Articles of Association may contain a provision that a shareholder or shareholders representing less than one-twentieth of the share capital may request that certain issues be placed on the agenda of the next GM or to submit to the Company, in writing or using means of electronic communication, draft resolutions relating to the issues that have been or are to be placed on the agenda of the General Meeting. The Articles of Association of the Issuer do not include such provisions.
- The right of a shareholder to submit draft resolutions relating to issues placed on the agenda during the General Meeting – in accordance with Article 401 § 5 of the Commercial Companies Code, every shareholder has the right to submit draft resolutions relating to issues placed on the agenda during the General Meeting.
- The manner of voting by proxy, in particular the forms used to vote by proxy, and the manner of notifying the Company of appointing a proxy by means of electronic communication.
- The possibility and manner of participating in the General Meeting by means of electronic communication.
- The manner of speaking during the General Meeting by means of electronic communication.
- The manner of voting by correspondence or by means of electronic communication.

- Registration date for participating in the General Meeting which, according to Article 406¹ of the Commercial Companies Code, falls 16 days before the date of the General Meeting and is the same for holders of bearer shares and registered shares.
- Information that only the persons who are shareholders of the Company on the day of registration for participating in the General Meeting have the right to participate in the General Meeting.
- An indication of where and how a person entitled to participate in the General Meeting may receive a full text of the documentation which is to be presented at the Meeting and drafts of the resolutions or, if no resolutions are expected to be passed, comments of the Management Board or Supervisory Board of the Company on the matters placed on the agenda of the General Meeting or issues which are to be added to the agenda before the date of the General Meeting.
- Address of the website on which the information on the General Meeting will be published.

Pursuant to Article 402³ § 1, each public company is obliged to maintain its own website and, as of the date of convening the General Meeting, publish the following information there:

- announcement on convening the General Meeting;
- information about the total number of shares in the Company and the number of votes carried by such shares as at the date of the announcement and, if the shares are of different types, also about the division of the shares into individual types and the number of votes carried by each type of share;
- the documentation to be presented to the General Meeting;
- drafts of the resolutions or, if no resolutions are expected to be passed, comments of the Management Board or the Supervisory Board of the Company on the matters placed on the agenda of the General Meeting or issues which are to be added to the agenda before the date of the General Meeting;
- forms for voting by proxy or by correspondence, unless sent directly to all shareholders.

If forms for voting by proxy or by correspondence cannot be made available on the website for technical reasons, a public company should inform on its website where and how such forms may be obtained. In such cases, the public company shall send the forms by post, free of charge, to every shareholder who has requested them.

The forms for voting by proxy or by correspondence should contain the suggested wording of the resolutions of the General Meeting and should make it possible to:

- identify the shareholder casting the vote and his proxy, if the shareholder is voting by proxy;
- cast a vote within the meaning of Article 4 § clause 1 section 9 of the Commercial Companies Code;
- for shareholders voting against the resolution, to submit an objection;
- place a voting instruction with regard to each resolution on which the proxy is to vote.

In accordance with §21 of the Issuer's Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes validly cast, unless the provisions of the Articles of Association or the law provide

more stringent conditions. Resolutions of the General Meeting on the following matters require a qualified majority of three quarters of the votes cast:

- redemption of shares in the case referred to in Article 415 § 4 of the Commercial Companies Code;
- acquisition of treasury shares in the case referred to in Article 362 § 1 clause 2 of the Commercial Companies Code;
- a business combination of the Company with another company in the case referred to in Article 506 § 2 of the Commercial Companies Code.

A resolution of the General Meeting on the dismissal or suspension by the General Meeting of one or all members of the Management Board in accordance with Article 368 § 4 of the Commercial Companies Code, requires four-fifths of the votes cast. The acquisition or disposal of property, right of perpetual usufruct, or interest in real property do not require a resolution of the General Meeting.

11. The composition (and changes therein which occurred in the last financial year) and description of activities of the Issuer's Management Board, Supervisory Board and administrative bodies

Management Board of Kino Polska TV S.A.

The Management Board operates in compliance with the provisions of the Commercial Companies Code and the Company's Articles of Association. The Management Board consists of not less than two and not more than five persons, including the President and other members of the Management Board. The President of the Management Board manages the work of the Management Board, defines the internal division of duties and powers between the Members of the Management Boards, convenes and presides over the Management Board meetings, and issues the Company's internal regulations. The President of the Management Board may authorize other persons to convene and preside over Management Board meetings and issue internal regulations. Resolutions of the Management Board are passed unanimously. The Management Board is obliged to report significant events associated with the Company's operations to the Supervisory Board at least once a year. Such reports shall also contain statements of the Company's income, costs and financial results.

The following people are authorized to make representations and sign on behalf of the Company: the President of the Management Board jointly with another member of the Management Board or a proxy. For the purposes of taking specific actions or actions of a specific type, proxies may be appointed to act independently or jointly, within the scope of their authorization.

Supervisory Board of Kino Polska TV S.A.

The Supervisory Board supervises all areas of the Company's activities on an ongoing basis. In addition to the matters specified in the provisions of the Commercial Companies Code and other provisions of the Company's Articles of Association, the competences of the Supervisory Board include:

- acceptance of the proposed changes to the Company's Articles of Association drawn up by the Management Board;
- appointment of a registered audit firm to carry out an audit or review of the consolidated and separate financial statements of the Company;
- granting consent to entering into agreements with such company or its subsidiaries, subordinated entities, parent companies or subsidiaries or subordinate entities of its parent companies and for performing any other activities that may adversely affect the independence of such entity in performing the audit or review of the Company's financial statements;
- granting consent to joining or creating any business organization, acquiring or selling shares or interests in companies, as well as approving changes in the equity interest in any business organization in which the Company participates;
- granting consent to entering into or terminating long-term cooperation agreements whose value (over the whole term of a given agreement) may exceed the amount of EUR 500,000 or its equivalent as calculated on the date of transaction at the exchange rate of the National Bank of Poland (NBP);
- granting consent to the sale, purchase, encumbrance, rental, lease of the Company's assets outside the ordinary course of the Company's business activities in excess of EUR 500,000 or its equivalent calculated as at the date of sale, purchase, encumbrance, rental or lease of a given asset at the exchange rate of the NBP;
- granting consent to the acquisition of fixed assets outside the ordinary course of the Company's business activities in excess of EUR 500,000 or its equivalent calculated as at the date of acquisition at the exchange rate of the NBP;
- granting consent to the creation of employee pension schemes at the Company and granting additional pension rights in addition to the existing ones;
- approving the Company's annual budget by 31 December of a given financial year.

Audit Committee of Kino Polska TV S.A.

The Audit Committee consists of at least three members. At least one member of the Audit Committee must have knowledge and skills in the area of accounting or auditing financial statements. Most members of the Audit Committee, including the chairman, are independent of the Company within the meaning of Article 130 of the Act on registered auditors. The Audit Committee members must have knowledge and skills in the industry in which the Company operates. This condition is satisfied when at least one member of the Audit Committee has knowledge and skills in the industry or when different members have knowledge and skills in its different areas. Members of the Audit Committee are appointed and dismissed by the Supervisory Board from among its members by secret ballot.

The main tasks of the Audit Committee include:

- 1) the monitoring of:
 - a) the financial reporting process;

- b) the effectiveness of the internal control and risk management systems and internal audit, also in the area of financial reporting;
- c) audit performance, in particular the audit work carried out by the audit firm, taking into account all findings and observations of the Audit Supervision Committee resulting from the inspection performed in the audit firm;
- 2) controlling and monitoring the independence of the registered auditor and the audit firm, in particular if it also provides non-audit services to the Company;
- 3) informing the Company's Supervisory Board about the results of the audit and explaining the effect of the audit on the fairness of financial reporting at the Company and the role of the audit committee in the audit process;
- 4) assessing the registered auditor's independence and granting consent for the provision of permitted non-audit services by the auditor to the Company;
- 5) preparing a policy for selection of the audit firm;
- 6) preparing a policy for the provision of permitted non-audit services by the registered audit firm, its related entities and members of its network;
- 7) setting up the procedure for the selection of an audit firm by the Company;
- 8) making a recommendation referred to in Article 16 clause 2 of the Regulation in accordance with the policies referred to in sections 5 and 6 to the Supervisory Board or the authority mentioned in Article 66 clause 4 of the Accounting Act of 29 September 1994;
- 9) making recommendations aimed at ensuring the fairness of the financial reporting process at the Company.

Management Board of Kino Polska TV S.A.

In the period from 1 January 2020 to 1 July 2020, the composition of the Management Board of Kino Polska TV S.A. was as follows:

Bogusław Kisielewski	President of the Management Board
Marcin Kowalski	Member of the Management Board
Alber Uziyel	Member of the Management Board
Berk Uziyel	Member of the Management Board

In the period from 1 July 2020 to 2 July 2020, the composition of the Management Board of Kino Polska TV S.A. was as follows:

Bogusław Kisielewski	President of the Management Board
Levent Gültan	Member of the Management Board
Marcin Kowalski	Member of the Management Board
Berk Uziyel	Member of the Management Board

In the period from 2 July 2020 to 20 October 2020, the composition of the Management Board of Kino Polska TV S.A. was as follows:

Bogusław Kisielewski	President of the Management Board
Levent Gültan	Member of the Management Board
Marcin Kowalski	Member of the Management Board
Berk Uziyel	Member of the Management Board
Katarzyna Woźnicka	Member of the Management Board

In the period from 20 October 2020 to 31 December 2020, the composition of the Management Board of Kino Polska TV S.A. was as follows:

Bogusław Kisielewski	President of the Management Board
Levent Gültan	Member of the Management Board
Berk Uziyel	Member of the Management Board
Katarzyna Woźnicka	Member of the Management Board

Bogusław Kisielewski – President of the Management Board

Bogusław Kisielewski graduated from the Kraków University of Economics in Kraków, the Economics Department. He completed many training courses in management, finance, management and financial accounting, bookkeeping, capital markets, ERP and MRP IT systems.

He began his career as a broker with Regionalny Dom Maklerski Polonia S.A. After that, he was a Member of the Management Board/Finance Director of, among others, BMJ Management Sp. z o.o. and ZPO Modena S.A.

Since 2007 he has been with Kino Polska TV S.A. (previously Kino Polska TV Sp. z o.o.)– currently as President of the Management Board, previously a Member of the Management Board/ Director General.

Since 2013 he has been the President of the Management Board of Stopklatka S.A.

From 2017 to 26 June 2018, Bogusław Kisielewski was also 1st Vice President of the Management Board of Cable Television Networks & Partners sp. z o.o. (previously he was a member of the Supervisory Board of that company). CTN&P merged with the Company on 26 June 2018.

Levent Gültan – Member of the Management Board

Mr Levent Gültan is an experienced business manager with more than 20 years of international experience in digital media and Internet technologies. He supported firms in building telecommunication, financial services and advanced technology functions. He was the Managing Director of Mediakraft Networks GmbH and Mediakraft Networks Polska Sp. z o.o.

In 2018–2019, he was a member of the Supervisory Board of Kino Polska TV S.A.

Levent Gültan has an MBA from the Duke University Fuqua School of Business and BBA from the Emory University Goizueta Business School.

Levent Gültan's activities outside the Issuer's enterprise relate to his involvement in Mediakraft Turkey Yayın Hizmetleri A.S. He is a founder of the said Company and also sits on its Management Board.

Berk Uziyel – Member of the Management Board

Berk Uziyel graduated from the Koc School in Istanbul and from Babson College in Boston, Department of Administration and Entrepreneurship in Business.

He began his career in 2001 at Merrill Lynch in Boston. After one year he joined the Eftas team where he was responsible for the distribution of the Konica Minolta, Kodak, Olympus and Oblio brands. At Eftas he was: Sales and Marketing Manager, Sales Director and Operations Director.

Since 2010 he has combined those duties with the position of New Media Director at SPI International B.V., Managing Director of Filmbox International Ltd. and Mediabox Broadcasting International Ltd., responsible, among other things, for the distribution of FilmBox channels on the international market.

From 21 January 2016 to 14 June 2018, he was a member of the Supervisory Board of Stopklatka S.A. (from 3 February 2016, he was the Chairman of the Supervisory Board). Since 7 September 2018, he has been a Member of the Management Board at Stopklatka.

Katarzyna Woźnicka – Member of the Management Board;

Katarzyna Woźnicka studied Finance and Accounting at the Koźmiński University in Warsaw. In 2001 she received a Master's degree in Finance and Accounting. Since 2009 she has been member of ACCA, and since 2014 of FCCA.

In the years 2001–2003 she was the Manager of the Purchases Administration Office at Prószyński S.A./Agora S.A. Subsequently, (in the years 2003–2006) she was employed as an Analyst and then (2006–2007) as Financial Controller at Agora S.A. In the years 2007–2014 she was with LexisNexis Polska Sp. z o.o., first as a Finance Manager, then as Finance Director/ Member of the Management Board.

In the years 2014–2015, Katarzyna Woźnicka worked at Kino Polska TV S.A. as Finance Director. Between 2016 and 2020, she sat on the Issuer's Supervisory Board.

Since 2 July 2020, she has been a Member of the Issuer's Supervisory Board.

From 2014 to 13 June 2018, she was employed at Stopklatka S.A. as Finance Director. Since 14 June 2018, she has been a Member of the Supervisory Board of Stopklatka.

Since 2016 she has been *CFO* at SPI International Group.

Supervisory Board of Kino Polska TV S.A.

In the period from 1 January 2020 to 31 January 2020, the composition of the Supervisory Board of the Issuer was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Jacek Koskowski	Member of the Supervisory Board <i>(independent member)</i>
Piotr Orłowski	Member of the Supervisory Board <i>(independent member)</i>
Jesus Perezagua Sanchez	Member of the Supervisory Board <i>(independent member)</i>
Krzysztof Rudnik	Member of the Supervisory Board
Katarzyna Woźnicka	Member of the Supervisory Board

In the period from 31 January 2020 to 27 February 2020, the composition of the Supervisory Board of the Issuer was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Piotr Orłowski	Member of the Supervisory Board <i>(independent member)</i>
Jesus Perezagua Sanchez	Member of the Supervisory Board <i>(independent member)</i>
Krzysztof Rudnik	Member of the Supervisory Board
Katarzyna Woźnicka	Member of the Supervisory Board

In the period from 27 February 2020 to 1 July 2020, the composition of the Supervisory Board of the Issuer was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Marcin Boroszko	Member of the Supervisory Board <i>(independent member)</i>
Piotr Orłowski	Member of the Supervisory Board <i>(independent member)</i>
Jesus Perezagua Sanchez	Member of the Supervisory Board <i>(independent member)</i>
Krzysztof Rudnik	Member of the Supervisory Board
Katarzyna Woźnicka	Member of the Supervisory Board

In the period from 1 July 2020 to 21 August 2020, the composition of the Supervisory Board of the Issuer was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Marcin Boroszko	Member of the Supervisory Board <i>(independent member)</i>
Piotr Orłowski	Member of the Supervisory Board <i>(independent member)</i>
Jesus Perezagua Sanchez	Member of the Supervisory Board <i>(independent member)</i>
Krzysztof Rudnik	Member of the Supervisory Board

In the period from 21 August 2020 to 31 December 2020, the composition of the Supervisory Board of the Issuer was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Marcin Boroszko	Member of the Supervisory Board <i>(independent member)</i>
Piotr Orłowski	Member of the Supervisory Board <i>(independent member)</i>
Jesus Perezagua Sanchez	Member of the Supervisory Board <i>(independent member)</i>
Krzysztof Rudnik	Member of the Supervisory Board
Alber Uziyel	Member of the Supervisory Board

Loni Farhi – Chair of the Supervisory Board

Loni Farhi is member of the British Academy of Film and Television Arts-East Coast. He has worked in the film industry for many years.

In the years 1978 to 1985, he worked for Eskimo Yunleri A.S. – first as Sales Manager, then as Production Manager, and since 1983 as General Manager.

In the years 1987 to 1989 he was employed by Ans International as the Managing Partner.

In 1989 he established SPI INC., where he was CEO until 1991.

Since 1990 he has been the President of the Management Board of SPI International INC., New York.

He is the Chair of the Supervisory Board of Kino Polska TV S.A. and Stopklatka S.A.

Stacey Sobel – Deputy Chair of the Supervisory Board

In 1980 Stacey Sobel earned the title of Master of Arts at the Boston University, in the Art Department. She has worked in the film industry for 28 years.

In the years 1982 to 1988 she was employed by AVP International Sales. In the years 1980 to 1981 she worked as the Account Executive Domestic Sales, and then for Cannon Films INC., Los Angeles (1980 to 1988).

Since 1989 she has been with SPI International INC., New York, where she is Vice President of the Management Board.

She is Deputy Chair of the Supervisory Board of Kino Polska TV S.A.

Marcin Boroszko – Member of the Supervisory Board;

Marcin Boroszko is a graduate in Arabic Studies from the University of Warsaw. He received his GMP5 diploma from Harvard Business School in 2008.

From 2018 to 2019, he served as CSO and Member of the Management Board of RASP, where, among other things, he managed the commercial activities. From 2016 to 2018, he was President of the Management Board of Media Impact Polska and a Member of the Management Board of the RASP Group. He was responsible for restructuring, new strategy of sales organization and increasing profitability of Media Impact Polska. He also supervised the creation of a new structure and strategy for RASP in the digital environment.

Between 2000 and 20015, he was CEO of At Media Group (At Media was the first and leading broker of thematic and DTT channels in 3 countries, covering over 50 TV channels and achieving market shares in Poland and Hungary of 14% and 55% respectively). Subsequently, between 2015 and 2017, he managed a management buyout at Media Group (At Media PL, At Media CZ, At Media HU). He was also responsible for the liquidation of At Media PL and the sale of At Media HU and At Media CZ to local media companies.

In 1999–2000, as Commercial Director, he was responsible for the functioning of the Marketing, Circulation and Advertisement Departments at Gruner + Jahr Polska.

In 1998–1999, he managed the Radio Zet Advertising Office (Managing Director). In 1993–1997, he was Managing Director of Jaguar Poland.

Jesus Perezagua Sanchez – Member of the Supervisory Board

Jesus Perezagua Sanchez graduated from Escuela de Organizacion Industrial in Madrid with an MBA diploma.

He is a media expert and director general with a broad experience in establishing and developing firms in Europe, Africa and Japan. He has worked for many key players in the television, multimedia and digital services sectors, searching for the possibilities of market expansion and new streams of revenue.

He created and was Director General of Aquil Media Co., Ltd., a Japanese media company (online OTT television, a traditional line channel and branded blocks) engaged in production and live broadcasting using artificial intelligence in the cloud. Since 2014, he has worked as a Media Consultant, a member of the management boards of companies in the sector of media technologies and multi-channel networks; advising media groups on strategy and management. In 2014–2015, he was a Media Advisor to a temporary Director General at Fix International Channels where he was responsible for, among other things, strategic advisory for a portfolio of channels and restructuring the operations of Fox Sports Japan. In 2011–2014, as President for Europe and Africa, he was responsible for regional management and development in that entity. From 1998 to 2004, he worked for Fox Kinds Entertainment Spain as General Director.

Since 2019, he has been a Member of the Supervisory Board of Kino Polska S.A.

Piotr Orłowski – Member of the Supervisory Board

Piotr Orłowski graduated from the Faculty of Law and Administration at the Adam Mickiewicz University in Poznań. In 2001 he obtained an L.L.M. He earned a scholarship from the Stefan Batory Foundation at Oxford University.

He sits on the Supervisory Boards of Kino Polska TV S.A. and Carpathia Capital S.A.

Since 2006 he has practised law at Orłowski Kancelaria Prawna Sp. k. and Orłowski Tomaszewski Kancelaria Prawna Sp.j.

Since 2011 he has been a Member of the Supervisory Board of Stopklatka S.A.

Krzysztof Rudnik – Member of the Supervisory Board

Krzysztof Rudnik graduated from the Warsaw School of Economics in 2000. He also studied at NHH in Bergen, Norway, under the CEMS programme. He is an American certified financial advisor (CFA).

He has many years of experience in mergers and acquisitions and business valuations. In the years 2000–2013 he worked with such companies as Deloitte, Ernst & Young and BRE Corporate Finance.

Since 2013 he has been a Member of the Supervisory Board of Kino Polska TV S.A.

Additionally, he is Member of the Board of Directors of Orphee S.A. and supervises the commercialization of medical devices developed by PZ Cormay S.A.

Alber Uziyel – Member of the Supervisory Board.

Alber Uziyel graduated from Istanbul Technical University with a Master's degree in Electrical Engineering.

In the years 1979–1996 he was Member of the Management Board of Eskimo Textile and Production.

Since 2008, he has been President of Eftas A.S., where he is responsible, among other things, for developing the Company's strategy and supervising its distribution.

Since 2012 he has been working with Mediabox International Ltd. as Filmbox Live Project Adviser.

Between 2015 and 2020, he was a Member of the Management Board of Kino Polska TV S.A. On 21 August 2020, he was appointed to the Supervisory Board of Kino Polska TV S.A.

Since 14 June 2018, he has been a Member of the Supervisory Board of Stopklatka S.A.

Audit Committee

In the reporting period, there was also an Audit Committee within the structure of the Supervisory Board of Kino Polska TV S.A.

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

Piotr Orłowski	Chair of the Audit Committee <i>(independent member)</i>
Jacek Koskowski	Member of the Audit Committee <i>(independent member)</i>
Krzysztof Rudnik	Member of the Audit Committee

In the period from 31 January 2020 to 27 February 2020, the composition of the Audit Committee was as follows:

Piotr Orłowski	Chair of the Audit Committee <i>(independent member)</i>
Krzysztof Rudnik	Member of the Audit Committee

In the period from 27 February 2020 to 31 December 2020, the composition of the Audit Committee was as follows:

Piotr Orłowski	Chair of the Audit Committee <i>(independent member)</i>
Marcin Boroszko	Member of the Audit Committee <i>(independent member)</i>
Krzysztof Rudnik	Member of the Audit Committee

Mr Krzysztof Rudnik has knowledge and skills in the area of accounting or auditing financial statements. Krzysztof Rudnik and Piotr Orłowski have extensive knowledge of the market on which the Issuer operates due to the fact that they have been members of the Kino Polska TV S.A. Supervisory Board for many years. Jacek Koskowski and Marcin Boroszko have many years of professional experience in the media sector in which the Company operates.

Krzysztof Rudnik graduated from the Warsaw School of Economics in 2000. He also studied at NHH in Bergen, Norway, under the CEMS programme. He is an American certified financial advisor (CFA). Krzysztof Rudnik has many years of experience in mergers and acquisitions, business valuations and creating goodwill. In the years 2000–2013 he worked with such companies as Deloitte, Ernst & Young and BRE Corporate Finance. He is a

member of the Board of Directors of Orphee S.A. and cooperates with PZ Cormay S.A. in the area of commercialization of new products developed by that Company. Moreover, he was a member of the Supervisory Boards and chairman of the Audit Committees of the following companies listed on the WSE: PZ Cormay S.A. (in the years 2013–2014) and Biomed Lublin WSiS S.A. (in the years 2013–2015).

Piotr Orłowski graduated from the Faculty of Law and Administration at the Adam Mickiewicz University in Poznań. In 2001 he obtained an L.L.M. He earned a scholarship from the Stefan Batory Foundation at Oxford University. He is a member of the Supervisory Boards of Stopklatka S.A. (since 2011) and Remedis S.A. Since 2006 he has been Partner in the partnership Orłowski Matwijcio Kancelaria Radców Prawnych Sp. P.

Jacek Koskowski has many years of experience in the sector in which the Issuer operates. In 2011–2019, he was General Director and Vice-President for Poland at BBC Worldwide / BBC Studios, where he was responsible, among other things, for developing strategic and development plans and concluding distribution agreements with all the major local platforms and business partners. In 2007–2011, he was Director of Theme Channels at TV Polska S.A., where he developed a new structure within the Polsat Group, namely the Theme Channels Division (prepared a business plan and a budget for this project). In 2000–2007, he participated in creating and then was Director General of PrOgram Sp. z o.o., an agency for international TV broadcasters in Poland, where he managed the growth of the Company's portfolio

Marcin Boroszko holds a degree from Harvard Business School – GMP5. From 2018 to 2019, he was CSO and Member of the Management Board of Ringier Axel Springer Polska Sp. z o.o. ("RASP"), the leading publisher in the digital market in Poland; his portfolio included both traditional and online media), where, among other things, he managed commercial activities. From 2016 to 2018, he was President of the Management Board of Media Impact Polska and a Member of the Management Board of the RASP Group. He was responsible for restructuring, the new strategy of the sales organization and increasing the profitability of Media Impact Polska. He also supervised the creation of a new structure and strategy for RASP in the digital environment. Between 2000 and 2015, he was President of the Management Board of At Media Group (At Media was the first and leading broker of thematic and DTT channels in three countries, covering more than 50 TV channels). Subsequently, between 2015 and 2017, he managed a management buyout at Media Group (At Media PL, At Media CZ, At Media HU). He was also responsible for the liquidation of At Media PL and the sale of At Media HU and At Media CZ to local media companies.

Policy for selecting an audit firm to perform an audit of the financial statements of Kino Polska TV S.A.

In accordance with the Company's Articles of Association, selecting an audit firm to perform the statutory audit of the Company's financial statements and the statutory audit of the consolidated financial statements of the Group is the responsibility of the Supervisory Board. The recommendations of the Company's Audit Committee are taken into account.

The Supervisory Board is independent in making the selection, such a decision must not be forced on the Supervisory Board in any way, and the choice must not be narrowed down to a specific category or list of entities.

All the Company's authorities and other units/persons involved in the process of selecting an audit firm take into consideration the following elements:

- the ability to provide the full scope of required services;
- the audit firm's previous experience in auditing financial statements of companies and groups with a similar business profile to that of the Company;
- the audit firm's previous experience in auditing financial statements of public companies;
- professional qualifications and experience of persons directly involved in the audit process;
- the number of persons available to conduct the audit and availability of qualified experts in the fields specific to the Company and the Group;
- the certainty that the audit will be conducted in accordance with the International Standards on Auditing and Assurance and in compliance with the International Quality Control Standard 1;
- the ability to conduct the audit within the timeframe specified by the Company;
- the audit firm's reputation, taking into account the report referred to in Article 90, clause 5 of the Act;
- the price offered by the audit firm.

The Company applies this Policy also when selecting an audit firm for a review of the financial statements and consolidated financial statements.

The Policy is based on the Act on registered auditors, audit firms and public oversight of 11 May 2017 and it only contains the basic criteria applied in the selection of an audit firm. A detailed procedure for selecting an audit firm is set out in a separate document.

The Policy is approved and amended by resolution of the Audit Committee.

The policy for the provision of permitted non-audit services by the registered audit firm performing the audit, its related entities and members of its network

I. GENERAL PRINCIPLES

The audit firm conducting the audit, its related entities or members of its network (hereinafter: "the Auditor") may provide to the company Kino Polska TV S.A. and the Kino Polska TV S.A. Group the services permitted by law, including in particular the Act on registered auditors, audit firms and public oversight of 11 May 2017 (Journal of Laws of 2017, item 1089) ("the Act on Registered Auditors") and the Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding a statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (hereinafter: "the Regulation").

The auditor provides the services in a professional manner (in particular, with due care and diligence), using professional knowledge and taking into account the nature of the activities of the company Kino Polska TV S.A. and the Kino Polska TV S.A. Group.

The Auditor may provide the permitted services after making an assessment as to whether the provision of such services would affect the Auditor's independence. In particular, the Auditor shall make every effort to avoid a conflict of interests.

II. THE REGULATION

Pursuant to Article 5 of the Regulation, a statutory auditor or an audit firm carrying out the statutory audit, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly provide to the Company or the Group any prohibited non-audit services in:

- a) the period between the beginning of the period audited and the issuing of the audit report; and
- b) the financial year immediately preceding the period referred to in point (a) in relation to the services listed in point (g) below;

Prohibited non-audit services shall mean:

- a) tax services relating to:
 - (i) preparation of tax forms;
 - (ii) payroll tax;
 - (iii) customs duties;
 - (iv) identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
 - (v) support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;
 - (vi) calculation of direct and indirect tax and deferred tax;
 - (vii) provision of tax advice;
- b) services that involve playing any part in the management or decision-making of the audited entity;
- c) bookkeeping and preparing accounting records and financial statements;
- d) payroll services;
- e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;

f) valuation services, including valuations performed in connection with actuarial services or litigation support services;

g) legal services, with respect to:

- (i) the provision of general counsel;
- (ii) negotiating on behalf of the audited entity; and
- (iii) acting in an advocacy role in the resolution of litigation;

h) services related to the audited entity's internal audit function;

i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;

j) promoting, dealing in, or underwriting shares in the audited entity;

k) human resources services, with respect to:

- (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
- (ii) structuring the organization design; and
- (iii) cost control.

A statutory auditor may provide to the Company and the Group non-audit services other than the prohibited non-audit services subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of Directive 2006/43/EC.

III. THE ACT ON REGISTERED AUDITORS

Pursuant to Article 136 of the Act on Registered Auditors, the prohibited services mentioned in Article 5(1) paragraph 2 of the Regulation also include other non-audit services.

On the other hand, the prohibited services referred to in Article 5(1) paragraph 2 of the Regulation of the European Parliament and of the Council No 537/2014 do not include:

1) the services mentioned in Article 15 clause 3 of the Act on the operation of cooperative banks, their association and associating banks of 7 December 2000;

2) the following services:

-
- a) economic and financial due diligence;
 - b) issuing of comfort letters

- in connection with the audited entity's prospectus, in accordance with the national standard on related services, involving the performance of agreed procedures;
 - 3) assurance services relating to pro forma financial information, forecasts of results or estimations of results presented in the audited entity's prospectus;
 - 4) audit of historical financial information for the prospectus referred to 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;
 - 5) verification of consolidation packages;
 - 6) confirming satisfaction of the conditions of the loan agreements signed based on an analysis of the financial information derived from the financial statements audited by the audit firm;
 - 7) assurance services relating to corporate governance, risk management and corporate social responsibility reporting;
 - 8) the services of assessment of the compliance of the information disclosed by financial institutions and investment firms with the requirements in respect of disclosing information on capital adequacy and variable remuneration components;
 - 9) assurance relating to financial statements or other financial information for the regulators, the Supervisory Board or another supervisory body of the company or its owners, exceeding the scope of the statutory audit and aimed at assisting such authorities in the performance of their statutory obligations.

The aforementioned permitted services may only be provided to the extent that they do not relate to the audited entity's tax policy, after the audit committee has assessed the threats and safeguards to the auditor's independence.

If the Auditor provides the non-audit services referred to in Article 5(1) of the Regulation to the company Kino Polska TV S.A. and the Kino Polska TV S.A. Group for a period of at least three consecutive financial years, the total fee for such services shall be limited to not more than 70% of the average fee paid in the last three consecutive financial years for the statutory audit (statutory audits) of the Company and the Group.

Non-audit services other than those mentioned in Article 5(1) of the Regulation (EU) of the European Parliament and of the Council No 537/2014, which are required to be provided in accordance with the European or national law, shall be excluded from the limitations defined in the preceding paragraph.

If the total fee received from the company Kino Polska TV S.A. and the Kino Polska TV S.A. Group for each of the last three consecutive financial years amounts to more than 15% of the total fees received by the Auditor performing the statutory audit in each of those financial years, the Auditor shall notify the Audit Committee thereof and discuss the threats to its independence and the safeguards applied to mitigate such threats. The Audit Committee shall consider whether the audit engagement should undergo quality assurance control performed by another registered auditor or audit firm before the audit report is issued.

If the fee received from the company Kino Polska TV S.A. and the Kino Polska TV S.A. Group still exceeds 15% of the total fees received by the Auditor, the Audit Committee shall decide, based on objective factors, whether the Auditor may continue the statutory audit performance for an additional period not exceeding two years.

The Policy is based on the Act on Registered Auditors.

The Policy is approved and amended by resolution of the Audit Committee.

After analysing the offers of audit firms, the Audit Committee of Kino Polska TV S.A. recommended appointing PwC to audit the Company's financial statements for the year 2018 in accordance with the legal regulations then in force.

Nine Audit Committee meetings were held in 2020.

Planning and Budgeting Committee

In the reporting period, there was also a Planning and Budgeting Committee within the structure of the Supervisory Board of Kino Polska TV S.A.

In the period from 1 January 2020 to 31 January 2020, the composition of the Planning and Budgeting Committee was as follows:

Krzysztof Rudnik	Member of the Planning and Budgeting Committee
Katarzyna Woźnicka	Member of the Planning and Budgeting Committee
Jacek Koskowski	Member of the Planning and Budgeting Committee
Jesus Perezagua Sanchez	Member of the Planning and Budgeting Committee

In the period from 31 January 2020 to 28 February 2020, the composition of the Planning and Budgeting Committee was as follows:

Krzysztof Rudnik	Member of the Planning and Budgeting Committee
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Katarzyna Woźnicka	Member of the Planning and Budgeting Committee
Jesus Perezagua Sanchez	Member of the Planning and Budgeting Committee

In the period from 28 February 2020 to 1 July 2020, the composition of the Planning and Budgeting Committee was as follows:

Krzysztof Rudnik	Member of the Planning and Budgeting Committee
Katarzyna Woźnicka	Member of the Planning and Budgeting Committee
Marcin Boroszko	Member of the Planning and Budgeting Committee
Jesus Perezagua Sanchez	Member of the Planning and Budgeting Committee

In the period from 1 July 2020 to 31 December 2020, the composition of the Planning and Budgeting Committee was as follows:

Krzysztof Rudnik	Member of the Planning and Budgeting Committee
Marcin Boroszko	Member of the Planning and Budgeting Committee
Jesus Perezagua Sanchez	Member of the Planning and Budgeting Committee

Warsaw, 25 March 2021

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski
President of the Management
Board

Levent Gültan
Member of the Management Board

Berk Uziyel
Member of the Management
Board

Katarzyna Woźnicka
Member of the Management Board

Warsaw, 25 March 2021

REPRESENTATION
OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.
ON THE APPOINTMENT OF AN AUDIT FIRM
TO PERFORM AN AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL
STATEMENTS

The Management Board of Kino Polska TV S.A., acting on the basis of the representation of the Supervisory Board of Kino Polska TV S.A., confirms that the audit firm which has audited the annual consolidated financial statements has been appointed in accordance with the law, including the regulations concerning the appointment and the procedure for the appointment of an audit firm. The audit firm and the members of the audit team met the conditions for preparing an unbiased and independent report on the audit of the annual consolidated financial statements of the Kino Polska TV S.A. Group, in accordance with the applicable laws, auditing standards and principles of professional ethics.

The Management Board of Kino Polska TV S.A. declares that the Company complies with the applicable laws relating to audit firm and key registered auditor rotation as well as the mandatory grace periods.

The Management Board of Kino Polska TV S.A. declares that the Issuer has a policy for appointing an audit firm and a policy for the provision to the Issuer by the audit firm, an entity related to the audit firm or a member of its network of additional non-audit services.

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski

President of the Management
Board

Levent Gültan

Member of the Management Board

Berk Uziyel

Member of the Management
Board

Katarzyna Woźnicka

Member of the Management Board



**THE CAPITAL GROUP OF
KINO POLSKA TV S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR 2020**

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Warsaw, 25 March 2021

REPRESENTATION
OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.
ON THE PREPARATION OF THE FINANCIAL STATEMENTS AND THE DIRECTORS'
REPORT

The Management Board of Kino Polska TV. S.A. confirms that, to the best of its knowledge, the annual consolidated financial statements of the Kino Polska TV S.A. Group and comparative information have been prepared in accordance with the applicable accounting policies and that they give a true and fair view of the financial position of the Kino Polska TV S.A. Group and the results of its operations. The annual Directors' Report of the Kino Polska TV S.A. Group contains a true picture of the development, achievements and position of the Kino Polska TV S.A. Group, including a description of the key threats and risks.

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski

President of the Management
Board

Levent Gültan

Member of the Management Board

Berk Uziyel

Member of the Management
Board

Katarzyna Woźnicka

Member of the Management Board

Person responsible for maintaining
the accounting records:

Dominika Talaga-Spławska
Chief Accountant



**CONSOLIDATED FINANCIAL STATEMENTS OF
THE KINO POLSKA TV POLSKA S.A. GROUP
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2020**

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (“IFRS”)

On 25 March 2021, the Management Board of Kino Polska TV S.A. approved the consolidated financial statements of the Kino Polska TV S.A. Group for the period from 1 January 2020 to 31 December 2020 prepared in accordance with IFRS as adopted by the European Union which include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), comprising:

Consolidated statement of comprehensive income

for the period from 1 January 2020 to 31 December 2020, showing total comprehensive income of: PLN 27,754 thousand.

Consolidated statement of financial position

as at 31 December 2020, showing total assets and total equity & liabilities of: PLN 230,406 thousand.

Consolidated statement of cash flows

for the period from 1 January 2020 to 31 December 2020, showing a net increase in cash and cash equivalents of: PLN 4,264 thousand.

Consolidated statement of changes in equity

for the period from 1 January 2020 to 31 December 2020, showing an increase in equity of: PLN 27,590 thousand.

Notes to the consolidated financial statements

Management Board of Kino Polska TV S.A.

_____ Bogusław Kisielewski President of the Management Board	_____ Levent Gültan Member of the Management Board
_____ Berk Uziyel Member of the Management Board	_____ Katarzyna Woźnicka Member of the Management Board

Person responsible for maintaining
the accounting records:

Dominika Talaga-Spławska
Chief Accountant

Warsaw, 25 March 2021

1. Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Continuing operations			
Revenue from contracts with customers	5.3, 5.4	211,810	201,594
Operating expenses	5.3, 5.5	(176,041)	(173,914)
Other operating income	5.9.5	347	1,669
Other operating expenses	5.9.5	(1,004)	(3,246)
Operating profit		35,112	26,103
Finance income	5.9.6	196	44
Finance costs	5.9.6	(2,241)	(2,874)
Profit before tax		33,067	23,273
Income tax expense	5.9.7	(5,823)	(4,709)
Net profit from continued operations		27,244	18,564
Net profit for the period		27,244	18,564
Net profit for the period, attributable to:			
– equity holders of the parent		27,242	18,543
– non-controlling interests		2	21
Other comprehensive income/(losses) to be transferred to the income statement after specific conditions have been met:			
Foreign exchange gains/(losses) on translation of foreign operations		510	654
Total comprehensive income		27,754	19,218
Total comprehensive income attributable to:			
– equity holders of the parent		27,752	19,197
– non-controlling interests		2	21
Earnings per share from continued and discontinued operations attributable to the equity holders of the parent, basic and diluted:			
- from continued operations		1.37	0.94
		1.37	0.94
weighted average number of shares in the period		19,821,404	19,821,404
diluted number of shares in the period		19,821,404	19,821,404

2. Consolidated statement of financial position

	Note	As at 31 December 2020 (in PLN '000)	As at 31 December 2019 (in PLN '000)
ASSETS			
Non-current assets			
Property, plant and equipment	5.10.1	2,097	3,065
Right-of-use assets	5.10.2	5,204	6,389
Goodwill	5.7.3, 5.7.4	55,671	55,671
Non-current programming inventory	5.8.1	54,026	48,911
Other intangible assets	5.7.2, 5.7.3, 5.7.5, 5.8.2, 5.10.3	30,496	35,589
Trade and other receivables	5.10.5	195	180
Long-term prepayments and deferred costs	5.10.6	-	1,003
Deferred income tax assets	5.9.7	1,563	1,368
Total non-current assets		149,252	152,176
Current assets			
Inventory	5.10.8	41	83
Current programming inventory	5.8.1	8,959	6,966
Trade and other receivables	5.10.5	61,342	59,190
Short-term-term prepayments and deferred costs	5.10.6	1,003	1,003
Income tax receivable		711	637
Cash and cash equivalents	5.10.9	9,098	4,834
Total current assets		81,154	72,713
TOTAL ASSETS		230,406	224,889
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,982	1,982
Share premium		148,940	148,940
Reserve on translation of foreign operations		1,466	956
Other reserves		(110,466)	(110,466)
Retained earnings		75,162	48,028
Total		117,084	89,440
Non-controlling (minority) interests	5.7.2	43	97
Total equity	5.6.1	117,127	89,537
Non-current liabilities			
Loans and borrowings received	5.6.3	35,190	23,895
Derivative financial instruments	5.10.12	438	305
Concession liabilities	5.8.2	8,451	11,507
Trade and other payables	5.10.10	1,482	2,314
Non-current provisions for employee benefits	5.10.13	187	303
Contract liabilities	5.10.11	2,679	2,578
Lease liabilities	5.6.4	2,788	4,238
Deferred income tax provision	5.7.2, 5.9.7	3,948	4,483
Total non-current liabilities		55,163	49,623
Current liabilities			
Loans and borrowings received	5.6.3	7,686	35,423
Derivative financial instruments	5.10.12	-	197
Concession liabilities	5.8.2	3,056	2,823
Trade and other payables	5.10.10	42,801	43,030
Current provisions for employee benefits	5.10.13	991	671
Contract liabilities	5.10.11	634	521
Lease liabilities	5.6.4	1,929	1,880
Income tax liabilities		1,019	1,184
Total current liabilities		58,116	85,729
TOTAL EQUITY AND LIABILITIES		230,406	224,889

3. Consolidated statement of cash flows

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Cash flows from operating activities		
Net profit	27,244	18,564
Adjusted for:		
Amortization and depreciation	53,403	50,121
Asset impairment allowances	(8)	44
Foreign exchange differences	25	-
Interest, net	2,092	2,973
Measurement of derivative instruments	(64)	(116)
Gains on investing activities	11	(11)
Purchase of programming inventory	(60,513)	(42,383)
(Increase)/Decrease in receivables	(2,167)	(22,895)
(Increase)/Decrease in contract assets	1,003	1,003
(Increase)/Decrease in inventory	42	1,071
Increase/(Decrease) in liabilities	7,924	13,826
Change in contract liabilities	214	472
Increase/(Decrease) in provisions	204	249
Corporate income tax paid / refunded	(6,789)	(4,775)
Corporate income tax liability	5,823	4,709
Net cash from operating activities	28,444	22,852
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	-	28
Purchase of property, plant & equipment and intangible assets	(3,867)	(4,432)
Net cash from investing activities	(3,867)	(4,404)
Cash flows from financing activities		
Purchase of additional shares in a subsidiary	(155)	(1,459)
Payment of lease liabilities	(2,120)	(1,747)
Proceeds from loans/borrowings raised	-	2,519
Repayment of loans/borrowings	(16,463)	(9,174)
Dividends paid	-	(5,946)
Interests paid	(1,575)	(2,380)
Dividend payment costs	-	(31)
Net cash from financing activities	(20,313)	(18,218)
Net increase/(decrease) in cash and cash equivalents	4,264	230
Cash and cash equivalents as at the beginning of the period	4,834	4,604
Cash and cash equivalents as at the end of the period	9,098	4,834

4. Consolidated statement of changes in equity

	<i>Share capital (in PLN '000)</i>	<i>Share premium (in PLN '000)</i>	<i>Reserve on translation of foreign operations (in PLN '000)</i>	<i>Other reserves (in PLN '000)</i>	<i>Retained earnings (in PLN '000)</i>	<i>Equity attributable to equity holders of the Parent (in PLN '000)</i>	<i>Non-controlling interests (in PLN '000)</i>	<i>Total equity (in PLN '000)</i>
As at 1 January 2020	1,982	148,940	956	(110,466)	48,028	89,440	97	89,537
Purchase of non-controlling interests	-	-	-	-	(108)	(108)	(56)	(164)
Total comprehensive income for the period	-	-	510	-	27,242	27,752	2	27,754
As at 31 December 2020	1,982	148,940	1,466	(110,466)	75,162	117,084	43	117,127
<hr/>								
	<i>Share capital (in PLN '000)</i>	<i>Share premium (in PLN '000)</i>	<i>Reserve on translation of foreign operations (in PLN '000)</i>	<i>Other reserves (in PLN '000)</i>	<i>Retained earnings (in PLN '000)</i>	<i>Equity attributable to equity holders of the Parent (in PLN '000)</i>	<i>Non-controlling interests (in PLN '000)</i>	<i>Total equity (in PLN '000)</i>
As at 1 January 2019	1,982	148,940	302	(110,466)	38,599	79,357	963	80,320
Error correction	-	-	-	-	(2,159)	(2,159)	(406)	(2,565)
As at 1 January 2019 (restated*)	1,982	148,940	302	(110,466)	36,440	77,198	557	77,755
Dividends paid	-	-	-	-	(5,946)	(5,946)	-	(5,946)
Dividend payment costs	-	-	-	-	(31)	(31)	-	(31)
Acquisition of non-controlling interests	-	-	-	-	(978)	(978)	(481)	(1,459)
Total comprehensive income for the period	-	-	654	-	18,543	19,197	21	19,218
As at 31 December 2019	1,982	148,940	956	(110,466)	48,028	89,440	97	89,537

5. Notes to the consolidated financial statements

5.1 General information about the Company and its Group

Company name: Kino Polska TV S.A. (“the Company”, “the Issuer”, “the Parent”)

Registered office of Kino Polska TV S.A.: ul. Puławska 435a, 02-801 Warszawa, Polska

Telephone: 22 356 74 00, **Fax:** 22 356 74 01

Website: <https://relacjeinwestorskie.kinopolska.pl/>

Statistical number (REGON): 015514227

Tax identification number (NIP): 5213248560

Registration: The National Court Register maintained by the District Court for the capital city of Warsaw, 13th Business Department

KRS: 0000363674

Kino Polska TV S.A. as the parent of the Group, has investments included in the consolidated financial statements as at and for the year ended 31 December 2020 in the following entities:

Entity	Registered office	Number of shares held	Interest in the share capital	Type of preference
Direct subsidiaries				
Stopklatka S.A.	ul. Puławska 61, 02-801 Warszawa	11,152,562	99.83%	no preference
Filmbox Iberia S.L.U.	General Pardinas 114, 1A, 28006 Madrid, Spain	3,500	100.00%	no preference
Filmbox Estonia OU in liquidation	Maakri tn 19/1, 10145 Tallinn, Estonia	2,500	100.00%	no preference
Filmbox International Ltd.	Chiswick Park 566 Chiswick High Road, London W4 5YA, United Kingdom	3,350,000	100.00%	no preference
Indirect subsidiaries				
SPI International Magyarország, Kft.	Zaborhegy utca 19 1141 Budapest, Hungary	1	100%	no preference
Help Film s.r.o.	Na Bojisti 1473/18 120 00 Praga 2 – Nove Mesto, Czech Republic	200,000	100%	no preference
Help Film Slovakia s.r.o.	Zamocka 3 811 01 Bratislava, Slovakia	5,000	100%	no preference

As at 31 December 2020, the share in the total number of votes held by the Company in subsidiaries is equal to the Company’s share in these entities’ share capital.

On 31 January 2020, the process of liquidating Filmbox Estonia OU in liquidation started.

In the 12-month period ended 31 December 2020, the Company concluded share sale agreements for the shares in Stopklatka S.A. (on 22 June 2020, 29 June 2020, 7 July 2020, 13 July 2020, 5 August 2020, 10 November 2020, 17 November 2020, 1 December 2020 and 8 December 2020) based on which it acquired from the then

shareholders of Stopklatka 23,417 shares in that company totalling PLN 163,919.00. Therefore, as at 31 December 2020, the Issuer held 11,152,562 shares in Stopklatka representing 99.83% of its share capital.

On 17 November 2020, pursuant to Article 418(1) of the Commercial Companies Code, the Extraordinary Shareholders' Meeting adopted the Resolution on the mandatory buy-out of shares held by Stopklatka's minority shareholders (squeeze-out). In accordance with the Resolution, the Issuer bought all shares subject to squeeze-out. The selected expert determined the price of one Stopklatka share subject to mandatory buy-out at PLN 6.18.

On 27 January 2021, as part of the squeeze-out procedure, the Company purchased 18,698 of Stopklatka's shares for a total of PLN 115,553.64. In connection with the above, as at the date of publication of this report, the Issuer held 11,171,260 of Stopklatka's shares representing 100% of its share capital.

Composition of the Management Board of Kino Polska TV S.A. in the 12-month period ended 31 December 2020 and up until the date of preparation of these financial statements:

- Bogusław Kisielewski – President of the Management Board;
- Levent Gültan – Member of the Management Board;
- Marcin Kowalski – Member of the Management Board (to 20 October 2020);
- Alber Uziyel – Member of the Management Board (to 1 July 2020);
- Berk Uziyel – Member of the Management Board;
- Katarzyna Woźnicka (from 2 July 2020).

Composition of the Supervisory Board of Kino Polska TV S.A. in the 12-month period ended 31 December 2020 and up until the date of preparation of these financial statements:

- Loni Farhi – Chair of the Supervisory Board;
- Stacey Sobel – Deputy Chair of the Supervisory Board;
- Marcin Boroszko – Member of the Supervisory Board (from 27 February 2020).
- Jacek Koskowski – Member of the Supervisory Board (to 31 January 2020).
- Piotr Orłowski – Member of the Supervisory Board;
- Jesus Perezagua Sanchez – Member of the Supervisory Board;
- Krzysztof Rudnik – Member of the Supervisory Board;
- Katarzyna Woźnicka – Member of the Supervisory Board; (to 1 July 2020);
- Alber Uziyel – Member of the Supervisory Board (from 21 August 2020);

Explanations regarding seasonality in the Group's operations

In the Group, as regards the majority of the types of services and goods for resale sold, the operations are not cyclical or seasonal in nature, which would result in significant volatility of the results of operations during the financial year. Advertising revenue in Poland is usually the lowest in the third quarter of the calendar year (which includes the summer holiday period) and the highest in the fourth quarter.

Place of business

The main markets on which the Group operates: Poland, the Czech Republic, Slovakia, Romania, the Balkan Peninsula countries and the Baltic States.

The Group's operations

In the period covered in this Report, the Group conducted activities mainly in the following areas:

- broadcasting TV channels Kino Polska, Kino Polska Muzyka, Zoom TV, Stopklatka, Kino TV, FilmBox and thematic channels;
- selling advertising spots on selected channels;
- selling licence rights.

5.2 Accounting policies

The main accounting policies used in preparing these consolidated financial statements are presented below. These policies were applied in all the years presented on a consistent basis except for the adoption of new and amended standards which are described below and the presentation changes in notes: Costs by type (for details, see Note 5.5.) and Operating segments (for details, see Note 5.3).

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

The financial year adopted by related entities coincides with the Parent's financial year. The financial data of the related entities used for consolidation purposes are consistent with Group policies which are identical to IFRS.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments measured at fair value, and on the going concern basis.

The COVID-19 pandemic has continued since March 2020; Poland and other countries are currently experiencing another wave of it and the situation is dynamic. The advertising industry suffered from the crisis brought about by the pandemic. The strongest on the television advertising markets occurred in April and June 2020, when expenditure on TV advertising in successive months dropped by as much as 35%-40%. In April-June, there was a visible drop in the time dedicated to broadcasting of advertisements, and decreases in the CPP (the cost of reaching 1% of the target audience) were noted, too.

Lower spending on TV advertising and lower CPP affected advertising revenue, but it should be noted that, mainly due to very good audience ratings, these decreases were much lower for the Group's channels than the market trends. The Group's advertising revenue increased compared with 2019 by PLN 7,723 thousand, i.e. 11%. This is primarily due to an increasing market shares (SHR) on all channels belonging to the Group. In 2020, the Group reached a 2.3% share in total commercial audience (All 16-49) in Poland compared with 1.97% in the prior year.

The developments on the television advertising market had the strongest impact on the Stopklatka and Zoom segments which derive all of its revenue from advertising. However, it should be noted that during the pandemic, Stopklatka and Zoom channels recorded exceptionally good audience ratings:

- the average rating of the share in the commercial audience (“SHR live”) for the Stopklatka channel for 2020 of 1.09% compared to 0.96% for the corresponding period of the prior year which translated to an increase in revenue y/y of PLN 1,751 thousand;
- the average SHR for the Zoom TV channel for the period January-September 2020 of 0.57% compared to 0.53% for the corresponding period of the prior year; for that channel, an increase in revenue y/y amounted to PLN 800 thousand.

Towards the end of 2020, the Group adopted a number of measures aimed at maintaining continuity of operations while working remotely. Most operating systems of the Group, including the office IT systems, the separate broadcasting systems and the accounting system, are adapted for the purposes of remote work and allow remote control. In the case of the systems that require on-site operators, including in particular the video post-production systems, a rotational system of work with minimum staff numbers was introduced which, combined with a change in the system of planning and organization of work, ensures continuous production of broadcasting materials. In the case of typical back office departments, remote communication solutions based on Google tools were implemented, including in particular the Google ecosystem tools. Access to specialized systems, such as the programming system, the content database, the accounting and HR systems, is executed through VPN. All the aforementioned solutions were supported with the Management Board’s decisions introducing obligatory status conference calls between the management and employees.

The Management Board has continuously monitored the cost structure and flexibly adapted the structure of the budgets to the current needs (e.g. adaptation of the structure of marketing expenses). At the same time, there were no significant changes in expenditure on the programming inventory, except for constraints on co-production work, some of which have been postponed.

The Management Board continues to very strictly monitor expenses and makes the ad-hoc changes as needed.

It should also be noted that the Group has not experienced and does not anticipate any problems resulting from payment backlogs. The Group has funds available in the form of two credit lines in current accounts. The Group maintained its going concern status and no problems are anticipated with its continuation. The Group is repaying its investment loans on a current basis, in accordance with the repayment schedule. The Management Board is closely monitoring the situation and actively analysing the potential impact of market developments on the Group’s operations. In the light of the above, these financial statements have been prepared on a going concern basis.

In the opinion of the Management Board, the Group will have the necessary funds to continue as a going concern for at least 12 months from the balance sheet date.

Accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires using certain significant accounting estimates. It also requires the Management Board to make its own assessments as part of the Group's accounting policies. The issues which require making significant assessments, are particularly complex, or the areas in the case of which the assumptions and estimates made have a material impact on the financial statements are presented in the following notes:

Note No.	Major accounting estimates and judgements
5.4	<ul style="list-style-type: none"> • Recognition of revenue from broadcasting television channels – assessment of the Group's role as the principal • Recognition of revenue from and costs of trading in licensing rights and VOD – assessment of the Group's role as the principal
5.7.3	Impairment test of goodwill and the Stopklatka segment
5.7.4	Impairment test of goodwill and the Zoom TV segment
5.8.1	Amortization rates of programming inventory
5.8.1	Classification of language versions
5.9.7	Impact of GAAR – inherent uncertainty concerning the interpretation of the tax law by the Group
5.10.4	Write-downs of receivables
5.2	Adoption of IFRS 16 – determination of the lessee's marginal interest rate and recognition of different type of payments for the measurement of the lease liability

New standards, amendments and interpretations adopted by the Group

The amendments to the standards effective as from 1 January 2020 which did not have a material impact on the Group's financial statements are listed below:

- Amendments to IAS 1 "Presentation of financial statements and IAS 8 "Accounting Policies, changes in accounting estimates and errors"

Amendments harmonize and clarify the definition of "material" and contain guidance to increase consistency of the application of this concept in the international financial reporting standards.

- Amendments to IFRS 9, "Financial instruments", IAS 39 "Financial instruments" and IFRS 7 "Financial instruments: Disclosures"

Amendments apply to all hedging relationships which are affected by uncertainty resulting from benchmark interest rate reform. The amendments introduced a temporary exemption from applying specific requirements of hedge accounting in order for the benchmark interest rate reform not to cause the dissolution of hedge accounting. The key exemptions resulting from the amendments relate to:

- the requirement for cash flows to be "highly likely";
- risk components;
- prospective assessment;

- a retrospective test of effectiveness (for IAS 39);
- reclassification of the hedging reserve for cash flow hedges.

In addition, the amendments require entities to disclose to investors additional information on the hedging relationships which are affected by the said uncertainty.

- Amendments to IFRS 3 “Business combinations”

The amendments narrow and clarify the definition of a business. They also make it possible to conduct a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

New standards, amendments and interpretations presented below do not yet apply to annual periods starting on or after 1 January 2020 and have not been applied in the consolidated financial statements. The Group intends to apply them for the periods for which they are applicable for the first time.

Standards and interpretations endorsed by the EU but not yet applicable to annual periods starting on 1 January 2020

Standards and interpretations <i>[IAS 8.31 (a), 8.31 (c)]</i>	Type of anticipated change in accounting policies <i>[IAS 8.31 (b)]</i>	Potential impact on the financial statements <i>[IAS 8.30 (b), 8.31 (e)]</i>
Amendments to IFRS 4 <i>Insurance Contracts</i> (effective for annual periods beginning on or after 1 January 2021)	The amendments extend the period of temporary exemption from application of IFRS 9 <i>Financial Instruments</i> by two years to annual periods beginning on 1 January 2023 in order to harmonize it with the first-time application of IFRS 17 <i>Insurance contracts</i> which will replace IFRS 4 <i>Insurance contracts</i> .	It is not expected that these amendments significantly affect the Group's consolidated financial statements, because the Group does not operate in the insurance sector.
Amendments to IFRS 16 <i>Leases Covid-19-Related Rent Concessions</i> (effective for annual periods beginning on or after 1 July 2020, early adoption is possible)	The amendment permits lessees not to assess whether Covid-19 rent concessions are lease modifications. Therefore, provided that certain conditions are met, lessees which applied a practical expedient will recognize rent concession received until 31 June 2021 in the profit or loss for the period in which the concession was granted. In the absence of the practical expedient, the concession would have to be recognized during the term of the lease contract.	It is not expected that these amendments significantly affect the Group's consolidated financial statements, because the Group did not receive any Covid-19 rent concessions.
Amendment to IFRS 9, <i>Financial instruments</i> , IAS 39 <i>Financial instruments</i> and IFRS 7 <i>Financial instruments: Disclosures</i> IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases: Interest Rate Benchmark Reform – Phase 2</i> (effective for annual periods beginning on or after 1 January 2021)	The amendments are intended to make it easier for entities to provide financial statements to their users and to assist entities preparing their financial statements in accordance with IFRS in providing useful information when there is a change in contractual cash flows or hedging relations resulting from the change in an interest rate benchmark. The amendments provide a practical expedient for some changes in contractual cash flows and exemption from certain hedge accounting requirements.	It is not expected that these amendments significantly affect the Group's consolidated financial statements.

Standards and interpretations awaiting endorsement by the European Union as at 12 February 2021

Standards and interpretations awaiting EU endorsement	Type of anticipated change in accounting policies	Potential impact on the financial statements
<p>Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 <i>Consolidated financial statements</i> and IAS 28 <i>Associates</i>)</p> <p>(the European Commission decided to postpone the endorsement of these amendments indefinitely).</p>	<p>The amendments clarify that in the event of a transaction with an associate or a joint venture, the extent to which the profit or loss associated with the transaction is to be recognized depends on whether or not the assets sold constituted a business:</p> <ul style="list-style-type: none"> the entire profit or loss is recognized if the contributed assets meet the definition of a business (irrespective of whether or not the business has the form of a subsidiary). a part of the profit or loss is recognized in the transaction if it involves assets which do not constitute a business, even if such assets were in a subsidiary. 	<p>The Group does not expect this amendment to significantly affect its consolidated financial statements because the group has no associates or joint ventures.</p>
<p>IFRS 17 <i>Insurance Contracts</i></p> <p>(effective for annual periods starting on or after 1 January 2023, prospective application, early adoption is permitted);</p> <p>The standard has not been adopted by the EU.</p>	<p>IFRS 17 is replacing the transitional IFRS 4 <i>Insurance contracts</i> introduced in 2004. IFRS 4 gave entities the possibility to continue accounting for insurance contracts in accordance with national accounting standards which resulted in applying many different solutions.</p> <p>IFRS 17 solves the problem of comparability generated by IFRS 4 by requiring all insurance contracts to be recognized consistently, which will be beneficial to both investors and insurers. Liabilities arising from contracts will be recognized at their present values rather than at cost.</p>	<p>The Group does not expect this amendment to significantly affect the Group's consolidated financial statements because the Group does not operating in the insurance sector.</p>
<p>Amendments to IFRS 3 <i>Business combinations</i>, IAS 16 <i>Property, Plant and Equipment</i>, IAS 37 <i>Provisions, contingent liabilities and contingent assets</i> and Amendments to IFRS 2018-2020</p> <p>(effective for annual periods starting on or after 1 January 2022, early application is permitted)</p> <p>The amendments have not yet been adopted by the EU.</p>	<p>The package contains three narrow scope amendments to standards:</p> <ul style="list-style-type: none"> updating a reference in IFRS 3 <i>Business combinations</i> to <i>Framework for the preparation and presentation of financial statements</i> without changing accounting requirements for the treatment of business combinations; prohibiting entities to reduce the cost of property, plant and equipment by amounts recovered on the sale of assets manufactured during the period of preparing an asset for its intended use. Such revenue and the related costs will be recognized in the profit or loss for the period; explaining which costs the entity is using when assessing whether a contract will generate a loss. <p>The package also contains amendments to International Financial Reporting Standards 2018-2020 which clarify the wording used and correct small inconsistencies between the requirements of IFRS 1 "First-time adoption of International Financial Reporting Standards", IFRS "Financial Instruments", IAS 41 "Agriculture" and in examples in IFRS 16 "Leases"</p>	<p>It is not expected that these amendments significantly affect the Group's consolidated financial statements.</p>

Standards and interpretations awaiting EU endorsement	Type of anticipated change in accounting policies	Potential impact on the financial statements
<p>Amendments to IAS 1, <i>Presentation of financial statements</i></p> <p>(effective for annual periods starting on or after 1 January 2023, early application is permitted)</p> <p>The amendments have not been adopted by the EU yet.</p>	<p>Amendments to IAS 1 require entities to disclose their material rather than significant accounting policies.</p>	<p>It is not expected that these amendments significantly affect the Group's consolidated financial statements.</p>
<p>Amendments to IAS 8 <i>Accounting policies, changes in accounting estimates and errors</i></p> <p>(effective for annual periods starting on or after 1 January 2023, early application is permitted)</p> <p>The amendments have not been adopted by the EU yet.</p>	<p>The amendments introduce a definition of an estimate and include other amendments to IAS 8 clarifying how to distinguish a change in an accounting policy from a change in accounting estimates. This distinction is very important since changes in accounting policies are principally applied retrospectively, while changes in accounting estimates are recognized in the period when they occurred.</p>	<p>It is not expected that these amendments significantly affect the Group's consolidated financial statements.</p>

Translation of items denominated in foreign currencies

Functional currency and presentation currency

The Polish zloty is the Group's Parent functional and presentation currency.

Transactions and balances

Transactions expressed in foreign currencies are translated into functional currency based on the exchange rate as at the date of transaction.

As at the balance sheet date, monetary items are translated at the NBP mid exchange rate in force on that date.

Foreign exchange gains or losses are presented in the consolidated statement of comprehensive income, in Other operating income or Other operating expenses.

Translation of foreign operations

Foreign entities maintain their accounting records in the following currencies:

- Filmbox International Ltd.: GBP
- SPI International Magyarország, Kft.: HUF
- Help Film s. r. o.: CZK
- Help Film Slovakia s. r. o., Filmbox Iberia S.L.U.: EUR

The financial data of foreign entities which is maintained in a currency other than the presentation currency is translated as follows:

- the consolidated statement of financial position:
 - all assets and liabilities – at the NBP mid exchange rate in force as at the balance sheet date;
 - share capital and other reserves as at the acquisition date – at the historical exchange rate (as at the acquisition date);
 - other reserves arising after the acquisition date:
 - gains/losses – at the exchange rate as of the transaction date (or the mid exchange rate), separately for each year;
 - a dividend – the exchange rate as of the date on which the dividend was declared;
- the consolidated statement of comprehensive income:
 - all items – the mid exchange rate or the exchange rate as of the transaction date (for material transactions where the mid exchange rate is not a sufficient approximation of the exchange rate as of the transaction date).

As a result of the application of these policies, foreign exchange differences on translation arise, which are recorded in other comprehensive income (items recycled to profit or loss) and accumulated in equity under “Reserve on translation of foreign operations”.

5.3 Segments

Operating segments are presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Management Board of Kino Polska TV has been identified as the chief operating decision-maker responsible for the allocation of resources and evaluation of the results of the operating segments.

The Group’s operating segments are its strategic segments which offer different products and services. They are managed in a different way and pursue different marketing strategies. Each segment earns revenue and incurs costs associated with its operations.

The Management Board of Kino Polska TV S.A. evaluates segment operations by analysing segments’ results, defined as sales revenue less direct operating expenses and allocated indirect operating expenses. There are no inconsistencies between operating segment reporting and the treatment of the segments in the accounting records, and between their treatment for management reporting purposes.

The Management Board of Kino Polska TV S.A. does not analyse the assets or liabilities of each reporting segment. In “Other segments”, the Group combines the operating segments which do not achieve the quantitative thresholds. These segments have different characteristics than the separately reported segments.

Starting from 2020, within the individual segments, the Group has been reporting separately the cost of depreciation and amortization which include depreciation of property, plant and equipment and amortization of intangible assets and current and non-current programming inventory. Comparative data were adjusted correspondingly.

	<i>12 months ended 31 December 2020 (in PLN '000)</i>							
	FilmBox film channels and theme channels	Kino Polska channels	Production of TV channels	Zoom TV	Stopklatka TV	Sales of licensing rights	Other segments	TOTAL
Sales - broadcasting	97,273	15,635	-	3	-	-	-	112,911
Sales - advertising	10,717	16,035	-	18,197	31,781	-	-	76,730
Sales - other	46	-	1,052	-	-	18,953	2,118	22,169
Total revenue from contracts with customers	108,036	31,670	1,052	18,200	31,781	18,953	2,118	211,810
Operating expenses	(82,101)	(17,862)	(821)	(24,414)	(30,863)	(17,015)	(2,965)	(176,041)
<i>including amortization and depreciation:</i>	<i>(25,565)</i>	<i>(4,929)</i>	<i>(64)</i>	<i>(9,281)</i>	<i>(13,255)</i>	<i>(68)</i>	<i>(241)</i>	<i>(53,403)</i>
Segment profit/(loss)	25,935	13,808	231	(6,214)	918	1,938	(847)	35,769
Other operating income	-	-	-	-	-	-	-	347
Other operating expenses	-	-	-	-	-	-	-	(1,004)
Operating profit	-	-	-	-	-	-	-	35,112
Finance income	-	-	-	-	-	-	-	196
Finance costs	-	-	-	-	-	-	-	(2,241)
Profit before tax	-	-	-	-	-	-	-	33,067
Income tax expense	-	-	-	-	-	-	-	(5,823)
Net profit from continued operations	-	-	-	-	-	-	-	27,244

	<i>12 months ended 31 December 2019 (in PLN '000)</i>							
	FilmBox film channels and theme channels	Kino Polska channels	Production of TV channels	Zoom TV	Stopklatka TV	Sales of licensing rights	Other segments	TOTAL
Sales - broadcasting	87,171	15,435	-	4	-	-	-	102,610
Sales - advertising	8,172	13,408	-	17,397	30,030	-	-	69,007
Sales - other	283	-	619	-	-	26,515	2,560	29,977
Total revenue from contracts with customers	95,626	28,843	619	17,401	30,030	26,515	2,560	201,594
Operating expenses	(77,381)	(17,129)	(584)	(22,726)	(30,314)	(22,713)	(3,067)	(173,914)
<i>including amortization and depreciation:</i>	<i>(20,806)</i>	<i>(3,864)</i>	<i>-</i>	<i>(8,415)</i>	<i>(13,880)</i>	<i>(49)</i>	<i>(3,107)</i>	<i>(50,121)</i>
Segment profit/(loss)	18,245	11,714	35	(5,325)	(284)	3,802	(507)	27,680
Other operating income	-	-	-	-	-	-	-	1,669
Other operating expenses	-	-	-	-	-	-	-	(3,246)
Operating profit	-	-	-	-	-	-	-	26,103
Finance income	-	-	-	-	-	-	-	44
Finance costs	-	-	-	-	-	-	-	(2,874)
Profit before tax	-	-	-	-	-	-	-	23,273
Income tax expense	-	-	-	-	-	-	-	(4,709)
Net profit from continued operations	-	-	-	-	-	-	-	18,564

In 2020, the Group recorded a significant increase in its operating profit. Three segments contributed to that increase: FilmBox film channels and theme channels, Kino Polska channels and Stopklatka.

In the FilmBox film channels and theme channels, the Group generated higher broadcasting revenue and revenue from selling advertisements – increases of 12% and 13%, respectively. Higher broadcasting revenue is due to increases in the markets such as Poland, the Czech Republic, Slovakia and Romania. On the other hand, the dynamic growth in advertising revenues is half the effect of growth on the Polish market and half on the Czech market. At the same time, it should be noted that the Group maintained cost growth dynamics at a much lower level (+6%) than revenue growth (+13%). This is due to meticulous cost control and examining cost effectiveness on an ongoing basis. The current profitability of the segment is also due to expenditure incurred earlier on programming inventory, marketing and marketing support of direct sales campaigns which translated to increases in broadcasting revenue.

Kino Polska channels are another segment which recorded higher revenues compared with 2019. The increased profitability is mainly due to higher advertising revenue which recorded an increase of 20%. This is the effect of the higher audience rating of the Kino Polska channel (at the end of the year, SHR was 0.34% compared with 0.25% in 2019). Broadcasting revenue remained at a similar level as in the prior year. The growth rate of costs was 4%, and of revenue – 10%.

The Stopklatka segment significantly improved its results in 2020 and recorded operating profit of PLN 918 thousand. This is the result of a very consistent programming policy, matching the programming offer to the audience needs which resulted in an increase in SHR up to 1.09% as at the end of the year, compared with 0.96% at the end of 2019. Due to higher audience rating, despite a weaker second quarter (as a result of the COVID-19 pandemic), the channel generated revenue PLN 1,751 thousand higher than in the prior year, which translated to a positive result as at the end of the year.

ZOOM TV is the second terrestrial channel in the Group's offer. Advertising revenue of that channel suffered the most from the COVID-19 pandemic which prevented the Group from achieving its planned sales targets. Planned amortization charges, higher marketing costs and a much weaker sales growth (respectively: +5%, + PLN 800 thousand) prevented the Group from improving the results compared with the prior year.

The segment Sales of licence rights recorded a decrease in its results of 29% compared with the prior year. Lower revenue was due to the different timing of recognition of the revenue from sales on the foreign markets and lower sales on the Polish market. Sales on the Polish market include mostly transactions of an individual nature and of different margins, with different time schedules.

5.4 Revenue

The Group recognizes revenue at the time a customer obtains control over a service or a good for resale/finished good. If different services are sold under a single contract, consideration is allocated to each of the performance obligations on the basis of relative unit prices. The consideration comprises an estimated amount of variable consideration if it is highly probable that its amount will not be reversed significantly should the estimates change.

A detailed description of the Group's performance obligations arising from the individual types of contracts with customers is presented below.

- **Revenue from broadcasting channels** is recognized in the month to which it relates, based on the number of subscribers in a given period and rates per subscriber or lump-sum rates resulting from agreements with cable and digital television operators. In principle, the Group's customers receive invoices for broadcasting either in the month in which a service is provided or in the following month. Consequently, assuming payments terms of 14 days, consideration is payable within 30 days from the delivery date. A performance uninvoiced but satisfied is recognized as accrued income and recorded in Trade and other receivables. The Group assesses that, in the case of the television channels it does not own, it acts as a principal (i.e. it exercises control over a promised service before it is provided to a customer), therefore, it presents the revenue from the provision of such services on a gross basis (i.e. separately from costs incurred to the owners of rights to television channels). This judgement is based on the following assumptions:
 - the Group bears the primary responsibility for performing a contract;
 - the Group has the right to set the selling prices of channel rebroadcasting services;
 - the Group has the right to choose and accept the operators with which it cooperates;
 - the Group bears the full credit risk.
- **Revenue from broadcasting advertisements** is recognized no later than on the last day of broadcasting a given advertisement. Revenue is recognized at the amounts payable by the buyers of advertising time, net of value-added tax, any rebates allowed and the commission deducted by the Group's advertising broker. The Group issues invoices for broadcasting advertisements in the month following the month in which the broadcasting took place. Consequently, assuming payment terms of 14 days, consideration is payable within 30 days from the delivery date. A performance uninvoiced but satisfied is recognized as accrued income and recorded in Trade and other receivables.
- **Revenue from production of channels** is recognized in the period to which it relates, based on the costs incurred plus a margin specified in the agreement with the buyer of such services. The Group issues invoices for the production of channels in the month following the month in which a service was provided. Consequently, assuming payments terms of 14 days, consideration is payable within 30 days from the delivery date. A performance uninvoiced but satisfied is recognized as accrued income and recorded in Trade and other receivables.

- **Revenue from the sale of goods for resale and finished goods** is recognized if a customer obtains control over the goods for resale and finished goods transferred. As regards the sales of goods for resale and finished goods, the Group acts first of all based on consignment contracts. The Group issues related invoices in the month following the month in which a sale was made. Consequently, assuming payments terms of 14 days, consideration is payable within 30 days from the delivery date. A performance uninvoiced but satisfied is recognized as accrued income and recorded in Trade and other receivables.
- **Revenue from non-cash transactions** (broadcasting advertisements in exchange for goods for resale and services) is recognized at the time advertisements are broadcast, provided that the services being exchanged are not homogeneous. Goods or services obtained in such transactions are recognized as assets or charged to costs when received or used. The Group recognizes non-cash transactions based on the estimated fair value of the goods for resale or services received. If goods for resale or services are received before an advertisement is broadcast, a related liability is recorded. Likewise, if an advertisement was broadcast before the receipt of goods for resale or services, a related receivable is recorded. Revenue from and costs of non-cash transactions are not offset in the statement of comprehensive income, except for transactions in which the services being exchanged are homogeneous. Revenue from non-cash transactions is accounted for similarly to revenue from broadcasting advertisements.
- **Trading in licensing rights (VOD and television rights)**
Revenue from and costs of trading in licensing rights comprise the Group's activities which consist of reselling its film licences (television and VOD rights).

The Group's promise to grant a licence to a customer does not involve an obligation to transfer any additional goods and services to that customer. The Group recognizes that the rights to use a specific licence are transferred to a customer at a specific time, because promising to grant a licence is aimed at ensuring the customer the right to use the licence in the form in which it exists at the time the licence is granted (a film licence does not change in the period for which the licence is granted). The Group recognizes licensing revenue on the start date of the licence period.

In principle, the Group's customers receive invoices for **VoD services** either in the month in which a service is provided or in the following month. Consequently, assuming payments terms of 14 days, consideration is payable within 30 days from the delivery date. A performance uninvoiced but satisfied is recognized as accrued income and recorded in Trade and other receivables.

In the case of **sale of licences**, invoicing and payment terms are not directly correlated with the recognition of related revenue. Consequently, the Group recognizes both accrued income and contract liabilities (in the case of invoicing unearned revenue).

Based on the provisions of the distribution agreement relating to trading in licensing rights, the Group recognizes remuneration due to the original owner of these rights, defined as a fixed percentage of sales, in operating expenses in the line of Content costs (the fees for both VOD and television rights). Therefore, the Group presents

revenue and costs relating to trading in television and VOD rights separately. This judgement is based on the following assumptions:

- the Group is responsible for searching for customers, analysing their needs and for the proposal and negotiation processes;
 - the Group independently conducts the negotiation process leading to signing a contract;
 - the Group independently determines the terms and conditions of the contracts for the rights available for sale.
- In the opinion of the Management Board of Kino Polska TV S.A., the scope of the Group's responsibilities, the risks and benefits point to there being no indications of an agency relationship.

With regard to contracts for the sale of television rights which were concluded before 2019 and which relate to television rights acquired by the Group in prior years, the Group continues to apply the approach to the recognition of the costs of such operations followed in preceding years. This means that until these contracts have been fully accounted for, the Group will recognize the costs relating to such contracts as costs of sales of goods, presented in the item "Direct costs of selling content".

Revenue from contracts with customers	Description of revenue	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Broadcasting		112,911	102,610
- Poland	<i>Sales – broadcasting in the FilmBox film channels and theme channels, Kino Polska</i>	52,602	49,340
- EU		47,926	38,269
- United Kingdom	<i>channels and Zoom TV segment</i>	-	3,904
- other countries		12,383	11,097
Paid advertising		74,390	66,090
- Poland		71,455	64,406
- EU	<i>Sales – advertising in the FilmBox film channels and theme channels, Kino Polska</i>	2,935	1,684
Barter advertising	<i>channels and Zoom TV segment</i>	2,340	2,917
- Poland		2,340	2,908
- EU		-	3
- United Kingdom		-	3
- other countries		-	3
Sale and provision of licences		18,953	26,515
- Poland		7,715	10,215
- EU	<i>Sales of licensing rights</i>	11,238	16,165
- United Kingdom		-	129
- other countries		-	6
Revenue from the production of channels		1,052	619
- EU	<i>Production of TV channels</i>	921	541
- United Kingdom		131	78
Other		2,164	2,843
- Poland		819	1,213
- EU	<i>Other segments</i>	752	953
- United Kingdom		154	668
- other countries		439	9
Total		211,810	201,594

5.5 Operating expenses

In 2020, the Group's operating expenses increased by approximately 1%. The increase in costs of content, salaries and wages and other services was offset by lower direct costs of selling content – the decrease in this item is directly associated with lower sales of licence rights on foreign markets, and lower sales on the Polish market than in the prior year.

In 2020, the Group recorded amortization charges of current programming inventory higher than in the prior year – this was due to purchases of licences mainly for the FilmBox, Zoom TV and Kino Polska channels in 2020. The increase in costs of other services was due to intensified marketing actions mainly on foreign markets, and sales support in the Polish and foreign markets. The cost of wages and salaries related mainly to changes in the composition of the management and organizational changes within the Group.

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Depreciation of property, plant and equipment, amortization of intangible assets (excluding programming inventory)	(8,559)	(8,342)
Impairment of programming inventory	8	(44)
Employee benefit expenses, including:	(22,732)	(20,434)
- cost of wages and salaries	(19,347)	(17,460)
- costs of social insurance and other benefits	(3,181)	(2,724)
- costs of future benefits (provisions) with respect to one-off retirement bonuses, long service bonuses and similar employee benefits	(204)	(250)
Materials and energy used	(697)	(800)
Broadcasting services	(34,911)	(33,983)
Content costs	(52,831)	(48,881)
- including amortization of non-current programming inventory	(33,191)	(33,184)
- including amortization of current programming inventory	(11,653)	(8,595)
- other content costs	(7,987)	(7,102)
Other services	(31,840)	(29,968)
Taxes and fees	(7,481)	(6,955)
Other costs	(1,441)	(2,516)
Direct costs of selling content	(15,557)	(21,991)
Total operating expenses	(176,041)	(173,914)

In 2020, the Group changed the presentation of individual categories of operating expenses, as follows:

- Amortization of current and non-current programming inventory was presented including other content costs;
- Distribution fees relating to resale of the television and VOD rights were excluded from content costs;
- The distribution fees referred to above were disclosed together with the value of television rights purchased earlier by the Group in the item Direct costs of selling content;
- The cost of goods for resale not relating to programming inventory was reported in Other costs.

To ensure consistency, the data for 2020 was restated accordingly. In the Group's opinion, the changes applied will enable better presentation of the nature of the Company's operations.

5.6 Capital and liquidity management, debt

5.6.1 Capital management, EBITDA

Share capital is stated at the nominal value, i.e. amount stipulated in the Company's Articles of Association and entered in the court register.

Due to the issue and purchase of own equity instruments and dividend payment, the Group usually incurs various types of costs (e.g. registration fees, legal and accounting advisors' fees, the costs of preparing a prospectus and printing it, and stamp duty). Such transaction costs (less any income tax benefits), relating to equity transactions, reduce the share premium by an amount equal to the marginal costs relating directly to that transaction. Other costs (i.e. costs which could have been avoided) are recognized as period costs. Transaction costs are recognized in equity when incurred.

Share capital

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 December 2020						
Series	Type of shares	Type of share preference	Type of restriction on rights to shares	Number of shares	Par value of one share	Par value of a series/issue (in PLN '000)
A	ordinary bearer shares	none	none	13,821,404	0.10	1,382
C	ordinary bearer shares	none	none	6,000,000	0.10	600
Total				19,821,404		1,982

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 December 2019						
Series	Type of shares	Type of share preference	Type of restriction on rights to shares	Number of shares	Par value of one share	Par value of a series/issue (in PLN '000)
A	ordinary bearer shares	none	none	13,821,404	0.10	1,382
C	ordinary bearer shares	none	none	6,000,000	0.10	600
Total				19,821,404		1,982

All issued shares are fully paid up.

The table below presents the shareholders of Kino Polska TV S.A. holding – to the best of the Group's knowledge – at least 5% of the votes at the General Meeting of Kino Polska TV S.A. as at the date of submission of this Report.

Shareholder	Type of shares	Number of shares ¹	Interest in the share capital (in %)	Number of votes at the GM	Share of total votes at the GM
SPI International B.V.	Ordinary bearer shares	12,913,285	65.15%	12,913,285	65.15%
Investment funds managed by Ipopema TFI S.A. (including Total FIZ and TTL 1 Sp. z o.o)	Ordinary bearer shares	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechna Towarzystwo Emerytalne S.A. (including Nationale-Nederlanden OFE and Nationale-Nederlanden DFE)	Ordinary bearer shares	1,038,944	5.24%	1,038,944	5.24%

Shareholder	Type of shares	Number of shares ¹	Interest in the share capital (in %)	Number of votes at the GM	Share of total votes at the GM
Other	Ordinary bearer shares	4,166,713	21.02%	4,166,713	21.02%
TOTAL	Ordinary bearer shares	19,821,404	100.00%	19,821,404	100.00%

¹ Information in the table is based on the notifications received from the shareholders pursuant to Article 69 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies, and on the notification submitted by SPI International B.V. about the actual number of the Issuer's shares held.

The parent of SPI International B.V., which holds 100% of the shares in that company, is Cooperatieve SPI International U.A. which is, furthermore, the entity that prepares consolidated financial statements at the ultimate level. The consolidated financial statements of Cooperatieve SPI International U.A. are not publicly available. The ultimate parent is Ms. Hilda Uziyel.

Information about dividend

A dividend (if any) for the shareholders of Kino Polska TV S.A. (including the transaction costs relating to the payment of such a dividend) is deducted directly from equity.

Dividend payments to the shareholders of Kino Polska TV S.A. are recognized as a liability in the financial statements of the Company and the Group in the period in which they were approved by the shareholders of Kino Polska TV S.A.

On 21 August 2020, the Ordinary General Shareholders' Meeting of Kino Polska TV S.A. adopted a resolution on the transfer of the Company's entire net profit for the financial year ended 31 December 2019 of PLN 9,250,198.11 to supplementary capital.

At present, the Management Board of Kino Polska TV S.A. is analysing the amount of the potential dividend. As soon as the decision is made, Kino Polska TV S.A. will immediately provide this information to the general public in the form of a current report.

The objective of the Group's capital risk management is to maintain an optimal capital structure, ensure the ability to continue in operation, as well as generate return for the shareholders and benefits for other stakeholders. Therefore, the Group monitors the liability ratios, pursues an active policy on the payment of dividends, the issues of new shares or the purchase and subsequent redemption or resale of previously issued shares, and the possible sale of assets to reduce debt.

As at 31 December 2020 and as at 31 December 2019, the liability ratios analysed by the Group were as follows:

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Equity	117,127	89,537
Net non-current assets, including:	149,252	152,176
- intangible assets and programming inventory	140,193	140,171
Equity to non-current assets ratio	0.78	0.59

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Operating profit/(loss)	35,112	26,103
Adjustments:	53,415	51,439
- depreciation of property, plant and equipment and amortization of intangible assets (excluding programming inventory)	8,559	8,342
- amortization of programming inventory	44,844	41,779
- impairment write-downs of programming inventory and intangible assets	(8)	44
- foreign exchange gains/(losses)	11	1,258
- interest expense to the State Budget	9	16
Adjusted EBITDA	88,527	77,542
Loans, borrowings and other sources of financing (including leases)	47,592	65,436
Ratio: Loans, borrowings and other sources of financing/adjusted EBITDA	54%	84%

The Group defines EBITDA as an operating profit/loss adjusted for amortization and depreciation and the impairment of fixed assets, intangible assets and programming inventory. Additionally, the Group eliminates foreign exchange differences and interest expense to the State Budget and includes interest income received in the calculation of the adjusted EBITDA. EBITDA is not defined by the IFRS as adopted by the EU and may be calculated differently by other entities.

EBITDA cannot be considered as a measure equivalent to profit before tax or to cash flows from operating activities (or to any other measures defined by the IFRS). Nor can EBITDA be treated as the sole measure of operating effectiveness or a liquidity ratio. In particular, EBITDA cannot be treated, either, as a measure of cash and cash equivalents remaining at the Group's disposal, which can be invested in business development.

As an analytical tool, EBITDA has certain limitations and therefore, cannot be considered in isolation from other ratios or as a substitute of the financial data consistent with IFRS EU. Therefore, investors should not rely on this ratio uncritically.

5.6.2 Earnings per share

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Net profit on continuing operations, attributable to equity holders of the parent	27,242	18,543
Total	27,242	18,543
Net profit attributable to equity holders of the parent, used to calculate diluted earnings per share	27,242	18,543

	<i>12 months ended 31 December 2020</i>	<i>12 months ended 31 December 2019</i>
Weighted average number of ordinary shares issued, used to calculate basic earnings per share	19,821,404	19,821,404
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	19,821,404	19,821,404

	12 months ended 31 December 2020	12 months ended 31 December 2019
Basic earnings per share		
Net profit (in PLN'000)	27,242	18,543
Weighted average number of ordinary shares	19,821,404	19,821,404
Basic earnings per share (PLN/share)	1.37	0.94
	12 months ended 31 December 2020	12 months ended 31 December 2019
Diluted earnings per share		
Net profit attributable to equity holders of the parent, used to calculate diluted earnings per share (in PLN'000)	27,242	18,543
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	19,821,404	19,821,404
Diluted earnings per share (PLN/share) 5.6.3.	1.37	0.94

5.6.3 Debt

As at 31 December 2020, the Group had the following loans and open credit lines:

Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date		Interest rate	Repayment deadline	Collateral
			in foreign currency '000	in PLN'000			
Santander Bank Polska SA	PLN	up to PLN 38 million	n/a	18,933	WIBOR 1M + the Bank's margin	10/06/2022	a blank promissory note, a declaration of submission to enforcement proceedings, powers of attorney for bank accounts, and an agreement on the assignment of receivables
Santander Bank Polska SA	PLN	PLN 10 million	n/a	2,914	WIBOR 1M + the Bank's margin	28/02/2022	an agreement on the assignment of receivables and a registered pledge on shares
Santander Bank Polska SA	PLN	PLN 32.2 million	n/a	20,964	WIBOR 1M + the Bank's margin	30/04/2023	an agreement on the assignment of receivables and a registered pledge on shares
Santander Bank Polska SA	PLN	PLN 596 thousand	n/a	27	4.21%	25/01/2021	blank bill of exchange
Santander S.A.	PLN	up to PLN 4 million	n/a	38	WIBOR 1M + the Bank's margin	30/06/2022	transfer of receivables, bill of exchange guarantee from Kino Polska TV S.A.
Total loans and borrowings				42,876			

As at 31 December 2019, the Group had the following loans and open credit lines:

Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date		Interest rate	Repayment deadline	Collateral
			in foreign currency '000	in PLN'000			
Santander Bank Polska SA	PLN	up to PLN 30 million	n/a	25,938	WIBOR 1M + the Bank's margin	09/06/2020	a blank promissory note, a declaration of submission to enforcement proceedings, powers of attorney for bank accounts, and an agreement on the assignment of receivables
Santander Bank Polska SA	PLN	PLN 10 million	n/a	5,410	WIBOR 1M + the Bank's margin	28/02/2022	an agreement on the assignment of receivables and a registered pledge on shares
Santander Bank Polska SA	PLN	PLN 32.2 million	n/a	26,106	WIBOR 1M + the Bank's margin	30/04/2023	an agreement on the assignment of receivables and a registered pledge on shares
Santander Bank Polska SA	PLN	PLN 596 thousand	n/a	341	4.21%	25/01/2021	blank bill of exchange
Santander S.A.	PLN	PLN 4 million	n/a	1,523	WIBOR 1M + the Bank's margin	30/06/2020	transfer of receivables, bill of exchange guarantee from Kino Polska TV S.A.
Total loans and borrowings				59,318			

In 2020, the Group did not incur any new credit liabilities, but it accrued interest of PLN 1,428 thousand and repaid PLN 17,870 thousand (both principal and interest).

5.6.4 Leases

The finance lease contracts concluded by the Group concern mainly office space and IT equipment.

The reconciliation of minimum lease payments to carrying amounts is presented below:

	<i>As at</i> 31 December 2020 <i>(in PLN '000)</i>	<i>As at</i> 31 December 2019 <i>(in PLN '000)</i>
Lease liabilities, gross – minimum lease payments:		
Up to 1 year	2,033	2,028
From 1 to 5 years	2,856	4,400
	4,889	6,428
Future financial payments in respect of leases	(172)	(310)
Present value of lease liabilities	4,717	6,118

In 2020, the Group accrued lease interest of PLN 169 thousand, repaid lease liabilities of PLN 2,289 thousand (principal instalments with interest); and incurred new lease liabilities of PLN 693 thousand.

The present value of lease liabilities is as follows:

	<i>As at</i> 31 December 2020 <i>(in PLN '000)</i>	<i>As at</i> 31 December 2019 <i>(in PLN '000)</i>
Up to 1 year	1,929	1,880
From 1 to 5 years	2,788	4,238
	4,717	6,118

5.6.5 Liquidity management

The Group monitors the risk of the lack of funds using a periodical liquidity planning tool. This tool takes into account the maturity dates of both liabilities in respect of loans, borrowings and leases and in respect of purchase of property, plant & equipment, intangible assets and programming inventory, as well as forecasted cash flows from operating activities.

The Group's objective is to maintain a balance between the continuity and flexibility of financing by using various sources of funding, such as overdraft facilities, borrowings and leases.

The table below contains an analysis of the Group's financial liabilities which will be settled (or extended, as in the case of overdrafts) in the respective age brackets, based on contractual maturities as at the balance sheet date.

	As at 31 December 2020 (in PLN '000)					
	Book value	Contractual cash flows	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>
Loans and borrowings received	42,876	43,664	4,069	4,009	24,809	10,777
Lease liabilities	4,716	4,888	1,082	951	1,577	1,279
Concession liabilities	11,507	12,358	1,625	1,812	3,557	5,364
Payables related to purchase of programming inventory	26,271	26,271	19,273	5,516	1,267	214
Trade payables	16,462	16,462	16,462	-	-	-
Derivative financial instruments	438	438	-	-	-	438
Total	102,270	104,081	42,511	12,288	31,210	18,072

	As at 31 December 2019 (in PLN '000)						
	Book value	Contractual cash flows	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>Over 5 years</i>
Loans and borrowings received	59,318	61,589	31,947	4,427	8,364	16,851	-
Lease liabilities	6,118	6,431	1,025	1,007	1,705	2,694	-
Concession liabilities	14,330	15,677	1,571	1,748	3,437	7,079	1,842
Payables related to purchase of programming inventory	26,790	26,790	16,962	7,515	2,295	7	12
Trade payables	17,457	17,457	17,457	-	-	-	-
Derivative financial instruments	502	502	99	98	-	305	-
Total	124,515	128,445	69,060	14,795	15,800	26,936	1,854

5.7 The Group's structure

5.7.1 Consolidation rules

Business combinations under common control

Acquisitions and business combinations are governed, in principle, by IFRS 3 "Business combinations". However, transactions between jointly controlled entities are excluded from the scope of the standard. A situation in which a given transaction or business event requiring recognition in financial statements prepared in accordance with

IFRS as adopted by the EU is not governed by the provisions of the individual standards is regulated by the provisions of IAS 8, items 10-12. These provisions require an entity which prepares financial statements in accordance with IFRS as adopted by the EU to determine an accounting policy and to apply it consistently to similar transactions.

The Group decided to account for business combinations under common control using a method based on historical values arising from the consolidated financial statements of the parent which prepares the consolidated financial statements. The method is based on the assumption that entities being combined were controlled by the same shareholder before and after the transaction, and therefore the financial statements reflect the continuity of joint control and do not reflect any changes to the fair values of the net assets (or the recognition of new assets) or the measurement of goodwill compared with consolidated financial statements, since none of the entities being combined is actually being acquired.

The method based on historical values (the variant applied by the Group) consists of combining the respective assets and liabilities as well as revenue and costs of the combined companies. The comparative data for the previous financial year is presented in such a manner as if the business combination had taken place on the date on which control over the acquired company was obtained by the Group.

Specific items of the corresponding assets, equity and liabilities resulting from the consolidated financial statements of the Group as at the date of assuming control over the acquiree by the Group are included in the Group's balance sheet after the relevant eliminations. As a result of the above, goodwill, trademarks, other assets and liabilities (including a deferred tax liability) recognized in the historical consolidated financial statements are disclosed as a result of accounting for the acquisition of the entity being combined. The value of the shares which the Company held in the company whose assets were transferred to the Company is eliminated, as well as the value of the equity of the company being combined as at the date of control being obtained by the Group to which the Company belongs. After this elimination, the amount of the difference between total assets and liabilities is recognized directly in retained earnings. Mutual receivables and payables and other balances of a similar nature are also eliminated. In the Company's income statement, transactions relating to the operations previously conducted by the acquired company are recognized as from the date on which control over the acquired company was obtained by the Group.

5.7.2 Transactions with non-controlling shareholders

In the 12-month period ended 31 December 2020, the Group purchased 0.21% shares in Stopklatka S.A. (on 22 June 2020, 29 June 2020, 7 July 2020, 13 July 2020, 5 August 2020, 10 November 2020, 17 November 2020, 1 December 2020 and 8 December 2020). The Group derecognized non-controlling interests of PLN 56 thousand and reported a drop in the equity attributable to equity holders of the parent of PLN 108 thousand.

On 17 November 2020, pursuant to Article 418(1) of the Commercial Companies Code, the Extraordinary Shareholders' Meeting adopted a Resolution on the mandatory buy-out of shares held by Stopklatka's minority

shareholders (squeeze-out). In accordance with the Resolution, the Issuer bought all the shares subject to squeeze-out. The selected expert determined the price of one Stopklatka's share covered by the squeeze-out at PLN 6.18.

On 27 January 2021, as part of the squeeze-out procedure, the Company purchased 18,698 of Stopklatka's shares for a total of PLN 115,553.64. In connection with the above, as at the date of publication of the Report, the Issuer held 11,171,260 of Stopklatka's shares representing 100% of its share capital.

	12 months ended 31 December 2020 (in PLN'000)	12 months ended 31 December 2019 (in PLN'000)
Carrying amount of non-controlling interests	56	481
Purchase price paid to non-controlling shareholders	164	1,459
Excess of the purchase price paid, recognized in the parent's equity	108	978

5.7.3 Impairment test of goodwill of Stopklatka S.A. as at 31 December 2020

As at 31 December 2020, the Group conducted an impairment test of the assets of the Stopklatka TV segment totalling PLN 59,491 thousand, comprising, among other things, the goodwill which arose on the acquisition of Stopklatka S.A. The Stopklatka TV segment constitutes a separate cash-generating unit. As at 31 December 2020, Stopklatka TV's goodwill amounted to PLN 35,205 thousand, whereas other assets and related liabilities amounted to PLN 24,286 thousand.

The operations of Stopklatka S.A. consist of running the Stopklatka television channel (previously Stopklatka TV). Stopklatka S.A. began broadcasting that channel on 15 March 2014. The television channel is available in the first multiplex of terrestrial digital television.

During the impairment test, the recoverable amount of the Stopklatka TV segment's assets was calculated based on value in use. These calculations were based on discounted cash flows. Future cash flows were estimated on the basis of free cash flows available to all funding providers (FCFF). The FCFF were discounted using the weighted average cost of capital (WACC) based on the estimated cost of capital and cost of debt.

Given the uncertainty concerning the economic activity caused by COVID-19, the Company prepared three cash flow scenarios which differ mainly in the assumed audience share (SHR) and cost per point (CPP) of the channel in the period covered by the forecast, i.e. from 1 January 2020 to 31 December 2025:

- The pessimistic scenario assumes an increase in SHR from an average of 1.08% recorded in 2020 to approximately 1.35% targeted in 2025 and an annual average increase in CPP of 2.4% over the forecast horizon;
- The realistic scenario assumes an increase in SHR from an average of 1.08% recorded in 2020 to approximately 1.39% targeted in the first half of 2025 and an annual average increase in CPP of 3.1% over the forecast horizon;
- The optimistic scenario assumes an increase in SHR from an average of 1.08% recorded in 2020 to approximately 1.42% targeted in 2025 and an annual average increase in CPP of less than 3.5% over the forecast horizon.

The assumptions concerning the increase in SHR are to be implemented by tailoring the programme mix to the target viewer in a better way and by using the available programming library in a more effective manner, including collaboration with other channels owned by the Kino Polska TV S.A. Group. Stopklatka intends to continue to strengthen its programming library by investing in popular comedy series, mini series, documentaries and also in its own productions. An increase in expenditure on marketing activities (including the strengthening of the Stopklatka brand) over the forecast horizon is also assumed.

The planned annual average revenue growths between January 2021 and June 2025 at a level of approximately:

- 5.5% in the pessimistic scenario
- 7% in the realistic scenario
- 8% in the optimistic scenario

are to be realized both due to an already mentioned increase in SHR and a favourable tendency in CPP in the years 2022-2025. The scenarios differ in the assumed increase in expenditure on content over the forecast horizon (from 5.5% in the pessimistic scenario to 8% in the optimistic scenario).

A discount rate of 11% was adopted for the test. The discount rate reflected the management's estimate of the risk typical of a given activity, taking into account the time value of money and the risk typical of a given asset. The discount rate was calculated taking into account the specific conditions in which the segment operates, based on the weighted average cost of capital (WACC). The discount rate was calculated taking into account the specific conditions of the company's operations based on the weighted average cost of capital (WACC). The WACC rate took into account both debt and equity. The incremental growth rate was based on market data concerning the long-term inflation rate in Poland and Management Board forecasts. In all the scenarios, the discount rate specified above was adopted.

Probability weightings assigned to individual scenarios were one of the key assumptions which affected the results of the test and WACC level.

The Group decided that the realistic scenario will have a probability of realization of 40%, and both the optimistic and pessimistic scenarios will be assigned a 30% probability. The Group believes that the main assumptions made for testing the Stopklatka TV segment assets for impairment as at 31 December 2020 were rational and based on the Group's experience as well as market development forecasts, including the situation due to COVID-19.

Probability-weighted value in use of the Stopklatka TV segment estimated by the Group as at 31 December 2020 (PLN 98,068 thousand) was higher than its book value (PLN 59,491). In consequence, the Group did not recognize any impairment. The Group would not recognize impairment even if the pessimistic scenario materialized. The Group would have recognized impairment if WACC was at the level of 19%.

5.7.4 Impairment test of the Zoom TV segment as at 31 December 2020

As at 31 December 2020, the Group conducted an impairment test of the Zoom TV segment assets. As at 31 December 2020, goodwill related to the Zoom TV segment amounted to PLN 20 466 thousand and other related assets and liabilities amounted to PLN 6,765 thousand.

During the impairment test, the recoverable amount of the Zoom TV segment was calculated based on value in use. The calculation was based on discounted cash flows derived from the current financial plan adopted by the Management Board for 2021 and assumptions for the development of revenue and costs in 2022-2025 and a growth rate after 2025. Future cash flows were estimated on the basis of free cash flows available to all funding providers (FCFF). The FCFF were discounted using weighted average cost of capital (WACC) based on the estimated cost of capital and cost of debt.

The operations of the Zoom TV segment consist of running the Zoom TV television channel. Broadcasting of Zoom TV commenced in October 2016. This television channel is available on the eighth multiplex of digital terrestrial television.

Given the uncertainty concerning the economic activity caused by COVID-19, the Group prepared three cash flow scenarios which differ mainly in the assumed audience share (SHR) and the expected development if the cost per point (CPP) of the channel in the period covered by the forecast, i.e. from 1 January 2021 to 31 December 2025:

- The pessimistic scenario assumes an increase in SHR from the average of 0.57% recorded in 2020 to approximately 1.04% targeted in 2025 and an annual average increase in CPP of 2.6% over the forecast horizon;
- The realistic scenario assumes an increase in SHR from the average of 0.57% recorded in 2020 to approximately 1.09% targeted in the first half of 2025 and an annual average increase in CPP of 3.3% over the forecast horizon;
- The optimistic scenario assumes an increase in SHR from the average of 0.57% recorded in 2020 to approximately 1.14% targeted in 2025 and an annual average increase in CPP of less than 3.5% over the forecast horizon.

The assumptions concerning the increase in SHR and CPP are to be achieved mainly by:

- an increase in expenditure on content purchases of 2.3% to 5.9%, depending on the scenario, over the next five years – the Group planned, in particular, investing in own production, e.g. based on foreign, proven formats of innovative entertainment programmes, as well as on cabaret productions which enjoy very good audience ratings. Investments in foreign content that works well for the channel and helps build a more favourable audience structure from the advertisers' point of view will also be continued;
- stable expenditure on the channel positioning, sales support and marketing campaigns;
- more favourable terms of cooperation negotiated with the advertising broker and effective from 2020;

The planned annual average revenue growths between January 2021 and June 2025 at the level of approximately:

- 17.1% in the pessimistic scenario
- 18.8% in the realistic scenario

- 20.3% in the optimistic scenario

are to be realized both due to an already mentioned increase in SHR and a favourable tendency in CPP in the years 2021-2025. The adopted scenarios also differ in terms of expenditure on the content.

The discount rate of 11% was adopted for the test. The discount rate reflected the management's estimate of the risk typical of a given activity, taking into account the time value of money and the risk typical of a given asset. The discount rate was calculated taking into account the specific conditions in which the segment operates, based on the weighted average cost of capital (WACC). The WACC rate took into account both debt and equity. The WACC rate took into account both debt and equity. The incremental growth rate was based on market data concerning the long-term inflation rate in Poland and Management Board forecasts. In all the scenarios, the discount rate specified above was adopted.

Probability weightings assigned to individual scenarios were one of the key assumptions which affected the results of the test and WACC level.

The Group decided that the realistic scenario will have a probability of realization of 40%, and both the optimistic and pessimistic scenarios will be assigned a 30% probability. The Group's Management Board believes that the main assumptions made for testing the Zoom TV segment for impairment as at 31 December 2020 were rational and based on the Group's experience as well as market development forecasts, including the situation resulting from COVID-19.

Probability-weighted value in use of the Zoom TV segment estimated by the Group as at 31 December 2020 (PLN 50,886 thousand) was higher than its book value (PLN 27,231). In consequence, the Group did not recognize any impairment. The Group would not recognize impairment even if the pessimistic scenario materialized. The Group would have recognized impairment if WACC was at a level of 16%.

5.7.5 Related party transactions

Revenue from related entities relates mainly to the sale of licences and the provision of distribution services, while purchases from related entities comprise purchases of licences and fees for access to the content, and marketing services.

	12 months ended 31 December 2020 (in PLN '000)		12 months ended 31 December 2019 (in PLN '000)	
	sales of finished goods and services	interest income	sales of finished goods and services	interest income
<i>Mediabox Broadcasting Rus LLC</i>	266	-	-	-
<i>Mediabox Broadcasting International Ltd (UK)</i>	5,880	-	4,773	-
<i>SPI Int'l BV (NL)</i>	19,591	196	22,667	16
<i>ROX Entertainment BV</i>	315	-	418	-
<i>Coop. SPI (NL)</i>	-	-	21	-
Total revenue from sales to related entities	26,052	196	27,879	16

	12 months ended 31 December 2020 (in PLN '000)		12 months ended 31 December 2019 (in PLN '000)	
	purchase of services	purchase of assets	purchase of services	purchase of assets
Purchases from related entities				
<i>Mediabox Broadcasting International Ltd (UK)</i>	3,370	-	2,365	-
<i>SPI Int'l BV (NL)</i>	9,625	2,772	17,653	6,956
<i>ROX Entertainment BV</i>	1,486	-	1,272	-
<i>SPI Int'l Inc. (USA)</i>	191	-	173	-
<i>Berk Uziyel</i>	307	-	290	-
<i>EFTAS Eklektronik Fotograf Ticaret Sanayi A.S.</i>	3,928	81	3,768	-
<i>Adrian Gumulak</i>	488	-	472	-
<i>FBL DÝJÝTAL YAYINCILIK A.Ş</i>	488	-	-	-
Total purchases from related entities	19,883	2,853	25,993	6,956

	As at 31 December 2020 (in PLN '000)	As at 31 December 2019 (in PLN '000)
	Receivables and payables	Receivables and payables
Receivables		
<i>Mediabox Broadcasting Rus LLC</i>	333	230
<i>Mediabox Broadcasting International Ltd (UK)</i>	5,719	4,915
<i>SPI Int'l BV (NL)</i>	18,842	19,572
<i>ROX Entertainment BV</i>	195	220
<i>Coop. SPI (NL)</i>	52	48
<i>EFTAS Eklektronik Fotograf Ticaret Sanayi A.S.</i>	361	396
Total receivables	25,502	25,381

Receivables from related entities include not only those resulting from invoices already issued, but also accrued income and deferred costs.

	As at 31 December 2020 (in PLN '000)	As at 31 December 2019 (in PLN '000)
	Receivables and payables	Receivables and payables
Liabilities		
<i>Mediabox Broadcasting International Ltd (UK)</i>	381	152
<i>SPI Int'l BV (NL)</i>	2,469	3,135
<i>ROX Entertainment BV</i>	740	682
<i>SPI Int'l Inc. (USA)</i>	104	79
<i>EFTAS Eklektronik Fotograf Ticaret Sanayi A.S.</i>	99	142
<i>Adrian Gumulak</i>	152	113
<i>FBL DÝJÝTAL YAYINCILIK A.Ş</i>	321	-
	4,266	4,303

During the 12-month period ended 31 December 2020, no transactions other than on an arm's length basis occurred between the Group companies.

Description of the nature of the relationships between the related parties:

NAME/NAME AND SURNAME OF A RELATED PARTY	REASON FOR BEING CONSIDERED A RELATED PARTY
COOPERATIEVE SPI INTERNATIONAL U.A. (NL)	other related party
EFTAS ELEKTRONIK FOTOGRAF TICARET SANAYI A.S.	other related party
EROX INTERNATIONAL B.V.	other related party
MEDIABOX BROADCASTING INTERNATIONAL LTD	other related party
SPI INTERNATIONAL B.V.	higher tier parent
SPI INTERNATIONAL INC	other related party

NAME/NAME AND SURNAME OF A RELATED PARTY	REASON FOR BEING CONSIDERED A RELATED PARTY
SPI INTERNATIONAL N.V.	other related party
BOGUSŁAW KISIELEWSKI	member of the management bodies
MARCIN KOWALSKI	member of the management bodies
BERK UZIYEL	member of the management bodies
ADRIAN GUMULAK	member of the management bodies
JOHN LOGAN	member of the management bodies
FBL DÝJÝTAL YAYINCILIK A.Ş	other related party

5.8 Programming inventory and concessions

5.8.1 Programming inventory

Programming inventory includes film licences acquired and used by the Group in the course of its current operations, and those acquired with a view to their reselling. Since 2020, the Group has also been incurring expenditure on co-productions and own productions.

Programming inventory is recognized at the purchase price at the moment of starting its use or when the payment for film licences occurs before the starting date of the licence period.

Expenditure such as translation costs and technical costs, relating to materials supplied by a licensor, is included in the cost of purchase of a given programming inventory item.

Contracts concluded and valid, concerning the purchase of programming inventory for which the criteria for recognition as programming inventory are not met, are not recognized in the balance sheet but are disclosed as future commitments at the amount of liabilities resulting from such contracts and outstanding as at the balance sheet date (5.11.1).

Programming inventory is classified as current or non-current, depending on the licence period. Programming inventory with an original licence period shorter than 1 year is classified as current.

Amortization of programming inventory starts in the month when the right to use it was obtained (start of the licence period) and is charged on a straight-line basis over the period of validity of a given licence (typically up to 3 years). Amortization of own and co-produced films is charged on a straight line basis over a period of 10 years or using a different method reflecting their use over time.

Some agreements based on which the Group recognizes and uses film licences contain additional restrictions (in addition to the licence period) relating to the maximum number of rebroadcasts allowed. The Group is analysing the licences in terms of the number of rebroadcasts and the related restrictions resulting from agreements with licensors, and adjusts the amortization periods and charges as needed. Such adjustments are treated as changes in accounting estimates and recognized in profit or loss for the period, in Operating expenses/ Amortization of non-current/current programming inventory.

During the financial year ended 31 December 2020, the Management Board analysed the programming inventory held in terms of both the utilization of the allowed number of rebroadcasts and in terms of other indications of impairment. As a result of the analysis, additional charges which accelerated the amortization of programming inventory of PLN 1,182 thousand were recognized due to the fact that the permissible number of rebroadcasts had been used (the amount is presented in the line “Amortization of film licences”).

Language versions

- Language version representing licence rights acquired for a limited period of time, without the Group’s right to resell them – are classified as non-current or current programming inventory, depending on the period of time for which they are acquired;
- Language versions where the Group obtains full copyright, including the right to resell – are classified as non-current programming inventory and amortized over a period of two years – the Group believes that the said period is the best estimate of the average licensing period over which the film licences for which the Group acquires language versions are used.

Programming assets are derecognized on disposal or termination of the licence period. Gains or losses on derecognition of an intangible asset are determined at the amount of the difference between net proceeds from sale, if any, and the carrying amount of the asset. They are shown in the profit or loss of the period under Other operating income or expenses on derecognition of the asset.

Impairment of programming inventory

The Group makes significant investments in film licences presented as Programming inventory. The scope of use of such licences depends on their contractual terms. In the majority, licences are granted for a specific period, and some of them only allow a specific number of rebroadcasts.

What is characteristic of the television industry is that the attractiveness of the programming inventory held may decrease with the passage of time and/or the number of rebroadcasts.

Purchases of programming inventory are presented as operating activities in the cash flow statement.

	As at 31 December 2020 (in PLN ‘000)	As at 31 December 2019 (in PLN ‘000)
Purchased film licences	54,219	48,697
Expenditure on co-production and own production and co-production)	4,122	239
Down payments	4,644	6,941
Total	62,985	55,877
including:		
<i>non-current programming inventory</i>	<i>54,026</i>	<i>48,911</i>
<i>current programming inventory</i>	<i>8,959</i>	<i>6,966</i>

Changes in programming inventory	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Net book value as at 1 January	55,877	53,921
Increase:		
- purchase of film licences (including down payments)*	63,328	61,934
Changes in impairment write-downs	8	(44)
Amortization of film licences	(44,844)	(41,779)
Scrapping	(167)	-
Sale	(11,323)	(18,261)
Foreign exchange differences	106	133
Reclassification to other intangible assets	-	(27)
Net book value as at 31 January	62,985	55,877

* This amount represents increases in programming inventory due to purchase, while in the cash flow statement the amount of payments made in a given year is presented.

5.8.2 Concessions

Zoom TV concession

On 5 November 2015, the National Broadcasting Council ("KRRiT") passed a resolution to grant a concession to CTN&P to broadcast a universal television channel within the eighth multiplex signal. The decision to grant the concession became final on 16 March 2016.

As at the date of acquisition of CTN&P, the net value of the concession amounted to PLN 13,197 thousand. Given the fact that the Group obtained the concession (as a result of the acquisition of CTN&P) on 17 June 2016, its amortization, from the perspective of the consolidated financial statements, began in the month following the month in which it was obtained, i.e. as from 1 July 2016, and will be continued until 28 December 2025.

As at the balance sheet date, the value of the concession amounted to PLN 6,968 thousand.

After initial recognition, concession liabilities are measured at amortized cost, using the effective interest rate method. When determining the amortized cost, the costs of obtaining a loan or an advance and any discount or premium obtained on settlement of the liability are taken into account.

The effective interest rate is the rate which accurately discounts the estimated future cash inflows or outflows received or made in the expected period from the value of a financial instrument at expiry to the net carrying amount of a financial liability.

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Future payments		
27 February 2020	-	1,571
27 February 2021	1,625	1,625
27 February 2022	1,680	1,680
27 February 2023	1,734	1,734
27 February 2024	1,788	1,788
27 February 2025	1,842	1,842
Total payments	8,669	10,240
Discount	(629)	(910)
Present value of future payments - carrying amount of the concession liability	8,040	9,330
<i>Current</i>	1,392	1,290
<i>Non-current</i>	6,648	8,040

Stopklatka concession

On 30 October 2013, Stopklatka S.A. obtained a concession to broadcast the Stopklatka TV channel for a total fee of PLN 12,955 thousand payable in annual instalments by 29 December 2022. The value of the respective liability is reduced annually based on the schedule of payment of the consecutive instalments agreed with the regulator.

As a result of the acquisition of the controlling interest in Stopklatka S.A., the concession was recognized in the Group's books, with the fair value determined at PLN 2,238 thousand as at the acquisition date. The amortization period for the concession was to end on 29 October 2023. As at the balance sheet date, the value of the concession amounted to PLN 1,189 thousand.

After initial recognition, concession liabilities are measured at amortized cost, using the effective interest rate method. When determining the amortized cost, the costs of obtaining a loan or an advance and any discount or premium obtained on settlement of the liability are taken into account. The effective interest rate is the rate which accurately discounts the estimated future cash inflows or outflows received or made in the expected period from the value of a financial instrument at expiry to the net carrying amount of a financial liability.

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Future payments		
29 December 2020	-	1,748
29 December 2021	1,812	1,812
29 December 2022	1,877	1,877
Total payments	3,689	5,437
Discount	(222)	(437)
Present value of future payments - carrying amount of the concession liability	3,467	5,000
<i>Current</i>	1,664	1,533
<i>Non-current</i>	1,803	3,467

5.9 Explanatory notes to the other items of the statement of comprehensive income

5.9.1 Employee benefit expense

Defined contribution plan

Based on the applicable legislation, the Group is obliged to collect and remit contributions to the employee retirement plan. These benefits, according to IAS 19 "Employee benefits", constitute a state plan and have the nature of a defined contribution plan. Consequently, the Group's liability for each period is estimated based on the amounts of contributions to be made for a given period.

Defined benefit plan – one-off retirement bonuses (5.10.13)

Based on the applicable laws, the Group is obliged to pay one-off retirement bonuses at amounts resulting from the provisions of the Polish Labour Code. The minimum level of the retirement bonuses is based on the provisions of the Polish Labour Code in force as at the date of their payment.

The calculation is performed using the projected unit credit method. Employee turnover is estimated on the basis of historical data and the expected future level of employment.

Changes in the amount of the liability relating to one-off retirement bonuses are charged to the net profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured without a discount and charged to costs when the benefit has been provided.

The Group recognizes a provision, charged to costs, at the amount of anticipated payments to employees in respect of short-term monetary bonuses provided that the Group has a legal or constructive obligation to make such payments based on the services provided by employees in the past, and the liability may be reliably estimated.

5.9.2 Remuneration of the senior management

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Short-term employee benefits (wages & salaries and related charges)	3,112	2,665
Total	3,112	2,665

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Management Board		
Bogusław Kisielewski	983	1,201
Berk Uziyel	457	440
Marcin Kowalski	821	649
Alber Uziyel	75	150
Levent Gültan	711	-
Katarzyna Woźnicka	65	-
Total	3,112	2,440

Supervisory Board	<i>12 months ended</i>	<i>12 months ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>(in PLN '000)</i>	<i>(in PLN '000)</i>
Loni Farhi	1	1
Stacey Sobel	1	1
Marcin Boroszko	54	-
Piotr Orłowski	30	29
Jacek Koskowski	7	9
Krzysztof Rudnik	83	62
Jesus Perezagua Sanchez	89	11
Katarzyna Woźnicka	43	60
Levent Gültan	-	52
	308	225

5.9.3 Employment structure

	<i>12 months ended</i>	<i>12 months ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
Management Board	7	5
Management and administration	28	25
Production and programming employees	76	75
Marketing and sales	17	21
Technical department	4	8
Total	132	134

5.9.4 Remuneration of the registered auditor or a registered audit company

	<i>12 months ended</i>	<i>12 months ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>(in PLN '000)</i>	<i>(in PLN '000)</i>
Statutory audit or review of the financial statements	377	369
Total	377	369

5.9.5 Other operating income and expenses

Other operating income	<i>12 months ended</i>	<i>12 months ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>(in PLN '000)</i>	<i>(in PLN '000)</i>
Net gains on disposal of non-financial non-current assets	1	8
Liabilities written off	112	1,140
Subsidy	26	333
Measurement of derivative instruments (forward contracts)	197	91
Stock count surpluses	-	1
Compensation received	-	2
Other	11	94
Total	347	1,669

*The Group recognizes state subsidies received only when there is a reasonable certainty that the conditions for receiving the funds will be met and the funds will be received. The Group recognizes state subsidies systematically and other operating income in successive periods, to ensure that they match the related costs which the subsidies are intended to compensate. In the case of the Group, subsidies were granted for preparing omnibus editions of films and are recognized in line with their distribution. The deferred part of the subsidies is presented in the line "Contract liabilities".

Other operating expenses	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Losses on scrapping/liquidation of property, plant & equipment and intangible assets	(5)	-
Receivables written off	(74)	(31)
Recognition of write-downs of receivables	(200)	(1,299)
Contractual penalties	(46)	(29)
Donations made	(33)	-
Interest on trade payables	(80)	(28)
State Budget interest	(9)	(16)
Foreign exchange differences	(209)	(1,349)
Stock count settlements	(11)	(48)
Other	(337)	(446)
Total	(1,004)	(3,246)

5.9.6 Finance income and costs

Finance income	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Interest income, including:	196	19
- on bank deposits	-	3
- other interest	196	16
Measurement of derivative instruments (IRS)	-	25
Total	196	44

Finance costs	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Interest expense, including:	(1,597)	(2,230)
- on loans and borrowings	(1,428)	(2,047)
- on leases	(169)	(183)
Bank commissions	(16)	-
Remeasurement of investments	-	(45)
Discount on concessions	(496)	(599)
Measurement of derivative instruments (IRS)	(133)	-
Total	(2,242)	(2,874)

5.9.7 Income tax expense

Income tax expense	12 months ended 31 December 2020 (in PLN '000)	12 months ended 31 December 2019 (in PLN '000)
Current income tax	(6,553)	(5,623)
Current tax on income for the financial year	(6,733)	(5,623)
Adjustments relating to prior years	180	-
Deferred income tax	730	914
Temporary differences arising / reversed	730	914
Total	(5,823)	(4,709)

Reconciliation of effective tax rate

Reconciliation of corporate income tax on profit before tax in accordance with the statutory tax rate with corporate income tax calculated using the effective tax rate of the Group for the 12 months ended 31 December 2020 and 31 December 2019 is as follows:

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Differences between the income tax expense and the amount of tax calculated by applying the tax rate to profit before tax		
Profit before tax	33,067	23,273
Income tax calculated at the tax rate applicable in the individual periods (weighted average of the rates applicable in individual entities)	(6,395)	(4,265)
Non-taxable income	249	
Non-deductible costs	(110)	(301)
Income recognized for tax purposes, not recognized for accounting purposes	(8)	(253)
Utilization of tax losses not previously recognized	261	1,218
Effect of the unrecognized deferred tax asset on other deductible temporary differences	-	(810)
Deductible temporary differences which had not been recognized as deferred tax assets	-	160
Taxable temporary differences for which a provision has not been recognized previously	-	(631)
Adjustments relating to prior years	180	-
Change in the method for determining foreign exchange gains and losses from the tax method to the accounting method	-	173
Income tax expense	(5,823)	(4,709)

	<i>As at 31 December 2020 (in PLN'000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Deferred income tax assets:		
- to be realized after 12 months	728	676
- to be realized within 12 months	1,896	2,345
	2,624	3,021
Deferred income tax provision:		
- to be settled after 12 months	(3,602)	(4,297)
- to be settled within 12 months	(1,407)	(1,839)
	(5,009)	(6,136)
Deferred income tax asset/ provision (net)	(2,385)	(3,115)

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Changes in gross deferred tax		
As at 1 January	(3,115)	(4,029)
Charged to the income statement	730	914
As at 31 December	(2,385)	(3,115)

Moreover, as at 31 December 2020, the Group did not recognize a deferred tax asset of PLN 983 thousand on tax loss carryforwards.

(in PLN'000)

	Tax amortization of intangible assets	Interest accrued	Foreign exchange differences	Provisions	Write-downs of receivables	Unpaid wages and salaries	Measurement of derivative instruments	Liabilities	Difference in the tax and accounting treatment of leases	Deferred income	Contract assets and liabilities	Measurement of concessions	Other	Tax losses	Total deferred tax asset before offsetting against the deferred tax provision	Offset against provisions	Total net deferred tax asset
Deferred income tax assets																	
As at 1 January 2019	155	8	(30)	265	331	148	(29)	420	-	481	653	1,217	-	-	3,619	(172)	3,447
Charged/ (credited) to the income statement	370	(7)	30	(80)	(119)	(148)	124	10	-	134	(653)	(268)	-	18	(590)	163	(426)
As at 31 December 2019	525	1	-	185	212	-	95	430	-	615	-	949	-	18	3,030	(9)	3,021
As at 1 January 2020	525	1	-	185	212	-	95	430	-	615	-	949	-	18	3,030	(9)	3,021
Charged/ (credited) to the income statement	(181)	-	-	39	(66)	-	(12)	113	-	(126)	-	(87)	82	(18)	(256)	(142)	(398)
As at 31 December 2020	344	1	-	224	146	-	83	543	-	489	-	862	82	-	2,774	(151)	2,623

(in PLN'000)

	Tax amortization of intangible assets	Interest accrued	Foreign exchange differences	Difference in the tax and accounting treatment of leases	Deferred income	Contract assets and liabilities	Measurement of concessions	Other	Total deferred tax provisions before offsetting against the deferred tax asset	Total net deferred tax provision
As at 1 January 2019	6,781	15	247	1	5	4	225	198	7,476	7,476
Charged/ (credited) to the income statement	(1,150)	20	(226)	(1)	(5)	(4)	(98)	124	(1,340)	(1,340)
As at 31 December 2019	5,631	35	21	-	-	-	127	322	6,136	6,136
As at 1 January 2020	5,631	35	21	-	-	-	127	322	6,136	6,136
Charged/ (credited) to the income statement	(963)	(1)	91	-	-	-	(127)	(127)	(1,128)	(1,128)
As at 31 December 2020	4,668	34	112	-	-	-	-	195	5,008	5,008

The tax losses available for utilization in respect of which the Group did not recognize any deferred tax assets amounted to PLN 5,176 thousand as at 31 December 2020 (PLN 6,553 as at 31 December 2019).

Tax loss carryforwards

	<i>Last year to be carried forward</i>	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Tax loss carryforwards			
Tax losses for 2019 carried forward	2024	-	72
Tax losses for 2018 carried forward	2023	3,370	3,385
Tax losses for 2017 carried forward	2022	1,806	1,806
Tax losses for 2015 carried forward	2020	-	1,290
		5,176	6,553

In the light of the General Anti-Avoidance Rule (“GAAR”) effective since 15 July 2016, which is intended to prevent the creation and utilization of artificial legal structures established in order to avoid paying taxes in Poland, the Management Board of the Parent made a comprehensive analysis of the tax circumstances of the Group companies as regards the identification and assessment of transactions and operations which could potentially be subject to the GAAR legislation, considered the effect on deferred tax, the tax bases of assets and provisions for tax risk. In the opinion of the Management Board, the analysis did not indicate any need to adjust the reported current and deferred income tax. Nevertheless, in the opinion of the Management Board, in the case of the GAAR legislation there is an inherent uncertainty concerning the interpretation of the tax law by the Entity which may result in the need to pay additional tax for past periods.

The tax authorities in Poland may inspect accounting and tax records at any time within five years of the end of the year in which the related tax returns were filed, and they may charge the Group companies with additional tax, together with penalties and default interest. The Management Board of the Parent believes that there are no circumstances that would indicate any possible material liabilities arising in this respect.

5.10 Other assets and liabilities

5.10.1 Property, plant and equipment

Fixed assets are stated at cost, i.e. at cost of purchase or manufacture, less accumulated depreciation and impairment write-downs.

Depreciation is charged on a straight line basis. The residual values, useful lives and depreciation methods of assets are verified each year and adjusted, if necessary, and the effects of the changes are recognized prospectively. The average depreciation rates for the individual categories of fixed assets are as follows:

- plant and machinery – 10% – 30%;
- vehicles – 20%, and
- other fixed assets – 10 – 20%.

A given item of property, plant and equipment may be derecognized after it has been sold or when no economic benefits are expected from the further use of such an asset. Any gains or losses on derecognition of a given asset (calculated as the difference between any net proceeds from the sale and the carrying amount of the asset) are recorded in the profit or loss for the period in which an item was derecognized, in Other operating income or Other operating expenses, as appropriate.

Impairment write-downs are immediately charged to costs in the profit or loss for the period under Other operating expenses.

An impairment write-down of a given asset, recognized in the previous years, may be reversed when, and only when, since the recognition of the last impairment write-down there has been a change in accounting estimates used to determine the recoverable amount of a given asset.

The reversal of an impairment write-down of an asset is recognized as income in the profit or loss for the period, in Other operating income.

	Plant and machinery (in PLN '000)	Vehicles (in PLN'000)	Other fixed assets (in PLN'000)	Leasehold improvements (in PLN'000)	Assets under construction (in PLN '000)	Total (in PLN '000)
Financial year ended 31 December 2020						
As at 1 January						
Gross value	15,538	243	1,002	1,002	38	17,823
Accumulated depreciation	(13,460)	(207)	(815)	(276)	-	(14,758)
Net book value	2,078	36	187	726	38	3,065
Net book value as at the beginning of the year	2,078	36	187	726	38	3,065
Increases	483	-	12	-	5	500
Decreases	(11)	-	-	-	-	(11)
Transfers	32	-	1	-	(43)	(10)
Depreciation charge	(1,204)	(10)	(52)	(181)	-	(1,447)
Net book value as at the end of the year	1,378	26	148	545	-	2,097
As at 31 December						
Gross value	15,442	194	892	1,002	-	17,530
Accumulated depreciation	(14,064)	(168)	(744)	(457)	-	(15,433)
Net book value	1,378	26	148	545	-	2,097
Financial year ended 31 December 2019						
Net book value as at the beginning of the year	3,358	172	818	908	233	5,489
Reclassification of the right-of-use assets in accordance with IFRS 16 as at 1 January 2019	(569)	(133)	(542)	-	(225)	(1,469)
Foreign exchange differences	-	(1)	-	-	-	(1)
Increases	418	45	27	4	44	538
Decreases	-	(17)	-	-	-	(17)
Transfers	10	-	4	-	(14)	-
Depreciation charge	(1,139)	(30)	(120)	(186)	-	(1,475)
Net book value as at the end of the year	2,078	36	187	726	38	3,065
As at 31 December						
Gross value	15,538	243	1,002	1,002	38	17,823
Accumulated depreciation	(13,460)	(207)	(815)	(276)	-	(14,760)
Net book value	2,078	36	187	726	38	3,065

5.10.2 Right-of-use assets

	Office space (in PLN'000)	Furniture and other fixtures (in PLN'000)	Plant and machinery (in PLN'000)	Cars (in PLN'000)	Assets under construction (in PLN '000)	Total (in PLN '000)
Financial year ended 31 December 2020						
As at 1 January						
Gross value	5,607	607	1,914	361	227	8,716
Accumulated depreciation	(1,110)	(174)	(815)	(228)	-	(2,327)
Net book value	4,497	433	1,099	133	227	6,389
Net book value as at the beginning of the year	4,497	433	1,099	133	227	6,389
Increases	105	-	520	68	-	693
Transfers	-	-	-	227	(227)	-
Depreciation charge	(1,164)	(108)	(438)	(168)	-	(1,878)
Net book value as at the end of the year	3,438	325	1,181	260		5,204
As at 31 December						
Gross value	5,712	606	2,433	655	-	9,406
Accumulated depreciation	(2,274)	(281)	(1,252)	(395)	-	(4,202)
Net book value	3,438	325	1,181	260	-	5,204
Financial year ended 31 December 2019						
Reclassification of the right-of-use assets in accordance with IFRS 16 as at 1 January 2019	5,542	542	569	133	225	7,011
Foreign exchange differences						
Increases	65	-	575	65	296	1,001
Transfers	-	-	294	-	(294)	-
Depreciation charge	(1,110)	(109)	(339)	(65)	-	(1,623)
Net book value as at the end of the year	4,497	433	1,099	133	227	6,389
As at 31 December						
Gross value	5,607	607	1,914	361	227	8,716
Accumulated depreciation	(1,110)	(174)	(815)	(228)	-	(2,327)
Net book value	4,497	433	1,099	133	227	6,389

5.10.3 Other intangible assets

Intangible assets are stated at cost, i.e. at cost of purchase or manufacture, less accumulated amortization and impairment write-downs.

Intangible assets are amortized over their expected useful lives (typically specified in an agreement) and tested for impairment each time there are indications of their impairment. The average amortization periods for the individual categories of intangible assets are as follows:

- the brand and customer relations – recognition as a result of the acquisition of the controlling interest in Stopklatka S.A. – 10 years;
- concessions – consistent with the period for which the formal right to broadcast was granted;
- other intangible assets – 2 years.

Intangible assets are derecognized on disposal or when no further future economic benefits are expected from their use (scrapping).

Gains or losses on derecognition of an intangible assets are determined at the amount of the difference between net proceeds from the sale of the asset, if any, and the carrying amount of the asset. They are shown in the profit or loss of the period under Other operating income or expenses on derecognition of the asset.

	Concessions (in PLN '000)	Brand (in PLN '000)	Customer relations (in PLN'000)	Other intangible assets (in PLN'000)	Intangible assets under construction (in PLN'000)	Total (in PLN '000)
Financial year ended 31 December 2020						
As at 1 January						
Gross value	15,518	8,980	20,489	3,979	86	49,052
Accumulated amortization	(5,555)	(1,339)	(3,073)	(3,496)	-	(13,463)
Net book value	9,963	7,641	17,416	483	86	35,589
Net book value as at the beginning of the year	9,963	7,641	17,416	483	86	35,589
Increases	-	-	-	31	110	141
Transfers	-	-	-	173	(173)	-
Amortization charge	(1,818)	(896)	(2,049)	(471)	-	(5,234)
Net book value as at the end of the year	8,145	6,745	15,367	216	23	30,496
As at 31 December						
Gross value	15,519	8,987	20,489	4,344	23	49,362
Accumulated amortization	(7,374)	(2,242)	(5,122)	(4,128)	-	(18,866)
Net book value	8,145	6,745	15,367	216	23	30,496
Financial year ended 31 December 2019						
Net book value as at the beginning of the year	11,781	8,525	19,465	255	-	40,026
Increases	-	13	-	681	86	780
Transfers	-	-	-	27	-	27
Amortization charge	(1,818)	(897)	(2,049)	(480)	-	(5,244)
Net book value as at the end of the year (restated*)	9,963	7,641	17,416	483	86	35,589
As at 31 December						
Gross value	15,518	8,980	20,489	3,979	86	49,052
Accumulated amortization	(5,555)	(1,339)	(3,073)	(3,496)	-	(13,463)
Net book value	9,963	7,641	17,416	483	86	35,589

Information on concession payments is included in Note 5.8.2.

Other intangible assets comprise purchased software and costs incurred on trademark registration.

5.10.4 Financial instruments and financial risk management

5.10.4.1 Financial instruments

Financial instruments comprise trade receivables, cash and cash equivalents, loans and borrowings, trade payables and liabilities in respect of the purchase of programming inventory).

Classification of financial assets

The Group classifies financial assets into the following measurement categories:

- measured at amortized cost;
- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income.

The classification is dependent on the financial asset management model adopted by the Group and the terms of contractual cash flows. The Group reclassifies investments in debt instruments when, and only when, the model used to manage these assets changes. As at the balance sheet date, the Group did not have any assets other than assets measured at amortized cost.

Recognition and derecognition

Financial assets are recognized, when the Group becomes a party to the contractual terms of an instrument. Financial assets are derecognized, when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred substantially all risks and rewards of ownership.

Measurement at initial recognition

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs relating to financial assets at fair value through profit or loss are recognized in profit or loss.

The Group recognizes the following categories of financial assets:

- **Trade receivables**

Trade receivables are classified as financial assets measured at amortized cost. Trade receivables are exposed to credit risk. Impairment write-downs are recognized in accordance with the accounting policies set out in Note 5.10.4.2.1 Credit risk.

- **Cash and cash equivalents**

Cash at bank and in hand passes the SPPI test and the test of the “hold to collect” business model, therefore, it is measured at amortized cost net of impairment losses determined in accordance with the expected loss model (5.10.4.2.1 Credit risk).

Cash and cash equivalents are exposed to credit risk.

- **Loans granted**

Loans granted pass the SPPI test and the test of the “hold to collect” business model, therefore, they are measured at amortized cost net of impairment losses determined in accordance with the expected loss model (5.10.4.2.1 Credit risk).

Financial liabilities

Financial liabilities held for trading are measured at fair value through profit or loss.

All other financial liabilities. are measured at amortized cost.

The Group classifies derivative instruments such as forwards and IRS as financial liabilities measured at fair value through profit or loss.

Other financial liabilities include loans and borrowings received, trade payables and payables related to purchase of programming inventory, concession liabilities and lease liabilities.

	Carrying amount	
	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 January 2019 (in PLN'000)</i>
Financial assets measured at amortized cost	65,567	60,534
Trade receivables	56,469	55,700
Cash and cash equivalents	9,098	4,834

	Carrying amount	
	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 January 2019 (in PLN'000)</i>
Financial liabilities		
Other financial liabilities measured at amortized cost:	101,833	124,013
Loans and borrowings received	42,876	59,318
Lease liabilities	4,717	6,118
Concession liabilities	11,507	14,330
Payables related to purchase of programming inventory	26,271	26,790
Trade payables	16,462	17,457
Financial liabilities measured at fair value through profit or loss:	438	502
Derivative financial instruments (forward contracts and IRS)	438	502

5.10.4.2 Financial risk

The Group's activities expose it to a variety of financial risks:

- liquidity risk (5.6.5);
- credit risk;
- market risk;
 - foreign exchange risk;
 - interest rate risk.

The Group's overall risk management programme is focused on the unpredictability of the financial markets and attempts to minimize the potential adverse effect on the Group's financial results.

The risk is managed by the Management Board of Kino Polska TV S.A. which identifies and evaluates financial risks and protects the Group from them in close cooperation with the operating units. The Management Board

sets out general risk management principles and the policies relating to specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing surplus liquidity.

5.10.4.2.1 Credit risk

The Group enters into transactions only with renowned companies with good creditworthiness. All customers wishing to take advantage of the trade credit are subject to initial verification procedures. Moreover, thanks to the ongoing monitoring of the balances of receivables, the Group's exposure to bad debt risk is not significant.

The maximum exposure to credit risk is equal to the book value of financial assets and was as follows as at the balance sheet date:

	Carrying amount	
	As at 31 December 2020 (in PLN '000)	As at 31 December 2019 (in PLN '000)
Trade receivables	56,469	55,700
Cash and cash equivalents	9,098	4,834
	65,567	60,534

Concentration of credit risk is presented in the table below:

	Carrying amount	
	As at 31 December 2020 (in PLN '000)	As at 31 December 2019 (in PLN '000)
Trade receivables	56,469	55,700
Receivables from media houses	7,463	5,677
Receivables from cable operators	24,079	22,530
Other receivables from unrelated entities	1,794	4,811
Receivables from related entities	23,133	22,682
Cash and cash equivalents	9,098	4,834
Bank Pekao S.A. (Poland)	50	117
Santander S.A. (formerly BZ WBK S.A.) (Poland)	2,486	394
Unicredit Bank AG UK (Great Britain)	4,311	2,540
Unicredit Bank Czech Republic (Czech Republic)	514	167
Unicredit Bank Slovakia (Slovakia)	99	82
Unicredit SPI HU (Hungary)	1,235	1,467
Santander Banco (Spain)	63	37
Dom Maklerski BOŚ S.A.	298	-
Cash in hand	42	30

In the case of trade receivables, the Group uses the simplified approach and measures impairment losses at the amount of the credit losses expected over the entire lifetime of a receivable since its initial recognition. The Group applies a provision matrix in which impairment losses are calculated for trade receivables classified into different age brackets or periods overdue. In order to determine the expected credit losses, the Group has grouped its trade receivables on the basis of the description of the credit risk of the individual customer groups. To determine the overall default ratio, an analysis of irrecoverability is performed for the financial year preceding the year to which the analysis relates and for which expected credit losses are calculated. Default ratios are calculated for the following brackets: (1) current; (2) up to 30 days; (3) from 30 to 60 days; (4) from 60 to 90 days; and (5) over 90 days. In order to determine a default ratio for a given age bracket, the balance of uncollected receivables is compared with the balance of all receivables in a given bracket. The Group classifies trade receivables to two categories:

- trade receivables for which a simplified approach was used to measure the credit losses expected over the entire lifetime of a receivable;
- impaired trade receivables – identified individually as uncollectible; the indications comprise the long-term (i.e. more than 1 year) lack of payment or / and the lack of possibility to contact the counterparty.

In the case of cash & cash equivalents and loans granted, the Group uses a three-stage impairment model:

- Stage 1 – balances for which credit risk has not increased significantly since initial recognition; expected credit losses are determined on the basis of the probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that a loss will occur within the next 12 months);
- Stage 2 – covers balances for which credit risk has increased significantly since initial recognition, but there is no objective evidence of impairment; expected credit losses are determined on the basis of the probability of default throughout the contractual lifetime of a given asset;
- Stage 3 – covers balances with objective evidence of impairment; the evidence comprises the long-term (i.e. more than 1 year) lack of payment or / and the lack of possibility to contact the counterparty.

All cash and cash equivalents were classified as stage 1; the estimated amount of expected credit losses is immaterial, so the Group did not recognize any expected credit losses.

	As at 31 December 2020 (in PLN '000)				As at 31 January 2019 (in PLN '000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	9,098	55,180	1,611	65,888	4,834	55,043	963	60,840
Loans granted	-	-	321	321	-	-	306	306
Trade receivables	-	57,943	1,290	59,233	-	55,043	657	55,700
Cash and cash equivalents	9,098	-	-	9,098	4,834	-	-	4,834
Impairment losses (IFRS 9)	-	(1,474)	(1,611)	(3,085)	-	(1,856)	(963)	(2,819)
Loans granted	-	-	(321)	(321)	-	-	(306)	(306)
Trade receivables	-	(1,474)	(1,290)	(2,764)	-	(1,856)	(657)	(2,513)
Cash and cash equivalents	-	-	-	-	-	-	-	-
Carrying amount (IFRS 9)	9,098	53,706	-	62,803	4,834	53,187	-	58,021

Calculation of impairment losses as at 31 December 2020

	Total	Current	Up to 30 days	30-60 days	60-90 days	Over 90 days
Receivables from related entities						
Balance of receivables	24,264	14,627	2,725	1,102	2,876	2,934
Default ratio		0%	1%	2%	34%	37%
Expected credit losses	(1,131)	-	(27)	(10)	(515)	(579)
Customers with a good financial standing						
Balance of receivables	29,085	20,824	2,300	1,004	669	4,288
Default ratio		1%	1%	1%	1%	1%
Expected credit losses	(293)	(210)	(23)	(10)	(7)	(43)
Other groups						
Balance of receivables	4,587	3,152	1,080	126	36	193
Default ratio		0%-1%	0%-3%	0%-14%	1%-96%	1%-100%
Expected credit losses	(50)	(7)	(6)	(5)	(3)	(29)
Receivables individually identified as uncollectible						
Balance of receivables	1,297	815	12	21	-	449
Default ratio		100%	100%	100%	100%	100%
Expected credit losses	(1,290)	(815)	(12)	(21)	-	(442)

* Large entities (e.g. listed on a stock exchange) with a stable financial position for which the risk of default was assessed as low, based on historical data relating to payments to the Group.

Calculation of impairment losses as at 31 December 2019

	Total	Current	Up to 30 days	30-60 days	60-90 days	Over 90 days
Receivables from related entities						
Balance of receivables	24,150	19,136	724	1,291	410	2,589
Default ratio		2%	2%	8%	23%	42%
Expected credit losses	(1,446)	(148)	(14)	(103)	(94)	(1,087)
Customers with a good financial standing						
Balance of receivables	30,194	22,875	3,040	1,245	664	2,370
Default ratio		1%	1%	1%	1%	1%
Expected credit losses	(310)	(237)	(30)	(12)	(7)	(24)
Other groups						
Balance of receivables	3,212	2,060	597	112	164	279
Default ratio		approx. 1%	approx. 3%	approx. 8%	approx. 12%	approx. 16%
Expected credit losses	(100)	(19)	(15)	(6)	(17)	(43)
Receivables individually identified as uncollectible						
Balance of receivables	657	221	-	-	-	436
Default ratio		100%	100%	100%	100%	100%
Expected credit losses	(657)	(221)	-	-	-	(436)

* Large entities (e.g. listed on a stock exchange) with a stable financial position for which the risk of default was assessed as low, based on historical data relating to payments to the Group.

Changes in total impairment write-downs of trade receivables and contract assets were as follows:

	<i>12 months ended 31 December 2020 (in PLN'000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Opening balance of write-downs as at 1 January	(2,513)	(1,441)
Impairment losses recognized in profit or loss	(1,606)	(2,084)
- including any write-downs of receivables from related entities	(394)	(1,061)
Receivables written off as uncollectible	-	270
Reversal of unused impairment losses	1,414	785
- including any write-downs of receivables from related entities	743	-
Foreign exchange differences	(59)	(43)
Closing balance of write-downs as at 31 December	(2,764)	(2,513)

Other categories of receivables do not contain any impaired items. Impaired loans are disclosed in Note 5.10.7.

5.10.4.2.2 Foreign exchange risk

The Group is exposed to foreign currency risk associated with purchase and sale transactions concluded and from maintaining cash and cash equivalents in foreign currencies. Revenue generated by the Group is expressed mainly in PLN, and the main items of costs and capital expenditure incurred in foreign currencies, namely EUR and USD, relate to purchases of film licences.

At present, the Group does not apply formal hedge accounting. The Group partly hedges cash flows in foreign currencies resulting from real exchange rates using derivative instruments, namely forward contracts.

The table below presents the Group's exposure to foreign exchange risk based on amounts in foreign currencies (after translation into PLN):

	As at 31 December 2020 (in PLN '000)					As at 31 December 2019 (in PLN'000)				
	EUR	USD	GBP	HUF	CZK	EUR	USD	GBP	HUF	CZK
Trade and other receivables	27,201	5,863	9	4,648	4,001	21,487	5,044	3	737	2,487
Cash and cash equivalents	6,573	752	13	1,065	393	2,720	177	5	-	291
Derivative financial instruments	-	-	-	-	-	-	(197)	-	-	-
Finance lease liabilities	(241)	(85)	-	(16)	(38)	(360)	(134)	-	-	-
Trade and other payables	(9,182)	(19,906)	(385)	(445)	(145)	(28,482)	(17,553)	(13)	-	(99)
Balance sheet exposure	24,351	(13,376)	(363)	5,252	4,211	(4,635)	(12,663)	(5)	737	2,679

Analysis of the Group's sensitivity to changes in foreign exchange rates is presented below:

	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
	Estimated change in net profit or loss, in PLN	Estimated change in net profit or loss, in PLN
Estimated change in exchange rate of +10%		
EUR	2,435	(463)
USD	(1,337)	(1,266)
GBP	(36)	-
HUF	525	74
CZK	421	268
Estimated change in exchange rate of -10%		
EUR	(2,435)	463
USD	1,337	1,266
GBP	36	-
HUF	(525)	(74)
CZK	(421)	(268)

5.10.4.2.3 Interest rate risk

Changes in market interest rates do not affect the Group's revenue directly, but they affect both cash flows from operating activities (via the level of interest on current accounts and deposits) and cash flows from investing activities (via interest cost on loans obtained by the Group).

The table below shows the interest rate risk profile as at the balance sheet date for interest-bearing financial instruments.

	Value as at	
	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Instruments based on fixed interest rates:		
Concession liabilities*	(12,358)	(15,677)
Lease liabilities*	(4,888)	(6,428)
Loans and advances received*	(27)	(352)
Instrument sensitive to interest rate changes:		
Cash and cash equivalents	9,098	4,834
Loans and advances received*	(43,637)	(61,237)
Derivative financial instruments	(438)	(502)
Net exposure	(34,977)	(56,905)

* nominal amounts

Sensitivity analysis of cash flows from variable rate instruments (before taxation):

	Net profit (in PLN'000)		Total equity (in PLN'000)	
	Increase of 100 p.b.	Decrease of 100 b.p.	Increase of 100 p.b.	Decrease of 100 b.p.
As at 31 December 2020				
Variable interest rate financial instruments	(350)	350	(350)	350
Cash flow sensitivity	(350)	350	(350)	350
As at 31 December 2019				
Variable interest rate financial instruments	(569)	569	(569)	569
Cash flow sensitivity	(569)	569	(569)	569

5.10.4.3 Comparison of fair value and book value

The Group applies the following fair value hierarchy for financial instruments, depending on the selected measurement method:

- level 1: quoted prices (unadjusted) on active markets for the same assets and liabilities;
- level 2: input data which is observable for a given asset or liability, either directly (e.g. as prices) or indirectly;
- level 3: input data which is not based on observable market prices (unobservable input data).

The table below presents the fair values of financial assets and liabilities not measured at fair value, and their book values.

	Category under IFRS 7	Fair value hierarchy level	As at 31 December 2020 (in PLN '000)		As at 31 December 2019 (in PLN '000)	
			Book value	Fair value	Book value	Fair value
Trade receivables	A	**	56,470	56,470	55,700	55,700
Cash and cash equivalents	A	**	9,098	9,098	4,834	4,834
Loans and borrowings (except overdraft)	A	*	(23,905)	(24,068)	(33,380)	(33,637)
Overdraft facility	B	3	(18,971)	(18,971)	(25,938)	(25,938)
Finance lease liabilities	B	*	(4,717)	(4,802)	(6,118)	(6,145)
Concession liabilities	B	3	(11,507)	(11,749)	(14,330)	(14,581)
Trade payables and payables related to purchase of programming inventory	-	3	(42,734)	(42,734)	(44,247)	(44,247)
Total			(36,266)	(36,756)	(63,479)	(64,014)
Unrecognized loss				(490)		(535)

A - Financial assets measured at amortized cost

B - Financial liabilities measured at amortized cost

* It is assumed that the fair value of cash and cash equivalents and overdrafts is equal to their nominal value. Therefore, no measurement techniques were applied to measure these items.

** Trade receivables and payables include mainly receivables and payables which will be settled no later than by the end of the month following the balance sheet date. Consequently, it was assumed that their measurement taking into account the time value of money would be similar to their nominal value. The Company used similar simplifications in the case of payables in respect of purchase of programming inventory whose measurement as at the balance sheet date does not include the effect of discounting.

The fair value of the concession liabilities was determined using the expected cash flows from the balance sheet date to 27 February 2025, discounted with a WIBOR market rate and a margin relating to the Group's credit risk.

In the case of the overdraft facilities received by the Group, the final repayment deadlines were set at 10 June 2022 and 30 June 2022. However, due to the nature of the loans granted (overdraft facilities), the deadlines for

repayment of the present balance, expected by the Group, are impossible to determine. For this reason, it was assumed that the fair value of an overdraft facility is approximate to its carrying amount.

The fair value of the other three loans (investment loans) was determined using the expected cash flows from the balance sheet date to 29 January 2021, 28 February 2022 and 30 April 2023, respectively, and discounted with a WIBOR market rate and a margin relating to the Group's credit risk.

5.10.5 Trade and other receivables

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Non-current receivables		
Receivables from other entities	195	180
- prepayments	-	1
- other receivables	195	179
Total non-current receivables, gross	195	180
Current receivables		
Receivables from related entities	25,502	25,381
- trade receivables	16,814	10,870
- accrued income	7,450	13,258
- prepayments	1,238	1,253
Receivables from other entities	38,604	36,322
- trade receivables	19,306	19,233
- accrued income	15,663	14,852
- prepayments	1,709	633
- State budget receivables other than income tax receivable	1,786	1,548
- other receivables	140	57
Total current receivables, gross	64,106	61,703
Write-downs of receivables	(2,764)	(2,513)
Total trade and other receivables	61,537	59,370

Trade receivables and accrued income are measured at fair value plus transaction costs. After initial recognition, they are carried at amortized cost using the effective interest rate, in accordance with the requirements of IFRS 9 for this category of financial assets. However, in the case of such receivables, the Group uses a simplified approach which consist of recognizing and disclosing such receivables at nominal amounts (amounts originally invoiced or to be invoiced). In the opinion of the Management Board, such simplification does not materially distort the Group's financial and economic position or its net profit or loss.

The principles of recognition of impairment write-downs of trade receivables are described in Note 5.10.4.2.1, in the Credit risk section.

Impairment is recognized in the profit or loss for the period, in Other operating expenses.

Trade receivables are derecognized if the Group's contractual rights to cash flows from these financial assets expire or if the Group transfers these financial assets without retaining control over them (or related risks and rewards).

Other receivables (receivables from the State Budget, prepayments, receivables resulting from settlements with employees) are measured at nominal values.

5.10.6 Prepayments and deferred costs

As at the balance sheet date, prepayments and deferred costs comprised the value of future rebates relating to active contracts with customers which, in the following year will reduce the Group's revenue from these contracts – in the amount of PLN 1,003 thousand.

5.10.7 Loans granted

Loans granted are initially recognized at fair value plus transaction costs. After initial recognition, they are carried at amortized cost using the effective interest rate, in accordance with the requirement of IFRS 9 for this category of financial assets.

At each balance sheet date, the Group performs an assessment of any objective evidence that loans granted may be impaired, i.e. collecting the full amount of a loan is no longer probable. The Group makes the assessment individually, separately for each loan. Impairment is calculated as the difference between the book value and the amount of future cash flows which are likely to be received.

Loans are derecognized if the Group's contractual rights to cash flows from these financial assets expire or if the Group transfers these financial assets without retaining control over them (or related risks and rewards).

As at 31 December 2020 (in PLN '000)							
Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date		Interest rate	Repayment deadline	Collateral
			in foreign currency	in PLN			
Tramway Sp. z o.o.	PLN	240	n/a	321	fixed interest rate – 10% p.a.	30/06/2014	a surety provided by a private individual and a declaration of submission to enforcement proceedings in accordance with Article 777, para. § 1 item 4 of the Code of Civil Proceedings by the borrower and the provider of surety
Total loans		240		321			
Write-downs				(321)			
Total loans				-			

As at 31 December 2019 (in PLN '000)							
Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date		Interest rate	Repayment deadline	Collateral
			in foreign currency	in PLN			
Tramway Sp. z o.o.	PLN	240	n/a	306	fixed interest rate – 10% p.a.	30/06/2014	a surety provided by a private individual and a declaration of submission to enforcement proceedings in accordance with Article 777, para. § 1 item 4 of the Code of Civil Proceedings by the borrower and the provider of surety
Total loans		240		306			
Write-downs				(306)			
Total loans				-			

5.10.8 Inventory

Inventory is stated at the lower of purchase price /manufacturing cost and the net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less finishing costs and estimated costs to sell.

In “Materials”, the Group recognizes materials used for the Group’s own needs and charged to the income statement upon being issued, as well as data carriers charged to the income statement upon being released to a counterparty.

Goods for resale comprise DVDs. Finished goods comprise film publications produced by the Group, stored in the Group’s warehouses and in the consignment warehouse.

Inventory issues are recorded using the “first in, first out” (FIFO) cost formula.

	<i>As at</i> 31 December 2020 <i>(in PLN '000)</i>	<i>As at</i> 31 December 2019 <i>(in PLN '000)</i>
Materials	19	63
Goods for resale	22	19
Finished goods	-	1
Total	41	83

5.10.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits with banks (up to 3 months). The balance of cash and cash equivalents shown in the statement of cash flows comprises the cash and cash equivalents specified above.

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Cash in hand and at bank	9,098	4,834
Total	9,098	4,834

5.10.10 Trade and other payables

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Non-current liabilities		
Liabilities to other entities	1,482	2,314
- payables related to purchase of programming inventory	1,482	2,314
Total non-current liabilities	1,482	2,314
Current liabilities		
Current liabilities to related entities	4,266	4,303
- trade payables	3,810	2,898
- payables related to purchase of programming inventory	456	1,405
Liabilities to other entities	38,536	38,727
- trade payables	12,652	14,559
- payables related to purchase of programming inventory	24,333	23,071
- wages and salaries payable	107	90
- State budget payables other than the current income tax payable	1,443	931
- other non-financial liabilities	1	76
Total current liabilities	42,802	43,030

Trade payables and payables related to purchase of programming inventory are classified as financial liabilities and, in principle, measured at amortized cost in accordance with the requirements of IFRS 9 for financial liabilities other than those measured at fair value through profit or loss. However, the Group uses a simplified approach whereby such payables are shown at amounts due, i.e. their measurement as at the balance sheet date does not include the effect of discounting. In the opinion of the Management Board, such simplification does not materially distort the Group's financial and economic position or its net profit or loss.

Financial liabilities are derecognized when they expire (i.e. when a contractual obligation has been fulfilled, cancelled or has expired).

Other non-financial liabilities (State budget payables and liabilities resulting from settlements with employees, and other types of payables) are stated at amounts due.

5.10.11 Contract liabilities

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>To be recognized within (in PLN '000):</i>	
		<i>up to 12 months</i>	<i>2 to 5 years</i>
Sales of licences invoiced but not made	3,313	634	2,679
	3,313	635	2,679

	<i>As at 31 December 2019 (in PLN '000)</i>	<i>To be recognized within (in PLN'000):</i>	
		<i>up to 12 months</i>	<i>2 to 5 years</i>
Sales of licences invoiced but not made	3,011	433	2,578
Consignment sales invoiced but not made	84	84	-
Other	4	4	-
	3,099	521	2,578

	Revenue recognized in the reporting period resulting from liabilities as at 31 December	
	<i>12 months ended 31 December 2020 (in PLN '000)</i>	<i>12 months ended 31 December 2019 (in PLN '000)</i>
Sales of licences invoiced but not made	5,149	2,115
Consignment sales invoiced but not made	17	42
Subsidies received – to be settled in the future	-	333
	5,166	2,490

5.10.12 Derivative financial instruments

Forward contracts

In 2017, the Group concluded agreements on the purchase of forward contracts in USD, totalling USD 1,476 thousand, with maturities in the period from 31/01/2018 to 31/07/2020 with Santander S.A.

The fair value of the forward instruments was determined on the basis of future cash flows discounted up until the measurement date with market curves which take into account swap points. The discounted cash flows are translated into PLN at the NBP fixing rate as at the measurement date.

The effects of measurement was recognized as at the end of each month and presented in "Other operating income/expenses". In 2020, the Group recognized a total of PLN 197 thousand worth of gains on the measurement of its forward instruments (PLN 91 thousand in 2019).

In accordance with IFRS 13, the Group classifies the fair value of forward contracts as level 3 of the fair value hierarchy.

The key parameters of the forward contracts are presented in the table below.

	31 December 2020	31 December 2019
Type of instrument	Forward	Forward
Risk hedged	Payments for programming inventory in USD	Payments for programming inventory in USD
Nominal value of the hedging instrument	-	USD 197 thousand
Fair value of the hedging instrument	-	PLN 197 thousand
Accounting classification	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through profit or loss
Period of the hedging instrument's effect on the income statement	Up until 31 July 2020	Up until 31 July 2020

IRS

In 2018, the Group concluded an IRS (Interest Rate Swap) transaction which consists of swapping interest payments based on a variable interest rate WIBOR 1M for interest payments based on a fixed interest rate of 2.62% with Santander S.A.

The above transaction secures the Group's liabilities in respect of interest on an investment loan.

The transaction was concluded for the period from 15 June 2018 to 28 April 2023 and secures, in total, the nominal amount of the loan of PLN 16,100 thousand.

The IRS transaction was concluded to mitigate the risk of an adverse change in the interest rate and, thereby, to achieve the stabilization of the cost of financing the loan.

The key parameters of the IRS are presented in the table below.

	31 December 2020	31 December 2019
Type of instrument	IRS	IRS
Risk hedged	Payments in respect of an investment loan	Payments in respect of an investment loan
Fair value of the hedging instrument	PLN 438 thousand	PLN 305 thousand
Accounting classification	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through profit or loss
Period of the hedging instrument's effect on the income statement	Up until 28 April 2023	Up until 28 April 2023

5.10.13 Provisions

	Provision for holiday pay (in PLN '000)	Provision for one-off retirement bonuses (in PLN '000)	Total (in PLN '000)
As at 1 January 2020	671	303	974
Recorded during the financial year	320	(100)	220
Released	-	(16)	(16)
As at 31 December 2020	991	187	1,178

	Provision for holiday pay (in PLN '000)	Provision for one-off retirement bonuses (in PLN '000)	Total (in PLN '000)
As at 1 January 2019	609	116	725
Recorded during the financial year	62	187	249
As at 31 December 2019	671	303	974

5.11 Unrecognized items

5.11.1 Commitments in respect of contracts concluded

Future commitments in respect of lease agreements for office space – service fee:

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Future operating lease commitments – the lessee		
Within 1 year	32,379	651
Within 1 to 5 years	1,081	1,660
Total	33,460	2,311

Future commitments in respect of the provision of broadcasting and similar services:

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Future commitments in respect of the provision of broadcasting and other services		
Within 1 year	30,384	29,053
Within 1 to 5 years	65,494	72,918
Over 5 years	-	8,173
Total	95,878	110,144

Future commitments in respect of contracts on the purchase of programming inventory:

	<i>As at 31 December 2020 (in PLN '000)</i>	<i>As at 31 December 2019 (in PLN '000)</i>
Future commitments in respect of contracts on the purchase of film licences:		
Within 1 year	26,386	13,540
Within 1 to 5 years	20,106	14,098
Total	46,492	27,638

5.11.2 Post-balance sheet events

On 27 January 2021, as part of the squeeze-out procedure, the Company purchased 18,698 of Stopklatka's shares for a total of PLN 115,553.64. In connection with the above, as at the date of publication of this report, the Issuer held 11,171,260 of Stopklatka's shares representing 100% of its share capital.