ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

TVN S.A.

Dear Shareholders,

Attached is the 2010 Annual Report of the TVN Capital Group – the leading diversified and multi-platform media company in Poland and one of the largest media companies in Central Europe. The Group successfully managed its way through the global recession as it benefited from leading positions in TV and online advertising, as well as revenue diversification initiative into the pay TV satellite business. Today, following the rebound in the advertising market, I can confirm that we have delivered upon the guidance while the company is on track with strategic initiatives, namely continuous revenue diversification and implementation of the partnership with TP S.A. As such, TVN Group is optimally positioned to benefit from the further development and digitalization of the Polish media market.

TVN Group performance in the fourth quarter was a great finish for year 2010. Even if the advertising market witnessed temporary slowdown of its growth rate at year end, our businesses outpaced the rivals and provided solid double digit improvement in top line and EBITDA profitability. Our advertising revenue is close to the peak pre-economic crisis levels thanks to rebound in TV and outstanding growth in Online while 'n' platform is the fastest growing pay TV platform in Poland based on its leading High Definition offering.

Our TV broadcasting business has a strong track record of delivering market leading audiences and increasing its share of the TV advertising market. Last year, the main free-to-air TVN channel recorded results close to those achieved in 2009, and remained the most resilient broadcaster to the ongoing fragmentation of the Polish television market. It has continued to enjoy the number one position in the commercial target group of the most demanding viewers, who at the same time are the most attractive for advertisers. TVN was also the second most popular television channel in Poland from the overall audience perspective.

At the same time we maintain leadership in thematic channels which continue to grow their audiences, driving both advertising and pay TV revenues. The Group diversified into special interest channels as early as in 2001 when news channel TVN24 was launched. Today this channel operates at an EBITDA margin of 50% and is probably the most profitable news channel in Europe. Looking at our other thematic channels it is important to flag that our business news channel TVN CNBC has become EBITDA positive last year, an excellent achievement taking into consideration that in its three-year history the channel had to face an advertising market downturn on the back of economic crisis in 2009.

The top qualities of our channels are widely recognized. Viewers honoured TVN Group by awarding our three TV personalities with Wiktory 2010, the most prestigious awards in Polish TV industry. Also TVN24 was awarded by viewers with Telekamera statue in category for the best news and business channels in 2010. Number of other TVN stars and programs were distinguished in 2010 for their contribution to Polish TV reportage, documentaries, innovation and graphic design.

The combined strengths of the main and thematic channels provide us with audience share leadership in the commercial target group, which has averaged approximately 22% annually for the last five years. We have converted this audience leadership into an impressive financial performance – TVN Group captured above one third of the total TV advertising market revenues with an EBITDA margin of a remarkable 41% last year.

'n' platform, our satellite pay TV business, is the fastest growing operator in Poland. Since its launch four years ago, we have built a customer base exceeding one million households and reaching almost 20% market share in a highly competitive satellite pay TV environment. A winning formula for our satellite platform is its technology leadership and innovative offering: all 'n' subscribers are equipped with a MPG-4 decoder, enabling them to enjoy the widest and continuously expanding high definition (HD) offer in the market, combining currently 22 channels. Furthermore, 'n' subscribers are provided with the opportunity to use a number of advanced value added services such as Personal Video Recording (PVR), internet radio or nPortal – a unique solution allowing the use of TVN Group websites directly through the TV set. 'n' platform's technological leadership was confirmed by the "Telecom and Media World's" Crystal Antenna award to our PVR decoder, recognized as a top satellite product of 2010.

On the programming side we continue to drive innovation with unparalleled live coverage of all champions league games and a unique live offering of the simultaneously played matches and their most exciting moments. In addition, we have launched the market's first 3D dedicated channel. We believe that with the superb quality of our offer and the rapid growth of flat screen HD television penetration we will continue to drive further customer base growth.

The 'n' platform has entered the next stage of its development as it delivered positive EBITDA for the first time in the second and third quarters of 2010 and is positioned to contribute to the Group result for the full year 2011. This positive EBITDA performance will be driven by the continued growth of our customer base, cost streamlining initiatives, as well as the strategic partnership we entered with TP S.A., the Polish incumbent telecommunications operator. This partnership agreement is based on reciprocity of services allowing both companies to sell bundles of owned and partnered offers. The focus is on a bundled broadband internet access and pay TV service offering, which has the highest growth potential given the relatively low broadband penetration levels in the country and the inevitable convergence between access and content products. The ability to market this offer and more specifically up-sell pay TV packages to TP S.A. broadband customer base of more than 2 million households, puts 'n' platform in the avant-garde of satellite pay TV operators in Poland.

The online business segment of TVN Group is built around Onet.pl – the number one portal in Poland, attracting almost 70% of internet users in the country. With nearly 3 billion page views monthly, growth of its real user base by half a million to above 12 million users and time spent on portal increasing by almost one hour to more than six hours per month, the online segment recorded revenue growth of approximately 17% and an EBITDA margin of 30%.

The success of our online operations is driven by a focus on quality content and the innovative use of advertising formats. With a clear vision of video gradually growing its share and ultimately dominating internet content we are leveraging our TV experience, competences and resources to the benefit of our online services. The increasing level of video in our online services creates a unique opportunity for the introduction of rich media advertising – video based and interactive advertising products which we believe will provide the next wave of growth in the online market. This coupled with structural shift in advertising budgets, from print to online media, provides solid grounds for further top line growth, while online's strong operating leverage will lead to further improvement in profitability.

Unique composition of media assets in TVN Group is well recognized as value generative which is clearly reflected in perception of our brands. In the BrandAsset Valuator 2010 research TVN brand achieved 5th position in the overall ranking of the most valuable brands, being the only media company in the top 10 list. For the sixth time we were chosen as the strongest and most valuable media brand in Poland by the Rzeczpospolita journal, at the same time moving up in the overall ranking to the 7th position. Four other brands from TVN Group were also highly ranked: TVN24 (position 8), TVN 7 (14), Onet.pl (26) and the 'n' platform (33).

Our financial results of 2010 highlight our strong market position and successful track record. As our markets have returned to growth we are benefiting from the investments we made over the last two years. The outlook for year 2011 is strong: Polish GDP is expected to grow at approximately 4% in 2011, while consumer price inflation and unemployment rates are to be contained below 3% and 10%, respectively. These macroeconomic forecasts provide the foundation for expected advertising market growth in the 5-6% range, with digital media outperforming the market average – a clear advantage for TVN Group's business model and market position. Further acceleration in private consumption should drive additional increases in pay TV penetration, a key factor for development of our satellite platform – the fastest growing and the most technologically advanced in Poland.

Our leading market position is an asset we will continue to invest into and exploit in order to further benefit from acceleration of the market development. Strong TV programming schedules and increasing role of online video and multimedia content are the key themes for our broadcast and internet operations in 2011. And with innovative offering such as 3D and broadband bundles 'n' will continue to be the technological leader in Polish pay TV industry. With a unique collection of diversified assets, highly skilled management teams in each business segment and a clear vision for further integrating the TVN Group business model in the attractive Polish market – we are confident in our ability to deliver additional growth and value for our shareholders.

Best regards,

Markus Tellenbach

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Definitions

We have prepared this annual report as required by Section 4.16 of the Indentures for our 10.75% Senior Notes and the 7.875% Senior Notes, dated November 19, 2009 and November 19, 2010 respectively. We have also included information we are required to disclose to our shareholders as a public company in Poland in order to ensure consistent disclosure to both bondholders and shareholders.

In this annual report "**we**", "**us**", "**our**", the "**TVN Group**" and the "**Group**" refer, as the context requires, to TVN S.A. and its consolidated subsidiaries; the "**Company**" refers to TVN S.A.; "**Grupa Onet**" refers to Grupa Onet.pl S.A., owner of the leading Polish Internet portal Onet.pl, which we acquired in July 2006; "**Mango Media**" refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; "**ITI Neovision**" refers to ITI Neovision Sp. z o.o., owner and operator of the 'n' DTH platform, which we control since March 11, 2009, "**guarantors**" refers collectively to the Company, Grupa Onet, DTH Poland Holding, ITI Neovision and Mango Media and "**guarantor**" refers to each of them individually; "**TVN**" refers to our free-to-air broadcast channel; "**TVN 7**" refers to our free satellite and cable entertainment channel; "**TVN 24**" refers to our news and current affairs channel; "**TVN Turbo**" refers to our thematic channel aimed at male viewers; "**TVN Meteo**" refers to our weather channel; "**TVN Style**" refers to our thematic channel focused on life styles, health and beauty, aimed at female viewers; "**ITVN**" refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; "**TVN Lingua**" refers to our language teaching channel which we shut down on July 15, 2009; "**Discovery Historia**" refers to the history channel which we operated in cooperation with Discovery Networks Poland. Discovery Networks Central Europe purchased our shares in the Discovery Historia network on May 29, 2009 and become the owner of the channel; "**Telezakupy Mango 24**" refers to our teleshopping channel and "**NTL Radomsko**" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "**TVN CNBC**" refers to our business channel which we operate in cooperation with CNBC Europe; "**TVN Warszawa**" refers to our television channel targeted at Warsaw inhabitants, which we launched in December 2008; "**Onet.pl**" refers to the Internet portal Onet.pl; "**TVN24.pl**" refers to our Internet news vortal launched in March 2007; "**Zumi.pl**" refers to our interactive yellow pages portal, launched in April 2007; "Plejada.pl" refers to our multimedia Internet vortal, launched in March 2008; "**'n' DTH platform**" or "**'n'**" refers to a new generation high-definition digital satellite platform, launched in October 2006; "ITI Media Group" refers to ITI Media Group N.V.; "**ITI Holdings**" refers to ITI Holdings S.A.; "**ITI Group**" refers to ITI Holdings together with the other entities controlled directly or indirectly by ITI Holdings, excluding TVN Group; "**DTH Poland Holding**" refers to DTH Poland Holding Coöperatief U.A., formerly Neovision Holding B.V.,; "**Neovision Holding**" refers to Neovision Holding B.V., which subsequently merged with DTH Poland Holding Coöperatief, a company registered in Amsterdam, the Netherlands and currently the sole shareholder of ITI Neovision; "**TNK**" refers to a pre-paid digital television service in standard definition, "Telewizja na kartę", owned and operated by ITI Neovision, launched in October 2008; "**TNK HD**" refers to a pre-paid digital television service in high definition launched on May 17, 2010 by ITI Neovision; "**Onet VOD**" refers to new video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**9.5% Senior Notes**" refer to the 9.5% Senior Notes that TVN Finance Corporation plc issued on December 2, 2003 and repaid in full on December 19, 2009; "**10.75% Senior Notes**" refer to the 10.75% Senior Notes that TVN Finance Corporation II AB issued on November 19, 2009, March 10, 2010 and April 30, 2010; "**7.875% Senior Notes**" refer to the 7.875% Senior Notes that TVN Finance Corporation III AB issued on November 19, 2010; "**TVN Finance**" refers to our subsidiary, TVN Finance Corporation plc in members' voluntary liquidation; "**TVN Finance II**" refers to our subsidiary, TVN Finance Corporation II AB, a limited liability company under the laws of Sweden; "**TVN Finance III**" refers to our subsidiary, TVN Finance Corporation III AB, a limited liability company under the laws of Sweden; "**PTH**" refers to Polish Television Holding, previously Strateurop International B.V.; "**Indentures**" refers to the indenture dated November 19, 2009 governing the 10.75% Senior Notes and the indenture dated November 19, 2010 governing the 7.875% Senior Notes ; "**Promissory Notes**" refers to the two promissory notes in the aggregate principal amount of EUR 40,000 we issued on March 10, 2010. On April 30, 2010, these Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes and cancelled; "**PLN Bonds**" refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008; "**Loan Facility**" refers to a loan facility of PLN 200,000 with Bank Pekao S.A.; "**Guarantee Facility**" refers to a PLN 200,000 revolving guarantee facility agreement with Bank Pekao S.A. and "**Shares**" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Introduction

The Company was incorporated in Poland in 1995 as a limited liability company, TVN Sp. z o.o., and launched its television broadcasting activities in October 1997. In 2004, TVN Sp. z o.o. was transformed into a Polish joint-stock company (Spółka Akcyjna), TVN S.A. We are governed by the provisions of the Polish Commercial Law, and are registered in the National Court Register maintained by the District Court in Warsaw, XIII Economic Department of National Court Register, under entry no. KRS 0000213007. Our business purpose is to conduct all activities related to the television industry as set out in § 5 of our Articles of Association.

Our registered and principal administrative office is located at ul. Wiertnicza 166, 02-952 Warsaw, Poland. Our telephone number is +48 22 856 60 60.

We are the leading integrated media group in Poland and operate three major business segments – television broadcasting and production, digital satellite pay television and online. Our three business segments enable us to align strategies and objectives across the group and provide a framework for timely and rational allocations of resources within businesses. Our major segments are presented below:

- **Television broadcasting and production** - we currently own and operate ten television channels: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko, TVN CNBC and TVN Warszawa. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment and comprehensive independent news and current affairs programs. TVN 7 is an entertainment channel that complements TVN by broadcasting feature films, television series and game shows. TVN 24 is the first 24-hour news and current affairs television channel in Poland. TVN Meteo is Poland's first dedicated weather channel. TVN Turbo is a genre thematic channel aimed at male viewers. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, North America and Australia. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. NTL Radomsko is a local television channel addressed to residents of Radomsko and the surrounding areas. TVN CNBC is our business news channel, launched in cooperation with CNBC Europe. TVN Warszawa is a local television channel focused on Warsaw and its inhabitants. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how.

- **Digital satellite pay television** - we own the 'n' DTH platform, a new generation digital satellite platform launched in October 2006, which offers pay television services in Poland. As of December 31, 2010, the 'n' DTH platform had almost 805,000 (not in thousands) active subscribers. Since October 2008, the 'n' DTH platform operates TNK and on May 17, 2010 launched TNK HD, a pre-paid digital television service in high definition. TNK had almost 322,000 (not in thousands) active customers (including TNK HD) as of December 31, 2010.

- **Online** - we own Grupa Onet, which operates Onet.pl, the largest and the most popular Internet portal in Poland, offering multiple thematic services: news, business, sport, music, e-mail and others. In March 2007, we launched tvn24.pl, the first news vortal in Poland, which combines text, voice and video services. During 2007, we launched a yellow pages service, Zumi.pl. Grupa Onet also operates Sympatia.pl, the largest dating portal in Poland, as well as the largest blogging service, blog.onet.pl. In March 2008, we launched plejada.pl, an interactive multimedia site dedicated to show-business. On February 14, 2010 we launched Onet VOD, new video-on-demand Internet service.

Other segments include Telezakupy Mango, which is the only all-day teleshopping channel in Poland, as well as content sales and technical services offered primarily to business entities within the TVN Group.

Forward-Looking Statements

This annual report contains “forward-looking statements,” as such term is defined under the U.S. federal securities laws, relating to our business, financial condition and results of operations. You can find many of these statements by looking for words such as “may”, “will,” “expect,” “anticipate,” “believe,” “estimate” and similar words used in this annual report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution readers not to place undue reliance on such statements, which speak only as of the date of this annual report.

You should consider the cautionary statements set out above in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this annual report.

We disclose important risk factors that could cause our actual results to differ materially from our expectations under Item 3 “Key Information”, Item 5 “Operating and Financial Review and Prospects”, and elsewhere in this annual report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations and ability to make payments on the 10.75% Senior Notes and 7.875% Senior Notes.

Industry and Market Data

This annual report includes market share and industry data and forecasts obtained from industry publications and surveys and our internal sources. We have obtained market and industry data relating to our business from providers of industry data, including:

- Nielsen Audience Measurement (“NAM”), which is a primary third party source of market share and industry data relating to the Polish television broadcasting industry. NAM is the principal supplier of audience survey and advertising data in Poland. NAM records and analyzes audience preferences with the help of “people meters,” which are electronic devices attached to television sets which measure the viewing habits of people. Consistent with market research conducted for the television industry in other countries, NAM monitors the viewing habits of people which are considered to be representative of Polish television in general;
- Starlink, a Polish media house which provides estimates of the net advertising market;

- World Advertising Research Centre, a global advertising institute providing database for global advertising market figures;
- comScore Networks, a marketing research company that provides marketing data and services to many Internet businesses;
- Interactive Advertising Bureau (“IAB”), a trade association for digital advertising which disseminates market research;
- Central Statistical Office of Poland (“GUS”), Poland’s chief government executive agency charged with collecting and publishing statistics related to Poland’s economy, population and society, at both national and local levels;
- SMG/KRC, a Millward Brown Company, or “SMG/KRC”, a Polish branch of Millward Brown, a global research company. SMG/KRC conducts a Net Track survey in Poland which provides continuous information on Polish Internet users;
- Megapanel PBI/Gemius, a primary source of information regarding website traffic conducted by Polskie Badania Internetu Sp. z o.o, or “PBI”; and
- Egta, a Brussels based trade association of television and radio sales houses that market the advertising space of both public and private broadcasters across Europe.

Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to our market or competitive position, or the TVN Group more generally, which are not attributed to independent sources, are based on market data or internal information currently available to us. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “Risk factors” in this report.

Presentation of Financial Information

Unless otherwise indicated, we have prepared the financial information contained in this annual report in accordance with International Financial Reporting Standards, or “IFRS”, as adopted for use in the European Union, and not in accordance with accounting principles generally accepted in the United States, or “U.S. GAAP”.

The financial information included in this annual report is not intended to comply with U.S. Securities and Exchange Commission reporting requirements.

Numbers in this annual report, including those derived from the financial statements are presented in thousands unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in this annual report. As a result, certain numerical figures shown as totals in this annual report may not be exact arithmetic aggregations of the figures that precede them.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Currency Presentation and Exchange Rate Information

In this annual report: (i) “PLN” or “Złoty” refers to the lawful currency of Poland; (ii) “$” or “USD” or “Dollar” refers to the lawful currency of the United States of America; and (iii) “€” or “EUR” or “Euro” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. Unless we indicate otherwise, all such references in this report are in thousands.

The following tables set out, for the periods indicated, certain information regarding the average buying/selling rates of the dealer banks as published by the National Bank of Poland, or “NBP”, for the Złoty, the “effective NBP exchange rate”, expressed in Złoty per Dollar and Złoty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the Złoty amounts actually represent such Dollar or Euro amounts or that such amounts could have been converted into Dollars or Euros at the rates indicated or at any other rate.

	Year ended December 31,				
Year (Złoty per Euro)	**2006**	**2007**	**2008**	**2009**	**2010**
Exchange rate at end of period	3.83	3.58	4.17	4.11	3.96
Average exchange rate during period(1)	3.90	3.78	3.51	4.33	4.00
Highest exchange rate during period	4.11	3.94	4.18	4.90	4.18
Lowest exchange rate during period	3.76	3.57	3.20	3.92	3.84

(1) The average NBP exchange rate, Złoty per Euro, on the last business day of each month during the applicable period

Month (Złoty per Euro)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2010…………	4.11	4.01
February 2010…………	4.09	3.96
March 2010…………	3.94	3.86
April 2010…………	3.95	3.84
May 2010…………	4.18	3.93
June 2010…………	4.17	4.03
July 2010…………	4.15	4.00
August 2010…………	4.02	3.95
September 2010…………	3.99	3.93
October 2010…………	3.99	3.90
November 2010…………	4.07	3.90
December 2010…………	4.04	3.96
January 2011…………	3.96	3.84

	Year ended December 31,				
Year (Złoty per Dollar)	2006	2007	2008	2009	2010
Exchange rate at end of period..........	2.91	2.44	2.96	2.85	2.96
Average exchange rate during period(1)..........	3.10	2.77	2.41	3.12	3.04
Highest exchange rate during period..........	3.30	3.04	3.13	3.90	3.49
Lowest exchange rate during period	2.86	2.43	2.02	2.71	2.74

(1) The average exchange rate as certified for customs purposes by NBP on the last business day of each month during the applicable period

Month (Złoty per Dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2010…………	2.91	2.79
February 2010…………	2.99	2.83
March 2010…………	2.92	2.81
April 2010…………	3.00	2.83
May 2010…………	3.42	2.99
June 2010…………	3.49	3.25
July 2010…………	3.38	3.06
August 2010…………	3.17	3.00
September 2010…………	3.13	2.92
October 2010…………	2.89	2.77
November 2010…………	3.13	2.74
December 2010…………	3.08	2.96
January 2011…………	3.03	2.83

Selected Financial Data

The following tables set forth our selected historical financial data for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 and should be read in conjunction with Item 5 “Operating and Financial Review and Prospects”, and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements. We changed the classification of certain items in our consolidated income statement, consolidated balance sheet and cash flow statement for the year ended December 31, 2007 and December 31, 2009 as compared to our previous financial statements to ensure comparability of information. No amendments have resulted in changes to previous presented net results or shareholders’ equity.

For your convenience, Złoty amounts as of December 31, 2010 have been converted into Euro at a rate of PLN 3.9603 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2010). Złoty amounts for the year ended December 31, 2010 have been converted into Euro at a rate of PLN 4.0044 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2010, February 28, 2010, March 31, 2010, April 30, 2010, May 31, 2010, June 30, 2010, July 31, 2010, August 31, 2010, September 30, 2010, October 31, 2010, November 30, 2010 and December 31, 2010). You should not view such conversions as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate. All amounts, unless otherwise indicated, in this table and the related footnotes are shown in thousands.

	Year ended December 31,					
	2006	2007	2008	2009	2010	2010
(in thousands)	**PLN**	**PLN**	**PLN**	**PLN**	**PLN**	**Euro**
Income Statement data						
Revenue	1,165,027	1,554,729	1,897,309	2,115,123	2,490,697	621,990
Operating profit	348,515	482,012	631,875	612,090	363,761	90,840
Profit before income tax	334,297	297,232	447,552	380,793	118,277	29,537
Profit attributable to the owners of TVN S.A.	258,825	243,308	363,676	420,821	42,754	10,677
Cash Flow Data						
Net cash generated by operating activities	437,331	419,959	615,354	479,767	504,060	125,877
Net cash (used in) / generated by investing activities	(762,327)	(174,751)	(813,388)	(562,270)	(231,081)	(57,707)
Net cash generated by/ (used in) financing activities	348,832	(239,912)	271,513	273,037	(174,391)	(43,550)
Increase in cash and cash equivalents	23,836	5,296	73,479	190,534	98,588	24,620
Weighted average number of ordinary shares in issue (not in thousands)	329,830,715	345,979,725	348,585,264	341,262,586	341,292,193	341,292,193
Weighted average number of potential ordinary shares in issue (not in thousands)	334,936,631	352,494,544	353,066,178	342,546,189	345,511,104	345,511,104
Basic earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.78	0.70	1.04	1.23	0.13	0.03
Diluted earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.77	0.69	1.03	1.23	0.12	0.03
Dividend paid or declared per share (not in thousands)	-	0.37	0.49	0.57	0.31	0.08
Other data						
EBITDA*	399,956	554,102	711,378	794,770	610,696	152,506
EBITDA margin	34.3%	35.6%	37.5%	37.6%	24.5%	24.5%
Operating margin	29.9%	31.0%	33.3%	28.9%	14.6%	14.6%
Balance Sheet data	**As at December 31, 2006 PLN**	**As at December 31, 2007 PLN**	**As at December 31, 2008 PLN**	**As at December 31, 2009 PLN**	**As at December 31, 2010 PLN**	**As at December 31, 2010 Euro**
Total assets	2,578,658	2,744,925	3,753,174	4,983,496	5,191,482	1,310,881
Current assets	592,100	645,446	1,201,394	1,262,767	1,559,090	393,680
Non-current liabilities	1,026,596	967,064	1,637,872	3,022,865	3,261,207	823,475
Current liabilities	314,897	348,100	468,348	675,477	691,590	174,631
Shareholders' equity**	1,237,165	1,429,761	1,646,954	1,644,871	1,238,685	312,776
Share capital	68,702	69,455	69,903	68,088	68,471	17,289
Non-controlling interest	-	-	-	(359,717)	-	-

*We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversal on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of results of associates. The reconciling items between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets, included in the table below. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

** Shareholders equity attributable to the owners of TVN S.A.

The following table provides a reconciliation of our operating profit to EBITDA for the years ended December 31, 2010, 2009, 2008, 2007 and 2006.

	Year ended December 31,					
	2006	**2007**	**2008**	**2009**	**2010**	**2010**
(in thousands)	**PLN**	**PLN**	**PLN**	**PLN**	**PLN**	**Euro**
Operating profit	348,515	482,012	631,875	612,090	363,761	90,840
Depreciation, amortization and impairment charges	51,441	72,090	79,503	182,680	246,935	61,666
EBITDA	399,956	554,102	711,378	794,770	610,696	152,506

Risk factors

This section describes the significant risks and uncertainties affecting us and our business. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties not presently known to us or that we currently deem immaterial. Any of these risks could adversely affect our business, financial condition, our results of operations or our liquidity.

Risks related to our business

Our operating results depend on general economic conditions

The financial turmoil affecting the global financial markets and banking system has resulted in a tightening of credit, a low level of liquidity and a widespread withdrawal of investment funding in Poland’s neighboring countries across Central and Eastern Europe, which has had an adverse impact on economic growth and caused many of these countries to fall into recession. Additionally, significant fluctuation of currency exchange rates and reduced availability of funding may, from time to time, adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. The results of our operations depend to a large degree on advertising revenue, and demand for advertising is affected by general and regional economic conditions. Even if this environment improved in 2010 with estimated advertising market growth of 4%, one should still keep in mind that adverse economic conditions in the region generally and downturns in the Polish economy specifically have had a negative impact on the Polish advertising industry in 2009, which consequently has had an adverse impact on our revenue and results of operations at that time. Declines in the level of business activity of our advertising customers may in the future have a material adverse effect on our revenue and results of operations.

Our operating results are dependent on the importance of television and the Internet as advertising media

We generate the majority of our revenue from the sale of advertising airtime and sponsoring slots on television channels and the sales of advertising space on websites in Poland. For the year ended December 31, 2010 we derived 62.9% of our total revenue from commercial television and Internet advertising. In the advertising market, television and Internet compete with various other advertising media, such as newspapers, magazines, radio and outdoor advertising (such as billboard advertising, logo signs and transit advertising). According to Starlink, net expenditures on television advertising in Poland accounted for approximately 52.3% of total net advertising spending in the twelve months ended December 31, 2010, and net expenditure on Internet advertising (including display and search engine marketing) accounted for approximately 14.1% of total net advertising spending in the twelve months ended December 31, 2010. However, there can be no assurances that the television and Internet advertising market will maintain their current positions in the Polish advertising market or those changes in the regulatory environment will not favor other advertising media or other television broadcasters. A further increase in competition among advertising media arising from the development of new forms of advertising media could have an adverse effect on the maintenance and development of our advertising revenue and, consequently, on our business, financial condition, results of operations and cash flow.

Our ability to generate advertising revenue depends on our technical reach, the pricing of advertising time, demand for advertising time, our audience share, audience profile, changes in audience preferences, shifts in population and other demographics within Poland, technological developments relating to media, levels of competition from other media operators and cyclical and seasonal trends in the Polish advertising market. There can be no assurances that we will be able to respond successfully to such developments. Any decline in the appeal of television or Internet generally, or our channels and portals specifically, whether as a result of an increase in the acceptance of other forms of entertainment or a decline in its appeal as an advertising medium could have an adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to intense competition

In Poland, the television broadcasting, Internet and pay TV markets are highly competitive. In the television broadcasting market, we compete for programming content and audience share with other Polish private television channels, the state-owned and operated terrestrial television channels and other television channels distributed via cable and digital platforms. We compete for television advertising revenue on the basis of our television channels' broadcast reach, popularity of programming, audience structure and the pricing of advertising airtime. Other television channels may change their content or format to compete directly with our channels for audiences and advertisers. The Internet market is also highly competitive. It is attractive to new entrants due to the growing number of Internet users, the increasing interest of users in online segment offerings and the increasing interest of advertisers in online marketing services. Our competitors, such as Google, Facebook, MSN or Yahoo, may have significantly greater resources than we have to build their market position. The policies and behavior of our current and prospective competitors relating to pricing and introduction of new offerings in online advertising services may result in changes in our own pricing and offered services, and this may affect our revenue. In the Polish DTH pay TV market, our 'n' DTH platform and our prepaid Telewizja na karte ("TNK") service currently compete with two other players, which have more subscribers than our DTH platforms.

Our competitors may be companies that have substantially greater financial, marketing and other resources than we do, and there can be no assurances that they will not in the future engage in more extensive development efforts, launch successful promotional campaigns for their program offerings, adopt more aggressive pricing policies to our detriment or make more attractive offers to our existing and potential advertising or DTH customers. We cannot assure you that we will continue to be able to compete effectively or that we will be capable of maintaining or further increasing our current market share. In addition, the market power of our advertising customers relative to advertising broadcasters may increase, which could have a negative effect on prices in the industry and potentially our results. Our failure to compete successfully in the television broadcasting, Internet and pay TV markets could adversely affect our business, financial condition, results of operations and cash flow.

Our programming and Internet content is subject to potencial cost inflation and audience taste

The commercial success of our television channels, DTH platforms and websites depends substantially on our ability to develop, produce or acquire programming and Internet content that satisfies audience tastes, attracts high audience shares and generates substantial advertising revenue. We cannot assure you that we will continue to develop, produce or acquire such content. The costs of acquiring content attractive to our audiences may increase as a result of increased competition. In addition, our expenditures in relation to the acquisition of locally produced content may increase due to the implementation of new laws and regulations mandating the broadcast of a greater number of locally produced programs. Any such increase could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We rely on intellectual property and proprietary rights in respect of content

Our products are largely comprised of content in which we own, or have license to, the intellectual property rights, delivered through a variety of media, including broadcast programming, interactive television services, the Internet and pay TV. We rely on trademark, copyright and other intellectual property laws to establish and protect our rights over this content. However, we cannot be certain that our intellectual property rights will not be challenged, invalidated or circumvented or that we will successfully renew our intellectual property rights to our content. Even if applied, there can be no assurance that the highest levels of security and anti-piracy measures will prevent piracy. Third parties may be able to copy, infringe or otherwise profit from our rights or content which we own or license, without our, or the right holders', authorization. These unauthorized activities may be more easily facilitated via the Internet. In addition, the lack of Internet-specific legislation relating to trademark and copyright protection creates an additional challenge for us in protecting our rights relating to our online businesses and other digital technology rights. The unauthorized use of our content may adversely affect our business by diminishing our reputation in the market, making our media content, including legitimate content, less attractive to advertisers which could, in turn, lead to decreased revenue from our legitimate products.

We are primarily responsible for enforcing our intellectual property rights with respect to content, which could result in significant expenses and losses of indeterminate amounts of revenue.

We may not be able to source programming content from external suppliers

Media piracy occurs in many parts of the world, including Poland, and is made easier by technological advances and the conversion of media content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set-top boxes and through unlicensed broadcasts on free-to-air TV and the Internet. Content we source from external content suppliers, particularly U.S. studios, may be subject to piracy either through us or through a third party, which may have an adverse effect on our business and financial performance by diminishing our reputation in the market and impairing our ability to contract on favorable terms with those and other external content suppliers.

Unauthorized copying and piracy are prevalent in Poland. Certain of our external content suppliers, perhaps supported by trade associations, are sensitive to the risk of piracy relating to their products. For example, the American Motion Picture Marketing Association and the American Motion Picture Export Association monitor the progress and efforts made by various countries to limit or prevent piracy. In the past, some of these trade associations have enacted voluntary embargoes on motion picture exports to certain countries in order to pressure the governments of those countries to become more aggressive in preventing motion picture piracy. In addition, the U.S. government has publicly considered implementing trade sanctions against specific countries that, in its opinion, do not make appropriate efforts to prevent copyright infringements of U.S. produced motion pictures. There can be no assurance that voluntary industry embargoes or U.S. government trade sanctions or similar arrangements will not be enacted with respect to Poland. If enacted, such actions could impact our market share and the amount of revenue that we realize by reducing the availability of external programming and attractive content to advertisers, which would have an adverse effect on our financial performance.

We have dedicated considerable resources to provide a variety of premium services, which may not be successful in generating significant revenue

We offer fee-based enhancements to many of our free services, including e-mail services, personal, advertising, financial news and features, games, music, sports and video on demand. The development cycles for the technologies involved in providing these enhancements are long and generally require significant investments by us. We have previously discontinued certain non-profitable premium services. While we must continue to provide new services that are attractive to our users, we need to continue to develop an effective way to generate revenue for such services. If we cannot generate revenue from these services that exceeds the costs of providing such services, we may experience a material adverse effect on our financial condition, results of operations and cash flow.

We have incurred substantial indebtedness, and we may not be able to pursue new investment or development opportunities

Our interest-bearing liabilities constitute an important component of our financing. As of December 31, 2010, we had total outstanding debt of PLN 3,221,559. Our leverage may limit our ability to contract new debt on more favorable terms and may restrict our ability to finance potential acquisitions or new developments, which could have an adverse effect on our liquidity, business and financial condition.

In addition, our commercial and financial flexibility is restricted as a result of the obligations contained in the Indenture and the terms of the PLN Bonds, as they include customary covenants that could adversely affect our ability to finance our future operations and continue to enter into transactions necessary to pursue our business strategy.

Any breach of the restrictions or the covenants contained in our indentures or our PLN Bonds may result in either acceleration of the repayment of the 10.75% Senior Notes or 7.875% Senior Notes, or the PLN Bonds being declared due and payable prior to maturity, or both, which may have a material adverse effect on our ability to service our other liabilities and consequently may lead to our insolvency.

Other acquisitions and investments we may make in the future, may result in operating losses and may require significant financial and management resources

Our business and operations have grown in part through acquisitions. The acquisition and integration of new businesses pose significant risks to our existing operations, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business, requiring greater personnel and other resources;
- difficulties of expanding beyond our core expertise in the event that we acquire ancillary businesses;
- significant initial cash expenditures to acquire and integrate new businesses; and
- in the event that debt is incurred to finance acquisitions, additional debt service costs related thereto as well as limitations that may arise under our existing indebtedness.

To manage our growth effectively and achieve pre-acquisition performance objectives, we will need to integrate any new acquisitions, implement financial and management controls and produce required financial statements in those operations. The integration of new businesses may also be difficult due to differing cultures or management styles, poor internal controls and an inability to establish control over cash flows. If any acquisition and integration is not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position, results of operations and cash flows. Furthermore, even if we are successful in integrating new businesses, expected synergies and cost savings may not materialize, resulting in lower than expected cash flows and profit margins. In addition, prospective competitors may have greater financial resources than we do, and increased competition for target companies may reduce the number of potential acquisitions that are available on acceptable terms.

ITI Neovision Sp. z o.o. currently operates at a loss and may not generate positive cash flows for the foreseeable future

ITI Neovision Sp. z o.o. is currently operating at a loss and there is no assurance that it will generate positive cash flows in the foreseeable future or at all. We are likely to have to provide financial support to ITI Neovision Sp. z o.o. for the foreseeable future. There is no certainty that ITI Neovision Sp. z o.o. will become profitable as quickly as expected, or at all, or that we will recover any of the proceeds we invest in it.

The inclusion of the ‘n’ business in our results has resulted in costs of revenues and the percentage of net revenues represented by costs of revenues being higher than they would have been had we not acquired that business. Similarly, our selling expenses and general and administrative expenses were each higher due to the acquisition. Moreover, as a result of the consolidation of the ‘n’ business from March 11, 2009 onwards, cash generated from our operations in the twelve months ended December 31, 2010 was substantially lower than it would otherwise have been. As we invest in the ‘n’ DTH platform, there is a risk that our costs and expenses will continue to grow, both in absolute terms and as a percentage of our revenues, which could have an adverse affect on our financial condition, results of operations and cash flow.

Our failure to manage growth and diversification of our business could harm us

We are continuing to grow and diversify our business. Ensuring that we have control over the growth process requires investment in both the development of our infrastructure as well as our employee base. Our activities depend on information technology (“IT”) solutions to a large extent, at both transactional and reporting levels. Due to the fast pace of our development, we are forced continually to upgrade our existing IT infrastructure. These upgrades and improvements in most cases are likely to be complex and resource-consuming and therefore require careful dedication and management of resources. If we are unable to adapt our systems in a timely manner to accommodate our growth, our business may be adversely affected.

In addition we may need to increase staff numbers. This growth requires significant time and resource commitments from our senior management. If we are unable to manage a large and geographically dispersed group of employees effectively or to anticipate our future growth and personnel needs, our business may be adversely affected.

We may not be able to capitalize on the opportunities available to us as a result of the 'n' acquisition nor successfully compete in the DTH pay TV segment

Following the completion of the 'n' acquisition in March 2010, the TVN Group may not, as intended, be able to: (i) improve its competitive position through multi-platform promotion, content acquisition and distribution; (ii) capitalize on the near-term window of opportunity that arises from the rapid migration of terrestrial television users to DTH pay TV services; (iii) diversify its revenues by increasing or benefiting from the proportion of revenues generated by subscription fees for the 'n' DTH platform; or (iv) maintain its technological advantage over its competitors in the DTH pay TV market. The 'n' DTH platform and the prepaid TNK service currently compete with two other players on the Polish DTH pay TV market: (1) Cyfrowy Polsat S.A. ("Polsat") and (2) Canal+ Cyfrowy Sp. z o.o ("Canal+"). These DTH platforms have more subscribers than the 'n' platform and may have greater financial resources. Further, there can be no assurances that Polsat, Canal+ or a new entrant into the DTH market will not engage in more extensive development efforts, launch successful promotional campaigns for their platforms, adopt more aggressive pricing policies or aggressively compete for the same programming content to our detriment or make more attractive offers to our existing and potential subscribers. Our failure to compete successfully in the DTH pay TV segment could adversely affect our business, financial condition, results of operations and cash flow.

Interruptions, delays or failures in the provision of our services could damage our brand and harm our operating results

Our operations are susceptible to outages due to power loss, telecommunications failures and similar events. Despite our implementation of network security measures, our services are vulnerable to computer viruses, worms, physical and electronic disruptions, sabotage and unauthorized tampering with our computer systems. We may experience a coordinated "denial of service" attack in the future. We do not have multiple site capacity for all of our services, and some of our systems are not fully redundant in the event of any such occurrence. Failure to execute these changes properly or in a timely manner could result in delays or interruptions to our services, which could result in a loss of users, damage to our brands and harm our operating results. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any such events, which cause interruptions in our service.

Our businesses are subject to rapid changes in technology and viewer habits

The television broadcasting, Internet and pay TV industries may be affected by rapid and significant changes in technology. There can be no assurance that the technologies we currently employ will not become obsolete. The introduction of new technologies and broadcasting distribution systems other than analog terrestrial broadcasting, such as digital terrestrial broadcasting, DTH, cable and satellite distribution systems, the Internet, video on demand and the availability of television programming on portable digital devices, have fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behavior that could impact our business. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching additional channels could encourage the development of increasingly targeted niche programming on various distribution platforms. If new developments in the television industry occur earlier than we expect, we may be required to commit substantial financial and other resources to the implementation of new technologies, and we may not be able to pass on such costs to advertisers.

Onet.pl portal and our thematic portals and vortals construct their market position through operations in the premium segment, putting them in competition with other major Polish portals and with other major websites like Google.pl and other thematic vortals. Our other websites, thematic vortals or thematic parts of Onet.pl, compete for visitors most directly with other thematic vortals, and for advertisers with advertising networks that usually sell advertising space on these competing thematic websites. In addition, we derived the vast majority of our online revenues from display advertising. However, the online advertising business consists of display advertising, search engine marketing and directory services of which display advertising represents close to 59% of the total net online advertising expenditure.

There can be no assurance that our content will continue to be attractive to our key target audiences or that new or existing competitors will not develop more attractive content or that the display advertising market will maintain its share of the total online advertising expenditure in Poland, which may adversely affect our market share. While we use several pricing models, it is likely that our revenue from online advertising would decrease if we were to suffer a decrease in market share or traffic to our sites. We may be required to use significant operational or financial resources to address these issues and to try to maintain the competitiveness of our business, which could adversely affect our financial performance.

In addition, due to a variety of factors including advances in technology, all of our businesses are subject to increasing competition for the leisure and entertainment time of consumers. Our businesses compete with each other and all other sources of news, information and entertainment, including movies, live events, radio broadcasts, home video products and print media, as well as non-media related leisure activities and providers. Technological advancements, such as video on demand, new video formats, streaming capabilities and downloading via the Internet, have increased the number of media and entertainment choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of both media-related and non-media-related choices available to audiences could negatively impact not only consumers' demand for our products and services, but also advertisers' willingness to purchase advertising services from our businesses. If we do not respond appropriately to further increases in the leisure and entertainment choices available to the consumers or to changes in consumer preferences, this competition could have an adverse effect on our competitive position and revenue.

The transition to digital broadcasting may require substantial additional investment and may result in increased competition

Poland is currently planning the migration from analog terrestrial broadcasting to digital terrestrial broadcasting, which is to be completed by July 31, 2013. The specific timing and approach to the migration is subject to change. We cannot predict the effect of the migration on our existing operations or predict our ability to receive any additional rights or licenses to broadcast for our existing channels or any additional channels if such additional rights or licenses should be required. Furthermore, we may be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting. The availability of competing alternative distribution systems, such as DTH platforms, may require us to acquire additional distribution and content rights or result in an increase of competition for existing distribution and content rights. We may not have access to sufficient resources to make such investments when required.

Our broadcasting licenses may not be renewed and may be subject to revocation

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, our Polish licenses have been issued for a fixed term. Our terrestrial analog television license will expire in 2013, while our satellite licenses will expire between 2011 and 2019. The Polish Law on Radio and Television Broadcasting dated December 29, 1992, as amended (the "Broadcasting Law"), is unclear on whether licenses to current license holders will be automatically reissued following the expiry action of such licenses. Consequently, we cannot assure you that our broadcasting licenses will be reissued to us when their terms expire. The loss of any of our licenses or other authorizations or a material modification of the terms of any renewed licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow.

In June 2010, the National Broadcasting Council, which we refer to as "KRRiT" amended the TVN channel license, granting TVN new frequencies available on the Second Terrestrial Digital Multiplex ("MUX 2"). TVN channel is located on the MUX2 together with the following free-to-air analog commercial television channels: Polsat, TV4 and TV Puls. On July 7, 2010, the Office of Electronic Communication reserved frequencies for us on the Second Terrestrial Digital Multiplex until July 2025. The license for the analog transmission of TVN has been shortened accordingly to the date of the switch-off, namely July 31, 2013. On September 1, 2010, KRRiT initiated a tender offer to the commercial broadcasters for the remaining four slots on the MUX2. Each applicant can obtain a maximum of one additional slot in the MUX2. As On December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2. However, there can be no assurance that the Office of Electronic Communication will issue such decision or that the relevant frequencies will be reserved for us. Moreover, we cannot assure you that the process of converting from analog to digital terrestrial television will be completed in a timely manner. To the extent there are delays our business could be adversely affected.

Furthermore, no assurances can be given that: (i) new licenses will be issued; (ii) licenses awaiting approval will be approved; (iii) existing licenses will be extended on the same terms; or (iv) further restrictions or conditions will not be imposed in the future. Like other Polish television broadcasters, we must comply with the Broadcasting Law, regulations established by KRRiT, and the terms and conditions of our licenses in order to maintain our licenses. If we are held to be in material breach of the Broadcasting Law or the terms and conditions of our licenses, our licenses may be revoked. In addition, if our activity under our licenses is carried out in a manner that is deemed to conflict with the Broadcasting Law or the terms and conditions of our licenses, and we fail to remedy such conflict within the applicable grace period, our licenses may be revoked. Any revocation of our licenses could adversely affect our business, financial condition, results of operations and cash flow.

We compete with existing television broadcasters and potential new market entrants for the grant of terrestrial broadcasting licenses and satellite broadcasting licenses in Poland. These competitors may include larger broadcasters, in particular those from member states of the European Union.

The Broadcasting Law limits the ownership of Polish television broadcasters

The Broadcasting Law limits the ability of non-residents of the European Economic Area ("EEA") to acquire and own shares in Polish entities holding television-broadcasting licenses. Under our licenses, we have received blanket consent from KRRiT which allows non-EEA residents to acquire our shares on the Warsaw Stock Exchange. Non-EEA residents may hold no more than 49% of our share capital or 49% of the voting rights of our share capital. If non-EEA residents acquire more than 49%of our share capital or control more than 49%of the voting power of our shares, we might be in violation of the Broadcasting Law, the relevant terms of the blanket consent received from KRRiT or our licenses. Violation of applicable laws and regulations, or our licenses including the thresholds imposed by the blanket consent, may result in loss of our licenses, which could adversely affect our business, financial condition, results of operations and cash flow.

Broadcasting regulations affect the content of our programming and advertising

We are subject to regulations promulgated under the Broadcasting Law, which governs, among other laws, regulations and applicable requirements, the content of television programs and the content and timing of advertising aired on our channels. In particular, the Broadcasting Law requires that a specific portion of the programming content be represented by programs originally produced in the Polish language and European programs. There can be no assurance that more restrictive laws, rules, regulations or policies will not be adopted in the future, including further changes to enable Poland to comply with European Union requirements. Changes to laws, rules, regulations or policies could make compliance more difficult and may force us to incur additional capital expenditures or implement other changes that may adversely affect our business, financial condition, results of operations and cash flow. If we are held to be in material breach of the Broadcasting Law or the terms and conditions of our licenses, our licenses could be revoked. In addition, if our activity under our licenses is carried out in a manner which is deemed to conflict with the Broadcasting Law or the terms and conditions of our licenses, and we fail to remedy such conflict within the applicable grace period, our licenses could be revoked. Any revocation of our licenses could have a material adverse effect on our business, financial condition, results of operations and cash flow. We are routinely subject to new or modified laws and regulations with which we must comply in order to avoid claims, fines and other penalties (including the loss, revocation or suspension of licenses, permits or approvals), which could adversely impact our business, results of operations, financial condition and cash flows.

Impairment of goodwill and brand allocated to our online and digital platform segments may have an adverse impact on our financial results

As a result of our acquisition of Onet and ’n’, we carry on our balance sheet significant amounts of intangible goodwill and brand. We test annually whether the goodwill and brand allocated to our online segment have suffered any impairment by estimating the recoverable amount of the online cash generating unit based on fair value less cost of sale. Similarly, goodwill recognized as a result of the ‘n’ acquisition is also subject to an annual impairment test. If any of the key assumptions we use for impairment testing were to change unfavorably, this may result in impairment write-offs and consequently have an adverse impact on our financial results.

We are subject to risks relating to fluctuations in exchange rates

A substantial portion of our operating expenses and capital expenditures are, and will be subject to, exchange rate fluctuations. A large proportion of our liabilities and expenses are denominated in foreign currencies, mainly in Euro and Dollars. Since our revenue is generated primarily in Złoty, we are exposed to foreign exchange rate risk with respect to any current or future debt or other liability denominated in any currency other than Złoty. If the Złoty decreases in value against the currencies in which we have to make payments, our operating and finance expenses and capital expenditures will increase as a percentage of net sales. While we may seek to hedge our foreign currency exposure, we may be unable to enter into such hedging arrangements or may be unable to enter into them at a cost effective rate.

Our success depends on attracting and retaining key personnel

Our success depends substantially upon the efforts and abilities of our key staff and our ability to attract and retain such personnel. Our management team has significant experience in the Polish television broadcasting, online media and pay TV industries and has made an important contribution to our growth and success. The loss of the services of any of these individuals could have an adverse effect on our operations. Although we have been successful in attracting such individuals in the past, competition for highly skilled individuals is intense. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future.

Frequent changes in tax regulations may have an adverse effect on the Company's results of operations and financial condition

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of the taxpayers. Tax laws may also need to be amended in order to implement new EU legislation. The frequent changes in regulations governing the taxation of business activities can be unfavorable to the Company and may consequently have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In practice, tax regulators applying the law rely not only on regulations but also on interpretations thereof made by higher authorities or courts. Such interpretations are also subject to change, or can be replaced by new acts, or remain in force but conflict with other regulations. The lack of consistency is further exacerbated by the lack of clarity of many regulations in the Polish tax system, and, to a limited extent, by the lack of clarity of judicial decisions.

Taxes and other similar payments, such as customs duties and foreign currency payments, may be audited by tax authorities and, should any discrepancy be found, interest and penalties may be imposed. Tax returns submitted by the Company and its subsidiaries may be audited by tax authorities for five prior years and some transactions with the Company's subsidiaries and other related parties may also be challenged for tax reasons. The Company may be required to pay material additional taxes, as well as interest and penalties.

The above factors may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

We are party to a number of related party transactions

We currently depend on ITI Holdings for a number of services and therefore engage in a range of related party transactions. In the year ended December 31, 2010 we entered into related party transactions for which we incurred costs from ITI Group, inclusive of an annual advisory fee of EUR 5,000, of PLN 50,337. These expenses comprise rent of office premises and the provision of certain management, sales, financial advisory and other services. In exchange for these payments, we received the benefit of general advisory services, the guarantee of certain of our contractual obligations, leases of office space, rental of equipment, purchases and sales of programming and the services of individuals who are affiliates of ITI Holdings. In 2010 we also purchased the remaining 49% of 'n' from ITI Media.

We have a related party transactions policy which provides that (i) agreements with related parties must be no less favorable to us than the terms which could have been obtained on an arms-length basis with an unrelated party and (ii) that agreements with related parties who are individuals and which have a value in excess of EUR 0.15 million, and agreements with related parties who are legal entities and which have a value in excess of EUR 0.5 million, must be approved by a vote of our supervisory board, including a majority of our independent directors (with "independent" defined by reference to the "Code of Best Practice for the WSE Listed Companies").

Nevertheless, there is a risk that as circumstances or assumptions change, some of the services we receive from our related parties could be construed to be worth less than what we have agreed to pay.

In addition, our dependence on ITI Holdings and its affiliates exposes us to the risk that the services and benefits they provide could be withdrawn in circumstances in which such services and benefits could be difficult or costly to replace. If ITI Holdings were unable or unwilling to provide the services required by TVN, we may incur additional costs or experience delays in finding replacement providers. Any such termination could therefore have an adverse impact on our business, financial condition, results of operations and cash flows.

Risks related to the 10.75% Senior Notes and the 7.875% Senior Notes

Our debt service obligations under the 10.75% Senior Notes and the* 7.875% Senior Notes*, together with the PLN Bonds, may restrict our ability to fund our operations

We are a highly leveraged company, and we have significant debt service obligations under the 10.75% Senior Notes, 7.875% Senior Notes and the PLN Bonds. Our high leverage has important consequences for our business and results of operations, including but not limited to restricting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. We may also have a proportionally higher level of debt than certain of our competitors, which may put us at a competitive disadvantage. Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate may be limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and would therefore have potentially harmful consequences for the development of our business and the implementation of our strategic plans.

We may be unable to refinance our existing debt or obtain favorable refinancing terms

We are subject to the normal risks associated with debt financings, including the risk that our cash flow will be insufficient to meet required payments of principal and interest on debt and the risk that indebtedness will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness. This risk is exacerbated by the recent capital market crisis which has resulted in tightened lending requirements and in some cases the inability to refinance indebtedness. If we were unable to refinance indebtedness on acceptable terms, or at all, we might be forced to dispose of assets on disadvantageous terms, or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations.

Despite our current debt levels, we will be able to incur substantially more debt, which could increase the risks described in this section

We have the right to incur substantial debt in the future. Although the indentures contain restrictions on the incurrence of additional debt, these restrictions are or will be subject to a number of qualifications and exceptions, and additional debt incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face would intensify.

Our cash flow and capital resources may not be sufficient for future debt service and other obligations

Our ability to make debt service payments under the 10.75% Senior Notes, 7.875% Senior Notes, the PLN Bonds, and other indebtedness will depend on our future operating performance and our ability to generate sufficient cash, which in turn depends in part on factors that are not within our control, including general economic, financial, competitive, market, legislative, regulatory and other factors. If our cash flow and capital resources were to prove insufficient to fund our debt service obligations, we would face substantial liquidity problems. We may be obliged to reduce or delay capital or other material expenditures, restructure our debt, obtain additional debt or equity capital (if available on acceptable terms), or dispose of material assets or businesses to meet our debt service and other obligations. It may not be possible to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, which may have an adverse effect on our financial condition, results of operations and cash flows.

Enforcement of civil liabilities and judgments against the issuers or us or any of our directors or officers may be difficult

The issuers are a Swedish public limited liability companies and TVN S.A. is a Polish public company. Substantially all of our assets and all of our operations are located, and all of our revenues are derived, outside the United States. In addition, all of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to affect service of process within the United States upon such persons, or to enforce judgments against them obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Sweden or Poland would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

The insolvency laws to which we are subject may not be favorable to unsecured creditors and may limit your ability to enforce your rights under the 10.75% Senior Notes and the 7.875% Senior Notes and the guarantees

In the event of an insolvency of any of the guarantors, insolvency proceedings could be initiated in Poland and will be based on Polish insolvency laws. Pursuant to these laws, considering the unsecured nature of your claim against the guarantors, if the guarantors were to be wound up under Polish insolvency laws, their liabilities under the guarantees would be paid only after payment of those of their debts which are given priority under Polish insolvency laws including all secured claims. Such preferred claims would include, among others, all claims which are secured, certain commercial transactions which are given priority under the applicable law, unpaid taxes, social security contributions, employee wages, insolvency procedure costs and secured creditor claims.

Notwithstanding the above, upon the request of creditors of a guarantor, a Polish bankruptcy court could declare the note guarantee issued by that guarantor ineffective in relation to the bankruptcy estate if the guarantor is declared bankrupt during the applicable hardening period which may range from 2 to up to 12 months. Also, a Polish court could declare the note guarantee issued by that guarantor ineffective in relation to the creditor if as a result of the creation of such note guarantee, the guarantor becomes insolvent. Furthermore, the effectiveness of the guarantee will be subject to the limitations which arise under various provisions and principles of corporate law, which can require sister or subsidiary guarantors to receive adequate corporate benefit from the financing and govern fraudulent transfer laws.

In addition, our insolvency could also impair our ability to maintain our television broadcasting licenses depending on the outcome of any such proceedings before the Polish courts.

The issuers are incorporated under the laws of Sweden. Therefore, any insolvency proceedings by or against the issuers are likely to be based on Swedish insolvency laws. An unsecured claim under Swedish law will in a bankruptcy situation rank behind claims with a right of priority according to the Swedish Rights of Priority Act (*Sw. Formansrattslagen (1970:979)*).

The ability of our subsidiaries to guarantee the 10.75% Senior Notes and the 7.875% Senior Notes is limited under Polish and Dutch law and enforcing your rights as a holder of the 10.75% Senior Notes and the 7.875% Senior Notes or under the guarantees may be difficult

The laws of Poland and The Netherlands, the jurisdictions in which the guarantors are organized, may limit their ability to guarantee debts. These limitations arise under various provisions and principles of corporate law, which can require sister and subsidiary guarantors to receive adequate corporate benefit from the financing or which prohibit payments to or any other equivalent transaction with the shareholders or affiliates if such payments diminish the guarantor's assets necessary for maintaining the share capital or in the situation where such payments could be viewed as reimbursement of contributions made for the shares and/or may be regarded as violating the purpose of the guarantors. If these limitations were not observed, the guarantees of the 10.75% Senior Notes and the 7.875% Senior Notes would be subject to legal challenge. In connection with potential local law restrictions, the guarantees contain language limiting the amount of debt guaranteed. However, it is not clear under Polish and Dutch law to what extent such contractual limitations can remove the risks connected with upstream, cross-stream and third party guarantees. Furthermore, although we believe that the guarantees of the Notes are enforceable (subject to the aforementioned restrictions), there can be no assurance that a third-party creditor would not challenge the guarantees and prevail in court. Finally, in accordance with Polish bankruptcy regulations if the guarantor is declared bankrupt, legal transactions performed by it within one year before filing the bankruptcy petition would have no effect if they were performed gratuitously or for consideration which is significantly below that provided by the guarantor. Such a risk exists in case of a guarantee made for the benefit of a shareholder or an affiliate, especially if it is executed gratuitously. Pursuant to Dutch law, if a legal act performed by a Dutch guarantor is prejudicial to the interests of its creditors, the validity of such legal act may, in certain circumstances, be contested by such creditors or, in the event of the bankruptcy of such guarantor, by the public receiver.

The 10.75% Senior Notes and the 7.875% Senior Notes have been issued by the issuers and guaranteed by the guarantors. The issuers are incorporated under the laws of Sweden. The guarantors are organized under the laws of Poland and The Netherlands. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in Sweden, in Poland and in The Netherlands. Your rights under the 10.75% Senior Notes and the 7.875% Senior Notes and the guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, insolvency, administrative, and other laws of such jurisdictions of organization may be materially different from, or in conflict with, one another and those in other jurisdictions with which you may be familiar in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the 10.75% Senior Notes and the 7.875% Senior Notes and the collateral securing the obligations under the 10.75% Senior Notes and the 7.875% Senior Notes.

Our operations are in Poland where there is a risk of economic uncertainty, biased treatment and loss of business

Our revenue generating operations are located in Poland, which poses different risks to those posed by investments in more developed markets and which may be more heavily impacted by unforeseen developments in economic, political or social life. The economic and political system, legal and tax regime, standards of corporate governance and business practices in Poland continue to develop. Government policies may be subject to significant adjustments, especially in the event of a change in leadership. This may result in social or political instability or disruptions, potential political influence on the media, inconsistent application of tax and legal regulations, arbitrary treatment before judicial or other regulatory authorities and other general business risks, any of which would have a material adverse effect on our financial condition, results of operations and cash flows.

The issuers are special purpose vehicles that have no revenue generating operations of their own and will depend on cash received by us to make payments on the 10.75% Senior Notes and the 7.875% Senior Notes

The issuers are special purpose vehicles with the purpose of issuing the 10.75% Senior Notes and the 7.875% Senior Notes that were issued pursuant to the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes. The issuers have no operations of their own and will not be permitted to engage in any activities other than the issuance of the 10.75% Senior Notes and the 7.875% Senior Notes to the extent permitted under the indentures, the on-lending of the proceeds from the issuance of the 10.75% Senior Notes and the 7.875% Senior Notes to us, the servicing of their obligations under the 10.75% Senior Notes and the 7.875% Senior Notes and certain other activities expressly permitted by the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes. The issuers rely on payments under the intercompany loans made by the issuers to us to make payments of interest and principal when due on the 10.75% Senior Notes and the 7.875% Senior Notes. Other than the intercompany loans to us, the issuers have no assets.

The 10.75% Senior Notes and the 7.875% Senior Notes are structurally subordinated to all obligations of our subsidiaries which are not guarantors of the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes are obligations of the issuers and are effectively subordinated to all debt and other obligations, including trade payables, of our subsidiaries which are not guarantors of the 10.75% Senior Notes and the 7.875% Senior Notes. As of December 31, 2010, our subsidiaries which are not guarantors of the 10.75% Senior Notes or 7.875% Senior Notes had PLN 5,151 of total outstanding liabilities. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving a subsidiary which is not a guarantor of the 10.75% Senior Notes or 7.875% Senior Notes, the assets of the affected entity could not be used to pay you until after all other claims against that subsidiary, including trade payables, have been fully paid.

Covenant restrictions under our indentures impose significant operating and financial restrictions on us and may limit our ability to operate our business and consequently to make payments on the 10.75% Senior Notes and the 7.875% Senior Notes

The indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes contain covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;

- create liens;
- enter into sale and leaseback transactions;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- engage in certain transactions with affiliates;
- enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and
- engage in mergers or consolidations.

Events beyond our control, including changes in general business and economic conditions, may affect our ability to meet these requirements. A breach of any of these covenants could result in a default under the relevant indentures.

We may not be able to repurchase the 10.75% Senior Notes and the 7.875% Senior Notes upon a change of control and rating decline

Upon the occurrence of a change of control and rating decline, we will be required to make an offer to noteholders in cash to repurchase all or any part of your 10.75%Senior Notes and the 7.875% Senior Notes at 101% of their principal amount, plus accrued and unpaid interest. If a change of control and rating decline occurs, we may not have sufficient funds at that time to pay the purchase price for all tendered Senior Notes, particularly if that change of control and rating decline event triggers a similar repurchase requirement for, or results in the acceleration of, any of our other debt, including the 10.75% Senior Notes, 7.875% Senior Notes and the PLN Bonds. Any debt agreements we enter into in the future may contain similar provisions. Certain transactions that constitute a change of control and rating decline under our existing and future debt instruments may not constitute a change of control and rating decline under the indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes.

Any default by our majority shareholder on its obligations to pay its indebtedness or its failure to otherwise comply with the various covenants in the instruments governing its indebtedness could ultimately lead to a change of control and ratings decline with respect to the Company and the funds borrowed under the 10.75% Senior Notes and the 7.875% Senior Notes to become due and payable

Polish Television Holding, our direct majority shareholder and a subsidiary of ITI Holdings, has substantial indebtedness, secured by a pledge over the Company's shares. Polish Television Holding is dependent on dividends and other proceeds from the Company in order to service interest payments on its indebtedness. Accordingly, if TVN for any reason reduces, delays, fails or is otherwise unable to pay dividends or other payments to Polish Television Holding, including pursuant to the terms of the 10.75% Senior Notes and the 7.875% Senior Notes, Polish Television Holding could default on its obligations. Any increase in Polish Television Holding's indebtedness could also adversely affect perceptions of TVN's credit ratings. Any default by Polish Television Holding under the agreements governing its indebtedness could ultimately trigger a change of control under the 10.75% Senior Notes and the 7.875% Senior Notes as a result of the exercise of enforcement rights by Polish Television Holding's creditors against shares pledged as collateral and could also cause the rating agencies to consider the downgrading, suspension or withdrawal of any rating assigned to the 10.75% Senior Notes and the 7.875% Senior Notes. Any such change of control and related downgrade, suspension or withdrawal of their rating would entitle the investors in the Notes to require us to repurchase the 10.75% Senior Notes and the 7.875% Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase and could result in us breaching our broadcasting license. We may not be able to repurchase the Notes upon a change of control and rating decline.

The interests of our principal shareholder may conflict with your interests as a holder of the 10.75% Senior Notes and the 7.875% Senior Notes

ITI Holdings, through other entities that it directly or indirectly controls (together, the "ITI Group"), owned, as of February 22, 2011, 56.22% of our issued voting share capital. In addition several members of our supervisory board are also executives of ITI Holdings or of other companies in the ITI Group. As a result, ITI Holdings and these individuals, through their shareholdings or their positions on our supervisory board, have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders. Their interests in certain circumstances may conflict with your interests as holders of the 10.75% Senior Notes and the 7.875% Senior Notes.

You may face foreign exchange risks or tax consequences by investing in the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes are denominated and payable in Euro. If you invest in currencies other than Euro, an investment in the 10.75% Senior Notes and the 7.875% Senior Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the Euro relative to such currencies because of economic, political and other factors over which we have no control. Depreciation of the Euro against the currency of your investment could cause a decrease in the effective yield of the 10.75% Senior Notes and the 7.875% Senior Notes below their stated coupon rates and could result in a loss to you in the currency of your investment. Investment in the 10.75% Senior Notes and the 7.875% Senior Notes may also have important tax consequences.

A downgrading of our ratings may adversely affect our ability to raise additional financing

Credit rating agencies have begun to monitor companies much more closely and have made liquidity, and the key ratios associated with it, such as gross leverage ratio, a particular priority. In the event our debt or corporate credit ratings are lowered by the ratings agencies (both got B+ from Standard & Poor's Rating Service and B1 from Moody's Investors Service), our ability to raise additional indebtedness may be impaired and we may have to pay higher interest rates, which may have an adverse effect on our financial position, results of operations and cash flows.

Transfers of the Notes will be restricted, which may adversely affect the value of the 10.75% Senior Notes and the 7.875% Senior Notes

The 10.75% Senior Notes and the 7.875% Senior Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to affect any exchange offer for the 10.75% Senior Notes and the 7.875% Senior Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The 10.75% Senior Notes and the 7.875% Senior Notes and the indentures governing those notes contain provisions that restrict the 10.75% Senior Notes and the 7.875% Senior Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the 10.75% Senior Notes and the 7.875% Senior Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the 10.75% Senior Notes and the 7.875% Senior Notes within the United States and other countries comply with applicable securities laws.

An active trading market may not develop for the 10.75% Senior Notes and the 7.875% Senior Notes, in which case your ability to transfer the 10.75% Senior Notes and the 7.875% Senior Notes will be more limited

The 10.75% Senior Notes and the 7.875% Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, we cannot assure you that the Notes will remain listed. We cannot assure you as to the liquidity of any market for the 10.75% Senior Notes and the 7.875% Senior Notes, the ability of holders of the 10.75% Senior Notes and the 7.875% Senior Notes to sell them or the price at which holders of the 10.75% Senior Notes and the 7.875% Senior Notes may be able to sell them. The liquidity of any market for the 10.75% Senior Notes and the 7.875% Senior Notes depends on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. The initial purchasers have informed us that they intend to make a market in the Notes. However, they are not obliged to do so and may discontinue such market making at any time without notice. As a result, we cannot assure you that an active trading market for the 10.75% Senior Notes and the 7.875% Senior Notes will be maintained. The liquidity of, and trading market for, the 10.75% Senior Notes and the 7.875% Senior Notes may also be hurt by declines in the market for high yield securities generally. Such a general decline may be caused by a number of factors, including but not limited to the following:

- interest rates and inflation expectations;
- foreign currency exchange rates;
- the prospect of quantitative easing in the money supply of major reserve currencies;
- general economic and business trends;
- regulatory developments in our operating countries and the EU;
- the condition of the media industry in the countries in which we operate; and
- investor and securities analyst perceptions of us and other companies that investors deem comparable in the television broadcasting and online media industries.

Such a decline may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

ITEM 4. INFORMATION ON THE COMPANY

History and Development of TVN Group and Business Overview

Introduction

The Company was incorporated in Poland in 1995 as a limited liability company, TVN Sp. z o.o., and launched its television broadcasting activities in October 1997. In 2004, TVN Sp. z o.o. was transformed into a Polish joint-stock company (Spółka Akcyjna), TVN S.A. We are governed by the provisions of the Polish Commercial Law, and are registered in the National Court Register maintained by the District Court in Warsaw, XIII Economic Department of National Court Register, under entry no. KRS 0000213007. Our business purpose is to conduct all activities related to the television industry as set out in § 5 of our Articles of Association.

Our registered and principal administrative office is located at ul. Wiertnicza 166, 02-952 Warsaw, Poland. Our telephone number is +48 22 856 60 60.

We are the leading integrated media group in Poland and operate three major business segments – television broadcasting and production, digital satellite pay television and online. Our three business segments enable us to align strategies and objectives across the group and provide a framework for timely and rational allocations of resources within businesses. Our major segments are presented below:

- **Television broadcasting and production** - we currently own and operate ten television channels: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, NTL Radomsko, TVN CNBC and TVN Warszawa. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment and comprehensive independent news and current affairs programs. TVN 7 is an entertainment channel that complements TVN by broadcasting feature films, television series and game shows. TVN 24 is the first 24-hour news and current affairs television channel in Poland. TVN Meteo is Poland's first dedicated weather channel. TVN Turbo is a genre thematic channel aimed at male viewers. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, North America and Australia. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. NTL Radomsko is a local television channel addressed to residents of Radomsko and the surrounding areas. TVN CNBC is our business news channel, launched in cooperation with CNBC Europe. TVN Warszawa is a local television channel focused on Warsaw and its inhabitants. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how.

- **Digital satellite pay television** - we own the 'n' DTH platform, a new generation digital satellite platform launched in October 2006, which offers pay television services in Poland. As of December 31, 2010, the 'n' DTH platform had almost 805,000 (not in thousands) active subscribers. Since October 2008, the 'n' DTH platform operates TNK and on May 17, 2010 launched TNK HD, a pre-paid digital television service in high definition. TNK had almost 322,000 (not in thousands) active customers (including TNK HD) as of December 31, 2010.

- **Online** - we own Grupa Onet, which operates Onet.pl, the largest and the most popular Internet portal in Poland, offering multiple thematic services: news, business, sport, music, e-mail and others. In March 2007, we launched TVN 24.pl, the first news vortal in Poland, which combines text, voice and video services. During 2007, we launched a yellow pages service, Zumi.pl. Grupa Onet also operates Sympatia.pl, the largest dating portal in Poland, as well as the largest blogging service, blog.onet.pl. In March 2008, we launched plejada.pl, an interactive multimedia site dedicated to show-business. On February 14, 2010 we launched Onet VOD, new video-on-demand Internet service.

Other segments include Telezakupy Mango, which is the only all-day teleshopping channel in Poland, as well as content sales and technical services offered primarily to business entities within the TVN Group.

We believe that we have distinguished ourselves among television broadcasters, DTH platforms and Internet portals in Poland by the quality and innovative character of our programming and Internet content. We also offer the largest number of HD channels and the most technologically advanced set-top boxes. Through our principal channel, TVN, we select and schedule programming to attract and retain audiences between the ages of 16 and 49 living in cities with a population in excess of 100,000, which audience we refer to as our key target audience for TVN, in particular during peak – television viewing – time, from 6:00 p.m. to 11:00 p.m. TVN 7 is complementary to TVN and gives us the ability to meet our advertising customers' need to have advertising messages displayed with a certain frequency. In addition, in order to meet the specific communication needs of our advertising customers, we introduced thematic channels directed at those sections of the audience who might be expected to have a particular interest in products offered by our advertising customers. According to NAM, for the year ended December 31, 2010, all of our channels obtained a nationwide all-day audience share of 21.1%, and our TVN channel achieved a peak-time audience share in its key target group of 23.7%. This high market share of our key target audience makes us attractive to advertisers. According to NAM, TVN Group had a 38.4% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2010. As of December 31, 2010, the 'n' DTH platform had close to 805,000 (not in thousands) active post-paid subscribers. Since October 2008 the 'n' DTH platform operates TNK, which had almost 322,000 (not in thousands) active customers (including TNK HD) as of December 31, 2010. According to the latest available data from Megapanel PBI/Gemius for November 2010, Onet's monthly number of real users totaled 13.3 million in November 2010, while the average time spent on the portal was 6 hours and 12 minutes per user (not in thousand).

Our ability to successfully convert audience share and page views into advertising revenue, combined with our focus on cost management, has resulted in a strong financial performance. From 2001 through 2010, our revenue grew at a compound annual growth rate of 20.4%. For the twelve months ended December 31, 2010, we generated, on a consolidated basis, revenue of PLN 2,490,697 and EBITDA of PLN 610,696 with an EBITDA margin of 24.5%.

TELEVISION BROADCASTING AND PRODUCTION SEGMENT

For the year ended December 31, 2010, this segment accounted for 65.1% of our revenues.

Industry overview

Polish television broadcasting industry

Poland has the largest population in Central and Eastern Europe, with approximately 38 million residents. According to NAM, in 2010 approximately 100% of the country's 13.9 million households had at least one television set, and approximately 24.0% of households had at least a second television set.

The Polish television broadcasting market consists of state-owned and private commercial broadcasting sectors. As of December 31, 2010, satellite operators served 4.8 million households with premium DTH services, representing a penetration rate of 34.8%, while cable networks reached 4.7 million households, including social packages, and had a total cable penetration rate of 33.7%. Based on a TGI survey by Nielsen Audience Measurement in December 2010, we estimate that approximately 2.8% of total satellite and cable television subscribers own two or more satellite receivers or have both a satellite receiver and access to a cable network. Taking that into account we estimate that 31.5%of Polish households receive only terrestrial television signal. Terrestrial viewers receive, on average, five and a maximum of seven Polish language channels, whereas cable and satellite viewers can receive, as of December 31, 2010, up to 150 Polish language channels.

Television broadcasting in Poland was started in the 1950s by the state-owned television broadcaster Telewizja Polska S.A., commonly known as "TVP." TVP broadcasts eight national channels. TVP1 and TVP2 focus on broadcasting Polish entertainment shows, films, series, sports programs, current affairs and news. TVP HD is a high definition version of the Polish public broadcasting channels that was launched in 2008. TVP Info is a news channel launched in 2007 that is devoted to broadcasting national and international news. TVP Kultura was launched in 2005 and broadcasts programs related to art and culture. TVP Sport is a sports channel and was launched in 2006. TVP Historia was launched in 2006 and is a history channel. In addition, TVP operates TV Polonia, a television channel that is available nationally in Poland and internationally, which targets Poles living in the United States, Canada, the rest of Europe and Australia. The programming content of TV Polonia consists of Polish films and series, complemented by sports and news programs.

Until 1992, TVP was the sole Polish television broadcaster. Since then, with the opening of the Polish television market to private commercial broadcasters, the number of television channels has increased substantially. Today, the Polish television broadcasting sector is comprised of four national broadcasters, a number of smaller regional broadcasters, locally available through satellite and cable, and foreign broadcasters that distribute foreign language (predominantly German and English) channels. For the year ended December 31, 2009, TVP derived approximately 17.2% of its revenue from mandatory license fees that are levied on all households with a television set, with the remainder generated primarily from advertising. The remaining channels are mainly financed through advertising and cable and satellite subscription fees.

According to Egta, watching television is a popular leisure activity in Poland with the average viewer watching approximately 226 minutes of television per day in 2009. The table below sets out the average daily television watching time, measured in minutes per person per day, for Poland and for five comparable countries in Europe in 2009.

Country	Average number of minutes
Italy	254
Spain	236
Germany	212
France	217
Poland	226
Czech Republic	198

Source: Egta

Polish cable and satellite market

According to the Polish National Broadcasting Council's listings of licensed television channels, there are 15 terrestrial channels, 79 satellite channels and 228 cable channels. The cable television market is undergoing consolidation, but it still consists of approximately 550 operators (including digital subscriber line ("DSL")/IPTV, affiliated companies are counted as one operator). UPC, Aster, Vectra and Multimedia are Poland's largest cable operators with an aggregate 61% share of the Polish cable market as of December 31, 2010. It is expected that in the spring of 2011 the purchase of Aster by UPC will be finalized (subject to the antimonopoly office approval). The Polish pay digital satellite market is split between four digital platform operators: (1) Canal+ Cyfrowy Sp. z o.o., operating the Cyfra+ platform, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) ITI Neovision Sp. z o.o., operating the 'n' DTH and TNK platforms and (4) Telekomunikacja Polska S.A. ("TP"), operating the TP DTH platform. We have recently entered into a framework cooperation agreement with TP. See "Material Contract" for "Framework cooperation agreement with Telekomunikacja Polska S.A.". The satellite platform operators offer about 150 Polish language television channels.

Polish television advertising market

Poland is one of the largest advertising markets in Central and Eastern Europe with a total net advertising expenditure (which is calculated based on net prices for advertising airtime quoted by broadcasters and advertising agencies, after discounts or rebates) of approximately PLN 7,338 million in 2010 (according to Starlink). Data compiled by Starlink indicates that total net advertising expenditures for all Polish media grew by 4.5% in 2010. However, total television advertising market in 2010 was 7.2% higher than in 2010.

Television advertising is the dominant advertising medium in Poland, accounting for approximately 52.3% of the total net advertising expenditure for the year ended December 31, 2010, according to Starlink. In 2010, total net television advertising expenditure in Poland amounted to approximately PLN 3,840 billion.

The following table sets out the percentages of net advertising expenditure in Poland per advertising medium.

Media	Year 2009	2010
Television…………..	51	52
Internet (including display and Search Engine Marketing)	12	14
Magazines………..	11	10
Newspapers………...	9	8
Radio………………..	8	8
Outdoor……………...	8	7
Cinema……………..	1	1
Total………………...	**100.0**	**100.0**

Source: Starlink.

In our experience, the preferred demographic of advertisers in Poland consists of viewers between 16 and 49 years old, living in urban areas with a population in excess of 100,000. These viewers are perceived to have above average income and above average spending power. In addition, we believe that the spending patterns of this audience group are more likely to be influenced by advertising than those of other viewers.

We believe that advertisers specifically target peak time audiences because they believe that, at such a time, they can reach the largest number of viewers in their preferred demographic group.

Market outlook for television advertising in Poland

We believe that net television advertising expenditure in Poland will increase over the long term as a result of several factors, including:

- expected GDP growth for Poland;
- commercial airtime prices on TV that are still 70% lower than in Western European countries (indicated in Egta database) and cheaper than in some other Central and Eastern European countries, including the Czech Republic, Hungary, Lithuania, Latvia and Estonia, according to 2009 data by Egta; and
- the effectiveness of the television medium in terms of price, reach and impact.

Our television channels

In October 1997, we launched our first channel, TVN, a free-to-air channel with terrestrial frequencies. TVN's programming was initially centered on a comprehensive news program, *Fakty*, which has steadily gained audience share and, over time, has proved to be the most consistently highly rated TVN show. The TVN channel was the first Polish channel to introduce current affairs programs such as *Pod Napięciem*, in 1998, and *Uwaga*, in 2002, into peak time.

Other significant successes for the TVN channel include the broadcast of internationally successful program formats such as *Strictly Come Dancing*, *You Can Dance*, *Got Talent!*, *Poland's Next TOP Model,* locally developed series such as *Na Wspólnej*, *Majka* and *Usta, Usta!*

Since the launch of TVN, we believe we have been an industry leader in Poland, and started the trend of offering a wide variety of thematic channels. Broadcasting an array of thematic channels allows us to profile audiences, distribute our content across multiple channels, cross-sell channels and collect additional subscription based revenues. TVN's broad and increasingly popular thematic channel portfolio has enabled TVN to target several key demographics with particular interests, thereby improving its audience profile and increasing its peak time audience share, both of which are attractive to advertisers. Our ability to share content across multiple channels helps us maximize operational efficiencies and generate additional revenue at low incremental costs.

We currently operate ten channels. The table below identifies features of each our channels. Our best known channels, TVN, TVN 24 and TVN 7, are described in greater detail below.

Our channels:

Channel	Launch date	Subject matter	Signal distribution	Availability	Household coverage (1)
TVN	1997	entertainment and news	Free-to-air (FTA) terrestrial, encrypted digital satellite, cable and digital subscriber line (DSL)	free-to-air	91%
TVN 24	2001	News	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	58%
TVN 7	2002	entertainment	encrypted digital satellite platforms, cable and DSL	free-to- view	64%
TVN Meteo	2003	weather	encrypted digital satellite platforms, cable and DSL	license fee based	55%
TVN Turbo........	2003	automotive	encrypted digital satellite platforms, cable and DSL	license fee based	56%
TVN Style	2004	Health and beauty	encrypted digital satellite platforms, cable and DSL	license fee based	57%
ITVN	2004	entertainment	satellite transmitters abroad cable networks abroad	subscription based	n/a(2)
NTL Radomsko(3)......	1995	regional	one FTA terrestrial transmitter, local cable	free-to-air	-
Telezakupy Mango 24(4)…..	2003	teleshopping	FTA digital satellite, cable and DSL	free-to-satellite	58%
TVN CNBC…………	2007	business	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	33%
TVN Warszawa…….	2008	local news and entertainment	FTA digital satellite, cable and DSL	free-to-satellite	24%

(1) Household coverage represents the percentage of households in Poland that are able to receive the relevant channel.
(2)Statistics reflecting household coverage in the countries in which TVN International is broadcast are not available
(3) Acquired by us in 2005
(4) Acquired by us in 2007

TVN

TVN broadcasts a variety of programs 24 hours a day, seven days a week including news, current affairs, information programs, daily talk shows, games, movies, dramas and docu-crime series.

The following table sets out the highest nationwide audience share of what we believe were some of TVN’s most successful programs broadcast during 2010, demonstrating the strength of both our locally produced and acquired programming content:

Top Ten programs by Nationwide Audience Share

Date	Title	Description	Nationwide audience share (%)
July 13, 2010	Fakty	Main news bulletin	41.9
November 27, 2010	Mam talent (Got Talent!)	Entertainment	38.8
November 28, 2010	Taniec z Gwiazdami (Strictly Come Dancing)	Entertainment	32.7
November 27, 2010	Książe i Ja	Movie	32.4
March 3, 2010	You Can Dance – Po prostu tańcz	Entertainment	31.3
June 10, 2010	Majka	Series	30.5
June 10, 2010	Detektywi	Docu-crime series	29.4
October 2, 2010	Zróbmy sobie wnuka	Movie	29.1
May 5, 2010	W-11 Wydział Śledczy	Docu-crime series	28.6
October 16, 2010	Uwaga!	Current affairs	27.9

Source: NAM

Scheduling in TVN

We tailor our programs to the interests of demographic groups that we believe are attractive to advertisers. We analyze data relating to our audience share in detail, and, by identifying audience interests, behavior and general market trends, we attempt to ensure that our programming remains responsive to the viewing habits of our key target audience.

TVN's scheduling is based on two key commercial schedules introduced during the year: the spring and autumn schedules. This reflects the seasonality of the advertising market, which is strongest during the spring and autumn months. We schedule re-runs and other inexpensive programming content in summer and winter, when our advertising sales tend to be lower.

TVN's programming schedule is designed to maintain viewer loyalty and promote audience flow from program to program, from day to day and from "access prime time" to "prime time". For example, "access prime time", from 4:00 p.m. to 7:00 p.m., is "strip programmed," meaning that a particular program is shown at the same time on each weekday, with a view to securing day-to-day loyalty and increasing audience flow from access prime time to "prime time", the most commercially attractive programming period. As of December 2010, we scheduled a total of five weekday strip programs (Monday through Friday) in access prime time that included daily talk shows and drama, as well as news and current affairs seven days a week. Additionally, early prime time, from 8:00 p.m. to 9:30 p.m., is also based on stripped programming, with daily drama and docu-crime series broadcast Monday through Thursday. These stripped programs help to build long-term loyalty of our viewers and an increasingly stable audience share.

We reserve prime time for our highest quality programming, including entertainment shows, drama series and feature films.

TVN 7

We launched TVN 7, our free cable and satellite channel, in 2002. TVN 7 benefits from our content, infrastructure and know-how, allowing it to operate on a relatively low-cost basis and allowing us to recover programming costs via incremental advertising revenue.

TVN 7 broadcasts 24 hours a day, seven days a week and shows feature films, television series, entertainment and game shows. TVN 7's programming content complements TVN's, and by targeting different groups in our key target audience at the same time, we obtain not only a more complete coverage of our key target audience, but also avoid having TVN 7 and TVN compete with each other. Moreover, TVN 7 enables us to use our program archives effectively and, most importantly, increase the frequency of our customers' advertisements.

TVN 24

TVN 24 currently operates a 24-hour, seven days a week and is a channel devoted exclusively to broadcasting national and international news and current affairs programs of interest to Polish viewers. We produce substantially all of its domestic news content in-house through nine regional centers and our own team of reporters. For coverage of events outside Poland, we have our correspondents in Washington, London, Moscow and Brussels and TVN 24 has entered into agreements with international news services such as Reuters and the Associated Press Televisions News.

TVN 24 is available to nearly 8 million subscribers on digital satellite platforms operating in Poland, namely Cyfra+, Cyfrowy Polsat, 'n' DTH platform, TP and TNK, and about 500 cable and DSL operators (out of about 550 cable operators). The major cable operators offering the TVN 24 channel include UPC, Multimedia Polska, Vectra and Aster.

We believe that TVN 24's coverage amounts to approximately 99% of the pay cable and satellite platform digital network subscribers in Poland, since the operators who do not carry TVN 24 are usually small, local networks.

Audience market share

During the year ended December 31, 2010 we derived approximately 49.6% of our total revenue from television advertising. We have been able to diversify our advertising revenue stream by developing additional revenue sources, including subscription revenues from the 'n' DTH platform, licensing fees, call TV, teleshopping, e-commerce and hosting services.

In the current television advertising market environment in Poland, advertisers generally allocate their expenditure among channels based on each channel's targeted audience market share, the demographic audience profile and pricing. In order to maximize our advertising revenue, we seek to increase our audience share among those viewers whom we believe are attractive to advertisers by developing and broadcasting programs targeting them.

Television broadcasters and advertisers use audience survey data to determine the number and demographic characteristics of an audience watching a particular program. Audience market share figures are expressed as a percentage of the total number of television viewing during the time of broadcast. Ratings figures generally express actual audience numbers as a percentage of the total population, or specific audience.

Our internal analysis of the viewing figures focuses on our share of our key target audiences. In particular, we follow audience market share during peak time, which is the period from 6:00 p.m. until 11:00 p.m., as this is the time period during which advertising rates are the highest.

The tables below show our share of nationwide peak time audience (defined as viewers aged four and older) and our share of peak time audience among viewers aged 16-49 compared to that of our major competitors for each year since the beginning of 2006:

Nationwide Peak-time Audience Share

Channel	2006 (%)	2007 (%)	2008 (%)	2009(%)	2010(%)
TVN Group including (but not limited to):	23.7	24.3	24.6	23.7	23.7
TVN	20.4	20.0	20.4	19.5	18.8
TVN 7	1.4	1.4	1.6	1.6	1.6
TVN 24	1.3	2.1	1.9	1.9	2.5
TVN Meteo	0.1	0.1	0.1	0.1	0.1
TVN Turbo..............	0.3	0.3	0.3	0.3	0.3
TVN Style	0.2	0.3	0.3	0.3	0.3
TVP 1..........................	24.6	23.5	22.5	21.2	20.6
TVP 2..........................	19.5	17.7	17.3	17.1	16.6
Polsat..........................	17.4	18.6	17.6	16.0	14.6
TV 4	1.9	2.1	1.8	2.2	2.4
Others.........................	12.9	13.8	16.2	19.8	22.1

Source: NAM

16-49 Peak-time Audience Share

Channel	2006 (%)	2007 (%)	2008 (%)	2009(%)	2010(%)
TVN Group including (but not limited to):	25.1	24.4	25.0	24.2	23.7
TVN	21.6	20.3	20.6	20.0	19.2
TVN 7	1.7	1.7	2.1	2.0	1.9
TVN 24	1.1	1.6	1.3	1.2	1.6
TVN Meteo	0.0	0.0	0.1	0.1	0.1
TVN Turbo..............	0.4	0.5	0.5	0.5	0.5
TVN Style	0.3	0.4	0.4	0.4	0.4
TVP 1..........................	22.6	21.2	19.9	18.4	18.0
TVP 2..........................	17.7	16.0	15.8	16.1	15.5
Polsat..........................	20.0	21.8	20.4	18.4	16.7
TV 4	2.1	2.4	2.2	2.6	2.7
Others.........................	12.5	14.2	16.7	20.3	23.4

Source: NAM

According to NAM, in 2010, our channels captured an aggregate average of 21.1% of Poland's nationwide all-day television audience.

The tables below show our all-day nationwide audience share and our all-day audience share among viewers aged 16-49 compared to that of our major competitors for each year since 2006:

Nationwide All-Day Audience Share

Channel	2006 (%)	2007 (%)	2008 (%)	2009(%)	2010(%)
TVN Group including (but not limited to):	20.8	21.8	21.9	21.2	21.1
TVN	16.7	16.5	16.7	15.9	15.2
TVN 7	1.4	1.5	1.6	1.7	1.6
TVN 24	2.0	3.0	2.7	2.7	3.4
TVN Meteo	0.1	0.1	0.1	0.1	0.1
TVN Turbo..............	0.3	0.3	0.4	0.4	0.4
TVN Style	0.3	0.4	0.4	0.4	0.4
TVP 1..........................	24.0	23.2	22.6	20.9	19.3
TVP 2..........................	20.1	18.0	16.8	15.4	14.5
Polsat..........................	16.1	16.8	15.4	14.8	13.8
TV 4	2.1	2.1	1.8	2.1	2.1
Others..........................	16.9	18.1	21.5	25.6	29.2

Source: NAM

16-49 All-Day Audience Share

Channel	2006 (%)	2007 (%)	2008 (%)	2009(%)	2010(%)
TVN Group including (but not limited to):	22.4	22.3	22.8	22.1	22.3
TVN	18.2	17.2	17.5	16.9	16.4
TVN 7	1.7	1.8	2.0	2.0	2.0
TVN 24	1.5	2.3	2.0	2.0	2.6
TVN Meteo	0.0	0.0	0.1	0.1	0.2
TVN Turbo..............	0.5	0.5	0.6	0.6	0.6
TVN Style	0.4	0.5	0.6	0.5	0.5
TVP 1..........................	21.2	20.2	19.2	17.5	15.9
TVP 2..........................	18.9	16.8	15.6	14.3	13.5
Polsat..........................	18.7	19.9	18.5	17.4	16.0
TV 4	2.3	2.4	2.2	2.5	2.5
Others..........................	16.5	18.4	21.7	26.2	29.8

Source: NAM

Television advertising

Television advertising sales

We sell advertising airtime to a broad and diverse group of advertisers that include multinational and national companies. The majority of our advertising revenue generated in 2010 came from media houses representing multiple advertisers, with the balance generated directly pursuant to agreements with individual advertisers. For the year ended December 31, 2010, our ten largest individual advertisers collectively accounted for approximately 20.5% of our net advertising revenue with no single advertiser accounting for more than 3.5% of our net advertising revenue.

In order to provide flexibility to our advertising customers, we offer advertising priced on (i) cost per GRP, and (ii) rate-card basis. In 2010, 47% of our advertising sales on our TVN channel were package sales priced on the basis of cost per GRP compared to 45% in 2009.

Advertising priced on a rate-card basis is applied to advertisements scheduled at a specific time. The cost of such advertising is based on the length of the advertisement, the time of the day and the season during which the advertisement is shown. Consistent with industry practice, we provide, as an incentive, a rebate on rate-card prices to a number of advertising agencies and their clients. Advertising priced on a cost per GRP package basis allows an advertiser to define the number of GRPs that it wants to achieve within a defined period of time with its advertisement. We usually schedule specific advertisements one month in advance of broadcasting them so that we meet the GRP target that the advertisers set while maximizing the use and profitability of our available advertising airtime.

Television advertising sales team

Our television advertising sales team consists of approximately 178 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, our sales teams works closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross- promotional opportunities.

Together with the programming department, our advertising sales department obtains television audience ratings data from NAM on a daily basis. They analyze this data and compare it with the audience ratings of our competitors to determine the most effective strategy for scheduling advertising slots to reach our advertising clients' preferred audience in the most efficient manner. In addition, our advertising sales department conducts a wide range of market analyses, focusing on various sectors of the Polish economy and our key target audience. The department is also responsible for ensuring that advertising slots are allocated in accordance with client specifications regarding context and timing.

Development of our television advertising market share

As evidenced by our peak time key target audience market share, we attempt to schedule our programming to attract and retain that group of viewers. Our market share of net television advertising expenditure in Poland reflects our ability to consistently attract key target audiences. According to NAM, TVN Group achieved a 38.4% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2010. During the same period, we had a peak time key target audience share of 29.2%. We believe that this success is due to the combined strength of our peak time key target audience share and our in-house advertising sales and marketing efforts. With the introduction of thematic channels we are able to deliver specific viewers within the key target audience to our advertising customers, which we believe makes their advertising messages more efficient.

The table below compares our nationwide all-day audience share and our share of total GRP delivery ("share of voice") to that of our main competitors in 2010:

Group	**All-day nationwide audience share (%)**	**All-day share of voice (%)**
TVN Group	22.4	27.1
TVP Group...	33.0	36.8
Polsat Group..	21.7	24.5
Others...	22.9	11.6
Total	**100.0**	**100.0**

Source: NAM

The table below compares our peak time key target group audience share and our peak time key target group share of total GRP delivery (share of voice) to that of our main competitors in 2010:

Group	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN Group	29.2	38.4
TVP Group...	29.8	24.4
Polsat Group..	18.2	22.7
Others..	22.8	14.5
Total	**100.0**	**100.0**

Source: NAM

The table below compares peak time key target group audience share and peak time key target group share of total GRP delivery (share of voice) of the TVN channel to that of its main competitors in 2010:

Channel	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN	23.7	32.6
TVP 1...	14.3	13.4
TVP 2...	12.4	9.8
Polsat...	13.6	18.0
Others..	36.0	26.2
Total	**100.0**	**100.0**

Source: NAM

Programming sources

Programming produced by TVN Group

We produce a wide variety of television content, including news and current affairs programs, documentaries, reality shows, talk and game shows, soap operas, movies and drama series. In 2010, we produced approximately 3,095 hours of programming for our TVN channel. To the extent possible, we use our own employees for the production of our programs, but we also hire temporary staff (including screen writers, actors, producers and directors) on a project-by-project basis. Sub-contracting to third party production companies provides us with additional production capacity when needed, thereby reducing overhead costs related to production facilities and equipment. We outsource the production of certain entertainment shows, reality shows and drama series. We tend to work closely with the Polish subsidiaries of internationally recognized programming content producers such as Fremantle Polska Sp. z o.o., Mastiff Media Polska Sp. z o.o., Constantin Entertainment, as well as a wide range of Polish independent programming content producers.

In addition to our main news studio in Warsaw, we operate nine regional news offices and provide comprehensive news coverage of Poland. Each regional office can send its reporting crews to any location in Poland and is equipped with the latest transmission facilities. This enables the prompt transfer of video and live coverage of newsworthy events. For the coverage of international events outside Poland, we have entered into agreements with international news agencies such as Reuters, APTN and we have also entered into an agreement with European News Exchange, a non profit organization for the exchange of news footage and transmission services between television broadcasters. We deployed our own news team to cover key events such as the 2010 Winter Olimpics in Vancouver, Smoleńsk accident, Evacuation of Chile miners as well as 2010 FIFA World Cup South Africa. TVN 24 also has permanent foreign correspondents in Moscow, Brussels, London and Washington, D.C.

Acquired foreign programming

Broadcasting rights are generally acquired under one of three types of contractual arrangements: (1) output, (2) volume or (3) spot contracts. Output contracts involve the acquisition of the right to broadcast all current and future releases of a particular film studio. Volume contracts involve the acquisition of a specified volume of television programming content. Spot contracts involve the acquisition of the right to broadcast individual series or films. We have contracts concluded with the major Hollywood studios, including Warner Brothers and Paramount Pictures. We are not dependent on any particular distributor, and none of our suppliers accounts for 3.3% or more of our operating costs.

Competition

Our main channel, TVN, competes for audiences and, consequently, advertisers with the nationwide channels TVP1, TVP2 and Polsat. Our other channels compete with small regional channels operating in Poland and with channels distributed through satellite and cable. The following table sets out the household penetration of TVN and those of its principal competitors as of December 31, 2010. Household penetration is measured by the ability of a household to detect a television signal, regardless of quality.

Channel	Approximate household penetration
TVP1	100%
TVP2	100%
Polsat	97%
TVN	91%

Source: NAM

According to NAM, during 2010, TVP1, TVP2 and Polsat together accounted for a nationwide all-day audience share of 47.6%. TVN's market share during this period was 15.2%. The aggregate nationwide all-day audience share of TVP1, TVP2 and Polsat in TVN's coverage area was 43.3%, while for TVN it was 16.7%.

For the year ended December 31, 2009 TVP generates approximately 17.2% of its revenue from mandatory license fees with the balance primarily from advertising. Therefore, we regard TVP as one of our major competitors. However, unlike other television broadcasters, Polish regulations do not permit TVP to interrupt its programs with advertising.

Polsat, launched in 1992, was Poland's first privately owned television broadcaster. Polsat's programming includes Polish entertainment shows, films, series, sports and news programs. In March 1997, Polsat launched Polsat 2, an encrypted satellite channel which broadcasts news and current affairs programs.

The remaining Polish audience share is split among over 146 other Polish language cable and satellite channels. According to NAM, these other market participants collectively captured 37.2% of the nationwide all-day audience share in 2010.

PAY TV SEGMENT

Segment overview

For the year ended December 31, 2010, our pay TV segment generated 24.6% of our total revenues.

Industry Overview

Polish pay TV market

The pay TV market in Poland consists primarily of cable TV operators and satellite DTH operators. The cable television market is undergoing consolidation, but it still consists of approximately 550 operators (including DSL/IPTV, affiliated companies are counted as one operator). Cable networks in Poland are undergoing a gradual process of digitalization, conducted primarily by the largest operators, which is necessary for the cable operators to offer a range of premium services, including HD channels and VoD. In addition, cable operators have begun to offer pay TV services together with telephony and Internet access services, with the aim of attracting new customers, as well as growing ARPU and reducing churn among existing customers. We believe future development of cable operators in Poland will be constrained by the geographical reach of their cable networks and the quality of the cable lines. While the digitalization of cable networks is likely to continue, it will likely only occur in certain parts of the cable networks as the process is capital intensive. UPC, Aster, Vectra and Multimedia are Poland's largest cable operators with an aggregate 61% of the cable market as of December 31, 2010. The Polish pay digital satellite market is split between four digital platform operators: (1) Canal+ Cyfrowy Sp. z o.o., operating the Cyfra+ platform, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) ITI Neovision Sp. z o.o. operating the 'n' DTH and TNK platforms and (4) Telekomunikacja Polska S.A. ("TP"), operating the TP DTH platform. We recently entered into a framework cooperation agreement with TP. See "Material Contract" for "Framework cooperation agreement with Telekomunikacja Polska S.A.".

Market outlook for pay TV in Poland

We believe that satellite DTH pay TV services will develop over the coming years, due to several factors, including:

- Penetration of pay TV services among Polish households, including social packages, is estimated to be 72% as of December 31, 2010, not adjusting for the TV households with more than one pay TV service. There remains a significant potential to increase pay TV penetration, as the availability of Polish language free-to-air programming is limited and an increasing number of Polish households have an interest in multi-channel television and financial resources to pay the subscription fees for the service.
- The DTH segment of the market is well positioned to benefit from pay TV market growth, as it offers rich content and high quality picture and sound. As opposed to cable and IPTV operators, satellite DTH providers are not constrained by the geographical reach of the network and significant infrastructure investments are not required to assure sufficient quality of service.
- The number of thematic channels available in the market is increasing, including a growing number of HD programs. This has led to an improvement in content quality which attracts new customers, who are looking for a broader television offering. Customers are also attracted by new ways of consuming television content enabled by technological advances, such as PVR functionality, on-demand viewing and 3D services.

- There is strong demand for flat screen HD television sets in Poland. As households decide to replace their old equipment with a new HD television set, they often decide at the same time to subscribe to a pay TV service offering HD content.

The ‘n’ acquisition

On March 10, 2010, we completed the acquisition from ITI Media of the remaining 49% equity interest in the former Neovision Holding B.V., which through its subsidiary, ITI Neovision Sp. z o.o., owned and operated the ‘n’ DTH platform. The purchase price for the transaction was EUR 188,000, of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 aggregate principal amount of additional 10.75% Senior Notes to ITI Media, Polish Television Holding and N-Vision.

The remaining EUR 40,000 of the purchase price was paid by the issuance of the two Promissory Notes which were paid into an escrow account and held in escrow pursuant to the Escrow Agreement. The Promissory Notes were issued by TVN S.A. and had substantially similar economic terms as the 10.75% Senior Notes. The Promissory Notes were exchanged for EUR 40,000 of additional 10.75% Senior Notes issued on April 30, 2010, and were subsequently cancelled. The EUR 40,000 of additional 10.75% Senior Notes were held in escrow pursuant to the Escrow Agreement on November 10, 2010 and were released from escrow upon the occurrence of certain events relating to ITI Neovision Sp. z o.o.

In connection with the transaction, we also entered into a non-compete agreement dated March 10, 2010 with ITI Media and the former Neovision Holding B.V. The non-compete agreement prohibits ITI Media, for a period of one year from March 10, 2010, from (i) directly or indirectly, engaging in the business of distributing pay-TV programs in Poland through either a digital satellite system or through the Internet and (ii) soliciting for employment certain employees and any person who was a member of the management board of ITI Neovision Sp. z o.o. during the past year.

Effective as of April 30, 2010, DTH Poland Holding Cooperatief U.A. became the legal successor of all assets and liabilities of Neovision Holding B.V. This succession occurred through the legal mergers of Neovision Holding B.V. and Neovision Holding II B.V.

Our DTH platform

We view the pay TV market as consisting of three broad categories of offerings: economy, mainstream and premium. ITI Neovision Sp. z o.o. operates the ‘n’ DTH platform, which focuses primarily on the premium segment of the pay TV market, and “Telewizja na karte” (“TNK”), which provides a pre-paid offering for the economy segment of the market. As of December 31, 2010, the ‘n’ DTH platform had almost 805,000 (not in thousands) active subscriber and TNK had almost 322,000 (not in thousands) active customers (including HD).

The ‘n’ DTH platform, launched in October 2006, offers pay television services in Poland broadcasted over a satellite to its subscribers. In order to receive ‘n’ services, a subscriber needs a satellite dish and a set-top box with an access card offered by ‘n’. Customers usually sign contracts for 12 to 24 months. They select program packages they are interested in and pay appropriate monthly fees. ITI Neovision Sp. z o.o.’s programming offer consists of television channels, either proprietary or licensed from other broadcasters, grouped in thematic packages. ITI Neovision Sp. z o.o. also produces five exclusive television channels focusing on film and sports content. The ‘n’ customers may select to use a set-top box equipped with a hard-disk drive, which enables them to use VoD and personal video recorder services. VoD is offered either for a monthly subscription fee or paid per view. VoD services include Polish and international movies and TV series.

In October 2008, ITI Neovision Sp. z o.o., through its subsidiary Cyfrowy Dom Sp. z o.o., launched the pre-paid satellite DTH service TNK. As of December 31, 2010, TNK had almost 322,000 active customers. TNK sells decoding cards or decoding cards together with simple set-top boxes, which allow subscribers to access a number of pay and free-to-satellite television channels for an initial period of one to six months. After the initial period is over, subscribers can only view certain free-to-satellite channels unless they pre-pay additional fees in order to extend access to the entire pay programming offer. There are no formal contracts signed with customers and customers are free to pay only in the periods when they want to access the pay programming package. In May 2010 the TNK offer was extended through introduction of a high-definition version of the service ("TNK HD"), with a richer programming package and a new set-top box, featuring new functionalities, the ability to receive digital terrestrial television signal and the possibility to connect an external hard disc drive. As of December 31, 2010, TNK had 291,000 active customers for its basic pre-paid service and an additional 31,000 active customers for its new TNK HD pre-paid service.

The acquisition by the Company of the 'n' DTH platform has strengthened the competitive position of the TVN Group (i) through multi-platform promotion, content acquisition and distribution and (ii) by enabling the Company to capitalize on a near-term window of opportunity due to the expected further rapid migration of terrestrial TV users to DTH platforms. The investment will also provide the TVN Group with revenue diversification.

Distribution

The ITI Neovision Group's services are distributed primarily through a nationwide network of over 1500 points of sale operated by distribution partners, who have signed agency contracts with us. The agents sign contracts with postpaid customers on our behalf, for which they receive volume based commissions and bonuses, collect activation fees and provide certain after sales services to our customers. We also distribute our services through our call center and online shop on the 'n' website. TNK's prepaid cards are sold to our distribution partners, who subsequently distribute them to retail points of sale. No contracts are signed with TNK customers. Distributors of TNK are not remunerated based on commission schemes, but earn a margin on the purchase and resale of decoding cards as well as a margin on distribution of top-ups of pre-paid cards.

Security

Our products largely comprise content in which we own, or have license to, the intellectual property rights, delivered through a variety of media, including broadcast programming, interactive television services, and the Internet. Third parties may be able to copy, infringe or otherwise profit from our rights or content, which we own or license, without our, or the right holders', authorization. These unauthorized activities may be more easily facilitated by the Internet.

We have, therefore, implemented several security measures to prevent piracy in the pay TV segment, including the latest Conax CAS 7 conditional access system with pairing of cards and set-top boxes by individually encrypting card-box communications to prevent key sharing.

Competition

Besides ITI Neovision, which owns and operates the 'n' DTH platform and the pre-paid TNK service, there are three other players on the Polish DTH Pay TV market: (1) Cyfrowy Polsat S.A., (2) Canal+ Cyfrowy Sp. z o.o. and (3) Telekomunikacja Polska ("TP"). The table below presents the number of subscribers of all platforms as of the end of 2007, 2008, 2009 and 2010:

	Number of subscribers (in thousands)			
Platform	**2007**	**2008**	**2009**	**2010**
'n' (1)……………………………………………	272	493	692	805
TNK (1)………………………………………	-	92	262	322
Total 'n' and TNK……………………………..	**272**	**585**	**954**	**1,127**
Cyfrowy Polsat (2)……………………………..	2,068	2,727	3,200	3,434
Cyfra + (3)……………………………………	1,070	1,380	1,500	1,550
TP(4)	40	113	283	497
Total market……………………………………	**3,450**	**4,805**	**5,937**	**6,608**

(1) TVN Group internal data;
(2) Cyfrowy Polsat Investors' Center;
(3) Publicly available data;
(4) Data for TP includes DTH and IPTV subscribers and comes from the Telekomunikacja Polska Investors' Center for the end of third quarter.

ONLINE SEGMENT

Segment overview

For the year ended December 31, 2010, this segment accounted for 9.8% of our total revenues.

Industry Overview

Polish Internet industry

Poland has one of the largest populations of Internet users aged seven and older in Central and Eastern Europe, with 18.2 million users, as of October 2010, based on estimates of Megapanel PBI/ Gemius. According to GUS, in 2010, approximately 63.4% of Poland's households with at least one person aged between 16 and 74 years old, had a computer and Internet connection, with 57% of households having broadband access to the Internet. Broadband access is defined by type of connection (DSL, cable modem, 3G, satellite access, radio access).

The Polish Internet market consists of private commercial Internet portals and other thematic websites, i.e. vortals. The majority of these services are targeted to Polish people living in Poland or the Polish community living abroad. Usually the Internet is accessed through personal computers, but Internet access through mobile devices is also growing. According to SMG/KRC Poland Media, in the third quarter of 2010, 9.3% (1.5 million) of Internet users from Poland regularly access the Internet from their mobile phones.

Polish Internet portals are mainly financed through advertising and, to a lesser extent, through user fees for paid services. Advertising revenues are primarily derived from (i) display of advertisements, (ii) search based revenues and (iii) online directory services.

Polish Internet advertising market

Internet advertising is the fastest growing advertising medium in Poland. According to Starlink, Internet advertising in 2010 amounted to approximately PLN 1,032 million (compared to PLN 838 million in 2009), representing a 24.3% increase.

Net advertising market estimates are based on the monitored gross advertising spending information, after deduction of estimated volume of discounts/rebates and VAT. Net advertising market estimates also exclude media barter-based transactions. Estimates of the net value of the Internet advertising market in Poland are based on information available to entities focusing on this segment of the advertising market, including IAB Polska and our internal estimates based on our knowledge and understanding of this market.

In our experience, the preferred demographic of Internet advertisers in Poland consists of Internet users between 16 and 49 years old, living in urban areas with a population in excess of 100,000. These users are perceived to have both income and spending power that are above average. In addition, we believe that the spending patterns of this audience group are more likely to be influenced by advertising than those of other viewers.

Market outlook for Internet advertising in Poland

We believe that Internet advertising expenditure in Poland will increase over the long term as a result of several factors, including:

- the expected growth in gross domestic product and an increase in consumer spending levels;
- an increase in Internet and broadband penetration in Poland and advertising spending per capita to levels comparable to those in Western Europe;
- a growing shift in media consumption away from traditional media, in particular, print to the Internet;
- a growing level of media convergence especially between television, Internet and mobile phones; and
- marketing research development—joint platform for measuring the effectiveness of an advertiser.

Our portals and vortals

We own and operate Onet.pl, a leading Internet portal in Poland, as well as a number of vortals, including some of the most popular Internet destinations for Polish Internet users.

- Onet.pl has been the leading Polish Internet portal since 2000, offering over 150 free and subscription based media and communication services including multimedia content, thematic services (such as Poland’s leading news, business, sport, lifestyle and travel services) and paid services. According to Megapanel PBI/Gemius, as of October 2010, 72.7% of Polish Internet users use Onet.pl each month.
- TVN24.pl is a news vortal launched in 2007 to allow the TVN 24 channel to develop a closer relationship with its viewers who are able to upload film, news and commentary often used as a source of materials for the TVN 24 channel.
- Zumi.pl is a yellow pages and maps service designed to locate a wide range of points of interest. Zumi is the most popular yellow pages service in Poland and its number of users per month was 4.6 million as of October 2010.
- Plejada.pl is an interactive multimedia site dedicated to showing business and celebrities and was launched in March 2008 as a joint project of TVN and Onet.pl. It is available via the Internet, mobile phones and the ‘n’ DTH platform.
- Sympatia.pl is Poland’s leading online dating service with 1.4 million users.
- Onet VOD offers popular Polish and American series, TV shows and feature films, free first episodes of TVN's latest releases. The service was launched on February 14, 2010. It achieves 2,7 million users monthly as of October 2010.

In addition to those listed above, we own and operate other vortals that function under their own brands.

Online advertising

Online advertising sales

We sell the majority of our online advertising services to our final advertising clients through media houses. We derive most of our online advertising revenue from the sale of online display advertising through graphic ad products including the display of rich media advertisements, sponsoring products, video ads, text links and e-mail marketing. In addition to display advertising, we sell online marketing products based on search engine solutions mainly in partnership with Google. Another source of our online advertising revenue relates to online directory services where we sell yellow pages on-line services through our Zumi vortal and through external partnerships with other directory services selling jobs, automotive and other services.

Display of advertisements. We generate revenue related to the display of advertisements on the Onet.pl portal and our thematic vortals TVN24.pl, Zumi.pl, Plejada.pl and Sympatia.pl.

In order to provide flexibility to our customers, we offer our online advertising services priced on several models, including cost per mille ("CPM"), flat (paid per period of exposure), cost per click ("CPC"), cost per action ("CPA"), CPA-like models and hybrids of the various models. The majority of our online advertising services sales are done on a CPM basis. However, there has recently been a growth in sales based on the CPA model for sales based on transaction revenue, which is generated by facilitating online transactions through the Onet websites. We recognize transaction revenue when there is evidence that qualifying transactions have occurred based on advertisements on our websites, for example, when an order is placed through Onet.pl's shopping mall, Onet.pl business services and other.

Search based revenues. We generate revenues from our partnership with Google. We also monetize our websites by placing Google ad boxes and search boxes on our services.

Online directory services. Revenue also includes revenue from the sale of online directory services on Zumi.pl, including text-based links, banners, rich media and other forms of Internet advertising. We primarily price our directory services on flat and CPM models.

Online advertising sales team

Our Internet advertising sales team consists of approximately 224 employees responsible for sales of our online advertising and other Internet marketing services, campaign planning, analysis, development of new online marketing services and enhancing relationships with existing and potential advertisers. The sales team works closely with our online segment market research and analysis team. Our Internet marketing services sales team includes also regional sales representatives who promote and sell our online marketing services in all the major regions in Poland.

Competition

Our Onet.pl portal and our thematic vortals construct their market position through operations in the premium segment. The premium Internet segment consists primarily of large thematic portals, vortals as well as other Internet sites that possess well-known brand, offer high quality content and create sound, attractive and cost-effective advertising environment.

The other segment of the Internet advertising market consists of a large amount of Internet services and sites that are created by individuals. They fail to provide high quality content and to deliver advertising capacity. Therefore, they are considered to be a non-premium or low-cost segment.

Our Onet.pl portal competes in principle with other major Polish portals, like WP.pl, Gazeta.pl and Interia.pl, and also with other major websites including Google.pl, Youtube.pl and other major thematic vortals.

The following tables set out the reach and number of real users of Onet.pl and those of the top eight Polish websites as of November 2010, and the average number of users during seven-day periods during that month. Reach reflects the percentage of the total population of Internet users visiting a website at least once during a particular period. The number of real users reflects the number of unique visitors who visited a website at least once during a particular period. The following table presents reach and the number of real users as of October 2010:

Websites	Type	Reach	Real users (in thousands)
Google.pl..	search engine	93.2%	16,991
Onet.pl...	**portal**	**72.7%**	**13,264**
nasza-klasa.pl………….................	social network website	67.0%	12,212
WP.pl...	portal	66.3%	12,088
Gazeta.pl……………………………	portal	63.9%	11,651
Allegro.pl.......................................	online auction	63.2%	11,525
Interia.pl…………………………….	portal	61.3%	11,178
o2.pl…………………………………	portal	55.5%	10,119

Source: Megapanel PBI/Gemius, October 2010

The following table sets out the total time spent by users per month on Onet.pl and the top seven Polish websites as of October 2010. For reference it also includes information on the average time spent by a user on a website during the month. The total time spent represents the sum of all of the time the real visitors to a respective website spent there during a month.

Websites	Type	Total time (in thousands hours)	Average time per user (in hours : minutes)
Onet.pl...	**portal**	**79,136**	**5:57**
WP.pl..	Portal	68,593	5:40
Allegro.pl...	online auction	55,391	4:48
Interia.pl……………………………..	Portal	37,752	3:22
o2.pl………………………………….	Portal	29,115	2:52
Gazeta.pl……………………………	Portal	24,333	2:05

Source: Megapanel PBI/Gemius, October 2010.

DIRECTIONS OF FURTHER DEVELOPMENT

In order to maximize value to our shareholders we hope to maintain revenue growth from stable sources, high profitability and cash flow growth. In order to achieve these objectives, we intend to capitalize on our strengths and pursue the following key actions:

- ***Advance the strategic integration and sharpen the performance of our multimedia platforms*** - We intend to integrate our businesses to better serve the needs of our diversified media asset base and to increase of economies of scale and cross selling opportunities between our three major segments. We will leverage our TV marketing power to support Online and Pay-TV segments and capture advertising revenues across multimedia platforms by using our television channels to promote our Internet and DTH platform activities and through integrated customer relationship management. Conversely, we intend to use the Onet.pl portal and ‘n’ platform to promote the television content we produce and broadcast. We also intend to develop new sales products which will maximize the effectiveness and efficiency of advertising on television and via the Internet at the same time. We also intend to launch additional vortals and services targeting sections of the advertising market, where they are currently underrepresented or not represented at all, and where we can provide access to news, clips and entertainment content produced by our broadcasting segment.

- ***Develop and source attractive programming content*** — The production, sourcing, broadcasting and distribution of attractive and innovative programming content is a key element of our strategy. Our research indicates that programming content produced in Poland is very popular with our key target audiences. We will continue to develop innovative, high quality Polish programming content, in particular, series and movies, using our in-house production capabilities and our established relationships with independent Polish producers and production companies. We also expect to continue to capitalize on our established relationships with leading international content providers, including Warner Brothers, DreamWorks and Paramount Pictures, to deliver attractive ready made content to our audiences. We intend to grow our key target audience share, particularly during peak-time, by sourcing and scheduling attractive television programming content. To this end, we use audience research and market knowledge to understand and anticipate the preferences of our audience.

- ***Focus on our advertising customers' needs and convert growth in audience market share into advertising revenue*** — We intend to continue to provide our advertising customers with programming which meets their expectations and comprehensively fulfill their needs. We seek to meet advertisers' needs by ensuring: (i) specific target audience reach, (ii) required frequency of broadcasting of advertisements, and (iii) programming which provides an appropriate environment for broadcasting or displaying our advertising customers' advertisements. We expect to achieve these goals by developing, sourcing and broadcasting content that is attractive to the audiences targeted by our advertising customers and by launching or acquiring thematic channels that provide us with an optimum share of our key target audience groups. We also believe that the fragmentation of the media industry has provided us with an opportunity to leverage our brand by introducing thematic channels which are increasingly attractive to advertisers. Targeting specific tastes within the key target audience allows us to compete effectively for advertising revenue not only with other television broadcasters but also with other advertising media such as newspapers and magazines.

- ***Identify and further exploit expansion of our activities and revenue diversification*** — We will continue to identify opportunities to expand our activities in the advertising market mainly by evaluating the development of new channels either in Poland, or abroad. Moreover, maintaining electronic media concentration, we intend to further analyse opportunities to expand our business in a manner assuring further revenue diversification. We also intend to further develop our teleshopping activities through the introduction of new, well targeted and well promoted products. In the year 2010, about 57.2% of our revenue was derived from television and Internet advertising, 23.2% from subscription fees of ‘n’ platform subscribers and 11.8% from other sources (call television, revenue from cable operators and Internet services).

- ***Secure our position in the distribution market*** — We intend to support the development of the ‘n’ DTH platform in order to strengthen our competitive position by leveraging our integrated media offering to secure a long-term distribution strategy for our channels. We believe that providing strong marketing and financial support necessary for the further growth of our ‘n’ DTH platform, maintaining our technological advantage and ensuring ‘n’ has access to premium content will allow us to strengthen our pay television market position. We also intend to capitalize on market growth by driving potential market consolidation.

OTHER ASPECTS OF OUR BUSINESS

Capital expenditure

We continue to invest consistently in the capital expenditures required to support our growth strategies. Our total capital expenditure amounted to PLN 243,315 in 2010. Of this amount, the majority was spent on purchasing set top decoders, which amounted to PLN 94,582.

Our total capital expenditure amounted to PLN 302,538 in 2009. Of this amount, the majority was spent on purchasing set top decoders, which amounted to PLN 173,242. We also spent PLN 47,070 on our data center, as well as PLN 16,988, related to TV broadcasting technical equipment.

Our total capital expenditure in 2008 amounted to PLN 183,633. This amount included primarily capital expenditure for the purposes of our Television Broadcasting and Production segment. This included PLN 43,628 invested in TV broadcasting technical equipment PLN 27,201 invested in properties (such as studios and offices), PLN 14,509 in network infrastructure, it hardware and software and PLN 20,907 invested in vehicles and other recurring investments. We also invested PLN 37,410 in data center.

Intellectual property

We protect the program content that we develop against illegal exploitation by third parties registering our intellectual property pursuant to applicable property laws. Similarly, we protect our trademarks by registering them with the Polish Patent Office. We have registered the following trademarks: (1) TVN, as three verbal-graphic trademarks and an international verbal-graphic trademark; (2) TVN 24, as a verbal trademark and two verbal-graphic trademarks; (3) TVN-24, as a verbal trademark; (4) TVN24.pl, as a verbal and verbal-graphic trademark; (5) TVN siedem, as a verbal and verbal-graphic trademark; (6) iTVN, as a verbal trademark; (7) iTVN Grupa ITI, as a verbal-graphic trademark (which is registered also in Canada); (8) TVN meteo, as a verbal and verbal-graphic trademark; (9) TVN turbo, as a verbal and verbal-graphic trademark; (10) TVN style, as a verbal and verbal-graphic trademarks; (11) TVNmed, as a verbal and verbal-graphic trademarks; (12)Onet, as a verbal trademark; (13) Onet.pl, as a verbal-graphic trademark; (14) Sympatia.pl, as a verbal and verbal-graphic trademark; (15) Zumi, as a verbal-graphic trademark; (16) Onet.pl e-mocje, as a verbalgraphic trademark; (17) Tenbit, as a verbal-graphic trademark and (18) Republika www, as a verbalgraphic trademark.

We have filed for the registration of the following trademarks: (1) TVN, as a verbal trademark; (2) TVN siedem, as a verbal-graphic trademark; (3) TVN Warszawa, as a verbal trademark and two verbal-graphic trademarks; (4) Plejada, as two verbal-graphic trademarks; (5) Plejada.pl, as a verbal trademark and (6) TVN media school, as a verbal trademark.

We have filed for the renewal of trademark protection for the following trademarks: (1) Onet, as a verbal trademark; and (2) Onet.pl, as a verbal-graphic trademark. Furthermore, we intend to file for the renewal of trademark protection for the Republika www verbal-graphic trademark.

Properties

Our properties consist primarily of broadcasting, production and office facilities, all of which are located in Poland. We believe that these facilities are well maintained and in good condition. In addition, we own or have a right of perpetual usufruct to a number of undeveloped plots in Warsaw and we own our data center, an investment in the Kraków economic zone completed by our subsidiary GrupaOnet.pl for the total amount of PLN 68,000. Currently, 30% of the data center space is used by Grupa Onet.pl, 50% is leased to third parties and the remaining 20% will serve our future needs.

Insurance

We are insured under insurance policies that are customary in the television broadcasting industry. Overall, we believe that our business and our assets are adequately insured.

Legal proceedings

In the normal course of business, we are subject to various legal proceedings and claims. We do not believe that the ultimate amount of any such pending actions will, either individually or in the aggregate, have a material adverse effect on our business or our financial condition. There are no pending legal proceedings where the amounts claimed against us would exceed 10% of our capital.

Regulation

General

Television broadcasting in Poland is subject to regulations promulgated under the Polish Constitution as well as under the Broadcasting Law.

The National Broadcasting Council (KRRiT) is the constitutional body responsible for the regulation of radio and television broadcasting in Poland as well as enforcement of the Broadcasting Law. KRRiT grants broadcasting licenses and supervises the operations of Polish television broadcasters.

Internet activities in Poland are subject to the Act on Providing Services by Electronic Means, dated July 18, 2002, as amended, which implemented the “Directive on Electronic Commerce.” The Polish Office for Electronic Communications supervises and regulates the telecommunication market as a whole. In general, Internet operations do not require licenses issued by governmental bodies or agencies.

Broadcasting licenses

KRRiT issues television broadcasting licenses, as a rule, for periods of ten years. Licenses are not transferable. KRRiT will revoke a license if a broadcaster materially breaches its obligations under the Broadcasting Law or the terms and conditions specified in its license. In addition, KRRiT will revoke a license if a broadcaster’s activity under its license is carried out in a manner that is deemed to conflict with the Broadcasting Law or the terms and conditions of its license and the broadcaster fails to remedy such conflict within the applicable grace period. The renewal of existing terrestrial and satellite licenses are subject to the rules of the Broadcasting Law.

In June 2010, KRRiT amended the TVN channel license, granting TVN new frequencies available on the MUX2. TVN channel is located on the MUX2 together with the following free-to-air analog commercial television channels: TVN, Polsat, TV4 and TV Puls. On July 7, 2010, the Office of Electronic Communication reserved frequencies for us on the

MUX2 until July 2025. The license for the analog transmission of TVN has been shortened accordingly to the date of the switch-off, namely July 31, 2013.

On September 1, 2010, KRRiT initiated a tender offer to the commercial broadcasters for the remaining four slots on the MUX2. Each applicant can obtain a maximum of one additional slot in the MUX2. As on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2.

The table below sets out the licenses that TVN, ITI Neovision Sp. z o.o. and Neovision UK Ltd. currently hold:

Channel	Type of license	License holder	Licensing body	Date of expiration
TVN	Terrestrial broadcast license	TVN	KRRiT	July 31, 2013
TVN Warszawa	Satellite broadcast license	TVN	KRRiT	June 29, 2018
TVN International West	Satellite broadcast license	TVN	KRRiT	May 5, 2018
TVN CNBC	Satellite broadcast license	TVN	KRRiT	August 30, 2017
TVN Style	Satellite broadcast license	TVN	KRRiT	July 28, 2014
TVN Turbo	Satellite broadcast license	TVN	KRRiT	February 12, 2014
TVN International	Satellite broadcast license	TVN	KRRiT	February 10, 2014
TVN Meteo	Satellite broadcast license	TVN	KRRiT	June 26, 2013
TVN 7	Satellite broadcast license	TVN	KRRiT	February 25, 2012
TVN 24	Satellite broadcast license	TVN	KRRiT	September 26, 2021
NTL Radomsko	Terrestrial broadcast license	NTL Radomsko	KRRiT	February 8, 2015
Telezakupy Mango 24	Satellite broadcast license	Mango Media Sp. z o.o.	KRRiT	January 27, 2013
nFilm HD1	Satellite broadcast license	ITI Neovision	KRRiT	July 27, 2019
nFilm HD2	Satellite broadcast license	ITI Neovision	KRRiT	October 21, 2019
nSport	Satellite broadcast license	ITI Neovision	KRRiT	December 26, 2016
MGM HD	Satellite broadcast license	Neovision UK Ltd.	Ofcom	Indeterminate
Wojna i Pokój	Satellite broadcast license	Neovision UK Ltd.	Ofcom	Indeterminate

We believe that we are currently in compliance with the terms of our licenses, the Broadcasting Law and all relevant corresponding laws and regulations.

Restrictions on foreign ownership

Foreign ownership of television broadcasters is restricted by the Broadcasting Law. At present, licenses may be granted to:

- persons having Polish citizenship and residing in Poland as well as entities having their seat in Poland;
- foreign persons and foreign entities as well as subsidiaries of such foreign entities having their place of residence or seat located within the EEA; or
- entities located in Poland with non-EEA resident ownership provided that: (i) such ownership does not exceed 49% of the entity's share capital, (ii) voting rights owned or controlled by non-EEA residents or subsidiaries of such residents do not exceed 49% of the total voting rights of any such company, and (iii) the constitutional documents of any such company provide that the majority of the members of its management and supervisory board must have Polish citizenship and reside in Poland.

Moreover, acquisitions of shares of Polish broadcasters by non-EEA residents are subject to the prior consent of KRRiT.

In accordance with the KRRiT decision dated September 22, 2004, we have received a consent that allowed us to introduce our shares into trading on the Warsaw Stock Exchange, provided that the number and value of our shares listed on the WSE may not exceed 49% of our share capital and 49% of the voting rights. See "Risk factors", above for further details.

Foreign ownership of Internet portal operations is not restricted or regulated by any law or regulation. The only restrictions regarding ownership of new media companies derive from Polish competition regulations.

Restrictions on programming and advertising

The Broadcasting Law also regulates the content of programming aired by television broadcasters. It sets forth minimum requirements for the broadcast of programming originally produced in the Polish language and programming of European origin. In addition, each broadcaster is required to ensure that 10% of its programming is obtained from independent producers.

Broadcasting licenses granted by KRRiT set out more specific conditions in relation to the type of programming content aired by television broadcasters. Each of our licenses requires us to broadcast our programs for a minimum number of hours per day. These licenses prescribe certain minimum hours for specific types of content, such as news, education and entertainment programs.

Polish broadcasting laws and regulations impose restrictions on advertising. Currently, broadcasters are allowed to devote 15% of total airtime per day to advertising, with the amount of advertising airtime per hour limited to 12 minutes. In addition, there are restrictions with respect to advertisements for certain types of products, such as alcohol or pharmaceuticals and others. Advertisement of tobacco is prohibited.

There are no specific regulations imposed on the content of the services carried in our on-line operations, other than those applicable in Poland to the media in general. In the case of advertising, our new media operations are bound by the same restrictions as our television operations with respect to advertisements for certain types of products, such as alcohol, prescription drugs and tobacco.

Organizational Structure

TVN Group comprises the following entities as of December 31, 2010:

Entity	Country of incorporation and residence	December 31, 2010 Ownership (%)	December 31, 2010 Voting Power (%)
TVN S.A	Poland	n/a	n/a
Grupa Onet.pl S.A. [1]	Poland	100	100
Dream Lab Onet Sp. z o.o. [1]	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
SunWeb Sp. z o.o. [1]	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation plc in members' voluntary liquidation	UK	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
Grupa Onet Poland Holding B.V. [1]	The Netherlands	100	100
Media Entertainment Ventures Int Ltd[1]	Malta	100	100
DTH Poland Holding Coöperatief U.A. [2]	The Netherlands	100	100
ITI Neovision Sp. z o.o. [2]	Poland	100	100
Cyfrowy Dom Sp. z o.o.	Poland	100	100
Neovision UK Ltd[2]	UK	100	100
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
MGM Channel Poland Ltd (joint venture) [2]	UK	45	45
Polskie Badania Internetu Sp. z o.o.[1]	Poland	20	20

1) *Grupa Onet Poland Holding B.V. owns 82.3% of Grupa Onet.pl S.A. and TVN S.A. owns 17.7% of Grupa Onet.pl S.A. Grupa Onet.pl S.A. wholly owns Media Entertainment Ventures International Ltd, Dream Lab Onet.pl Sp. z o.o, SunWeb Sp. z o.o. and owns 20% of Polskie Badania Internetu Sp. z o.o.*

2) *DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) wholly owns ITI Neovision Sp. z o.o. (Poland), Neovision UK Ltd (UK), of Cyfrowy Dom Sp. z o.o. and has 45% joint venture in MGM Channel Poland Ltd (UK).*

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated audited financial statements and other financial information appearing elsewhere in this annual report.

We have prepared our financial statements in Złoty and in accordance with IFRS. IFRS differ in certain respects from U.S. GAAP. We fully consolidate all our subsidiaries in accordance with IFRS.

Impact of Changes in Our Structure on the Reported Results

On March 11, 2009, as a result of an agreement with our controlling shareholder ITI Media Group, which is a wholly owned subsidiary of our ultimate controlling company, ITI Holdings, we took control over ITI Neovision, the owner and operator of the ‘n’ DTH platform. Accordingly, our financial results for the twelve months ended December 31, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the twelve months ended December 31, 2009 include our share of the net loss of ITI Neovision, for the period between January 1 and March 11, 2009, and full financial results of ITI Neovision, for the period between March 11 and December 31, 2009. ITI Neovision was consolidated in our results from March 11, 2009. To make the comparison between periods more meaningful, we have specifically identified the impact of this change, where material, in the period to period comparison.

On May 29, 2009, Discovery Networks Central Europe purchased our share in the Discovery Historia channel and assumed complete ownership of this channel. Accordingly, our financial results for the twelve months ended December 31, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the twelve months ended December 31, 2009 include financial results of Discovery Historia channel for the periods till May 31, 2009.

On December 10, 2009 we entered into a share purchase agreement with ITI Media Group, for the acquisition of 49% of the shares in Neovision Holding, the owner of ITI Neovision. Following the closing of the transaction on March 10, 2010 contemplated by the share purchase agreement, we now directly hold 100% of the shares of DTH Poland Holding, formerly Neovision Holding.

Our fiscal year ends on December 31. References to “2008”, and “2009” and “2010” are to the years ended December 31, 2008, 2009 and 2010 respectively. Unless we indicate otherwise, references to PLN, Dollars and Euro are in thousands.

Summary

The following table provides a summary of our consolidated results for each of the three years ended December 31:

(PLN)	2010	2009	2010 vs. 2009 increase/ (decrease) (%)	2009	2008	2009 vs. 2008 increase/ (decrease) (%)
	Year ended December 31,					
Revenue	2,490,697	2,115,123	17.8	2,115,123	1,897,309	11.5
Operating Profit	363,761	612,090	(40.6)	612,090	631,875	(3.1)
Profit for the period	45,861	346,156	(86.8)	346,156	363,676	(4.8)
Profit attributable to the owners of TVN S.A.	42,754	420,821	(89.8)	420,821	363,676	15.7

The following table provides a summary of our consolidated results for the three months ended December 31, 2010 and December 31, 2009.

(PLN)	2010	2009	2010 vs. 2009 increase/ (decrease) (%)
	Three months ended December 31,		
Revenue	753,451	675,825	11.5
Operating Profit	116,952	302,771	(61.4)
Profit for the period	15,801	204,877	(92.3)
Profit attributable to the owners of TVN S.A.	15,801	242,661	**(93.5)**

The following table provides reconciliation of our operating profit to our operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration for each of the three years ended December 31:

(PLN)	2010	2009	2010 vs. 2009 increase/ (decrease) (%)	2009	2008	2009 vs. 2008 increase/ (decrease) (%)
	Year ended December 31,					
Operating profit................................	363,761	612,090	(40.6)	612,090	631,875	(3.1)
Operating loss of ITI Neovision.........	194,465	195,978	(0.8)	195,978	-	-
Elimination of intra Group transactions	31,624	28,261	11.9	28,261	-	-
Gain on step acquisition	-	(122,359)	100.0	(122,359)	-	-
Gain on remeasurement of contingent consideration*	-	(153,610)	100.0	(153,610)	-	-
Operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration.................................	**589,850**	**560,360**	**5.3**	**560,360**	**631,875**	**(11.3)**

**Contingent consideration resulted from the agreement dated March 11, 2009 under which we had acquired 26% of shares in ITI Neovision and took control over the subsidiary.*

The following table provides reconciliation of our operating profit to our operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration for the three months ended December 31, 2010 and December 31, 2009:

	Three months ended December 31,		
(PLN)	**2010**	**2009**	**2010 vs. 2009 increase/ (decrease) (%)**
Operating profit................................	116,952	302,771	(61.4)
Operating loss of ITI Neovision.........	86,156	85,467	0.8
Elimination of intra Group transactions	14,581	(5,051)	388.7
Gain on step acquisition	-	(11,669)	100.0
Gain on remeasurement of contingent consideration*	-	(153,610)	100.0
Operating profit excluding the effects of consolidation of ITI Neovision and the gain on remeasurement of contingent consideration.................................	**217,689**	**217,908**	**(0.1)**

**Contingent consideration results from the agreement dated March 11, 2009 under which we acquired 26% of shares in ITI Neovision and took control over the subsidiary.*

Three Months Ended December 31, 2010

The principal events of the three months ended December 31, 2010 were as follows:

- According to Starlink television advertising market in Poland in the three months ended December 31, 2010 increased by 4.6% compared to the corresponding period of 2009.

- Our share in the net television spot advertising market, according to our estimates, increased to 36.8%, from 35.5% in the corresponding period of 2009.

- Our TVN 24 increased its audience share in all categories. All-day nationwide audience share increased to 3.1%, from 2.4%, all-day basic commercial target group audience share increased to 2.2%, from 1.8%, all-day key target group audience share increased to 6.0%, from 4.3%, *prime time* basic commercial target group audience share increased to 1.3%, from 1.1%, *prime time* key target group audience share increased to 4.7%, from 3.1%, *peak time* basic commercial target group audience share increased to 1.3%, from 1.1%, and *peak time* key target group audience share increased to 4.5%, from 3.1% in the corresponding period of 2009 according to NAM.

- Our Internet portal Onet.pl had 13.3 million real users and 3.1 billion page views in November 2010. Average monthly time spent per real user on Onet.pl portal in November 2010 was 6 hours and 12 minutes, according to Megapanel PBI/Gemius.

- Our ‘n’ DTH platform increased its post-paid net subscriber number by almost 66,000 (not in thousands) during the three months ended December 31, 2010. As of December 31, 2010, the ‘n’ DTH platform had almost 805,000 (not in thousands) active subscribers. In the three months ended December 31, 2010, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 60.2 (not in thousands), compared to PLN 57.5 (not in thousands) in the corresponding period of 2009.

- TNK active pre-paid net customer base increased by over 22,000 (not in thousands) during the three months ended December 31, 2010. As of December 31, 2010, TNK had over 291,000 (not in thousands) active customers and total customer base of almost 678,000 (not in thousands). As of December 31, 2010, TNK HD had over 31,000 (not in thousands) active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of 1,127,000 (not in thousands) as of December 31, 2010, compared to 954,000 (not in thousands) as of December 31, 2009.

- Our revenue increased by 11.5% to PLN 753,451, from PLN 675,825 in the corresponding period of 2009.

- Our TV segment increased its revenue by PLN 37,643, or 7.9%, to PLN 515,058, from PLN 477,415 in the corresponding period of 2009.

- Our 'n' DTH platform increased its revenue by PLN 35,771, or 27.7%, to PLN 164,753, from PLN 128,982 in the corresponding period of 2009.

- Our Online segment increased its revenue by PLN 8,869, or 13.4%, to PLN 75,298, from PLN 66,429 in the corresponding period of 2009.

- Our operating profit decreased by PLN 185,819 to PLN 116,952, from PLN 302,771 in the corresponding period of 2009. Excluding one-off gain on step acquisition and gain on remeasurement of contingent consideration our operating profit decreased by PLN 20,540 to PLN 116,952 from PLN 137,492.

- Our EBITDA decreased by 168,700 to PLN 185,263, from PLN 353,963 in the corresponding period of 2009. Our EBITDA margin was 24.6%, as compared to 52.4% in the corresponding period of 2009. Excluding one-off gain on step acquisition and gain on remeasurement of contingent consideration our EBITDA decreased by PLN 3,421 to PLN 185,263 from PLN 188,684 and our EBITDA margin was 24.6%.

- We recorded a profit for the period of PLN 15,801 compared to PLN 204,877 in the corresponding period of 2009. This decrease in mainly attributed to one-off gain on step acquisition and gain on remeasurement of contingent consideration.

- Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 15,801, compared to a profit attributable to the owners of TVN S.A. of PLN 242,661 in the corresponding period of 2009.

- Our Net debt to EBITDA ratio as of December 31, 2010 was 4.0. We held in total PLN 802,015 of cash at bank, cash in hand and bank deposits with maturity over three months as of December 31, 2010.

- On October 13, 2010 we signed a long-term framework cooperation agreement with Telekomunikacja Polska S.A. for a reciprocal exchange of offerings and services and for the joint creation of new offerings and services. In particular, we have agreed to co-operate in the areas of content supply, post-paid DTH Pay-TV and prepaid satellite TV, Video-On-Demand, Broadband distribution, as well as in the fields of TV technology and marketing. See also "Material contracts".

- On November 19, 2010 TVN Finance Corporation III AB, our wholly owned subsidiary issued 7.875% Senior Notes with a total nominal value of EUR 175,000. The 7.875% Senior Notes were sold at par value for a total consideration of EUR 175,000. Interest on 7.875% Senior Notes is payable semi-annually (on May 15 and November 15) at a rate of 7.875% per year, beginning May 15, 2011. The 7.875% Senior Notes mature on November 15, 2018.

- On December 23, 2010 we acquired our PLN Bonds with nominal value of PLN 359,000 – a portion of our outstanding PLN 500,000 Bonds, issued in 2008 and maturing in 2013. Upon this acquisition, the total of PLN 359,000 nominal value of the PLN Bonds was redeemed. The remainder of the PLN Bonds will be repurchased by no later than June 14, 2011.

Twelve Months Ended December 31, 2010:

The principal events of the year ended December 31, 2010 were as follows:

- According to Starlink television advertising market in Poland in the twelve months ended December 31, 2010 increased by 7.2% compared to the corresponding period of 2009.
- Our share in the net television advertising market, according to Starlink was maintained at 35%.
- Our TVN 24 increased its audience share in all categories. All-day nationwide audience share increased to 3.4%, from 2.7%, all-day basic commercial target group audience share increased to 2.6%, from 2.0%, all-day key target group audience share increased to 6.3%, from 4.8%, *prime time* basic commercial target group audience share increased to 1.6%, from 1.2%, *prime time* key target group audience share increased to 4.8%, from 3.7%, *peak time* basic commercial target group audience share increased to 1.6%, from 1.2%, and *peak time* key target group audience share increased to 4.7%, from 3.6% in the corresponding period of 2009 according to NAM.
- Our Internet portal Onet.pl had 13.3 million real users and 3.1 billion page views in November 2010. Average monthly time spent per real user on Onet.pl portal in November 2010 was 6 hours and 12 minutes, according to Megapanel PBI/Gemius.
- Our ‘n’ DTH platform increased its post-paid net subscriber number by almost 113,000 (not in thousands) during the twelve months ended December 31, 2010. As of December 31, 2010, the ‘n’ DTH platform had almost 805,000 (not in thousands) active subscribers.
- TNK increased its active pre-paid net customer base net by over 19,000 (not in thousands) during the twelve months ended December 31, 2010. As of December 31, 2010, TNK had over 291,000 (not in thousands) active customers and a customer base of almost 678,000 (not in thousands). As of December 31, 2010, TNK HD had over 31,000 (not in thousands) active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of 1,127,000 (not in thousands) as of December 31, 2010, compared to 954,000 (not in thousands) as of December 31, 2009.
- Our revenue increased by 17.8% to PLN 2,490,697 from PLN 2,115,123 in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our revenue increased by 8.0% to PLN 1,934,288, from PLN 1,791,571.
- Our TV segment increased its revenue by PLN 98,718, or 6.5%, to PLN 1,622,028, from PLN 1,523,310 in the corresponding period of 2009.
- Our ’n’ DTH platform increased its revenue by PLN 250,648, or 69.1%, to PLN 613,146, from PLN 362,498 in the corresponding period of 2009.
- Our Online segment increased its revenue by PLN 36,076, or 17.3%, to PLN 244,128, from PLN 208,052 in the corresponding period of 2009.
- Our operating profit decreased by 40.6% to PLN 363,761. Excluding the effects of consolidation of ITI Neovision, our operating profit increased by 5.3% to PLN 589,850 and our operating margin was 30.5% in 2010 and 31.3% in the corresponding period of 2009.
- Our EBITDA decreased by 23.2% to PLN 610,696, from PLN 794,770 in the corresponding period of 2009. Our EBITDA margin was 24.5%, as compared to 37.6% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision,

our EBITDA increased by 4.8% to PLN 692,162, from PLN 660,697, and our EBITDA margin was 35.8%, compared to 36.9% in the corresponding period of 2009.

- We recorded a profit for the period of PLN 45,861, compared to a profit for the period of PLN 346,156 in the corresponding period of 2009. This decrease in mainly attributed to one-off gain on step acquisition and gain on remeasurement of contingent consideration.

- Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 42,754, compared to a profit attributable to the owners of TVN S.A. of PLN 420,821 in the corresponding period of 2009.

- Our Net debt to EBITDA ratio as of December 31, 2010 was 4.0. We held in total PLN 802,015 of cash at bank, cash in hand and bank deposits with maturity over three months as of December 31, 2010.

- On February 14, 2010 Onet.pl launched Onet VOD (video on demand service). The new service offers popular Polish and American series, TV shows and feature films, free first episodes of TVN's latest releases as well as music, free content for kids and other content. In December 2010 Onet VOD had 4.3 million unique users and 38 million page views, according to Gemius Traffic.

- On March 10, 2010 we completed the acquisition of the remaining 49% of the shares in Neovision Holding, which subsequently merged, on April 30, 2010, with DTH Poland Holding. As a result we are the sole shareholder, through DTH Poland Holding, of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

- On March 10, 2010, in order to complete the acquisition of the remaining shares in Neovision Holding, we issued additional 10.75% Senior Notes with a total nominal value of EUR 148,000 and two Promissory Notes in the aggregate principal amount of EUR 40,000. On April 30, 2010, these Promissory Notes were exchanged for a like principal amount of 10.75% Senior Notes, following which the Promissory Notes were cancelled.

- On April 12, 2010, our supervisory board appointed John Driscoll as the TVN Group Chief Financial Officer and TVN S.A. management board member for three-year term to commence on May 14, 2010, after Rafał Wyszomierski notified the supervisory board of his decision not to stand for the next term of the office.

- On May 17, 2010, ITI Neovision launched TNK HD, a pre-paid digital television service in high definition.

Results of Operations

The following table sets out our result of operations for the periods presented. You should read the information in conjunction with the annual consolidated financial statements and "Operating and financial review and prospects" presented in this annual report.

For your convenience, Złoty amounts as of December 31, 2010 have been converted into Euro at a rate of PLN 3.9603 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2010). Złoty amounts for the three months ended December 31, 2010 have been converted into Euro at a rate of PLN 4.0094 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2010, November 30, 2010 and December 31, 2010). Złoty amounts for the year ended December 31, 2010 have been converted into Euro at a rate of PLN 4.0044 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2010, February 28, 2010, March 31, 2010, April 30, 2010, May 31, 2010, June 30, 2010, July 31, 2010, August 31, 2010, September 30, 2010, October 31, 2010, November 30, 2010 and December 31, 2010). Złoty amounts as of December 31, 2009 have been converted into Euro at a rate of PLN 4.1082 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2009). Złoty amounts for the three months ended December 31, 2009 have been converted into Euro at a rate of PLN 4.1648 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2009, November 30, 2009 and December 31, 2009). Złoty amounts for the year ended December 31, 2009 have been converted into Euro at a rate of PLN 4.3406 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2009, February 28, 2009, March 31, 2009, April 30, 2009, May 31, 2009, June 30, 2009, July 31, 2009, August 31, 2009, September 30, 2009, October 31, 2009, November 30, 2009 and December 31, 2009).

You should not view such conversions as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate. All amounts, unless otherwise indicated, in this table and the related footnotes are shown in thousands.

	Three months ended December 31,				Twelve months ended December 31,			
	2009	2009	2010	2010	2009	2009	2010	2010
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	Euro
Income Statement data								
Revenue	675,825	162,271	753,451	187,921	2,115,123	487,288	2,490,697	621,990
Operating profit	302,771	72,698	116,952	29,169	612,090	141,015	363,761	90,840
Profit before income tax	204,215	49,034	40,375	10,070	380,793	87,728	118,277	29,537
Profit for the period	204,877	49,193	15,801	3,941	346,156	79,748	45,861	11,453
Profit attributable to the owners of TVN S.A.	242,661	58,265	15,801	3,941	420,821	96,950	42,754	10,677
Cash Flow Data								
Net cash generated by operating activities	257,158	61,746	179,997	44,894	479,767	110,530	504,060	125,877
Net cash used in investing activities	(453,987)	(109,006)	(65,721)	(16,392)	(562,270)	(129,537)	(231,081)	(57,707)
Net cash generated by/ (used in) financing activities	486,528	116,819	55,191	13,765	273,037	62,903	(174,391)	(43,550)
Increase in cash and cash equivalents	289,699	69,559	169,467	42,267	190,534	43,896	98,588	24,620
Weighted average number of ordinary shares in issue (not in thousands)	340,433,781	340,433,781	342,110,672	342,110,672	341,262,586	341,262,586	341,292,193	341,292,193
Weighted average number of potential ordinary shares in issue (not in thousands)	343,167,051	343,167,051	343,096,286	343,096,286	342,546,189	342,546,189	345,511,104	345,511,104
Basic earnings per share (not in thousands)	0.71	0.17	0.05	0.01	1.23	0.28	0.13	0.03
Diluted earnings per share (not in thousands)	0.71	0.17	0.05	0.01	1.23	0.28	0.12	0.03
Dividend paid or declared per share (not in thousands)	-	-	-	-	0.57	0.14	0.31	0.08
Other data								
EBITDA*	353,963	84,989	185,263	46,207	794,770	183,101	610,696	152,506
EBITDA margin	52.4%	52.4%	24.6%	24.6%	37.6%	37.6%	24.5%	24.5%
Operating margin	44.8%	44.8%	15.5%	15.5%	28.9%	28.9%	14.6%	14.6%
Balance Sheet data	**As at December 31, 2009 PLN**	**As at December 31, 2009 Euro**	**As at December 31, 2010 PLN**	**As at December 31, 2010 Euro**	**As at December 31, 2009 PLN**	**As at December 31, 2009 Euro**	**As at December 31, 2010 PLN**	**As at December 31, 2010 Euro**
Total assets	4,983,496	1,213,061	5,191,482	1,310,881	4,983,496	1,213,061	5,191,482	1,310,881
Current assets	1,262,767	307,377	1,559,090	393,680	1,262,767	307,377	1,559,090	393,680
Non-current liabilities	3,022,865	735,813	3,261,207	823,475	3,022,865	735,813	3,261,207	823,475
Current liabilities	675,477	164,422	691,590	174,631	675,477	164,422	691,590	174,631
Shareholders' equity**	1,644,871	400,387	1,238,685	312,776	1,644,871	400,387	1,238,685	312,776
Share capital	68,088	16,574	68,471	17,289	68,088	16,574	68,471	17,289
Non-controlling interest	(359,717)	(87,561)	-	-	(359,717)	(87,561)	-	-

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversal on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of net results of associates. The reconciling items between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

** Shareholders equity attributable to the owners of TVN S.A.

The following table provides reconciliation of our operating profit to EBITDA for the periods presented.

	Three months ended December 31,				Twelve months ended December 31,			
	2009 PLN	2009 Euro	2010 PLN	2010 Euro	2009 PLN	2009 Euro	2010 PLN	2010 Euro
Operating profit	302,771	72,698	116,952	29,169	612,090	141,015	363,761	90,840
Depreciation, amortization and impairment charges	51,192	12,291	68,311	17,038	182,680	42,086	246,935	61,666
EBITDA	353,963	84,989	185,263	46,207	794,770	183,101	610,696	152,506

Key factors affecting our results of operations

Cyclicality of Polish advertising market

Advertising sales in Poland historically have responded to changes in general business and economic conditions, generally growing at a faster rate in times of economic expansion and at a slower or negative rate in times of recession. We cannot predict the likelihood that these trends will continue. In particular, we cannot predict what effect the global economic crisis may continue to have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales. The Polish economy is expected to experience 4.1% GDP growth in 2011 according to a forecast by the World Bank and increase from 3.6% in 2010. We estimate that net television advertising expenditure in Poland increased by 7.2% in 2010.

Although the Polish advertising market is dominated by spending on television advertising, which, according to Starlink, accounted for about 52.3% of total advertising expenditure in 2010, the fastest growing segment of the market has been online advertising which gained market share predominantly at the expense of print media advertising.

Television broadcasting and production

Characteristics of television advertising in Poland. The price at which we sell television advertising generally depends on factors such as demand, audience share and any commercial discounts, volume rebates and agency commissions that the buyer negotiates. Audience share represents the proportion of television viewers watching a television channel's program at a specific time. Demand for television advertising in Poland depends on general business and economic conditions. As advertising is mostly sold through centralized media buyers who receive volume rebates and agency commissions on sales made through them, most advertising is sold at a considerable reduction to published rates. Commercial discounts represent the difference between rate-card prices for advertising minutes and the gross prices at which those minutes or rating points are actually sold before the deduction, if applicable, of agency commissions and volume rebates.

The Polish television advertising market is very competitive. The policies and behavior of our competitors relating to pricing and scheduling may result in changes in our own pricing and scheduling practices, and thus may affect our revenue.

Seasonality of television advertising. Television viewing in Poland tends to be seasonal, with the second and fourth quarters attracting a greater number of viewers than the first and third quarters, when television competes with a large number of other leisure activities. During the summer months, when audiences tend to decline, advertisers significantly reduce expenditure on television advertising. Consequently, television advertising sales in Poland tend to be at their lowest during the third quarter of each calendar year. Conversely, advertising sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 2010, we generated approximately 21,4% of our television segment total advertising revenue in the first quarter, 28.2% in the second quarter, 18.1% in the third quarter and 32.3% in the fourth quarter.

Availability of attractive programming content to maximize audience share. The continued success of our advertising sales and the licensing of our channels to digital platform and cable television operators and our success in generating other revenue depend on our ability to attract a large share of our key target audience, preferably during prime time. Our ability to attract a large share of the target audience in turn depends in large part on our ability to broadcast quality programming that 21.1% of Poland's nationwide all-day audience in the twelve months ended December 31, 2010, and our TVN channel achieved 23.7% of our key target audience during peak time in the twelve months ended December 31, 2010. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

Launch of new channels. The success of our thematic channels depends in large part on their ability to profile and target specific audiences that are attractive to advertisers. Accordingly, from time to time, we have launched new channels and disposed of existing channels in response to demand from advertisers. Since January 1, 2006, we have acquired the Telezakupy Mango 24 channel, launched the TVN CNBC and TVN Warszawa channels, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med and TVN Lingua channels. In so doing we have sought to increase the size and to improve the profile of our audience by attracting more viewers from our target demographic groups in order to increase total net and improve year-on-year results.

Digital satellite pay television

Characteristics of pay television market in Poland. Demand for pay television services generally depends on the attractiveness of programming content and the extent to which it is offered on an exclusive basis, the prices charged for subscription to the services, the promotions and discounts offered and the ability to use services such as VoD and content available in HD. Digital satellite television services are sold in co-operation with retail networks and tied agency networks, through call centers and the Internet. The subscription fees we charge our customers for pay television services depend on the number of channel packages and other services, such as video on demand, to which our subscribers subscribe.

We offer our customers discounts or promotional periods, during which we make available to them certain channel packages for reduced prices or for free. The Polish pay television market is very competitive, and some customers switch from one operator to another, depending on promotions offered, exclusive content available or in order to obtain services such as the recorder function or video on demand. We may be forced to change our pricing strategy as well as the services we offer, subject to the policies and behavior of our competitors which may affect our revenue and profit.

Seasonality of pay digital satellite market in Poland. While the pay digital satellite market in Poland is subscription based and revenue per subscriber is therefore not substantially affected by seasonality, growth in the subscriber base is cyclical. Demand for pay digital satellite services is constantly growing, but, similar to television and the Internet, tends to be seasonal. The highest number of new subscribers is typically acquired in the fourth quarter. Seasonal increases in the subscriber base also occur prior to major sport events that are not covered by free-to-air channels. These increases are usually followed by higher subscription revenue. Revenue is first recognized immediately after a customer is activated and continues throughout the subscription period.

Availability and cost of attractive programming content. Our ability to increase our digital satellite platform subscriber base depends largely on our ability to acquire and broadcast high quality programming that appeals to existing and potential new subscribers. Apart from popular channels, also available on other digital satellite platforms and cable networks, we also offer channels that are exclusively available to our subscribers. We also broadcast HD content. While we believe that we are able to successfully acquire competitive, high quality content, we continue to compete with other operators for programming that addresses evolving tastes among our current and potential new subscribers. This may affect our revenue and profitability.

Functionality and cost of decoders. Our ability to continue to attract new subscribers and retain existing subscribers depends in part on the superior functionality of the decoders we offer our customers. Such functionality includes the ability to view high definition content, record programs for viewing at a later date and the ability to access video on demand services. We believe we are able to acquire and offer these decoders at attractive prices. However, increasing competition on the pay digital satellite market in Poland may require us to increase expenditures in this area.

Online

Characteristics of online advertising in Poland. The price at which we sell online advertising generally depends on factors such as demand, specific advertising format, reach, page views, time spent on the web page, demographics of users of respective websites, and any commercial discounts, volume rebates and agency commissions that the buyer negotiates. Advertising formats range from simple banners displayed on the top of web pages, to animated rich-media advertisements displayed on the top of pages, to video-based advertisements. Reach represents the proportion of Internet users who visit a particular website at least once during a specific time period. Page views represent the number of page impressions created by users on a particular website. Time spent represents the average time that a user spends on a website or the total time spent by all users visiting this website during a specific period of time. Demographics of users represent their characteristics, including their specific interests. As in the case of television advertising, we sell a significant portion of online advertising through centralized media buyers at a discount to published rates. Commercial discounts represent the difference between the published rates for respective online advertising services and the gross prices at which those services are actually sold before the deduction, if applicable, of agency commissions and volume rebates. The Polish online advertising services market is very competitive. The policies and behavior of our competitors relating to pricing and the introduction of new offerings in online advertising services may result in changes in our own pricing and offered services, and this may affect our revenue.

Seasonality of Internet advertising. Internet usage and advertising in Poland is constantly growing, but, similar to television, tends to be seasonal, with the second and fourth quarters attracting a greater number of users than the first and third quarters, when the Internet competes with a large number of other leisure activities. During the summer months, when there is a relative decline in usage, advertisers reduce expenditure on media advertising, including spending on online advertising services. Consequently, online advertising sales in Poland tend to be at their lowest level during the first or third quarter of each calendar year. Conversely, online advertising and other online marketing services sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 2010, we generated approximately 20.5% of our total online advertising revenue in the first quarter of 2010, 24.7% in the second quarter, 22.2% in the third quarter and 32,6% in the fourth quarter.

Other factors affecting our results of operations

Foreign exchange rate exposure

We generate revenue primarily in Złoty, while a substantial portion of our operating expenses, borrowings and capital expenditures are denominated in foreign currencies, mainly in Euro and, U.S. dollars. The estimated net profit (post-tax) impact on the major Euro and U.S. dollar denominated balance sheet items as of December 31, 2010 of a Euro and U.S. dollar appreciation of 5% against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is an additional PLN 118,882 loss.

In July 2010 the we entered into USD and EUR foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 7,000, maturity dates between August 18, 2010 and September 30, 2010 and PLN/USD foreign exchange forward rates between 3.06 and 3.07, the hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 5,850, maturity dates between August 18, 2010 and September 30, 2010 and PLN/EUR foreign exchange forward rates between 4.01 and 4.03.

In September 2010 the we entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 7,540, maturity dates between October 4, 2010 and December 31, 2010 and PLN/USD foreign exchange forward rate of 3.00.

In September 2010 the we also entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00.

Acquisitions and disposals

On March 11, 2009, as a result of an agreement with our controlling shareholder ITI Media Group, which is a wholly owned subsidiary of our ultimate controlling company, ITI Holdings, we took control over ITI Neovision, the owner and operator of the 'n' DTH platform. Accordingly, our financial results for the twelve months ended December 31, 2010 are not fully comparable to the financial results for the corresponding period of 2009. ITI Neovision was consolidated in our results from March 11, 2009. To make the comparison between periods more meaningful, we have specifically identified the impact of this change, where material, in the period to period comparison.

On May 29, 2009, Discovery Networks Central Europe purchased our share in the Discovery Historia channel and assumed complete ownership of this channel. Accordingly, our financial results for the twelve months ended December 31, 2010 are not fully comparable to the financial results for the corresponding period of 2009. Our results for the three and twelve months ended December 31, 2009 include financial results of Discovery Historia channel for the periods till May 31, 2009.

On December 10, 2009 we entered into a share purchase agreement with ITI Media Group, for the acquisition of 49% of the shares in Neovision Holding, the owner of ITI Neovision. Following the closing of the transaction on March 10, 2010 contemplated by the share purchase agreement, we now directly hold 100% of the shares of DTH Poland Holding, formerly Neovision Holding.

Taxation

We are subject to corporate taxation in Poland. Deferred income taxes on our balance sheet relate to timing differences between the recognition of income and expenses for accounting and tax purposes as of the balance sheet date. Our deferred tax assets partly relate to Onet's tax credit arising from its investment in a special economic zone and non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of meeting conditions of operating in a special economic zone and the likelihood of future taxable profits with respect to which deductible temporary differences and tax-loss carry forwards can be applied.

Revenue

Television broadcasting and production

This segment primarily derives revenue from commercial advertising. During the three and twelve months ended December 31, 2010, we derived 55.6% and 49.6%, respectively, of our total revenue from commercial television advertising, compared to 55.6% and 54.4% in the corresponding periods of 2009.

Commercial television advertising revenue

We sell most of our commercial television advertising through media houses and independent agencies. In the current Polish advertising market, advertisers tend to allocate their television advertising budgets between channels based on each channel's audience share, audience demographic profile and pricing policy, as measured by NAM in respect to audience shares and profile indicators, and the industry practice in respect to pricing. In order to provide flexibility to our customers, we offer advertising priced on two different bases. The first basis is rate-card, which reflects the timing and duration of an advertisement. The second basis is cost per GRP.

Rate-card pricing. Advertising priced on a rate-card basis is applied to advertisements sold to be scheduled at a specific time. The cost of such advertising is usually higher than the cost per GRP sale method as it is based on the specific key target audience viewership in a particular slot, the length of the advertisement, the time of day, and the season during which the advertisement is shown. Rate-card prices are set on a monthly basis and reflect our audience profile and size in a particular advertising timeslot.

Cost per GRP pricing. Advertising priced on a cost per GRP basis allows the customer to specify the number of GRPs that he wants to achieve. We schedule the timing of the advertisements during such defined period of time, usually one month in advance of broadcast, in a manner that enables us both to meet the advertiser's GRP target and to maximize the use and profitability of our available advertising time. Generally, we structure GRP packages to ensure higher sales of advertising spots during the daily off-peak period. For example, for each GRP purchased during peak time, the client must purchase at least one GRP during off-peak time. The table below shows the percentages of our advertising revenues that were based on rate card pricing and cost per GRP pricing for the periods presented.

	Three months ended December 31,			**Year ended December 31,**		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
Our Rate-card pricing	51%	55%	44%	70%	55%	53%
Our Cost per GRP pricing	49%	45%	56%	30%	45%	47%

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three and twelve months ended December 31, 2010, we tended to sell over 96.6% and 98.1%, respectively, of peak time advertising spots on our TVN channel and over 62.7% and 68.3%, respectively, of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and twelve months ended December 31, 2010, 6.0% and 7.2%, respectively, of our total revenue came from such fees compared with 6.3% and 8.5%, respectively, in the corresponding periods of 2009. Generally, our agreements with digital platform and cable television operators specify the rates at which we charge the operators for each subscriber to a given digital platform or cable television service who paid for one of our channels during the relevant reporting period, which we refer to as per-subscriber-rate. We calculate the monthly license fee that a digital platform or cable operator pays us by multiplying the applicable per-subscriber-rate by the average number of digital platform or cable subscribers who paid for one of our channels during the relevant reporting period.

Other television broadcasting and production revenue

Other revenue sources include revenue generated from sponsorship, call television, text messages and sales of rights to programming content. We share revenue that we generate from text messages and call television with the corresponding service provider, such as telecommunications companies.

Digital satellite pay television

This segment derives the majority of its revenue from post-paid subscription fees and pre-paid recharges. During the three and twelve months ended December 31, 2010, we derived 20.1% and 23.0%, respectively, of our total revenue from 'n' DTH platform subscription fees and recharges compared with 18.2% and 16.4%, respectively, in the corresponding periods of 2009.

Post-paid subscription fees and pre-paid recharges from subscribers and customers to digital satellite platform services

Revenue from subscription fees are monthly fees paid by subscribers of the 'n' DTH platform to access programming packages and VoD services. Subscription revenue depends on the number of subscribers, the type of services to which they subscribe, and the current subscription prices. An individual customer's fee depends on the number of packages selected and can be increased if the customer opts for VoD services or an optional premium package. We also offer our customers services with pre-paid recharge options. Occasionally the 'n' DTH platform runs promotions during which it offers to its subscribers services at discounted prices in order to increase penetration of its services. Discounts granted in a given period, and which relate to the entire customer contract, are recognized proportionately over the contract term. Revenue from subscription fees is recognized on a straight – line basis over the contract term. Revenue from pre-paid recharged is recognized starting form the moment the service is achieved by the end customer, over the period when the service is rendered.

Activation fees

Activation fees are the one-time fees paid by the 'n' DTH platform subscribers upon signing a contract. Activation revenue depends on the number of new customer contracts signed during the applicable period, and the rate of activation fee, which differs depending on the type of set-top box and satellite dish provided to the customer. Revenue from activation fees is recognized on a straight-line basis over the contract term. Occasionally the 'n' DTH platform runs promotions during which it offers to its subscribers reduced activation fee in order to increase penetration of its services.

Online

Our online segment derives a substantial portion of its revenue from online advertising. During the three and twelve months ended December 31, 2010, we derived 8.9% and 8.3%, respectively, of our total revenue from online advertising, compared with 8.3% and 8.2%, respectively, in the corresponding periods of 2009.

Online advertising revenue

We sell the majority of our online advertising services through media houses. We derive most of our online advertising revenue from the sale of online display advertising through products which include, among others, the display of rich media advertisements, display of text-based links to advertisers' websites (search engine marketing) and e-commerce based transactions as well as from online directory services.

Online fee revenue

Other revenue sources include revenue generated from a variety of consumer and business fee based services. These include, among others, revenue from paid thematic services (access to high quality content), sale of premium e-mail accounts, hosting services, registration, video-on-demand and sale of Internet domains, fees from auction services, classifieds and dating services and sale of Internet access. Fee revenue also includes sales of telecommunications services under such brands as OnetSkype, and OnetTelefon.

Other business activity

Revenue in other business activity, not allocated into business segments, primarily includes the sale of goods/teleshopping which accounted for approximately 1.7% and 2.3%, respectively, of our revenue in the three and twelve months ended December 31, 2010, compared with 3.0% and 2.8%, respectively, in the corresponding periods of 2009. We generate revenue from sales of products offered in a particular show on Telezakupy Mango 24, our dedicated teleshopping channel or on our other television channels as well as on the Mango Media Internet site. Other revenue also includes revenue from cinema distribution of films we produce.

Our expenses

The majority of our operating expenses, 49.9% and 47.5% in the three and twelve months ended December 31, 2010 and 46.2% and 46.1%, respectively, in the corresponding periods of 2009, were related to the acquisition and production of television programming, 'n' platform programming and Internet content.

Television broadcasting and production

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 29.9% and 27.4% of our operating expenses the three and twelve months ended December 31, 2010, compared with 29.2% and 30.2% in the corresponding periods of 2009. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three and twelve months ended December 31, 2010, we commissioned and produced locally through third parties 79.1% and 74.1%, respectively, of programming content on our TVN channel, compared with 79.4% and 70.5%, respectively, in the corresponding periods of 2009. During the three and twelve months ended December 31, 2010, we acquired 20.9% and 25.9%, respectively, of our programming content from third parties, compared with 20.6% and 23.0% respectively, in the corresponding periods of 2009. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

Other costs of television broadcasting and production consist of broadcasting costs, which mainly represent rental costs for satellite and terrestrial transmission capacity, staff expenses and royalties payable to unions of authors, artists and professionals in the entertainment industry and the Polish Film Institute, depreciation of television and broadcasting equipment, marketing and research costs, rental and maintenance costs of our premises and consulting fees for technical, financial and legal services.

Digital satellite pay television

Our digital satellite pay television segment's operating expenses consist of programming costs, depreciation of set-top boxes, broadcasting expenses, staff expenses, sales commissions and marketing expenses. This segment's operating expenses consist primarily of programming costs, which accounted for 18.5% and 18.8% of our operating expenses in the three and twelve months ended December 31, 2010.

Programming costs

The 'n' DTH platform acquires long-term licenses to broadcast movies, sporting events and rights to television channels, for which it pays fixed fees. Such rights are capitalized and amortized over the license term. In the case of other licenses to broadcast television channels, that are usually with respect to channels offered to the 'n' DTH platform on a non-exclusive basis, the 'n' DTH platform pays carriage fees based on the number of active subscribers multiplied by a fee per subscriber. Such fees are expensed in the period in which they arise. Programming production expenses relate to the channels produced by the 'n' DTH platform, as well as to its VoD services.

Depreciation of set-top boxes

The set-top boxes that we provide to the 'n' DTH platform post-paid subscribers remain our property. Customers are obligated to return them after termination of their contracts. We depreciate set-top boxes over their expected useful life of five years.

Sales commissions

We pay commissions to the 'n' DTH platform distributors and call centers for acquiring new subscribers. The amount of commission depends on the number of acquired customers as well as on the type of services to which a customer subscribes to and the length of contract. For meeting certain periodical sales targets we pay additional commissions to the 'n' DTH platform distributors. Sales commissions are expensed as incurred.

Other expenses

Other segment expenses include payments for decoding cards, payments for correspondence, telecommunication charges, fees payable to the Polish Film Institute and royalties payable to unions of authors, artists and professionals in the entertainment industry, provisions for doubtful debts, employee salaries, rental of office space, IT equipment, software maintenance fees, consulting services, marketing services and costs related to the repair and maintenance of set-top boxes.

Online

Operating costs of our Online segment consist mainly of Internet content production and acquisition costs, lease of transmission network, staff expenses and marketing and research costs. Costs related to Internet content are amortized 100% once the related services or information goes live.

Other Online segments' costs are depreciation of Internet equipment, rent and maintenance costs of our premises and other costs.

Other business activity

Other business activities' expenses consist primarily of costs of services and goods sold, broadcasting expenses, staff expenses and marketing and research expenses.

Financial Condition

Our property, plant and equipment decreased by PLN 35,727 or 4.5% to PLN 763,030 as of December 31, 2010, from PLN 798,757 as of December 31, 2009. The decrease is partly due to disposals of ITI Neovision's set-top decoders and partly due to depreciation charges being higher than gross additions in the twelve months ended December 31, 2010.

Our goodwill amounted to PLN 1,677,614 as of December 31, 2010, and the change compared to our goodwill as of December 31, 2009 was nil. Our brand decreased to PLN 778,625 as of December 31, 2010, from PLN 788,988 as of December 31, 2009. This decrease results from the amortization of the 'n' DTH platform brand.

Our other intangible assets increased by PLN 18,911, or 20.3%, to PLN 112,199 as of December 31, 2010, from PLN 93,288 as of December 31, 2009. The increase is mainly due to the recognition of software related to the implementation of CRM system in ITI Neovision.

Our current and non-current programming rights inventory increased by PLN 12,738, or 3.3%, to PLN 402,349 as of December 31, 2010, from PLN 389,611 as of December 31, 2009. The increase is mainly due to an increase of our current programming rights in our free to air television, following a new deal with Universal and further capitalizations of acquired programming related to our deal with Warner and Paramount.

Our non-current available-for-sale financial assets decreased by PLN 130,662 or 94.5% to PLN 7,588 as of December 31, 2010, from PLN 138,250, as of December 31, 2009. This decrease results from the sale of German government bonds of a nominal value of EUR 30,850.

Our non-current restricted cash was PLN 84,172, as of December 31, 2010, compared to nil as of December 31, 2009. Our current restricted cash was PLN 27,363, as of December 31, 2010, compared to nil as of December 31, 2009. Both non-current and current restricted cash constitute a cash collateral for guarantees under our revolving guarantee facility agreement with Bank Peako S.A. that we entered into on December 17, 2010.

Our current available for sale financial assets decreased by PLN 246,851 to nil as of December 31, 2010, from PLN 246,851 as of December 31, 2009. The balance as of December 31, 2009 represented our investment in German government treasury bills. All these bills matured during the course of 2010.

Our prepayments and other assets increased by PLN 54,341, or 67.0%, to PLN 135,400 as of December 31, 2010, from PLN 81,059 as of December 31, 2009. This increase results mainly from an increase of inventory by PLN 32,764 related to set top boxes kept for resale to retail customers.

Our bank deposits with maturity over three months increased to PLN 321,721 as of December 31, 2010, compared to nil as of December 31, 2009. This primarily reflected our investment of additional liquidity raised through the issue of 10.75% Senior Notes that previously had been invested in German government bonds and treasury bills and comprised bank deposits denominated in EUR and PLN.

Our share capital increased by PLN 383, to PLN 68,471 as of December 31, 2010, from PLN 68,088 as of December 31, 2009. Our share premium increased by PLN 35,995, to PLN 643,049 as of December 31, 2010, from PLN 607,054 as of December 31, 2009. These increases result from shares issued under our stock option plan.

Our other reserves decreased by PLN 379,510, to a negative amount of PLN 438,036 as of December 31, 2010, from a negative amount of PLN 58,526 as of December 31, 2009. This decrease is primarily due to the completion of the acquisition of the non-controlling interest in Neovision Holding in March 2010.

Non-controlling interest amounts to nil, compared to a negative amount of PLN 359,717 as of December 31, 2009. This increase follows the completion of the acquisition of the non-controlling interest in Neovision Holding.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,263,055 as of December 31, 2010, compared to PLN 1,589,292 as of December 31, 2009. The increase results mainly from bond issuances under the transaction in which we acquired the non-controlling interest in our subsidiary, Neovision Holding from the ITI Media Group: EUR 148,000 of 10.75% Senior Notes and EUR 40,000 issued as Promissory Notes at the transaction date and exchanged for a like principal amount of additional 10.75% Senior Notes on April 30, 2010.

Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 671,146 as of December 31, 2010, compared to PLN nil as of December 31, 2009. The increase results from the issuing EUR 175,000 of 7.875% Senior Notes on November 19, 2010.

Our PLN Bonds, excluding accrued interest, amounted to PLN 140,739 as of December 31, 2010, compared to PLN 498,837 as of December 31, 2009. The decrease results from an acquisition and redemption of PLN 359,000 of the PLN Bonds on December 23, 2010.

Our loans from related parties decreased to nil as of December 31, 2010 from PLN 544,612 as of December 31, 2009. This decrease results from a transaction in which we purchased the non-controlling interest in our subsidiary, Neovision Holding. Following the transaction, these loans were derecognized from our balance sheet.

Contingent consideration amounted to nil as of December 31, 2010, compared to PLN 78,397 as of December 31, 2009. The contingent consideration was derecognized following the transaction under which we purchased non-controlling interest in Neovision Holding.

Our financial liability related to the acquisition of the non-controlling interest decreased to nil as of December 31, 2010 from PLN 131,325 as of December 31, 2009. Financial liability related to acquisition of non-controlling interest was derecognized following the transaction under which we purchased the non-controlling interest in Neovision Holding.

Our current trade payables decreased by PLN 47,327 to PLN 239,550 as of December 31, 2010, from PLN 286,877 as of December 31, 2009. The decrease results mainly from decrease of trade payables in digital satellite pay television segment partially compensated by an increase of current trade payables in TV segment.

Our accrued interest on borrowings increased by PLN 16,367 to PLN 38,377 as of December 31, 2010, from PLN 22,010 as of December 31, 2009. This increase results mainly from higher by PLN 11,187 accrued interest on 10.75% Senior Notes, resulting from additional issuances we made under the transaction to acquire the non-controlling interest in Neovision Holding, and partly due to PLN 6,367 of accrued interest on 7.875% Senior Notes.

Our other liabilities and accruals increased by PLN 60,080, or 17.0%, to PLN 413,663 as of December 31, 2010, from PLN 353,583 as of December 31, 2009. The increase was mainly due to an increase in employee benefits' related liabilities and deferred income.

Results of Operations

Three Months Ended December 31, 2010 Compared to Three Months Ended December 31, 2009

Revenue. Our revenue increased by PLN 77,626, or 11.5%, to PLN 753,451 in the three months ended December 31, 2010, from PLN 675,825 in the corresponding period of 2009. This increase resulted mainly from an increase in advertising revenue of PLN 39,302, partly from an increase in subscription fees revenue of PLN 26,765 and partly from an increase of sponsoring revenue of PLN 12,143.

Our advertising revenue increased by PLN 39,302, or 9.4%, to PLN 458,285 during the three months ended December 31, 2010, from PLN 418,983 in the corresponding period of 2009. This increase results mainly from an increase in the advertising revenue in the TVN channel and TVN 24 channels due to higher volume of inventory sold and also from an increase in the advertising revenue of Onet.pl.

Subscription fees revenue increased by PLN 26,765, or 16.5%, to PLN 188,605. The increase was mainly due to an increase in the number of subscribers and ARPU in our digital satellite pay television.

Cost of revenue. Cost of revenue increased by PLN 99,117, or 25.1%, to PLN 493,498 in the three months ended December 31, 2010, from PLN 394,381 in the corresponding period of 2009.

This increase is mainly due to an increase of amortisation of locally produced content by PLN 53,345 or 45.3%, partly due to increase of cost of services and goods sold by PLN 13,436, partly due to increase of fees for broadcasting television content by PLN 11,986 and partly due to higher depreciation of set top boxes by PLN 11,954 resulting from an increase in our 'n' DTH platform's customer base.

The increase in amortization of locally produced content was mainly due to our new program "Mędzy kuchnią a salonem" and new television series based on true stories. Cost of services and goods sold increased by PLN 13,436 or 106.4% mainly due to sale of set top boxes by ITI Neovision to retail customers. Fees for broadcasting television content increase by PLN 11,986 or 15.2% due to increase of customer base. Our 'n' DTH platform increased its post-paid net subscriber number by almost 66,000 (not in thousands) during the three months ended December 31, 2010.

As a percentage of revenue, our cost of revenue increased in the three months ended December 31, 2010, to 65.5%, compared to 58.4% in the corresponding period of 2009.

Selling expenses. Our selling expenses decreased by PLN 13,072, or 13.0%, to PLN 87,837 for the three months ended December 31, 2010, from PLN 100,909 in the corresponding period of 2009.

As a percentage of revenue, our selling expenses decreased to 11.7% in the three months ended December 31, 2010, from 14.9% in the corresponding period of 2009.

General and administration expenses. Our general and administration expenses increased by PLN 13,140, or 34.1%, to PLN 51,634 in the three months ended December 31, 2010, compared with PLN 38,494 in the corresponding period of 2009. This increase is partly due to increase in staff expenses.

As a percentage of revenue, our general and administration expenses increased to 6.9% in the three months ended December 31, 2010, from 5.7% in the corresponding period of 2009.

Operating profit. Operating profit decreased by PLN 185,819 to PLN 116,952 in the three months ended December 31, 2010, from an operating profit PLN 302,771 in the corresponding period of 2009. Our operating margin decreased to 15.5% in the three months ended December 31, 2010, from 44.8 % in the corresponding period of 2009. These decreases are mainly due to the fact that in the corresponding period of 2009 we recognized PLN 153,610 of gain on remeasurement of contingent consideration and PLN 11,669 of gain on step acquisition.

Investment expense, net. We recorded investment expense, net of PLN 556 in the three months ended December 31, 2010, compared to investment income, net of PLN 11,227 in the corresponding period of 2009.

The decrease was partly due to foreign exchange losses of PLN 4,266 we recognized in the three months ended December 31, 2010, whereas in the corresponding period of 2009 we recognized PLN 21,167 of foreign exchange gains. The adverse change was partly offset by fair value loss on loans to associate of PLN 11,703 we recognized in 2009.

Finance expense, net. We recorded finance expense, net of PLN 76,037 for the three months ended December 31, 2010, compared to finance expenses, net of PLN 109,741 in the corresponding period of 2009.

Our interest expense increased by PLN 19,476 to PLN 80,206 in the three months ended December 31, 2010, from PLN 60,730 in the corresponding period of 2009. This increase results partly from the fact that in the three months ended December 31, 2010 we recognized interest on 10.75% Senior Notes of a nominal value of EUR 405,000 for full three months whereas in the corresponding period of 2009 we recognized interest on 10.75% Senior Notes of a nominal value of EUR 405,000 only for the period between November 19, 2009 and December 31, 2009. In the three months ended December 31, 2010 we also recognized interest on additional 10.75% Senior Notes of a nominal value of EUR 188,000 that we issued in March 2010 and to interest on 7.875% Senior Notes we issued on November 19, 2010. These increases were partly offset by PLN 21,153 of interest on 9,5% Senior Notes and PLN 8,825 of interest we paid to non-controlling shareholders of ITI Neovision we recognized in three months ended December 31, 2009.

Profit before income tax. Our profit before income tax for the three months ended December 31, 2010 was PLN 40,375, compared to a profit before income tax of PLN 204,215, in the corresponding period of 2009. This decrease was primarily due to the fact that in the corresponding period of 2009 we recognized PLN 153,610 gain on remeasurement of contingent consideration and PLN 11,669 of gain on step acquisition.

Income tax charge. For the three months ended December 31, 2010, we recorded a total income tax charge of PLN 24,574, compared to an income tax benefit of PLN 662 in the corresponding period of 2009. The change from income tax benefit to income tax charge mainly resulted from an impact of reversal of deferred tax liability resulting from the settlement of intercompany loan in 2009 and the impact of non taxable gain recognize on valuation of contingent consideration.

Profit for the period. Our profit for the period amounted to PLN 15,801 in the three months ended December 31, 2010, compared to a profit of PLN 204,877 in the corresponding period of 2009. The decrease was primarily due to a decrease of our profit before income tax.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 15,801 in the three months ended December 31, 2010, compared to a profit of PLN 242,661 in the corresponding period of 2009.

Results by Business Segment

Our business comprises three major business segments: television broadcasting and production, digital satellite pay television and online. We currently report these business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources.

The table below sets forth the summarized financial results by segment for the three months ended December 31, 2010 and 2009:

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009
Revenue from external customers	501,617	464,969	164,194	129,321	67,214	55,825	20,426	25,710	-	-	753,451	675,825
Inter-segment revenue	13,441	12,446	559	(339)	8,084	10,604	13,264	14,210	(35,348)	(36,921)	-	-
Total revenue	**515,058**	**477,415**	**164,753**	**128,982**	**75,298**	**66,429**	**33,690**	**39,920**	**(35,348)**	**(36,921)**	**753,451**	**675,825**
Operating profit/(loss)	208,107	209,431	(91,424)	(85,609)	15,093	15,749	(1,850)	10,077	(12,974)	153,123	116,952	302,771
Operating profit/(loss) excluding stock option plan expense	208,107	213,565	(91,424)	(85,609)	15,093	15,782	(1,850)	10,273	(12,974)	153,583	116,952	307,594
EBITDA*	**228,199**	**224,467**	**(53,911)**	**(59,431)**	**24,609**	**24,573**	**(768)**	**11,231**	**(12,866)**	**153,123**	**185,263**	**353,963**
EBITDA* excluding stock option plan expense	228,199	228,601	(53,911)	(59,431)	24,609	24,606	(768)	11,427	(12,866)	153,583	185,263	358,786
EBITDA* margin	**44.3%**	**47.0%**	**-**	**-**	**32.7%**	**37.0%**	**-**	**28.1%**	**-**	**-**	**24.6%**	**52.4%**
EBITDA* margin excluding stock option plan expense	44.3%	47.9%	-	-	32.7%	37.0%	-	28.6%	-	-	24.6%	53.1%

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share net of results of associates. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments.

The following table provides reconciliation of each segment result to EBITDA for the three months ended December 31, 2010 and 2009.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items		Total	
	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009
Operating profit/(loss)	208,107	209,431	(91,424)	(85,609)	15,093	15,749	(1,850)	10,077	(12,974)	153,123	116,952	302,771
Depreciation, amortization and impairment charges	20,092	15,036	37,513	26,178	9,516	8,824	1,082	1,154	108	-	68,311	51,192
EBITDA	228,199	224,467	(53,911)	(59,431)	24,609	24,573	(768)	11,231	(12,866)	153,123	185,263	353,963
Stock option plan expense	-	4,134	-	-	-	33	-	196	-	460	-	4,823
EBITDA excluding stock option plan	228,199	228,601	(53,911)	(59,431)	24,609	24,606	(768)	11,427	(12,866)	153,583	185,263	358,786

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the three months ended December 31, 2010 and 2009:

	Three months ended December 31,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	393,203	180,512	45.9%	45.9%	366,659	193,931	52.9%	53.9%
TVN 24 channel	62,814	34,234	54.5%	54.5%	53,643	24,701	46.0%	47.5%
Other television channels	59,039	13,519	22.9%	22.9%	57,327	6,080	10.6%	10.9%
Total	**515,057**	**228,265**	**44.3%**	**44.3%**	**477,629**	**224,711**	**47.0%**	**48.0%**
Consolidation adjustment (intra segment)	1	(66)	-	-	(214)	(244)	-	-
Total segment	**515,058**	**228,199**	**44.3%**	**44.3%**	**477,415**	**224,467**	**47.0%**	**47.9%**

Television broadcasting and production revenue in the three months ended December 31, 2010, increased by 7.9%, to PLN 515,058, compared to PLN 477,415 in the corresponding period of 2009.

Our TVN channel revenue increased by PLN 26,544, or 7.2%, in the three months ended December 31, 2010. This increase was primarily due to higher by PLN 15,341, or 4.8% advertising revenue of our TVN channel resulting from higher volume of inventory sold.

TVN 24 increased its revenue by PLN 9,171, or 17.1%, mainly due to an increase in advertising revenue resulting from higher volume of inventory sold.

Our other channels' revenue increased by PLN 1,712, or 3.0%, in the three months ended December 31, 2010, mainly due to an increase in advertising revenue.

Our TVN channel's EBITDA decreased by PLN 13,419, or 6.9%, to PLN 180,512 in the three months ended December 31, 2010, from PLN 193,931 in the corresponding period of 2009. TVN channel's EBITDA margin decreased to 45.9% from 52.9% in the corresponding period of 2009. The decrease in our TVN channel's EBITDA was mostly due to higher cost of revenue. Our TVN 24 channel's EBITDA increased by PLN 9,533, or 38.6% to PLN 34,234 in the three months ended December 31, 2010 from PLN 24,701 in the corresponding period of 2009, and its EBITDA margin was 54.5%.

EBITDA for our other channels increased by PLN 7,439, or 122.3%. The increase is mainly due to higher revenue in TVN Turbo, TVN Style and iTVN, partly due to our TVN CNBC channel achieving break even at EBITDA level and partly due to lover cost of revenue in TVN 7.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the three months ended December 31, 2010 and 2009.

	Three months ended December 31,					
	2010			2009		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post paid subscribers*	148,275	(46,512)	-	124,221	(57,229)	
‘n’ pre-paid subscribers (Telewizja na kartę)	16,478	(7,399)	-	4,761	(2,202)	-
Total segment	**164,753**	**(53,911)**	**-**	**128,982**	**(59,431)**	**-**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 35,771 or 27.7%, to PLN 164,753 in the three months ended December 31, from PLN 128,982 in corresponding period of 2009. This increase is manly due to an increase in subscription fee revenue, which increased by PLN 28,545, or 23.2%, to PLN 151,780 in the three months ended December 31, 2010, and partly due to increase of other revenue by PLN 7,226, or 125.7%, to PLN 12,973 in the three months ended December 31, 2010, from PLN 5,747 in the corresponding period of 2009.

This increase in revenue is primarily due to a higher average number of subscribers. The ‘n’ DTH platform’s subscribers increased net by 31,740 (not in thousands) to an average of 766,618 (not in thousands) in the three month period ended December 31, 2010, from an average of 734,878 (not in thousands) subscribers in the corresponding period in 2009. The ‘n’ DTH platform recorded average ARPU of PLN 60.2 (not in thousands) in the three months ended December 31, 2010, compared to the ARPU of PLN 57.6 in the corresponding period of 2009 (not in thousands). The ‘n’ DTH platform recorded 87,354 (not in thousand) post paid subscriber gross additions during the three months ended December 31, 2010, compared to 134,591 (not in thousands) during the three months ended December 31, 2009.

TNK recorded an increase in revenue of PLN 11,717, to PLN 16,478 in the three months ended December 31, 2010. TNK active customer base increased by net over 22,000 (not in thousands) during the three months ended December 31, 2010. As of December 31, 2010, TNK had over 291,000 active customers and a customer base of almost 678,000 (not in thousands). As of December 31, 2010, TNK HD had over 31,000 active customers. In the three months ended December 31, 2010, TNK recorded average ARPU of PLN 11.4 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 53,911 in the three months ended December 31, 2010, compared to a loss at EBITDA level of PLN 59,431 in the corresponding period of 2009. Excluding restructuring costs of PLN 17,630 EBITDA loss decreased by PLN 23,150.

Online

The table below sets forth the summarized financial results for our Online segment for the three months ended December 31, 2010 and 2009:

	Three months ended December 31,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan Expense
Onet.pl	62,269	25,261	40.6%	46.0%	60,238	28,380	47.1%	50.3%
Other	12,082	(423)	-	-	7,689	(3,477)	-	-
Total	**74,351**	**24,838**	**33.4%**	**37.0%**	**67,927**	**24,902**	**36.7%**	**38.6%**
Consolidation adjustment (intra segment)	947	(229)	-	-	(1,498)	(329)	-	-
Total segment	**75,298**	**24,609**	**32.7%**	**36.1%**	**66,429**	**24,573**	**37.0%**	**39.0%**

Online revenue increased by PLN 8,869, or 13.4%, to PLN 75,298 in the three months ended December 31, 2010, from PLN 66,429 in the corresponding period of 2009. Onet.pl revenue increased by PLN 2,031, or 3.4%, to PLN 62,269 in the three months ended December 31, 2010, from PLN 60,238 in the corresponding period of 2009. The increase is mostly due to an increase in advertising revenue. Revenue of our Internet vortals, presented in the table above as ‘Other’, increased by PLN 4,393, or 57.1%, to PLN 12,082 in the three months ended December 31, 2010, from PLN 7,689 in the corresponding period of 2009, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 36, to PLN 24,609 in the three months ended December 31, 2010. EBITDA margin decreased to 32.7%, from 37.0% in the corresponding period of 2009. Onet.pl EBITDA decreased by PLN 3,119 or 11.0%. EBITDA of our Internet vortals presented in the table above as ‘Other’ increased by PLN 3,054 or 87.8% in the three months ended December 31, 2010, mainly due to an increase of EBITDA of Zumi.pl.

All Other

The table below sets forth the summarized financial results of our “All Other” segment for the three months ended December 31, 2010 and 2009. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Three months ended December 31,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
Mango Media	16,158	(5,511)	-	-	23,418	3,621	15.5%	15.5%
Other	18,046	4,744	26.3%	26.3%	16,975	7,370	43.4%	46.0%
Total	**34,204**	**(767)**	**-**	**-**	**40,393**	**10,991**	**27.2%**	**28.3%**
Consolidation adjustment (intra segment)	(514)	(1)	-	-	(473)	240	-	-
Total segment	**33,690**	**(768)**	**-**	**-**	**39,920**	**11,231**	**28.1%**	**28.7%**

"All other" revenue decreased by PLN 6,230, or 15.6%, to PLN 33,690 in the three months ended December 31, 2010, from PLN 39,920 in the corresponding period of 2009. Mango Media revenue decreased by PLN 7,260, or 31.0%, to PLN 16,158. Business units classified as "Other" increased revenue by PLN 1,071, or 6.3%.

Segment EBITDA decreased by PLN 11,999, to a negative amount of PLN 768 in the three months ended December 31, 2010. Mango Media EBITDA decreased by PLN 9,132, to a loss at EBITDA level of PLN 5,511. EBITDA for business units classified as "Other" decreased by PLN 2,626.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments, head office expenses and the portion of stock option plan expenses not allocated to business segments. Other reconciling items had a negative impact on our EBITDA of PLN 12,866 in the three months ended December 31, 2010, compared to a positive impact of PLN 153,583 in the corresponding period of 2009. The positive impact in three months ended December 31, 2009 resulted mainly from the recognition of gain on remeasurement of contingent consideration of PLN 153,610.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue. Our revenue increased by PLN 375,574, or 17.8%%, to PLN 2,490,697 in the twelve months ended December 31, 2010, from PLN 2,115,123 in the corresponding period of 2009. This increase resulted mainly from an increase in subscription fees revenue of PLN 227,971, partly from an increase in advertising revenue of PLN 125,089 and partly from an increase in sponsoring by PLN 21,805. Excluding the effects of consolidation of ITI Neovision, our revenue increased by PLN 142,717, or 8.0%, to PLN 1,934,288.

Subscription fees revenue increased by PLN 227,971, or 44.7%, to PLN 738,247. The increase was mainly due to an increase in the number of subscribers and ARPU in our digital satellite pay television.

Our advertising revenue increased by PLN 125,089, or 9.6%, to PLN 1,424,343 during the twelve months ended December 31 2010, from PLN 1,299,254 in the corresponding period of 2009. This increase results mainly from an increase in the advertising revenue coming from the TVN channel by PLN 51,950 or 5.3% mainly due to higher price of GRPs sold, an increase in revenue of TVN 24 and other thematic channels resulting from higher volume of inventory sold and partly from an increase in advertising revenue of Onet.pl.

Cost of revenue. Cost of revenue increased by PLN 292,310, or 22.1%, to PLN 1,616,151 in the twelve months ended December 31, 2010, from PLN 1,323,841 in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our cost of revenue increased by PLN 82,046, or 8.6%, to PLN 1,031,438 in the twelve months ended December 31, 2010, from PLN 949,392 in the corresponding period of 2009.

The increase of our cost of revenue is primarily due to an increase in fees for broadcasting television channels and content by PLN 129,654, partly due to an increase in amortization of locally produced content by PLN 34,942 as we launch new program “Miedzy kuchnia a salonem” and new television series based on true stories. The increase of our cost of revenue is also due to an increase in amortization of acquired programming rights and co-production by PLN 27,006 mainly due to higher cost per episode of externally purchased programming aired on our main TVN free to air channel.

As a percentage of revenue, our cost of revenue increased in the twelve months ended December 31, 2010, to 64.9%, compared to 62.6% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our cost of revenue as a percentage of revenue was 53.3% in 2010 and 53.0% in 2009.

Selling expenses. Our selling expenses increased by PLN 45,030, or 16.5%, to PLN 317,297 for the twelve months ended December 31, 2010, from PLN 272,267 in the corresponding period of 2009. This increase results partly from an increase in staff expenses. Excluding the effects of consolidation of ITI Neovision, our selling expenses increased by PLN 10,146, or 7.0% to PLN 154,085.

As a percentage of revenue, our selling expenses decreased to 12.7% in the twelve months ended December 31, 2010, from 12.9% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our selling expenses as a percentage of revenue was 8.0% both in 2010 and 2009.

General and administration expenses. Our general and administration expenses increased by PLN 16,263, or 9.3%, to PLN 190,696 for the twelve months ended December 31, 2010, compared with PLN 174,433 in the corresponding period of 2009 mainly due to an increase in staff and staff-related expenses, mainly due to headcount and salaries increases. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses increased by PLN 27,219, or 20.3%, to PLN 161,503 in the twelve months ended December 31, 2010.

As a percentage of revenue, our general and administration expenses decreased to 7.7% in the twelve months ended December 31, 2010, from 8.2% in the corresponding period of 2009. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses increased to 8.3% of revenue in 2010, from 7.5% in 2009.

Gain on step acquisition. In the twelve months ended December 31, 2009, we recorded PLN 122,359 of gain on step acquisition. Gain on step acquisition resulted from measuring at fair value our 25% equity investment in ITI Neovision that we held before taking control over that company. This gain was further remeasured in December 2009 as a result of the finalisation of purchase price allocation process and was a non-recurring event.

Gain on remeasurement of contingent consideration. Our contingent consideration for the acquisition of the controlling stake in Neovision Holding, that we recognized on March 11, 2009, and remeasured in November, 2009 to reflect our estimation of the probability of the 'n' DTH platform meeting the conditions upon which the consideration is payable. The remeasurement was based on the updated business plan of the new management of ITI Neovision and resulted in a gain of PLN 153,610.

Operating profit. Operating profit decreased by PLN 248,329, or 40.6% to PLN 363,761 in the twelve months ended December 31, 2010, from PLN 612,090 in the corresponding period of 2009. Decrease of operating profit results mainly from the non-recurring gain on step acquisition and gain on remeasurement of contingent consideration recognised in the twelve months ended December 31, 2009. Excluding the effects of consolidation of ITI Neovision our operating profit in the twelve months ended December 31, 2010, was PLN 589,850 compared with PLN 560,360 in the corresponding period of 2009.

Our operating margin in the twelve months ended December 31, 2010 was 14.6%, whereas in the corresponding period of 2009 it amounted to 28.9%. Excluding the effects of consolidation of ITI Neovision our operating margin was 30.5%, compared with 31.3% in the corresponding period of 2009.

Investment expense, net. We recorded investment expense, net of PLN 12,052 for the twelve months ended December 31, 2010, compared to investment income, net of PLN 51,175 in 2009.

The decrease was mainly due to foreign exchange losses, net, of PLN 23,433 compared with foreign exchange gains, net of PLN 69,549 in the corresponding period of 2009. This was partly offset by fair value and other losses of PLN 38,189 recognized on loans due to consolidation of associate in 2009.

Finance expense, net. We recorded finance expense, net of PLN 233,730 for the twelve months ended December 31, 2010, compared to finance expense, net of PLN 243,340 in the corresponding period of 2009.

Our interest expense increased by PLN 84,140 to PLN 300,821 in the twelve months ended December 31, 2010, from PLN 214,681 in the corresponding period of 2009. This increase was primarily due to interest expense of PLN 243,646 on our 10.75% Senior Notes as compared with interest expense of PLN 97,438 on our 9.5% Senior Notes in the corresponding period of 2009.

In 2009, we also recognized PLN 25,107 of fair value losses on foreign exchange option collars we used to hedge our PLN/EUR exchange rate exposure.

In 2010 we recognized PLN 86,404 of foreign exchange gains in total as compared to PLN 74,651 in 2009.

We did not recognize any options embedded in our Senior Notes and did not recognize any fair value changes in finance expense or investment income accordingly.

Share of profit/loss of an associate. Our share of profits of associates amounted to PLN 298 in the twelve months ended December 31, 2010, compared with a share of losses of associates of PLN 39,132 in the corresponding period of 2009. In the twelve months ended December 31, 2009, the share of loss of an associate represented primarily our share of the loss of ITI Neovision for the period from January till March 11, 2009, whereas in the corresponding period of 2010, we recognized only a share of the profits of other associates, and the net results of ITI Neovision were fully consolidated.

Profit before income tax. Our profit before income tax was PLN 118,277 for the twelve months ended December 31, 2010, compared to a profit before income tax of PLN 380,793 in the corresponding period of 2009. This decrease was results mainly from the non-recurring gain on step acquisition and gain on remeasurement of contingent consideration we recognised in the twelve months ended December 31, 2009.

Income tax charge. For the twelve months ended December 31, 2010, we recorded a total income tax charge of PLN 72,416, compared to an income tax charge of PLN 34,637 in the corresponding period of 2009. The increase was primarily due lower amounts of tax deductions claimed and deferred in relation to operations in special economic zone in the twelve months ended December 31, 2010 as well as the impact of reversal of deferred tax liability due to settlement of intercompany loan in 2009.

Profit for the period. Our profit for the period amounted to PLN 45,861 in the twelve months ended December 31, 2010, compared to a profit of PLN 346,156 in the corresponding period of 2009. The decrease was primarily due to lower profit before income tax and partly higher income tax charge.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 42,754 for the twelve months ended December 31, 2010, compared to a profit of PLN 420,821 in the corresponding period of 2009.

Results by Business Segment

Our business comprises three major business segments: television broadcasting and production, digital satellite pay television and online. We currently report these business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources.

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2010 and 2009:

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009
Revenue from external customers	1,578,077	1,476,152	610,621	361,239	219,502	186,209	82,497	81,652	-	-	2,490,697	2,105,252
Inter-segment revenue	43,951	47,158	2,525	1,259	24,626	21,843	43,407	39,375	(114,509)	(99,764)	-	9,871
Total revenue	**1,622,028**	**1,523,310**	**613,146**	**362,498**	**244,128**	**208,052**	**125,904**	**121,027**	**(114,509)**	**(99,764)**	**2,490,697**	**2,115,123**
Operating profit / (loss)	598,356	566,045	(215,874)	(212,545)	38,143	22,654	2,359	19,086	(59,223)	216,850	363,761	612,090
Operating profit / (loss) excluding stock option plan expense	598,356	581,322	(215,874)	(212,545)	38,143	24,223	2,359	19,764	(59,223)	221,069	363,761	633,833
EBITDA*	**661,969**	**628,908**	**(71,062)**	**(126,558)**	**72,269**	**51,912**	**6,635**	**23,658**	**(59,115)**	**216,850**	**610,696**	**794,770**
EBITDA* excluding stock option plan expense	661,969	644,185	(71,062)	(126,558)	72,269	53,481	6,635	24,336	(59,115)	221,069	610,696	816,513
EBITDA* margin	**40.8%**	**41.3%**	**-**	**-**	**29.6%**	**25.0%**	**5.3%**	**19.5%**	**-**	**-**	**24.5%**	**37.6%**
EBITDA* margin excluding stock option plan expense	40.8%	42.3%	-	-	29.6%	25.7%	5.3%	20.1%	-	-	24.5%	38.6%

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of net results of associates. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments and gain on step acquisition.

*** Since March 11, 2009.

The following table provides reconciliation of each segment result to EBITDA for the twelve months ended December 31, 2010 and 2009.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items		Total	
	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009
Operating profit / (loss)	598,356	566,045	(215,874)	(212,545)	38,143	22,654	2,359	19,086	(59,223)	216,850	363,761	612,090
Depreciation, amortization and impairment charges	63,613	62,863	144,812	85,987	34,126	29,258	4,276	4,572	108	-	246,935	182,680
EBITDA	661,969	628,908	(71,062)	(126,558)	72,269	51,912	6,635	23,658	(59,115)	216,850	610,696	794,770
Stock option plan expense	-	15,277	-	-	-	1,569	-	678	-	4,219	-	21,743
EBITDA excluding stock option plan	661,969	644,185	(71,062)	(126,558)	72,269	53,481	6,635	24,336	(59,115)	221,069	610,696	816,513

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the twelve months ended December 31, 2010 and 2009:

	Twelve months ended December 31,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	1,191,114	507,570	42.6%	42.6%	1,124,280	491,723	43.7%	45.1%
TVN 24 channel	223,925	112,275	50.1%	50.1%	195,275	97,388	49.9%	51.3%
Other television channels	206,987	42,190	20.4%	20.4%	203,754	42,253	20.7%	21.1%
Total	**1,622,026**	**662,035**	**40.8%**	**40.8%**	**1,523,309**	**631,364**	**41.4%**	**42.7%**
Consolidation adjustment (intra segment)	2	(66)	-	-	1	(2,456)	-	-
Total segment	**1,622,028**	**661,969**	**40.8%**	**40.8%**	**1,523,310**	**628,908**	**41.3%**	**42.3%**

Television broadcasting and production revenue in the twelve months ended December 31, 2010, increased by PLN 98,718, or 6.5%, to PLN 1,622,028, compared to PLN 1,523,310 in the corresponding period of 2009.

Our TVN channel revenue increased by PLN 66,834, or 5.9%, in the twelve months ended December 31, 2010. This increase was primarily due to an increase of PLN 51,950, or 5.3% in the advertising revenue of our TVN channel mainly due to higher price of GRPs sold.

TVN 24 increased its revenue by PLN 28,650, or 14.7%, mainly due to an increase in advertising revenue resulting from higher volume of inventory sold.

Our other channels' revenue increased by PLN 3,233, or 1.6%, in the twelve months ended December 31, 2010, mainly due to an increase in advertising revenue of TVN Turbo.

Our TVN channel's EBITDA increased by PLN 15,847, or 3.2%, to PLN 507,570 in the twelve months ended December 31, 2010, from PLN 491,723 in the corresponding period of 2009. TVN channel's EBITDA margin decreased to 42.6% from 43.7% in the corresponding period of 2009. Our TVN 24 channel's EBITDA increased by PLN 14,887, or 15.3% to PLN 112,275 in the twelve months ended December 31, 2010 from PLN 97,388 in the corresponding period of 2009, and its EBITDA margin was 50.1%.

EBITDA for our other channels was broadly flat, decreasing by PLN 63.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the twelve months ended December 31, 2010 and 2009.

	Twelve months ended December 31,					
	2010			2009		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post paid subscribers*	563,572	(64,110)	-	424,518	(150,520)	-
‘n’ pre-paid subscribers (Telewizja na kartę)	49,574	(6,952)	-	20,318	(6,111)	-
Total segment	**613,146**	**(71,062)**	**-**	**444,836**	**(156,631)**	**-**

* Includes revenue from other services

The table below sets forth reconciliation of segment result to EBITDA for our digital satellite pay television segment for the twelve months ended December 31, 2010 and 2009.

	Twelve months ended December 31,	
	2010	2009
Operating loss	**(215,874)**	**(241,689)**
Depreciation, amortization and impairment charges	144,812	85,058
EBITDA	**(71,062)**	**(156,631)**

‘n’ DTH platform revenue increased by PLN 168,310 or 37.8%, to PLN 613,146 in the twelve months ended December 31, 2010 from PLN 444,836 in the corresponding period of 2009. This increase resulted mainly from an increase in subscription fee revenue, which increased by PLN 150,552, or 35.6%, to PLN 573,252, in the twelve months ended December 31, 2010, from PLN 422,700 in the corresponding period of 2009.

This increase is primarily due to a higher average number of subscribers and partly due to higher ARPU. The ‘n’ DTH platform’s subscribers increased net by 168,404 (not in thousands) to an average of 737,775 (not in thousands) in the twelve months ended December 31, 2010, from an average of 569,371 (not in thousands) subscribers in the corresponding period in 2009. The ‘n’ DTH platform’s recorded average ARPU of PLN 59.1 (not in thousands) in the twelve months ended December 31, 2010, compared to the ARPU of PLN 58.2 in the corresponding period of 2009 (not in thousands). The ‘n’ DTH platform recorded 252,639 (not in thousand) post paid subscriber gross additions during the twelve months ended December 31, 2010, compared to 297,077 (not in thousands) during the twelve months ended December 31, 2009.

TNK recorded an increase in revenue of PLN 29,256, to PLN 49,574 in the twelve months ended December 31, 2010. TNK increased its customer base net by over 29,000 (not in thousands) during the twelve months ended December 31, 2010. As of December 31, 2010, TNK had over 291,000 active customers and a customer base of almost 678,000 (not in thousands). As of December 31, 2010, TNK HD had over 31,000 active customers. In the twelve months ended December 31, 2010, TNK recorded average ARPU of PLN 10.9 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 71,062 in the twelve months ended December 31, 2010, compared to a loss at the EBITDA level of PLN 156,631 in the corresponding period of 2009. Excluding restructuring costs of PLN 17,630 EBITDA loss decreased by PLN 103,199.

Online

The table below sets forth the summarized financial results for our Online segment for the twelve months ended December 31, 2010 and 2009:

	Twelve months ended December 31,							
	2010				2009			
	Revenue	**EBITDA**	**EBITDA %**	**Cash EBITDA % excluding stock option plan expense**	**Revenue**	**EBITDA**	**EBITDA %**	**Cash EBITDA % excluding stock option plan expense**
Onet.pl	208,024	79,477	38.2%	42.7%	185,567	55,589	30.0%	35.7%
Other	35,579	(7,185)	-	-	27,261	(3,280)	-	-
Total	**243,603**	**72,291**	**29.7%**	**32.6%**	**212,828**	**52,309**	**24.6%**	**29.2%**
Consolidation adjustment (intra segment)	525	(22)	-	-	(4,776)	(397)	-	-
Total segment	**244,128**	**72,269**	**29.6%**	**32.5%**	**208,052**	**51,912**	**25.0%**	**29.7%**

Online revenue increased by PLN 36,076, or 17.3%, to PLN 244,128 in the twelve months ended December 31, 2010, from PLN 208,052 in the corresponding period of 2009. Onet.pl revenue increased by PLN 22,457, or 12.1%, to PLN 208,024 in the twelve months ended December 31, 2010, from PLN 185,567 in the corresponding period of 2009 due to an increase in advertising revenue. Revenue of our Internet vortals, presented in the table above as ‘Other’, increased by PLN 8,318, or 30.5%, to PLN 35,579 in the twelve months ended December 31, 2010, from PLN 27,261 in the corresponding period of 2009, mainly due to increase in marketing services revenue in Zumi.pl.

Segment EBITDA increased by PLN 20,357, to PLN 72,269 in the twelve months ended December 31, 2010. EBITDA margin increased to 29.6%, from 25.0% in the corresponding period of 2009. Onet.pl EBITDA increased by PLN 23,888 or 43.0%. The increase resulted mainly from higher revenue. EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 3,905 to a negative amount of PLN 7,185 in the twelve months ended December 31, 2010. This resulted primarily from initial costs of the start-up Onet VOD service.

All Other

The table below sets forth the summarized financial results of our "All Other" segment for the twelve months ended December 31, 2010 and 2009. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Twelve months ended December 31,							
	2010				2009			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
Mango Media	68,402	(9,339)	-	-	68,595	7,559	11.0%	11.0%
Other	59,284	15,974	26.9%	26.9%	53,903	16,099	29.9%	31.1%
Total	**127,686**	**6,635**	**5.2%**	**5.2%**	**122,498**	**23,658**	**19.3%**	**19.9%**
Consolidation adjustment (intra segment)	(1,782)	-	-	-	(1,471)	-	-	-
Total segment	**125,904**	**6,635**	**5.3%**	**5.3%**	**121,027**	**23,658**	**19.5%**	**20.1%**

"All other" revenue increased by PLN 4,877, or 4.0%, to PLN 125,904 in the twelve months ended December 31, 2010, from PLN 121,027 in the corresponding period of 2009. Mango Media revenue decreased by PLN 193, to PLN 68,402. Business units classified as "Other" increased revenue by PLN 5,381, or 10.0%.

Segment EBITDA decreased by PLN 17,023, to PLN 6,635 in the twelve months ended December 31, 2010. The EBITDA margin for twelve months ended December 31, 2010, decreased to 5.3% from 19.5% in the corresponding period of 2009. Mango Media EBITDA decreased by PLN 16,898, to a loss at EBITDA level of PLN 9,339. EBITDA for business units classified as "Other" decreased by PLN 125.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments, head office expenses and the portion of stock option plan expenses not allocated to business segments. Other reconciling items had a negative impact on our EBITDA of PLN 59,115 in the twelve months ended December 31, 2010, compared to a positive impact of PLN 216,850 in the corresponding period of 2009. This positive impact in 2009 resulted mainly from the recognition of gain on step acquisition of PLN 122,359 and gain on remeasurement of contingent consideration of PLN 153,610.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following table sets out our summary historical consolidated financial information for the years ended December 31, 2009 and December 31, 2008. We changed the classification of certain comparative data for the year ended December 31, 2009 reflected in the consolidated financial statements for the year ended December 31, 2010. The following table presents financial data as derived from the consolidated financial statements for the year ended December 31, 2009 with comparable data. You should read the information in conjunction with the annual consolidated financial statements and Operating and Financial Review presented in this annual report.

For your convenience, Złoty amounts as of December 31, 2009 have been converted into Euro at a rate of PLN 4.1082 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2009). Złoty amounts for the year ended December 31, 2009 have been converted into Euro at a rate of PLN 4.3406 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2009, February 28, 2009, March 31, 2009, April 30, 2009, May 31, 2009, June 30, 2009, July 31, 2009, August 31, 2009, September 30, 2009, October 31, 2009, November 30, 2009 and December 31, 2009). Złoty amounts as of December 31, 2008 have been converted into Euro at a rate of PLN 4.1724 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2008). Złoty amounts for the year ended December 31, 2008 have been converted into Euro at a rate of PLN 3.5321 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2008, February 29, 2008, March 31, 2008, April 30, 2008, May 31, 2008, June 30, 2008, July 31, 2008, August 31, 2008, September 30, 2008, October 31, 2008, November 30, 2008 and December 31, 2008).

You should not view such conversions as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate. All amounts, unless otherwise indicated, in this table and the related footnotes are shown in thousands.

	Year ended December 31,			
	2008	**2008**	**2009**	**2009**
(in thousands)	**PLN**	**Euro**	**PLN**	**Euro**
Income Statement data				
Revenue	1,897,309	537,162	2,123,367	489,187
Operating profit	631,875	178,895	612,090	141,015
Profit before income tax	447,552	126,710	380,793	87,728
Profit for the period	363,676	102,963	346,156	79,748
Cash Flow Data				
Net cash generated by operating activities	615,354	174,218	479,767	110,530
Net cash used in investing activities	(813,388)	(230,285)	(562,270)	(129,537)
Net cash generated by financing activities	271,513	76,870	273,037	62,903
Increase in cash and cash equivalents	73,479	20,803	190,534	43,896
Weighted average number of ordinary shares in issue (not in thousands)	348,585,264	348,585,264	341,262,586	341,262,586
Weighted average number of potential ordinary shares in issue (not in thousands)	353,066,178	353,066,178	342,546,189	342,546,189
Basic earnings per share (not in thousands)	1.04	0.29	1.23	0.28
Diluted earnings per share (not in thousands)	1.03	0.29	1.23	0.28
Dividend paid or declared per share (not in thousands)	0.49	0.12	0.57	0.14
Other data				
EBITDA*	711,378	201,404	794,770	183,101
EBITDA margin	37.5%	37.5%	37.4%	37.4%
Operating margin	33.3%	33.3%	28.8%	28.8%
Balance Sheet data	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**	**As at December 31, 2009 PLN**	**As at December 31, 2009 Euro**
Total assets	3,753,174	899,524	4,983,496	1,213,061
Current assets	1,201,394	287,938	1,262,767	307,377
Non-current liabilities	1,637,872	392,549	3,022,865	735,813
Current liabilities	468,348	112,249	675,477	164,422
Shareholders' equity	1,646,954	394,726	1,644,871	400,387
Share capital	69,903	16,754	68,088	16,574
Non-controlling interest	-	-	(359,717)	(87,561)

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversal on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of net results of associates. The reconciling items between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

The following table provides reconciliation of our operating profit to EBITDA for the years ended December 31, 2009 and December 31, 2008.

	Twelve months ended December 31,			
	2008	2008	2009	2009
	PLN	Euro	PLN	Euro
Operating profit	631,875	157,795	612,090	141,015
Depreciation, amortization and impairment charges	79,503	19,854	182,680	42,086
EBITDA	711,378	177,649	794,770	183,101

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue. Our revenue increased by PLN 226,058, or 11.9%, to PLN 2,123,367 in the twelve months ended December 31, 2009, from PLN 1,897,309 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our revenue decreased by PLN 97,494, or 5.1%, to PLN 1,799,815. This decrease resulted primarily from a decrease in our advertising revenue of PLN 168,040, partly offset by an increase in subscription fees from satellite and cable operators of PLN 51,367 and an increase in revenue from sales of goods and services of PLN 25,870.

Our advertising revenue decreased by PLN 168,040, or 11.4%, to PLN 1,307,212 during the twelve months ended December 31, 2009, from PLN 1,475,252 in the corresponding period of 2008. This decrease was primarily due to a decrease of PLN 154,868, or 13.8% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 19.0% in the price of GRPs sold, which was partially offset by a 5.8% increase in the volume of inventory sold.

Subscription fees from satellite and cable operators increased by PLN 51,367, or 40.7%, to PLN 177,438 in the twelve months ended December 31, 2009, from PLN 126,071 in the corresponding period of 2008. The increase was mainly due to a higher average PLN/EUR exchange rate in the twelve months ended December 31, 2009 compared with the corresponding period of 2008. Subscriber fees are primarily denominated in Euro. The increase was also partly due to an increase in the number of subscribers for our pay channels, which on average increased by approximately 1.1 million subscribers.

Revenue from sales of goods and services increased by PLN 25,870, or 50.9%, to PLN 76,679 in the twelve months ended December 31, 2009, from PLN 50,809 in the corresponding period of 2008. This increase results mainly from an increase in teleshopping revenue in Mango Media by PLN 16,705, or 40.1%, to PLN 58,383. This increase was primarily due to an increase in volume of sales.

Cost of revenue. Our cost of revenue increased by PLN 359,088, or 37.1%, to PLN 1,326,241 in the twelve months ended December 31, 2009, from PLN 967,153 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue decreased by PLN 15,361, or 1.6%, to PLN 951,792 in the twelve months ended December 31, 2009.

The decrease was primarily due to a decrease in amortization of locally produced content of PLN 37,715 or 7.4%. This decrease reflects our decision to reduce investment in our TVN channel's schedule in June 2009 due to the slow down in the advertising market, our decision to shorten our autumn schedule in December 2009, and was partly due to a lower cost per episode of some of the shows that we aired, and partly due to a decrease in the cost of news following cost saving initiatives, as well as our decision to withdraw from the production of the Discovery Historia channel. These decreases were partly offset by an increase in television production and broadcasting equipment depreciation of PLN 7,889. This increase results from the capital investments we made in 2008, when we acquired and started to use another high definition television production vehicle, production equipment for our new series and studio equipment for our new TVN Warszawa channel.

As a percentage of revenue, our cost of revenue increased in the twelve months ended December 31, 2009 to 62.5%, compared to 51.0% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our cost of revenue as a percentage of revenue increased in the twelve months ended December 31, 2009 to 52.9%.

Selling expenses. Our selling expenses increased by PLN 124,415 or 82.0%, to PLN 276,187 for the twelve months ended December 31, 2009, from PLN 151,772 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses decreased by PLN 3,913, or 2.6% to PLN 147,859.

As a percentage of revenue, our selling expenses increased to 13.0% in the twelve months ended December 31, 2009, from 8.0% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our selling expenses as a percentage of revenue increased to 8.2% in the twelve months ended December 31, 2009.

General and administration expenses. Our general and administration expenses increased by PLN 27,556, or 18.5%, to PLN 176,357 for the twelve months ended December 31, 2009, compared with PLN 148,801 in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased by PLN 12,593, or 8.5%, to PLN 136,208. This decrease results primarily from a reduction in staff expenses of PLN 14,334 or 17.4%, resulting mainly from a lower stock option program expense and partly from a reduction in annual bonuses.

As a percentage of revenue, our general and administration expenses increased to 8.3% in the twelve months ended December 31, 2009, from 7.8% in the corresponding period of 2008. Excluding the effects of consolidation of ITI Neovision, our general and administration expenses decreased to 7.6% of revenue.

Gain on step acquisition. We recorded PLN 122,359 of gain on step acquisition. Gain on step acquisition results from measuring at fair value our 25% equity investment in ITI Neovision that we held before taking control over that company.

Gain on remeasurement of contingent consideration. Our contingent consideration for the acquisition of a controlling stake in Neovision Holding, that we recognized on March 11, 2009, was remeasured in November 2009, to reflect our estimation of the probability of the ‘n’ DTH platform meeting the conditions upon which the consideration is payable. The remeasurement was based on the updated business plan of the new management of ITI Neovision and resulted in a gain of PLN 153,610.

Operating profit. Operating profit decreased by PLN 19,785, or 3.1% to PLN 612,090 for the twelve months ended December 31, 2009, from PLN 631,875 in the corresponding period of 2008. This decrease is primarily due to the decrease in advertising revenue and consolidation of the operating losses of ITI Neovision, partly offset by the gain on step acquisition and gain on remeasurement of contingent consideration.

Our operating margin in the twelve months ended December 31, 2009 amounted to 28.8%, whereas in the corresponding period of 2008 it amounted to 33.3%. Our operating margin excluding the effects of consolidation of the operating loss of ITI Neovision, gain on step acquisition and gain on remeasurement of contingent consideration was 31.1%.

Investment income, net. We recorded investment income, net of PLN 51,175 for the twelve months ended December 31, 2009, compared to investment income, net of PLN 81,090 in the corresponding period of 2008.

This decrease was primarily due to the recognition of fair value loss of PLN 38,189, resulting from the elimination of loans granted by us to Neovision Holding and ITI Neovision. This loss represented a difference between the fair value of loans we acquired and book value. The decrease was also partly due to a lower revaluation gains on our U.S. Dollar currency options which amounted to PLN 4,107 in 2009 compared with 22,672 in 2008.

These decreases were partly offset by foreign exchange gains, net of PLN 69,549 mainly on programming related payables, partly on ITI Neovision obligation to UEFA and partly on other foreign currency denominated trade payables, whereas in the corresponding period of 2008 we recognized other foreign exchange gains of PLN 33,404.

Finance income, net. We recorded finance expense, net of PLN 243,340 for the twelve months ended December 31, 2009, compared to finance expense, net of PLN 170,973 in the corresponding period of 2008.

We recognized foreign exchange losses on our 9.5% Senior Notes of PLN 1,580 in the twelve months ended December 31, 2009, compared to foreign exchange losses of PLN 130,605 in the corresponding period of 2008. We recognized foreign exchange gains of PLN 57,096 on loans granted to ITI Neovision by its non-controlling shareholder. We also recognized foreign exchange gains on our contingent consideration of PLN 24,962.

Our interest expense increased by PLN 85.562 to PLN 198,330 in the twelve months ended December 31, 2009, from PLN 112,768 in the corresponding period of 2008. This increase was partly due to interest expense of PLN 41,543 on our PLN Bonds which we issued in June 2008 compared to PLN 24,776 of expense in 2008, partly due to PLN 32,091 of interest payable by ITI Neovision to its non-controlling shareholder, compared to an expense of nil in 2008, partly due to PLN 20,381 of interest payable on our 10.75% Senior Notes and partly due to interest on our 9.5% Senior Notes, which amounted to PLN 97,438 in 2009, compared to PLN 85,816 in 2008.

We recorded PLN 62,932 of costs related to the early redemption of our 9.5% Senior Notes. Of this amount, PLN 27,855 represented a premium for early repayment, and PLN 35,077 related to writing off the balance of unamortized debt issuance costs of our 9.5% Senior Notes.

We recognized a net loss of PLN 25,107 on our EUR currency options entered into to hedge potential foreign exchange losses on our 9.5% Senior Notes during the twelve months ended December 31, 2009, compared to a net gain of PLN 100,558 in the corresponding period of 2008. The loss represented the revaluation of our PLN/EUR options during the period of January 1, to January 15, 2009, when we settled the options.

We recorded a loss of PLN 15,514 on the unwinding of interest on the contingent consideration related to the correction payment that may be payable to ITI Media Group in 2011.

The change in the fair value of options embedded in our 9.5% Senior Notes in the twelve month period ended December 31, 2009 was nil, whereas in the corresponding period of 2008 we recorded a loss of PLN 20,447.

We did not recognize any options embedded in our 10.75% Senior Notes and did not recognize any fair value changes in the finance expense or investment income accordingly.

Share of loss of an associate. Our share of loss of an associate amounted to PLN 39,132 in the twelve months ended December 31, 2009, compared with PLN 94,440 in 2008. This amount primarily represented our share in the net loss of the 'n' DTH platform for the period between January 1, and March 11, 2009, which amounted to PLN 39,588 whereas in 2008 we recognized a share of the loss of the 'n' DTH platform for the period between June 25, 2008 and December 31, 2008. From March 11, 2009, we fully consolidate the net results of ITI Neovision.

Profit before income tax. Our profit before income tax was PLN 380,793 in the twelve months ended December 31, 2009, compared to a profit before income tax of PLN 447,552 in the corresponding period of 2008. This decrease was primarily due to decrease in operating profit, higher finance expense, net and lower interest income, net.

Income tax charge. For the twelve months ended December 31, 2009, we recorded a total income tax charge of PLN 34,637, compared to an income tax charge of PLN 83,876 in the corresponding period of 2008. This decrease resulted primarily from lower profit before income tax, the recognition of a non-taxable gain on the valuation of contingent consideration, partly due to higher tax deductions recognized under tax relief obtained by Onet in a special economic zone, offset by a higher net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable and partly by the reversal of deferred tax liability related to the loan from TVN Finance Corporation plc to TVN S.A. The effective tax rate for the twelve months ended December 31, 2009 was 9.1%, compared to 18.7%.

Profit for the period. Our profit for the period amounted to PLN 346,156 in the twelve months ended December 31, 2009, compared to a profit of PLN 363,676 in the corresponding period of 2008. The decrease was primarily due to the decrease in our profit before income tax, partly offset by the lower income tax charge.

Loss attributable to non-controlling interests. Loss attributable to non-controlling interests represents the share of ITI Neovision's net loss attributable to its non-controlling shareholders and amounted to PLN 74,665 in the twelve months ended December 31, 2009.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 420,821 for the twelve months ended December 31, 2009, compared to a profit of PLN 363,676 in the corresponding period of 2008.

Results by Business Segment

Our business comprises three major business segments: television broadcasting and production, digital satellite pay television and online. We currently report these business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources.

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2009 and 2008:

	Television Broadcasting & Production		Digital satellite pay television **		Online		All other		Other reconciling items***		Total	
	Twelve months ended December 31, 2009	**Twelve months ended December 31, 2008**	**Twelve months ended December 31, 2009**	**Twelve months ended December 31, 2008**	**Twelve months ended December 31, 2009**	**Twelve months ended December 31, 2008**	**Twelve months ended December 31, 2009**	**Twelve months ended December 31, 2008**	**Twelve months ended December 31, 2009**	**Twelve months ended December 31, 2008**	**Twelve months ended December 31, 2009**	**Twelve months ended December 31, 2008**
Revenue from external customers	1,483,821	1,620,359	361,239	-	186,784	196,200	81,652	80,750	-	-	2,113,496	1,897,309
Inter-segment revenue	38,876	10,755	1,259	-	21,294	9,967	39,375	12,768	(90,933)	(33,490)	9,871	-
Total revenue	**1,522,697**	**1,631,114**	**362,498**	**-**	**208,078**	**206,167**	**121,027**	**93,518**	**(90,933)**	**(33,490)**	**2,123,367**	**1,897,309**
Operating profit/ (loss)	567,922	620,041	(212,545)	-	20,777	35,298	19,086	13,608	216,850	(37,072)	612,090	631,875
Operating profit/ (loss) excluding stock option plan expense	583,199	645,638	(212,545)	-	22,346	43,204	19,764	14,505	221,069	(31,401)	633,833	671,945
EBITDA*	**630,626**	**676,672**	**(126,558)**	**-**	**50,194**	**55,952**	**23,658**	**17,711**	**216,850**	**(38,957)**	**794,770**	**711,378**
EBITDA* excluding stock option plan expense	645,903	702,269	(126,558)	-	51,763	63,858	24,336	18,608	221,069	(33,287)	816,513	751,448
EBITDA* margin	**41.4%**	**41.5%**	**-**	**-**	**24.1%**	**27.1%**	**19.6%**	**18.9%**	**-**	**-**	**37.4%**	**37.5%**
EBITDA* margin excluding stock option plan expense	42.4%	43.1%	-	-	24.9%	31.0%	20.1%	19.9%	-	-	38.5%	39.6%

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of net results of associates. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

**Since March 11, 2009.

***Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments, gain on consolidation of associate and gain on remeasurement of contingent consideration.

The following table provides reconciliation of each segment result to EBITDA for the twelve months ended December 31, 2009 and 2008.

	Television Broadcasting & Production		Digital satellite pay television		Online		All other		Other reconciling items**		Total	
	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008	Twelve months ended December 31, 2009	Twelve months ended December 31, 2008
Operating profit/ (loss)	567,922	620,041	(212,545)	-	20,777	35,298	19,086	13,608	216,850	(37,072)	612,090	631,875
Depreciation, amortization and impairment charges	62,704	55,631	85,987	-	29,417	20,654	4,572	4,103	-	(1,885)	182,680	79,503
EBITDA	630,626	676,672	(126,558)	-	50,194	55,952	23,658	17,711	216,850	(38,957)	794,770	711,378
Stock option plan expense	15,277	25,597	-	-	1,569	7,906	678	897	4,219	5,670	21,743	40,070
EBITDA excluding stock option plan	645,903	702,269	(126,558)	-	51,763	63,858	24,336	18,608	221,069	(33,287)	816,513	751,448

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the twelve months ended December 31, 2009 and 2008:

	Twelve months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	1,124,280	491,723	43.7%	44.8%	1,274,418	612,647	48.1%	49.7%
TVN 24 channel	195,275	97,388	49.9%	51.3%	177,183	64,544	36.4%	38.8%
Other television channels	203,142	43,971	21.6%	22.0%	180,910	878	0.5%	1.1%
Total	**1,522,697**	**633,082**	**41.6%**	**42.6%**	**1,632,511**	**678,069**	**41.5%**	**43.1%**
Consolidation adjustment (intra segment)	-	(2,456)	-	-	(1,397)	(1,397)	-	-
Total segment	**1,522,697**	**630,626**	**41.4%**	**42.4%**	**1,631,114**	**676,672**	**41.5%**	**43.1%**

Television broadcasting and production revenue in the twelve months ended December 31, 2009 decreased by PLN 108,417, or 6.6%, to PLN 1,522,697, compared to PLN 1,631,114 in the corresponding period of 2008.

Our TVN channel's revenue decreased by PLN 150,138, or 11.8%, in the twelve months ended December 31, 2009. This decrease was primarily due to a decrease of PLN 154,868, or 13.8% in the net advertising revenue of our TVN channel, which recorded an effective decrease of 19.0% in the price of GRPs sold, which was partially offset by a 5.8% increase in the volume of inventory sold.

TVN 24 increased its revenue by PLN 18,092, or 10.2%, mainly due to an increase in subscription fees from satellite and cable operators, which increased by PLN 36,334, or 47.6% to PLN 112,742, mostly due to a higher average PLN/EUR exchange rate in the twelve months ended December 31, 2009, compared with the corresponding period of 2008, as subscriber fees are primarily denominated in Euro, and partly due to an increase in the average number of subscribers by 1.1 million in the twelve months ended December 31, 2009. This increase was partly offset by decreases of PLN 13,546, or 16.4% in advertising revenue and PLN 4,060, or 27.3%, in sponsoring revenue.

Our other channels' revenue increased by PLN 22,232, or 12.3%, in the twelve months ended December 31, 2009. This increase was primarily attributable to an increase in subscription fees from satellite and cable operators.

Our TVN channel's EBITDA decreased by PLN 120,924, or 19.7%, to PLN 491,723 in the twelve months ended December 31, 2009, from PLN 612,647 in the corresponding period of 2008 and its EBITDA margin decreased to 43.7% from 48.1%, in the corresponding period of 2008. The decrease is mostly due to a decrease in advertising revenue. Our TVN 24 channel's

EBITDA increased by PLN 32,844, or 50.9% to PLN 97,388 in the twelve months ended December 31, 2009 from PLN 64,544 in the corresponding period of 2008 and its EBITDA margin was 49.9%. The increase in EBITDA is partly due to an increase in subscription fees from satellite and cable operators, and partly due to cost reductions.

EBITDA for our other channels increased by PLN 43,093. Excluding the start up losses of our TVN Warszawa channel which we launched in December 2008, other television channels increased EBITDA by PLN 57,674 to PLN 66,739, with an EBITDA margin of 33.8%.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the twelve months ended December 31, 2009 and 2008. We, however, fully consolidated the financial results of our digital satellite pay television segment for the period between March 11, 2009 and December 31, 2009.

	Twelve months ended December 31,					
	2009			2008		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
'n' post paid subscribers	424,518	(150,520)	-	247,225	(194,195)	-
'n' pre-paid subscribers (Telewizja na kartę)	20,318	(6,111)	-	7,356	(6,188)	-
Total segment	**444,836**	**(156,631)**	**-**	**254,581**	**(200,383)**	**-**

The table below sets forth reconciliation of segment result to EBITDA for our digital satellite pay television segment for the twelve months ended December 31, 2009 and 2008.

	Twelve months ended December 31,	
	2009	2008
Operating loss	(241,689)	(255,138)
Depreciation, amortization and impairment charges	85,058	54,755
EBITDA	(156,631)	(200,383)

'n' DTH platform revenue increased by PLN 190,255, or 74.7%, to PLN 444,836 in the twelve months ended December 31, 2009 from PLN 254,581 in the corresponding period of 2008. This increase results mainly from an increase in subscription fee revenue, which increased by PLN 193,220, or 82.8%, to PLN 426,642, in the twelve months ended December 31, 2009, from PLN 233,422 in the corresponding period of 2008.

This increase is primarily due to a higher average number of subscribers and higher average monthly revenue per user (ARPU). The 'n' DTH platform's number of subscribers increased by 222,291 (not in thousands) to an average of 561,094 (not in thousands) in the twelve month period ended December 31, 2009, from an average of 338,803 subscribers in the corresponding period of 2008. The 'n' DTH platform's ARPU increased by PLN 7.0 to PLN 58.2 in the twelve months ended December 31, 2009 from ARPU of PLN 51.2 in the corresponding period of 2008 (all amounts not in thousands). As a result of adoption in November 2009 of accounting policy regarding recognition of discounts related with the activation fees, which were previously reducing subscription revenues, ARPU for the twelve month period ended December 31, 2009, and for the comparative twelve month period ended December 31, 2008, is calculated using the policy. The ‘n’ DTH platform recorded 302,378 (not in thousand) subscriber additions in the twelve months ended December 31, 2009, compared to 258,549 (not in thousands) in the twelve months ended December 31, 2008.

TNK recorded revenue of PLN 20,318 in the twelve months ended December 31, 2009. TNK increased its customer base by almost 348,000 (not in thousands) in the twelve months ended December 31, 2009. As of December 31, 2009, TNK had almost 262,000 active customers and a subscriber base of over 440,000 (not in thousands). In the twelve months ended December 31, 2009, TNK recorded ARPU of PLN 9.5 (not in thousands).

The ‘n’ DTH platform recorded a loss at the EBITDA level of PLN 156,631 in the twelve months ended December 31, 2009, compared to a loss of PLN 200,383 in the corresponding period of 2008. The increase in EBITDA results primarily from the increase in revenue, which outpaced an increase in ‘n’ DTH platform costs resulting partly from the adverse impact of PLN/EUR and PLN /USD exchange rates changes.

Online

The table below sets forth the summarized financial results for our Online segment for the twelve months ended December 31, 2009 and 2008:

	Twelve months ended December 31,							
	2009				2008			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	180,443	57,493	31.9%	35.7%	187,235	61,973	33.1%	42.6%
Other	32,996	(6,902)	-	-	26,855	(5,822)	-	-
Total	**213,439**	**50,591**	**23.7%**	**28.7%**	**214,090**	**56,151**	**26.2%**	**37.6%**
Consolidation adjustment (intra segment)	(5,361)	(397)	-	-	(7,923)	(199)	-	-
Total segment	**208,078**	**50,194**	**24.1%**	**29.0%**	**206,167**	**55,952**	**27.1%**	**38.3%**

Online revenue increased by PLN 1,911 or 0.9%, to PLN 208,078 in the twelve months ended December 31, 2009, from 206,167 in the corresponding period of 2008. Onet.pl’s revenue decreased by PLN 6,792, or 3.6%, to PLN 180,443 in 2009, compared with PLN 187,235 in 2008. The decrease in Onet.pl’s revenue is partly due to a higher advertising revenue base in 2008. The revenue base in 2008 was increased by significant one-off contracts with telecom operators. The revenue of our Internet vortals, presented in the table above as ‘Other’, increased by PLN 6,141, or 22.9%, to PLN 32,996 in the twelve months ended December 31, 2009, from PLN 26,855 in the corresponding period of 2008, mainly due to an increase of PLN 6,183, or 35.7%, in advertising revenue in Zumi.pl.

Segment EBITDA decreased by PLN 5,758, to PLN 50,194 in the twelve months ended December 31, 2009. EBITDA margin decreased to 24.1%, from 27.1% in the corresponding period of 2008. Onet.pl EBITDA decreased by PLN 4,480 or 7.2%. The decrease of Onet.pl EBITDA resulted mainly from a higher advertising revenue base in 2008, which resulted from significant one-off contracts with telecom operators. The EBITDA of our Internet vortals presented in the table above as ‘Other’ decreased by PLN 1,080 to a negative amount of PLN 6,902 in the twelve months ended December 31, 2009.

All Other

The table below sets forth the summarized financial results of our “All Other” segment for the twelve months ended December 31, 2009 and 2008. The segment comprises teleshopping, cinema movies distribution as well as content sales and technical services offered primarily to business entities within TVN Group.

	Twelve months ended December 31,							
	2009				2008			
	Revenue	**EBITDA**	**EBITDA %**	**EBITDA % excluding stock option plan expense**	**Revenue**	**EBITDA**	**EBITDA %**	**EBITDA % excluding stock option plan expense**
Mango Media	68,595	7,559	11.0%	11.0%	50,703	9,964	19.7%	19.7%
Other	53,903	16,099	29.9%	31.1%	44,109	7,747	17.6%	19.6%
Total	**122,498**	**23,658**	**19.3%**	**19.9%**	**94,812**	**17,711**	**18.7%**	**19.6%**
Consolidation adjustment (intra segment)	(1,471)	-	-	-	(1,294)	-	-	-
Total segment	**121,027**	**23,658**	**19.5%**	**20.1%**	**93,518**	**17,711**	**18.9%**	**19.9%**

“All other” revenue increased by PLN 27,509, or 29.4%, to PLN 121,027 in the twelve months ended December 31, 2009, from 93,518 in the corresponding period of 2008. Mango Media revenue increased by PLN 17,892, or 35.3%, to PLN 68,595, primarily due to increase in volume of goods sold. Business units classified as “Other” increased their revenue by PLN 9,794, or 22.2%.

Segment EBITDA increased by PLN 5,947, or 33.6%, to PLN 23,658 in the twelve months ended December 31, 2009. EBITDA margin for the twelve months ended December 31, 2009 increased to 19.5% from 18.9% in to the corresponding period of 2008.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments, head office expenses and the portion of stock option plan expenses not allocated to business segments. Other reconciling items had a positive impact on our profit of PLN 216,850 in the twelve months ended December 31, 2009, resulting mainly from the recognition of gain on step acquisition of PLN 122,359 and gain on remeasurement of contingent consideration of PLN 153,610, compared to a negative impact of PLN 38,957 in the corresponding period of 2008.

The following table sets out our summary historical consolidated financial information for the years ended December 31, 2008 and December 31, 2007. You should read the information in conjunction with the annual consolidated financial statements and Operating and Financial Review presented in this annual report.

For your convenience, certain Złoty amounts as of and for years ended December 31, 2008 and 2007 have been converted into Euro at a rate of PLN 4.1724 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2008). You should not view such conversions as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate. All amounts, unless otherwise indicated, in this table and the related footnotes are shown in thousands.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the year ended December 31, 2010, 2009 and 2008.

	Year ended December 31,			
	2008	**2009**	**2010**	**2010**
	PLN	**PLN**	**PLN**	**Euro [1]**
Cash generated from operations..............................	725,951	599,434	578,865	144,557
Net cash generated by operating activities...............	615,354	479,767	504,060	125,876
Net cash used in investing activities.....................	(813,388)	(562,270)	(231,081)	(57,706)
Net cash generated by/ (used in) financing activities………………………………………………	271,513	273,037	(174,391)	(43,549)
Increase in cash and cash equivalents……..	73,479	190,534	98,588	24,620

(1) For the convenience of the reader, we have converted Złoty amounts for the twelve months ended December 31, 2010 Euro at the rate of PLN 4.0044 per €1. (arithmetic average of the effective NBP exchange rates on January 31, 2010, February 28, 2010, March 31, 2010, April 30, 2010, May 31, 2010, June 30, 2010, July 31, 2010, August 31, 2010, September 30, 2010, October 31, 2010, November 30, 2010 and December 31, 2010). You should not view such translations as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate.

Cash flow for the year ended December 31, 2010 and 2009

Cash Generated from Operations

Cash generated from operations decreased by PLN 20,569 to PLN 578,865 in the twelve months ended December 31, 2010, from PLN 599,434 in the corresponding period of 2009. The decrease results from higher payments to acquire programming rights by PLN 72,702 and negative change in working capital of PLN 49,995, partly offset by higher EBITDA excluding restructuring costs, gain on step acquisition, gain on remeasurement of contingent consideration and stock option program by PLN 87,782 and a positive change in local production balance of PLN 17,755.

Net Cash Generated by Operating Activities

Net cash generated by operating activities includes all cash generated from operations and also reflects cash paid for taxes. Net cash generated by operating activities amounted to PLN 504,060 in the twelve months ended December 31, 2010, compared to PLN 479,767 generated by operating activities for the corresponding period in 2009. The increase is a result of a lower level of tax paid, resulting mainly from a changed model of corporate income tax advances paid monthly by TVN S.A.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 231,081 in the twelve months ended December 31, 2010, in comparison to net cash used in investing activities of PLN 562,270 in the corresponding period of 2009. The net cash used in investing activities in the twelve months ended December 31,2010 primarily related to cash of PLN 318,673 we deposited into EUR and PLN denominated bank deposits with maturity over three months and payments to acquire property, plant and equipment in the total amount of PLN 236,431. These outflows were partly offset by a cash inflow of PLN 363,700 from the sale of German government treasury bonds and bills.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 174,391 in the twelve months ended December 31, 2010, compared to net cash generated by financing activities of PLN 273,037 in the corresponding period of 2009. In the twelve months ended December 31, 2010, we recorded a cash outflow of PLN 366,180, related to repurchase of PLN Bonds, cash outflow of PLN 264,529 related to interest payments, transfer of PLN 111,535 to restricted cash in order to collateralize our bank guarantees as well as cash outflow of PLN 105,808 related cash to dividend payment. These were partly offset by an inflow from issue of 7.875% Senior Notes of PLN 689,255.

Total cash and cash equivalents, that we held as of December 31, 2010 amounted to PLN 480,294 in comparison to PLN 381,658 as of December 31, 2009. We hold cash and cash equivalents on bank deposit with maturity below three months in Złoty and Euro.

As of December 31, 2010 we held PLN 321,721 in EUR and PLN denominated bank deposits with maturity over three months.

Sources of our cash flows

We do not rely on our subsidiaries as sources of cash flow. Therefore possible repayment of outstanding loans or dividend distributions by our subsidiaries does not impact our ability to meet our liquidity requirements.

Cash flow for the year ended December 31, 2009 and 2008

Cash Generated from Operations

Cash generated from operations decreased by PLN 126,517 to PLN 599,434 in the twelve months ended December 31, 2009, from PLN 725,951 in the corresponding period of 2008. We attribute the decrease primarily to the decrease in EBITDA, excluding the gain on step acquisition and gain on remeasurement of contingent consideration, by PLN 192,577 and partly due to higher by PLN 14,375 payments made to acquire programming rights. These decreases were partly offset by an increase in our lower local production balance of PLN 43,532, recognition of positive working capital change of our digital platform of PLN 16,280 and the adjustment related to costs of acquisition of a subsidiary of PLN 16,608.

Net Cash Generated by Operating Activities

Net cash generated by operating activities includes all cash generated from operations and also reflects cash paid for taxes. Net cash generated by operating activities amounted to PLN 479,767 for the twelve months ended December 31, 2009, compared to PLN 615,354 generated by operating activities for the corresponding period in 2008. The decrease is a result of a lower level of cash generated from operations.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 562,270 in the twelve months ended December 31, 2009, in comparison to net cash of PLN 813,388 used in the corresponding period of 2008. The decrease in net cash used in investing activities primarily related to net cash of PLN 347,270 we received from our investment in Polish treasury bills we held, partly to PLN 9,864 we received on settlement of currency options limiting our PLN/USD exchange rate exposure and partly to interest received of PLN 7,648. These cash inflows were offset by the cash outflows related to the purchase of German government treasury bills and bonds, which amounted to PLN 411,890, and cash outflows related to the business combination with ITI Neovision. This included PLN 97,683 we paid for a controlling stake in ‘n’ net of cash acquired and PLN 75,344 of loans we granted to that company before March 11, 2009. We also recorded PLN 297,977 of payments to acquire property, plant and equipment, which included PLN 174,795 of payments made by ITI Neovision to acquire set-top boxes and PLN 54,300 paid by Onet for its new data center in Kraków. We also recorded PLN 31,497 of payments to acquire intangible assets and PLN 13,355 of costs of acquisition of subsidiary.

Net Cash Generated by Financing Activities

Net cash generated by financing activities amounted to PLN 273,037 in the twelve months ended December 31, 2009, compared to net cash generated from financing activities of PLN 271,513 in the corresponding period of 2008. The net cash generated by financing activities results primarily from the proceeds from the issue of 10.75% Senior Notes due 2017 in the amount of PLN 1,635,209, net of related costs of PLN 55,549 and due to cash inflow of PLN 101,014 from early settlement of currency options, hedging our PLN/EUR exchange rate exposure as well as from loans granted to ITI Neovision by its non-controlling shareholder of PLN 61,823. These inflows were partly offset by cash outflows related to the early repayment of our 9.5% Senior Notes due 2013 in the total amount of PLN 907,399, repayment of the balance of our Loan Facility of PLN 110,000 and our distributions to shareholders, in the form of dividend of PLN 194,025 and a share buyback of PLN 62,572. We also repaid our overdraft facility, which resulted in a cash outflow of PLN 48,733, and paid PLN 147,361 of interest related to our long-term borrowings.

Total cash and cash equivalents, excluding restricted cash, that we held as of December 31, 2009 amounted to PLN 381,658 and to PLN 184,867 as of December 31, 2008. We hold cash and cash equivalents on bank deposit in Poland in Złoty, Euro and U.S. Dollars.

As of December 31, 2009, we also held PLN 243,543 in easily marketable German government EUR denominated treasury bills classified as current available-for-sale financial assets, maturing on April 28, 2010 and October 27, 2010 respectively and PLN 133,970 in easily marketable German government EUR denominated treasury bills classified as non-current available-for-sale financial assets, maturing on April 8, 2011, excluding PLN 3,308 of accrued interest, presented as current available-for-sale financial assets. Both categories of financial assets are easily marketable.

Sources of our cash flows

We do not rely on our subsidiaries as sources of cash flow. Therefore possible repayment of outstanding loans or dividend distributions by our subsidiaries do not impact our ability to meet our liquidity requirements.

Future Liquidity and Capital Resources

We expect that our principal future cash outflows will be dividends to pay, capital investment in digital satellite pay television set-top decoders, capital expenditure relating to television and broadcasting facilities, Internet infrastructure and equipment, the launch or acquisition of new channels and Internet services and debt service on our Senior Notes and PLN bonds. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debt, cash and cash equivalents, of December 31, 2010:

	Value	Coupon/ effective interest	Maturity
7.875% Senior Notes (nominal value[2])………………	693 053	7.875%	2018
10.75% Senior Notes (nominal value[1])………………..	2 348 458	10.75%	2017
PLN Bonds (nominal value)………………………………	141 000	WIBOR 6m + 2.75%	2013
Guarantees…………………………………	671	-	-
Accrued interest on long term debt…………………	38 377	-	-
Total debt…………………………	**3 221 559**	**-**	**-**
Cash at bank and in hand……………	480 294	-	-
Bank deposits with maturity over three months……………	321 721		
Cash and cash equivalents and bank deposits with maturity over three months………	**802 015**	-	-
Net debt ………………………	**2 419 544**	**-**	**-**

(1) This value represents outstanding nominal value of our 10.75% Senior Notes, which amounts to EUR 593,000 (EUR 405,000 issued in November, 2009, EUR 148,000 issued in March, 2010 and EUR 40,000 issued in April, 2010) multiplied by the rate of PLN 3,9603 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2010).

(2) This value represents outstanding nominal value of our 7.875% Senior Notes, which amounts to EUR 175,000 issued in November, 2010 multiplied by the rate of PLN 3,9603 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2010.

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon) including bank guarantees issued on our behalf (without bank guarantees secured with cash collateral), net of cash and cash equivalents, bank deposits with maturity over three months and easily marketable available for sale financial instruments, to our consolidated shareholders' equity (including non-controling interest) was 2.0 as of December 31, 2010 and 1.6 as of December 31, 2009.

Our consolidated net debt to EBITDA ratio increased to 4.0 as of December 31, 2010, from 2.6 as of December 31, 2009. This increase is primarily due to higher level of total debt and lower EBITDA.

EBITDA is calculated for the last twelve months and is defined as profit/(loss) net, for the period, before depreciation and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, finance expense, net, investment income, net, share of loss of associate and income tax charges.

Our current liabilities amounted to PLN 691,590 at December 31, 2010, compared with PLN 675,477 at December 31, 2009. This increase was mainly due to an increase in other liabilities and accruals by PLN 60,080 partly offset by decrease of current trade payables by PLN 47,327.

Our borrowed funds excluding accrued interest as of December 31, 2010, consisted of PLN 2,263,055 of indebtedness represented by the 10.75% Senior Notes, PLN 671,146 of indebtedness represented by 7.875% Senior Notes and PLN 140,739 of indebtedness represented by PLN Bonds.

9.5% Senior Notes

TVN Finance, our wholly-owned subsidiary, issued 9.5% Senior Notes in an aggregate principal amount of EUR 235,000 pursuant to an indenture dated December 2, 2003, as amended and supplemented by a supplemental indenture dated March 26, 2004, a second supplemental indenture dated June 16, 2004, a third supplemental indenture dated August 31, 2006 and a fourth supplemental indenture dated July 31, 2009, by and among the Company, TVN Finance, Grupa Onet, ITI Neovision and the trustee, registrar and transfer and principal paying agent.

In 2008 we repurchased 9.5% Senior Notes of a total nominal value of EUR 20,000 and accounted for this in the consolidated balance sheet as derecognition of the corresponding part of the Senior Notes.

On December 19, 2009 we repaid and redeemed all 9.5% Senior Notes in a consolidated principal amount of EUR 215,000 issued by TVN Finance. The 9.5% Senior Notes were redeemed at a redemption price of 103.167% of the principal amount plus the aggregate amount of accrued interest on the 9.5% Senior Notes between December 15, 2009 up to but not including December 19, 2009. The total amount paid to redeem 9.5% Senior Notes was EUR 222 million. The 9.5% Senior Notes were repaid and redeemed from cash proceeds from the issue of the 10.75% Senior Notes issued on November 19, 2009 in an aggregate principal amount of EUR 405,000.

10.75% Senior Notes

TVN Finance Corporation II AB, our wholly-owned Swedish subsidiary, issued 10.75% Senior Notes in an aggregate principal amount of EUR 405,000 pursuant to an indenture, dated November 19, 2009. The 10.75% Senior Notes were sold at a purchase price equal to 98.696% for a total consideration of EUR 399,719. Interest on the 10.75% Senior Notes is payable semi-annually (on May 15 and November 15) at a rate of 10.75% per annum, beginning May 15, 2010. The 10.75% Senior Notes mature on November 15, 2017.

We received PLN 1,579,660 or EUR 386,140 in proceeds from the issue of our 10.75% Senior Notes, net off offering expenses. Of these proceeds, we used PLN 907,399 or EUR 221,809 to redeem our 9.5% Senior Notes, including the redemption premium, and PLN 110,000 or EUR 27,030 to repay the outstanding balance under our Loan Facility. All additional liquidity generated by the issue for an amount of PLN 136,873 or EUR 32,696 was invested in the German government treasury securities and for an amount of PLN 247,993 or EUR 59,320 in the German government treasury bills. The treasury securities were sold on February 18, 2010 and proceeds from the sale were deposited in EUR denominated bank deposits. Part of the treasury bills, in amount of EUR 27,600, was sold on April, 28 2010. The remaining amount of proceeds from the issue of our 10.75% Senior Notes, PLN 124,269, has been or will be used for general corporate purposes.

On March 10, 2010, in order to complete the acquisition of the remaining shares in Neovision Holding, we issued, via our wholly owned subsidiary, TVN Finance Corporation II AB, additional 10.75% Senior Notes bonds with a total nominal value of EUR 148,000. The 10.75% Senior Notes issued in March 2010 have the same terms as and are issued on a pari passu basis with the EUR 405,000 10.75% Senior Notes issued on November 19, 2009.

In addition, on March 10, 2010, we issued the Promissory Notes in an aggregate principal amount of EUR 40,000 in connection with our acquisition of the remaining 49% interest in Neovision Holding. The Promissory Notes were issued by TVN S.A. for the benefit of ITI Media and were paid into an escrow account pursuant to an escrow agreement among us, ITI Media and The Bank of New York Mellon, as escrow agent. The Promissory Notes had substantially similar economic terms as the 10.75% Senior Notes. On April 30, 2010, these Promissory Notes were exchanged for a like principal amount of 10.75% Senior Notes, following which the Promissory Notes were cancelled.

Change of Control

The 10.75% Senior Notes have a put option, which may be exercised by the holders of the 10.75% Senior Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest if a change of control takes place. A change of control, as defined in the Indenture, has occurred when:

- a person other than Permitted Holders, as defined in the Indenture, becomes the beneficial owner of more than 35% of the voting power of our voting stock, and the Permitted Holders own a lesser percentage than such other person;
- approved directors cease to constitute a majority of the supervisory board;
- we sell substantially all of our assets;
- a plan is adopted relating to the liquidation or dissolution of the Company; or

- we cease to own 100% of the shares of TVN Finance Corporation II AB.

Optional redemption

The following early repayment options are included in the 10.75% Senior Notes:

- we may redeem all or part of the 10.75% Senior Notes on or after November 15, 2013 at a redemption price ranging from 100.000% to 105.375%;
- the 10.75% Senior Notes may be redeemed, at our option, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws;
- if a change of control over the Company occurs, each registered holder of 10.75% Senior Notes will have the right to require us to repurchase all or any part of such holder's 10.75% Senior Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 10.75% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

In addition, prior to November 15, 2012, we may on any one or more occasions redeem up to 35% of the original principal amount of 10.75% Senior Notes with the net cash proceeds of one or more public equity offerings at a redemption price of 110.75% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date.

In addition, at any time prior to November 15, 2013, we also have an option to redeem the 10.75% Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium and accrued but unpaid interest, if any, as of and up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the 10.75% Senior Notes on November 15, 2013, plus interest due through November 15, 2013 computed using the Bund Rate plus 50 bps (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes on the redemption date.

We do not account for early prepayment options embedded in the 10.75% Senior Notes because they are either closely related to the economic characteristics of the host contract or their fair value was accessed at a level close to nil.

Covenants

The Indenture contains certain covenants that, among other things, limit our and our subsidiaries' ability to take any of the following actions:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- enter into sale and leaseback transactions;

- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem their stock;
- enter into certain transactions with related parties and affiliates;
- enter into agreements that restrict our restricted subsidiaries' (as defined in the Indenture) ability to pay dividends;
- sell or issue capital stock of our restricted subsidiaries;
- consolidate, merge or sell all or substantially all our assets;
- purchase, prepay or redeem subordinated indebtedness prior to maturity; and
- engage in certain businesses.

These limitations, however, are subject to a number of important qualifications and exceptions.

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in principal amount of the 10.75% Senior Notes may declare all the outstanding 10.75% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding 10.75% Senior Notes will become due and payable without any declaration or other act by the holders of the 10.75% Senior Notes.

7.875% Senior Notes

On November 19, 2010 TVN Finance Corporation III AB, our wholly owned subsidiary issued 7.875% Senior Notes with a total nominal value of EUR 175,000. The 7.875% Senior Notes were sold at par value for a total consideration of EUR 175,000. Interest on 7.875% Senior Notes is payable semi-annually (on May 15 and November 15) at a rate of 7.875% per year, beginning May 15, 2011. The 7.875% Senior Notes mature on November 15, 2018.

We plan to use the net proceeds of the 7.875% Senior Notes in the amount of approximately EUR 128,000 to refinance all of the PLN 500,000 principal amount of outstanding PLN Bonds maturing in 2013, in the amount of approximately EUR 36,000 to refinance our Loan Facility presently used solely for bank guarantees, and in the amount of approximately EUR 11,000 to pay fees and expenses associated with the 7.875% Senior Notes offering, with the reminder to increase the liquidity. See also the description for PLN Bonds and Guarantee Facility in Item 5. Operating and Financial Review and Prospects section.

Change of Control

The 7.875% Senior Notes have a put option, which may be exercised by the holders of the 7.875% Senior Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest if a change of control takes place. A change of control, as defined in the Indenture, has occurred when:

- a person other than Permitted Holders, as defined in the Indenture, becomes the beneficial owner of more than 35% of the voting power of our voting stock, and the Permitted Holders own a lesser percentage than such other person;
- approved directors cease to constitute a majority of the supervisory board;
- we sell substantially all of our assets;
- a plan is adopted relating to the liquidation or dissolution of the Company; or
- we cease to own 100% of the shares of TVN Finance Corporation III AB.

Optional redemption

The following early repayment options are included in the 7.875% Senior Notes:

- we may redeem all or part of the 7.875% Senior Notes on or after November 15, 2013 at a redemption price ranging from 100.000% to 105.906%;
- the 7.875% Senior Notes may be redeemed, at our option, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws;
- if a change of control over the Company occurs, each registered holder of 7.875% Senior Notes will have the right to require us to repurchase all or any part of such holder's 7.875% Senior Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase.

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 7,875% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

In addition, prior to November 15, 2012, we may on any one or more occasions redeem up to 35% of the original principal amount of 7.875% Senior Notes with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date.

In addition, at any time prior to November 15, 2013, we also have an option to redeem the 7,875% Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium and accrued but unpaid interest, if any, as of and up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the 7.875% Senior Notes on November 15, 2013, plus interest due through November 15, 2013 computed using the Bund Rate plus 50 bps (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 7.875% Senior Notes on the redemption date.

We do not account for early prepayment options embedded in the 7.875% Senior Notes because they are either closely related to the economic characteristics of the host contract or their fair value was accesed at a level close to nil.

Covenants

The Indenture contains certain covenants that, among other things, limit our and our subsidiaries' ability to take any of the following actions:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- enter into sale and leaseback transactions;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem their stock;
- enter into certain transactions with related parties and affiliates;
- enter into agreements that restrict our restricted subsidiaries' (as defined in the Indenture) ability to pay dividends;
- sell or issue capital stock of our restricted subsidiaries;
- consolidate, merge or sell all or substantially all our assets;
- purchase, prepay or redeem subordinated indebtedness prior to maturity; and
- engage in certain businesses.

These limitations, however, are subject to a number of important qualifications and exceptions.

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in principal amount of the 7.875% Senior Notes may declare all the outstanding 7.875% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding 7.875% Senior Notes will become due and payable without any declaration or other act by the holders of the 7.875% Senior Notes.

PLN Bonds

On June 23, 2008, we issued PLN denominated bonds with a nominal value of PLN 500,000. We issued 5,000 bonds (not in thousands) of a nominal value of PLN 100,000 (not in thousand), with redemption date of June 14, 2013, and with a right for us to request early redemption on either the third or fourth anniversary of the issue. The interest on the bond is calculated and paid in cash semi-annually, on the Bond nominal value, at a variable interest rate equal to 6 month WIBOR plus 2.75%.

On December 23, 2010 we acquired our PLN Bonds with nominal value of PLN 359,000 – a portion of our outstanding PLN 500,000 Bonds, issued in 2008 and maturing in 2013. As a result of this acquisition, the total of PLN 359,000 nominal value of the PLN Bonds was redeemed. The remainder of the PLN Bonds will be repurchased by no later than June 14, 2011.

Guarantee Facility

On December 17, 2010 we entered into PLN 200,000 revolving guarantee facility agreement with Bank Pekao S.A., which replaced and terminated the previous Loan Facility originally established on June 30 2008.

The guarantee facility is a PLN 200,000 multicurrency facility available in EUR, USD and/or PLN, with a termination date on December 17, 2012. It may be used in an amount of up to PLN 200,000 for guarantees and letters of credit with tenors not exceeding 12 months from issuance or up to PLN 100,000 for guarantees with maturity longer than 12 months but not exceeding 36 months. The facility is secured with cash collateral for 100% of each guarantee.

We entered into this agreement and terminated the previous Loan Facility as a part of the refinancing process using a portion of the proceeds received from the issuance of the 7.875% Senior Notes in November 2010.

As of December 31, 2010, the Guarantee Facility had been used for issuing the following bank guarantees issued at 107,285 (total amount of facility used as of December 31, 2009: PLN 45,097):

- EUR 2,026 and PLN 12,531 in the form of guarantees issued on our behalf;
- EUR 21,900 in the form of guarantees issued on behalf of ITI Neovision in relation to Eutelsat contracts for satellite rental and the UEFA agreement for the UEFA Champions League Season 2011/2012.

Guarantee

On November 20, 2009, we entered into a guarantee agreement with Rabobank Polska S.A. (“Rabobank”). Pursuant to this agreement, Rabobank issued a guarantee to UEFA on behalf of ITI Neovision, to secure payment for the UEFA Champions League Season 2010/2011 rights. The guarantee amounts to EUR 16,000 and expires on June 30, 2011.

On December 22, 2010 we closed this guarantee agreement.

Commitments and Off-Balance Sheet Arrangements

The following table summarizes in Złoty the contractual obligations, commercial commitments and principal payments we were obligated to make as of December 31, 2010 under our operating leases and other material agreements. The information presented below reflects the contractual maturities of our obligations. These maturities may differ significantly from their actual maturity.

	As of December 31,						
	2011	**2012**	**2013**	**2014**	**2015**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	73,434	75,431	75,238	75,238	60,197	125,117	484,655
Other technical leases………	15,031	15,031	15,031	15,031	15,031	-	75,155
Operating leases – other……	38,374	34,620	29,142	23,646	23,470	14,830	164,082
Programming rights……………	272,082	298,225	193,804	17,227	4,335	-	785,673
Total operating leases…….	**398,921**	**423,307**	**313,215**	**131,142**	**103,033**	**139,947**	**1,509,565**
Commitments to purchase equipment and software (2)…	39,610	-	-	-	-	-	39,610
Total cash commitments …	**438,531**	**423,307**	**313,215**	**131,142**	**103,033**	**139,947**	**1,549,175**
Barter commitments (1)……	2,401	-	-	-	-	-	2,401
Total cash commitments and other obligations ……	**440,932**	**423,307**	**313,215**	**131,142**	**103,033**	**139,947**	**1,551,576**

(1) As of December 31, 2010, pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 2,401, settlement of which will be in form of advertising and is intended to be rendered on arm's-length terms and conditions and at market prices.

(2) Additionally we have an undertaking to invest PLN 215,782in the special economic zone in Kraków by December 31, 2013 and 2017. On December 31, 2010, the remaining commitment amounted to PLN 111,645 and should be fulfilled by December 31, 2013.

We have no off-balance sheet arrangements.

Trend Information

The principal trends of which we are aware and which we believe will affect our revenue and profitability are growth in the television and Internet advertising markets in Poland and growth in the pay television market. We are exposed to fluctuations in the exchange rates of Złoty to both the Euro and the U.S. Dollar. Our 10.75% Senior Notes and the 7.85% Senior Notes are denominated in Euro, and a large proportion of our programming costs are denominated in U.S. Dollar. In 2010 the Złoty has appreciated against the Euro while it has depreciated against the U.S. Dollar. We cannot exclude that volatility of Złoty exchange rates may continue in the market.

The annual inflation rate in Poland in December 2010 was 3.7%, compared with 3.5% in December 2009, 2.5% in September 2010, 2.3% in June 2010 and 2.6% in March 2010. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We are committed to ensuring that our corporate governance is transparent and meets applicable Polish and international standards. We comply with the "Best Practices for WSE Listed Companies", adopted by the Warsaw Stock Exchange on July 4, 2007, as amended May 19, 2010.

In accordance with Polish corporate law, we conduct our decision-making process through general meetings of shareholders, a management board and a supervisory board. These governing bodies are governed by the applicable provisions of the Polish Companies Commercial Code, our Articles of Association and internal rules of procedure of the management board and the supervisory board. The management board is responsible for the day-to-day management of our business. The management board must have at least three members, including a president and at least one vice-president. The members of the management board are appointed by the supervisory board for a renewable joint term of three years, and may be removed or suspended by the supervisory board only for just cause. Resolutions of the management board are passed by a simple majority of votes of the members participating at a meeting where there is a quorum or by a written resolution without holding a meeting, provided that all members of the management board have been notified of the content of any such proposed resolution. The president of the management board casts the deciding vote in the event of a tie. Our Articles of Association provide that the presence of at least half of the members of the board constitute a quorum.

The principal function of the supervisory board is to supervise the Company's operations. The supervisory board may consist of between seven and eleven members, elected for a renewable joint three year term of office. The terms of the members of the current supervisory board, who were appointed as of May 15, 2009 by the resolution of the annual shareholders' meeting held on that day (with the exception of Paul Lorenz, who was co-opted by the Supervisory Board effective September 30, 2010) will terminate upon the approval of our 2012 financial statements by the annual general shareholders' meeting.

Our Articles of Association provide that the presence of at least half of the members of the supervisory board constitutes a quorum. Resolutions of the supervisory board may be passed either by the vote of a simple majority of votes of the members present at a meeting, where there is a quorum or by a written resolution, provided that all members have been duly notified.

The functions of the supervisory board include (i) examining the financial statements, and the management board's report, (ii) representing the Company in contracts and disputes with members of the management board, (iii) granting the consent to the management board for entering into essential transactions, (iv) approving regulations governing the management board, (v) granting consent to increase our authorized share capital and (vi) approving our annual financial statements for publication.

Our supervisory board includes four independent board members. For a discussion of our supervisory board's related parties policy, see "Major shareholders and related party transactions" herein.

The management board must report to the supervisory board on a regular basis and must obtain the prior consent of the supervisory board for certain matters which are set out in our Articles of Association. In particular, the supervisory board reviews our annual statutory accounts, reports on our activity prepared by the management board and proposals by the management board as to distribution of profits. In addition, the supervisory board appoints our auditors and approves our and each of our subsidiaries' annual budgets.

Generally, however, the supervisory board is not permitted to make management decisions or interfere with the day-to-day management of our business.

Management board

Currently our management board consists of four members. The following table sets out the name, age, position, year of appointment and the year in which current appointment term expires for each of the members of our management board.

Name	Age	Position	Year first appointed	Beginning of the current term	Year term expires
Markus Tellenbach….	50	President Chief Executive Officer	2009	2010	2013
Piotr Walter..............	43	Vice President Television and Broadcasting	1999	2010	2013
Łukasz Wejchert........	37	Vice President Online	2006	2010	2013
John Driscoll……..….	50	Chief Financial Officer	2010	2010	2013

Markus Tellenbach has been our President and Chief Executive Officer since September 2009. Since June 2008, he has been a member of the supervisory board of SKY Deutschland AG and since 2010 also member of supervisory board Sogacable S.A. Mr. Tellenbach serves as the Chairman of the supervisory board of Convers Media Services Ltd. Mr. Tellenbach joined SBS Broadcasting SA in 2001 as Chief Operating Officer and became Chief Executive Officer in August 2002. Prior to joining SBS Broadcasting, Mr Tellenbach was Chief Executive Officer of KirchPayTV GmbH & Co. and Chief Executive Officer of Premiere World, Germany's leading pay TV operator. From 1994 to 1999, Mr. Tellenbach served as Managing Director of Vox Fernsehen, a national commercial broadcaster in Germany jointly owned by Bertelsmann, Canal Plus and News Corporation.

Piotr Walter has been Vice-President of the management board and Head of Television Broadcasting since September 2009. From 1991 to 2000 he worked in ITI Group companies, where he started his career as video editor, subsequently becoming a producer. In 1998 he became Vice President of ITI Film Studio's and in 1999 was appointed Vice President of the management board in charge of marketing and on-air promotion. In July 2001 he took over, succeeding his father Mariusz Walter, the position of President of the management board and General Director of TVN and remained in that position until August 2009. He is member of the supervisory board of Onet.pl and ITI Neovision. He graduated from Columbia College in Chicago and the International Institute for Management Development in Lausanne. He also studied at the University of Warsaw (Journalism) and at the Film School in Łódz (Film Directing).

Łukasz Wejchert has been Vice-President, responsible for our Online business segment, since August 2006. He is also the Chief Executive Officer of Onet.pl and since September 2008 also has served on the board of directors of ITI Holdings, the majority shareholder of TVN. As of November 1, 2009 he became a Member of the Executive Committee of ITI Group

Prior to joining us, he worked for Onet.pl since 2002 and the ITI Group which he joined in 1997. He is also a supervisory board member of ITI Neovision Sp. z o.o. since April 2009. He started his professional career in 1995 at ING Bank. He is a graduate of the Finance and Economy Faculty at Portobello Business College (Dublin).

John Driscoll has been our Chief Financial Officer since May 14, 2010. He was the Chief Financial Officer of the ITI Group responsible for group-wide financial activities from 2007, prior to which he held various senior positions in the ITI Group which he joined in 1999. Between 1997 and 1999, Mr. Driscoll was with TSC Europe where he was the European Controller responsible for group-wide financial reporting and policy and between 1995 and 1997, he was the European Treasurer of Pelikan Hardcopy Group. Mr. Driscoll started his career in Europe as an auditor with Coopers & Lybrand Switzerland. Mr. Driscoll is a graduate of the University of Maryland and is a U.S. Certified Public Accountant.

On April 12, 2010, our supervisory board appointed John Driscoll as the TVN Group Chief Financial Officer and TVN S.A. management board member for three-year term to commence on May 14, 2010, after Rafał Wyszomierski notified the supervisory board of his decision not to stand for the next term of the office.

Compensation

The table below sets out the compensation of our management board members, comprising base salary and bonuses actually paid under the management board mandate during the year ended December 31, 2010 (in PLN):

Name	**Salary**	**Bonuses***	**Total**
Markus Tellenbach	4,035	661	4,695
Piotr Walter	3,101	-	3,101
Łukasz Wejchert	2,655	333	2,987
John Driscoll	1,207	-	1,207
Rafał Wyszomierski	618	200	818
Total	**11,616**	**1,194**	**12,808**

**Bonuses paid for 2009*

Share based payments

Certain members of our management board participate in stock option plans introduced in December 2005 ("stock option plan I") and July 2006 ("stock option plan II"). Under the terms of stock option plan I, awards of share options were made in four tranches between December 2005 and December 2008, subject to certain vesting conditions being met. Under the terms of stock option plan II, awards of share options were made in four tranches between July 2006 and April 2008. All tranches have already been granted and one of them is subject to certain vesting conditions being met. The remuneration and related party transactions committee recommended and the supervisory board approved, the number of option granted to management board members. Further details of the stock options plans are presented below. The table below summarizes the number of share options allocated to each management board member as of December 31, 2010:

Name	Total number of options granted up to December 31, 2010 (not in thousands)	Total number of options vested up to December 31, 2010 (not in thousands)	Total number of options vested and held as of December 31, 2010 (not in thousands)
Markus Tellenbach	-	-	-
Piotr Walter	622,600	622,600	458,080
Łukasz Wejchert	577,065	577,065	577,065
John Driscoll	-	-	-

The table below sets out shares in TVN S.A. held by each management board member as of December 31, 2010:

Name	Number of shares
Markus Tellenbach	-
Piotr Walter	-
Łukasz Wejchert	763,666 (+3,549,805*)
John Driscoll	-

Concerns TVN S.A. shares in estate of the late Jan Wejchert, where Łukasz Wejchert is one of the six heirs and co-owns fraction of these shares as their allocation was not completed yet.

The table below sets out shares in related parties held by our management board members as of December 31, 2010:

Name	Name of related party	Number of shares (not in thousands)	Nominal value of one share (not in thousands)
Łukasz Wejchert controlled entity	ITI Holdings S.A.	2,308,153	1.25 EUR
Łukasz Wejchert controlled entity	ITI Media Group N.V.	100	1.00 USD

Supervisory board

Currently our supervisory board consists of eleven members. The following table sets out the name, age, position, year of first appointment and the year of appointment for the current term for each of the members.

Name	Age	Position	Year first appointed	Year appointed for the current term*
Wojciech Kostrzewa	50	Chairman of the supervisory board Chairman of the related party transactions and remuneration committee	2005	2009
Bruno Valsangiacomo	55	Deputy Chairman of the supervisory board Member of the audit committee	1999	2009
Arnold Bahlmann	56	Independent member of the supervisory board Member of the related party transactions and remuneration committee	2005	2009
Romano Fanconi	45	Member of the supervisory board	2004	2009
Paweł Gricuk	45	Independent member of the supervisory board Member of the audit committee Member of the related party transactions and remuneration committee	2005	2009
Paul Lorenz	50	Member of the supervisory board	2010	2010
Wiesław Rozłucki	62	Independent member of the supervisory board Member of the audit committee	2007	2009
Andrzej Rybicki	62	Chairman of the supervisory board	2006	2009
Aldona Wejchert	41	Member of the supervisory board	2007	2009
Gabriel Wujek	58	Member of the supervisory board	2008	2009
Michał Broniatowski	56	Independent member of the supervisory board	2009	2009

* Expiration of term of office depending on the date of the General Shareholders Meeting approving the financial statements for the year 2011.

Wojciech Kostrzewa is the President and Chief Executive Officer of ITI Holdings, which positions he has held since January 2005. From 1999 to 2004 he was a non-executive director of ITI Holdings S.A. Between 1988 and 1991 he was employed at the Kiel Institute for the World Economy as a Research Economist. From 1989 to 1991 he was an advisor to the Polish Minister of Finance, Prof. L. Balcerowicz. Between 1990 and 1995 he held the position of President of the Polish Development Bank. In 1996, he was appointed as Deputy President of BRE Bank S.A. and was made President of the same in May 1998, a post which he held until November 2004. Between January 2002 and November 2004, he was an executive member of the regional management board of Commerzbank AG where he was responsible for all the operations of Commerzbank in Central and Eastern Europe. Mr Kostrzewa was a member of the Supervisory Boards of various Polish and foregn companies since 1990. He has served on the supervisory boards of Multikino S.A., Onet.pl and ITI Neovision Sp. z o.o. since 2005 and 2006, respectively. and on the supervisory boards of Telewizja Religia Sp. z o.o. and Klub Piłkarski Legia Waszawa S.A. since 2009 and 2010, respectively. Since 2007 he has also been the Vice President of the Polish Confederation of Private Employers Lewiatan. He is also a Member of the Polish Business Roundtable. He is an economics graduate from Kiel University in Germany.

Bruno Valsangiacomo is Executive Chairman of ITI Group since January 2011. He is also Managing Partner of FFC Fincoord Finance, Coordinators Ltd., Zurich, an investment banking and advisory firm he founded in 1991. He joined ITI Holdings in 1991 as a founding shareholder and holds the position of Executive Chairman of ITI Holdings. He is a Vice Chairman of the TVN supervisory board and serves as member of the TVN audit committee. He is an experienced entrepreneur and investor in various industries. He started his career in corporate banking and worked at major institutions in Switzerland such as UBS (1972 to 1982) and Banque Paribas (1982 to 1991) for 20 years. He has successfully structured, negotiated, launched and implemented several complex businesses and ground-breaking financial transactions. Since 1991 his strong entrepreneurial focus has been media and entertainment in Poland however he also specializes in other industries such as finance, FMCG and pharma. He leads the Tectus

Group of companies, a Swiss based family owned holding company with interests in construction engineering worldwide. He is a graduate of the School of Economics and Administration in Zurich.

Arnold Bahlmann is a senior advisor to Permira, one of Europe's largest private equity funds, and sits on its industrial advisory board. Transactions which he has arranged have involved SBS Broadcasting, of which he was a member of the supervisory board from October 2005 to July 2007, and ProSiebenSat 1. For more than 20 years he worked in various positions within Bertelsmann AG, starting in 1982 as Head of Strategic Planning of the Ariola Group, which later merged with RCA to create BMG, as President of Premiere GmbH, the German pay TV operator and as a Member of the Executive Board of Bertelsmann AG and Chief Strategic Officer responsible for major transactions, such as the sale of AOL Europe, Mediaways and Springer. He ended his career at Bertelsmann AG in 2003 as President and Chief Executive Officer of Bertelsmann Springer and a member of the executive board of Bertelsmann AG. He also serves as a member of the supervisory board of YOC AG, a mobile marketing company, Senator Entertainment AG, Business Gateway AG, Freenet AG and Telegate AG. Previously, he has also served on the boards or supervisory boards of Haring Service Company, Debitel AG, Source Media Inc. and Germany 1 Acquisition Limited. He has been our member of the supervisory board since May 2005. He graduated from Cologne University, where he also obtained a doctorate.

Romano Fanconi, joined the ITI Group in 1995 and holds the position of Corporate Secretary. He heads the Corporate Administration Services in the ITI Group and is responsible for company administration, contract management, tax planning, due diligence coordination, financial analysis, preparation of business plans and other support services. He is a Managing Partner of FFC Fincoord Finance Coordinators Ltd., an investment banking and advisory firm located in Zurich, which he joined in 1995. He has been a member of the TVN supervisory board since 2004. Prior to joining the ITI Group he held various positions at UBS and Credit Suisse. He sits on the economic advisory board to the council of the community of Brunnen, Switzerland. He holds a Bachelors degree from the Lucerne School of Economics, Business and Administration.

Pawel Gricuk, is the President of PG Energy, a privately owned company investing in oil and gas assets, which he founded in 2010. From 2005 until 2010, he was the President of Petrolinvest S.A., the first Polish exploration and production company. Before, he worked at J.P. Morgan in London from 1993 to 2005 where he hold various senior positions. He has been a member of the supervisory board since May 2005. He is an economics graduate from the University of Lodz and also graduated from the Beijing University of Foreign Studies in China.

Paul Lorenz is the Chief Executive Officer of Integrated Media Industries (Luxembourg) S.A. and a director of DevelUP Sp. z o.o., media service companies which he founded in 2000. He was the Chief Executive Officer of RTL7, which he helped launch in 1996, until late 1999. He joined the RTL Group of Luxembourg as a senior executive in mid 1990, where he was in charge of the group's TV Administration, including in the developing markets of Central and Eastern Europe. He was the Deputy Chief Executive Officer of Lux-Development from 1987 to 1990, where he worked in the non-for-profit development cooperation sector, mainly on the African continent. Prior to joining Lux-Development, he worked for Banque Générale du Luxembourg from 1985 to 1987.

Wiesław Rozlucki, PhD. is a consultant. He graduated from the Foreign Trade Faculty of the Warsaw School of Economics in 1970. He has a PhD in Economic Geography from the Polish Academy of Sciences and between 1973 and 1989, he worked there as a researcher. During 1979 -1980 he studied, as a British Council scholar, at the London School of Economics. Between 1990 and 1994, he was an adviser to the Polish Minister of Finance, a director of the

Capital Markets Department in the Ministry of Privatization of Poland and a member of the Polish Securities and Exchange Commission.

Between 1991 and 2006, during five terms, Dr. Rozlucki was the President of the management board of the Warsaw Stock Exchange. He was also the Chairman of the supervisory board of the National Depository for Securities and a board member of the World Federation of Exchanges and the Federation of European Securities Exchanges. Dr. Rozlucki has been actively engaged in the corporate governance movement in Poland. He is the Chairman of the Programming Council of the Polish Institute of Directors, as well as Harvard Business Review Polska. He is also a member of supervisory boards of large public companies including Telekomunikacja Polska and BPH Bank. He runs a strategic and financial consultancy and acts as a senior adviser to Rothschild Polska and Warburg Pincus International.

Andrzej Rybicki is the Chief Executive Officer as well as the Chairman of its Board of Directors of the Advanced Digital Broadcast Holdings S.A. group of companies ("ADB Group"). He founded the Group in 1995. Prior to that, Mr. Rybicki held several technical, business and marketing positions at Nokia Corp. and Salora OY between 1974 and 1978, Blonder-Tongue Laboratories, Inc. between 1979 and 1988, and was an engineering director at General Instruments Corp. between 1988 and 1990. From 1990 to 1996, Mr. Rybicki served as marketing director for STMicroeletronics' Asia Pacific region where he initiated and led the effort of business and product development of the world's first highly integrated, complete chipset for digital TV set-top boxes. He obtained an MSc in Electronics Engineering from the Technical University of Poznan.

Aldona Wejchert has been the Chairman of the supervisory board of Multikino S.A. since 2005. She is also Non-Executive Member of the Board of Directors of the ITI Group, Member of the TVN Charity Foundation Board „Nie jesteś sam". and member of the trust board of the National Museum in Warsaw. Between 1996 and 2005 she was responsible for the development of the first multiplex chain in Poland, Multikino Sp. z o.o. She is also a current Board Member of the Polish Academy of Gastronomy as well as Member of the Polish Business Roundtable. She graduated from the Warsaw School of Economics and extended her business education at London Business School in the United Kingdom.

Gabriel Wujek is a partner in the law firm Radzikowski, Szubielska i Wspólnicy sp.k., which is part of the New York-based law firm Chadbourne & Parke LLP. Since 2006 he has sat on the supervisory board of Multimedia Polska S.A. Between January 2004 and December 2007, he was the managing partner of Chadbourne & Parke LLP's Warsaw office. Between 1990 and 2003, he was managing partner of the Warsaw office of Altheimer & Gray, a law firm based in Chicago. Between 1986 and 1990, he was deputy director and director of the legal department at the Ministry of Foreign Economic Relations of the Republic of Poland. From 1980 to 1985, he was the legal adviser of the commercial section of the Polish Embassy in New York City. From 1973 to 1999 he was member of the Faculty of Foreign Trade at the Warsaw School of Economics. He is an arbitrator at the Arbitration Court of the Polish National Chamber of Commerce and at the Arbitration Court at the Polish Confederation of Private Employers Lewiatan. Mr. Wujek is a graduate of the Faculty of Law and Administration of the Warsaw University, a doctor of law and the author of numerous publications on commercial and business law and international investments.

Michał Broniatowski was appointed to the supervisory bard on October 28, 2009. He previously served as an independent director and independent member of the supervisory board of the ITI Group from 1994 to 2005, and as a member of the board of Onet from 2001 to 2005. From 2003 to May 2009 he was global services director and member of the board of Interfax International Information Group ("IIIG"), an international news and information company operating in Russia, former Soviet Union states, China and major countries in Central and Eastern Europe, and he is now Chairman of the Board of Interfax Central Europe Ltd, a sales company of IIIG. In 2002-2003 he served as a consultant at Telekomunikacja Polska SA, Poland's largest telecoms operator and at Edipresse Polska, the Polish branch of the Swiss publishing house Edipresse. From January 2001 to March 2002 he held the positions of ITI Management Vice-President and new media director within the ITI Group. From 1985 to end-2000 he worked at Reuters, a global news and information agency, where he started as a correspondent in Poland and left as a Manager in Russia and CIS. Since July 2009 he has been the CEO of Polski Terminal Finansowy Ltd and Mount Tarango Ltd. He graduated from the Department of Spanish Language and Culture (Iberystyka) at the University of Warsaw, and has undertaken further study at the University of Columbia.

Board committees

We have established two supervisory board committees, an audit committee and a remuneration and related party transaction committee, each comprised of three supervisory board members, of which two are independent board members.

Audit committee

Our audit committee responsibilities are defined in the Audit Committee Charter approved by the supervisory board. The audit committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information and reviews the effectiveness of our internal control and risk management system as well as the effectiveness of the internal audit function. Additionally, the audit committee recommends to the supervisory board the appointment of the external auditor and assesses its performance. In performing its duties, the audit committee maintains an effective working relationship with the supervisory board, management board, management and the external and internal auditors.

The audit committee consists of three supervisory board members — currently Wiesław Rozłucki (chairman), Paweł Gricuk and Bruno Valsangiacomo. Two of its members are independent board members, and the members have appropriate qualifications and experience in accounting and finance. The audit committee meets regularly. The Chief Financial Officer and representatives of external and internal audit attend the meetings by invitation. In 2010 the audit committee met five times.

Remuneration and related party transaction committee

The remuneration and related party transactions committee's responsibilities are clearly set out in our supervisory board regulations and include reviewing related party transactions, reviewing the compensation of management and supervisory board members and making recommendations on these to the supervisory board. The committee currently comprises Wojciech Kostrzewa (chairman), Arnold Bahlmann and Paweł Gricuk.

The committee was established on June 17, 2005 and met five times during 2010 to review management board members remuneration and various related party transactions. Details of related party transactions, are presented in "Major shareholders and related party transactions", below.

Compensation

The table below sets out the compensation of our supervisory board members, comprising payments for the year ended December 31, 2010 (in PLN):

Name	Remuneration
Wojciech Kostrzewa	192
Bruno Valsangiacomo	120
Arnold Bahlmann	168
Romano Fanconi	72
Pawel Gricuk	144
Wiesław Rozłucki	132
Paweł Kosmala	54
Andrzej Rybicki	72
Aldona Wejchert	72
Gabriel Wujek	72
Michał Broniatowski	72
Paul Lorenz	18
Total	**1,188**

Share ownership

The table below sets out shares in TVN S.A. held by each supervisory board member as of December 31, 2010:

Name	Number of shares
Wojciech Kostrzewa	120,000
Bruno Valsangiacomo	1,597,325
Arnold Bahlmann	-
Romano Fanconi	32,000
Paweł Gricuk	-
Wiesław Rozłucki	-
Paweł Kosmala	-
Andrzej Rybicki	-
Aldona Wejchert	3,549,805*
Gabriel Wujek	-
Michał Broniatowski	-
Paul Lorenz	-
Total	**1,749,325**

**Concerns TVN S.A. shares in estate of the late Jan Wejchert, where Aldona Wejchert is one of the six heirs and co-owns fraction of these shares as their allocation was not completed yet.*

The table below sets out shares in related parties held by our supervisory board members as of December 31, 2010:

Name	Name of related party	Number of shares (not in thousands)	Nominal value of one share (not in thousands)
Wojciech Kostrzewa controlled entity	ITI Holdings S.A.	809,011	1.25 EUR
Wojciech Kostrzewa controlled entity	ITI Media Group N.V.	100	1.00 EUR
Bruno Valsangiacomo affiliated entity	ITI Holdings S.A.	10,039,271	1.25 EUR
Bruno Valsangiacomo controlled entity	ITI Media Group N.V.	100	1.00 EUR

Contracts and termination benefits of management board members

The supervisory board is the only body with the authority to decide the terms of the service contracts of our management board members, including their scope of duties, remuneration, annual bonuses and other customary fringe benefits. Some members of our management board are entitled to receive severance payments after being notified that their contracts are to be terminated. They have entered into non-competition agreements with us which entitle them to continued compensation following their termination, which is calculated based on the level of the remuneration they received during an agreed period immediately prior to their termination.

The remuneration for our supervisory board is granted by a resolution of the general shareholders meeting. They are also entitled to reimbursement of costs in work on the board. None of our supervisory board members are entitled to any benefits upon termination of their service.

Employees

As of December 31, 2010, we had 3,218 full-time employees. Of that number, 463 were employed in management and administration, 1,167 in production and programming, 116 in the marketing department, 430 in the technical department and 1,042 in the sales department. None of our employees is a member of a trade union nor do they fall within the scope of any collective bargaining or similar arrangement. We believe that our relations with our employees are good.

As of December 31, 2009, we had 3,048 full-time employees. Of that number, 444 were employed in management and administration, 1,139 in production and programming, 91 in the marketing department, 415 in the technical department and 959 in the sales department. The increase over the number of employees we had as of December 31, 2008 results mainly from consolidating 'n' DTH platform employees.

As of December 31, 2008, we had 2,304 full-time employees. Of that number, 357 were employed in management and administration, 1,061 in production and programming, 78 in the marketing department, 371 in the technical department and 437 in the sales department. The increase over 2007 results mainly from an increase in the number of staff to support further growth of our business.

As of December 31, 2007, we had 1,798 full-time employees. Of that number, 320 were employed in management and administration, 830 in production and programming, 73 in the marketing department, 290 in the technical department and 285 in the sales department.

Stock option plan

On December 27, 2005, our supervisory board approved the rules related to stock option plan I. On June 8, 2006, the General Meeting of Shareholders approved the related conditional increase of share capital and issuance of subscription warrants.

On July 31, 2006, our supervisory board approved the rules related to stock option plan II, as part of the acquisition of Grupa Onet. On September 26, 2006, the General Meeting of Shareholders approved the related conditional increase of share capital and issuance of subscription warrants.

Stock option plan II replaced the previously existing Grupa Onet stock option plan.

The stock option plans are designed to motivate highly qualified personnel, including top management, key employees and co-workers, our management board members and management board members of our subsidiaries to contribute to the value of the Group over the long term by granting them rights to purchase series "C" and "E" shares. A total of up to 9,870,000 series "C" and 8,781,675 series "E" shares will be issued in order to enable participants to exercise their rights to purchase shares. The deadline for the issue of series "C" and series "E" shares is December 31, 2014.

The exercise price of the options in a given tranche is determined in the stock option plan rules. Stock option plan participants will have the right to exercise their options in a given tranche at the following prices upon certain vesting conditions being met:

Stock option plan I

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2010:

Tranche	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	vested
C2	1,148,951	PLN 9.58	vested
C3	2,673,263	PLN 10.58	vested
Total	**4,074,704**		

Stock option plan II

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2010:

Tranche	Number of options	Exercise price	Service vesting period
E1	211,655	PLN 8.66	vested
E2	264,065	PLN 9.58	vested
E3	1,294,266	PLN 10.58	vested
E4	4,804,141	PLN 11.68	vested
Total	**6,574,127**		

The exercise prices for C1 and E1 series shares were based on our share price as of December 31, 2004, increased by 10.5%. The exercise price for each of the C2/E2, C3/E3 and E4 series is based on the price of the previous series, increased in each case by an additional 10.5%.

The total cost of stock option plan I was PLN 74.1 million and have been accounted for in the period starting from the fourth quarter of 2005 through the end of 2008. In this regard we recognized operating expenses of PLN 43.6 million in 2006, PLN 21.5 million in 2007 and PLN 8.5 million in 2008.

The total estimated cost of stock option plan II is PLN 110.1 million Of the total fair value of options granted with respect to E series, the value of PLN 70.8 million, less the part attributable to vested options granted under the original share option scheme existing in Grupa Onet that was modified at acquisition and included in the cost of acquisition, has been accounted for in the period starting from July 31, 2006 and ending March 31, 2009. The balance of PLN 39.3 million, relating to E options granted on December 18, 2007, has been accounted for in the period starting from December 18, 2007 and finishing December 31, 2009. We recognized operating expenses of PLN 23.4 million in 2007, PLN 40.1 million in 2008 and PLN 21.7 million in 2009.

On May 15, 2009 the shareholders' meeting approved an extension to the exercise period of both stock option plans to December 31, 2014.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Our share capital amounts to PLN 68,471 and is divided into 342,354,192 ordinary shares. The table below sets forth, as of December, 31 2010, the beneficial ownership of the ordinary shares of TVN S.A.

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. (1) (2)	180,355,430	52.68%	180,355,430	52.68%
N-Vision B.V. (1)	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment (1)	8,131,477	2.38%	8,131,477	2.38%
ITI Impresario (1)	1,400	0.00%	1,400	0.00%
Other shareholders	149,902,790	43.78%	149,902,790	43.78%
TOTAL:	**342,354,192**	**100.00%**	**342,354,192**	**100.00%**

(1) Entities controlled by ITI Holdings.
(2) Polish Television Holding B.V. (formely Strateurope)

Included in the total number of shares in issue as at December 31, 2010 held by other shareholders are 878,874 shares of C1, C2, C3, E1, E2, E3 and E4 series not registered by the Court.

During the year ended December 31, 2010 1,913,664 shares of C1, C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 20,081 (in thousands).

Pursuant to the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and may exercise their voting rights in person or by written proxy. Each share is entitled to one vote at the general meeting of shareholders. Pursuant to the Polish Commercial Companies Code, one or more shareholders representing at least 1/20 of the share capital may request an extraordinary general meeting of shareholders and submit particular matters for the agenda of the next meeting. Such request may be filed with the management board in writing or in electronic form. Such extraordinary general meeting should be called within two weeks from the filing of the request. Submitting particular matters for the agenda of the next meeting should be made at least 21 days (for public companies) before the proposed date of the next general meeting of shareholders. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the requesting shareholders may convene such meeting, after obtaining the approval of the registry court. The registry court shall appoint the chairman of such meeting.

Below we present significant changes in the ownership of our shares by our major shareholders during the past three years.

On February 29, 2008 N-Vision B.V. transferred 10,000,000 (not in thousands) of our shares as an in kind contribution to the share capital of Cadizin Trading & Investments Limited (Cadizin) in exchange for newly issued shares in Cadizin. After the transaction, N-Vision held 27,261,960 (not in thousand) of our shares representing 7.85% of our share capital and votes, whereas Cadizin held 10,000,000 (not in thousands) of our shares representing 2.88% of our share capital and votes.

On April 11, 2008 N-Vision transferred 1,757,445 (not in thousand) of our shares as an in kind contribution to the share capital of PTH in exchange for newly issued shares.

In the period between April 3, 2009 and June 8, 2009 our direct shareholder Cadizin transferred 1,519,080 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, Cadizin decreased the number of our shares held to 8,480,920 (not in thousands), which represented 2.49% of our share capital and votes.

In the period between June 9, 2009 and July 23, 2009 Cadizin transferred 349,443 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 8,131,477 (not in thousands), which represented 2.39% of our share capital and votes.

On September 21, 2009 we were informed that N-Vision transferred 10,326,560 of our share as a result of several sale transactions conducted in the period between March 1, 2008 and September 15, 2009, (of which 6,113,235 of our shares were transferred in the period between January 1 and September 15, 2009) including transaction of contribution in-kind as well as sale transactions including the sale transaction on the regulated market conducted on September 15, 2009.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 16,935,400 (not in thousands), representing 4.98% of our share capital and votes.

In the period between September 16, 2009 and October 14, 2009 N-Vision transferred 2,967,000 (not in thousands) as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 13,968,400 (not in thousands), representing 4.10% of our share capital and votes.

In the period between October 15 and December 31, 2009 N-Vision transferred 3,206,253 of our shares as result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 10,762,147 (not in thousands), representing 3.16% of our share capital and votes.

Changes in our shareholding structure between PTH, N-Vision and Cadizin were aimed to optimize the investment holding structure at the ownership level above those entities.

Related party transactions

We are party to various agreements and other arrangements with members of the ITI Group, indirect shareholders of such companies, or certain companies of such shareholders. In our opinion all such transactions were entered into on an arm's length basis (i.e. on standard market terms) and follow from our and our related parties ordinary course of business.

Our supervisory board has adopted a policy aimed at regulating transactions between us and related parties. Related parties include our major shareholders and their affiliates, our supervisory and management board members, and our employees and their respective immediate family members. The related party transactions policy provides that the terms of each agreement between us and a related party shall be no less favorable to us than terms which could have been obtained in a transaction on an arm's-length basis with an unrelated party. The related party transactions policy also provides that (i) agreements that have a value in excess of EUR 0.15 million and are concluded with related parties who are individuals and (ii) agreements that have a value in excess of EUR 0.5 million with related parties that are legal entities must be approved by a resolution passed by a majority vote of our supervisory board, including the affirmative vote of a majority of the independent members of our supervisory board, with "independent" being defined by reference to the "Best Practices for WSE Listed Companies" of the Warsaw Stock Exchange.

Furthermore, in a shareholders meeting held on May 10, 2005, we established a related party transaction and remuneration committee of the supervisory board (the "Related Party Transaction and Remuneration Committee"). The responsibilities of the Related Party Transaction and Remuneration Committee are, among other things to review the terms and conditions of related party transactions to ensure that such transactions are in accordance with our policies for related party transactions.

Management, financial and other services

On May 13, 2010, we entered into a services agreement (the "Services Agreement") with ITI Services AG ("ITI Services"), Market Link Sp. z o.o. ("Market Link") and ITI Corporation Sp. z o.o. ("ITI Corporation"), members of the ITI Group, for certain management, sales, financial advisory, guarantee and other services provided to TVN S.A., Grupa Onet.pl S.A. and ITI Neovision Sp. z o.o.

Under the Services Agreement, ITI Services, ITI Corporation and Market Link have agreed to provide us with certain services related to sales and procurement, market and industry research, information technology, accounting and financial management, human resources, legal, investor relations and other areas. The parties to the Services Agreement review the scope and quality of the services annually.

Under the Services Agreement, we have agreed to pay ITI Services, ITI Corporation and Market Link (i) an annual services fee in the amount of up to EUR 5,000 in consideration for the above referenced services and (ii) an annual guarantee fee equal to 220 basis points of guaranteed amounts in consideration for guaranty and other financial support services. In addition, we have agreed to reimburse ITI Services, ITI Corporation and Market Link for reasonable costs and expenses that they incur in connection with the provision of the services or guarantees.

However, for so long as the terms of the indenture governing the 10.75% Senior Notes limits the annual fees that we pay to the ITI Group to EUR 5,000, the aggregate amount of the services fee, the guarantee fee, the amounts paid for the reimbursement of costs and expenses and any other amounts we pay to ITI Services, together with any other fees and related expenses we or any restricted subsidiary (as defined in the above-mentioned indenture) pay to any member of the ITI Group, is limited to EUR 5,000.

The Service Agreement has been in effect since January 1, 2010 and was concluded for an unlimited period. If the respective annual budgets approved by the supervisory boards of TVN S.A., Grupa Onet.pl S.A. and ITI Neovision Sp. z o.o. do not include and reserve the money for payments pursuant to the Service Agreement, the Service Agreement expires with regard to that company, unless the respective supervisory board approves relevant supplementation of the annual budget in the first quarter of the calendar year.

Lease of office and studio space

We lease land, office and studio space pursuant to lease and sublease agreements from certain ITI Group companies, most significantly, Poland Media Properties S.A. and Diverti Sp. z o.o.

Sublease of premises

On March 14, 1997, we entered into a sublease agreement with ITI Poland Sp. z o.o. for 3,850 square meters of space, expiring on March 31, 2007, relating to the premises at ul. Augustówka 3 in Warsaw. This agreement was terminated on October 24, 2006 and replaced with the following agreements:

- a lease agreement, dated October 24, 2006, with Brel-An Sp. z o.o. and ITI Poland Sp. z o.o., subleasing business premises located at Augustówka 3,Warsaw, for a period of 10 years (from November 1, 2006 until October 31, 2016), for a monthly fee of EUR 62,618 (not in thousands) and an annual tax fee of PLN 74,400 (not in thousands); and

- a sublease agreement, dated October 24, 2006, with ITI Poland Sp. z o.o. leasing a television studio located at Augustówka 3, Warsaw for a period of 10 years (from November 1, 2006 until October 31, 2016) with a monthly fee in the amount of EUR 12,375 (not in thousands). Poland Media Properties is the legal successor of ITI Poland Sp. z o.o.

Lease of premises from Diverti Sp. z o.o. (legal successors of Media Business Centre Sp. z o.o.)

On October 27, 2003, we entered into two lease agreements with Media Business Centre Sp. z o.o. for a total of 3,993 square meters of space relating to premises at ul. Wiertnicza 166 in Warsaw. We use these premises for all our activities. On August 11, 2006 these agreements were terminated and replaced by an agreement for 10 years with Multikino S.A. The rights and obligations resulting from the agreement with Multikino were transferred to Diverti Sp. z o.o., a company incorporated as a result of a spin-off from Multikino S.A.

During the period 2003 to 2010, this agreement was amended several times to reflect additional space we occupied and, by the end of March 2010, the total amount of rental space was 9,946 square meters. The monthly fee under this agreement is EUR 0.2 million, which covers office and studio space as well as parking places, plus a maintenance fee of PLN 0.4 million.

Lease of premises from Poland Media Properties S.A.

On March 18, 2009, we entered into a lease agreement with Poland Media Properties S.A. for a total of 3,628.15 square meters of space at Kłobucka 23, Warsaw. We use this space for our pay TV activities. The annual fee is PLN 2.8 million. Since April 1, 2009, we have subleased 2,001 square meters from Poland Media Properties S.A. at Powsinska 4 Street, Warsaw, for a period of seven years (until December 31, 2016) for a monthly rent of EUR 30,017 (not in thousands).

Investment in the 'n' DTH platform

On June 25, 2008, and March 11, 2009, we completed two transactions that resulted in our ownership of a controlling interest in ITI Neovision Sp. z o.o. On March 10, 2010, pursuant to the 'n' acquisition, we acquired the remaining 49% interest in ITI Neovision Sp. z o.o. For further details, see "Business— Pay TV Segment—The 'n' acquisition."

Transactions with ITI Neovision Sp. z o.o.

As of March 11, 2009, ITI Neovision Sp. z o.o. was fully consolidated in the TVN Group's consolidated financial statements and, therefore is no longer considered a related party of the TVN Group.

Guarantee agreements entered into by related parties

ITI Holdings has entered into guarantee fee arrangements in relation to programming deals with Warner Bros., Dreamworks and Universal Studios International B.V. As of December 31, 2010 the amounts ITI Holdings guarantees under these arrangements are U.S. $11.0 million in relation to the Warner Bros. arrangement, pursuant to an agreement entered into on October 6, 1999, U.S. $4.0 million in relation to the Dreamworks arrangement, pursuant to an agreement entered into on May 8, 2000 and U.S. $8.8 million in relation to the Universal Studios International B.V. arrangement, pursuant to an agreement entered into on December 31, 2009 and U.S. $4.0 million to MGM in respect of programming rights purchased and broadcasted by the TVN Group.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements and Other Financial Information

Financial Statements

The financial statements filed as part of this annual report are included on pages F-1 to F-78.

Legal Proceedings

There are no pending legal proceedings where the amounts claimed against us either separately or jointly would exceed 10% of our capital.

Dividend Policy

Subject to our operating results, capital investment requirements, the terms of our Indentures and statutory distributable reserves, we intend to recommend that between 30% and 50% of our annual net profits, be used to pay dividends.

We paid a dividend of PLN 105,788 (or PLN 0.31 per share) on June 16, 2010, representing 30.6% of 2009 net profit. The intention is to maintain a dividend payout ratio at this ratio of net profit till ITI Neovision becomes cash flow positive.

Share Buyback Program

On October 30, 2008, our shareholders approved a share buyback program to acquire and voluntarily redeem our shares (the “Share Buyback Program”). The Share Buyback Program allowed us to purchase up to 35 million shares, but not more than 10% of our share capital as calculated on the last day of the Share Buyback Program. Under the Share Buyback Program, we have purchased a total of 9,157,107 shares at an average price of PLN 10.92 per share (numbers not in thousands) for a total of PLN 100,000 including share buyback cost.

The first tranche of PLN 50,000 of the Share Buyback Program commenced on November 17, 2008. Up to January 21, 2009, we purchased a total of 3,903,188 (not in thousands) shares at an average price of PLN 12.81 (not in thousands) per share for the total price of PLN 49,999,961 (not in thousands).

The second tranche of PLN 50,000 of the Share Buyback Program commenced on February 5, 2009. Up to March 18, 2009, we purchased a total of 5,253,919 (not in thousands) shares at an average price of PLN 9.52 (not in thousands) per share for the total price of PLN 49,999,991 (not in thousands).

We spent PLN 62,572 from the Share Buyback Program in 2009. Redemption of the shares purchased in the Share Buyback Program was registered by the court on July 3, 2009.

On July 3, 2009 we decreased the share capital from PLN 69,903 to PLN 68,072 by way of a voluntary redemption of 9,157,107 (not in thousands) shares held by TVN S.A. for compensation of PLN 99,651.

The Share Buyback Program expired on December 31, 2009.

Reconciliation of our 2010 results to our recent forecast.

The table below provides a comparison of our consolidated financial results for the year ended December 31, 2010 and the updated forecast of our 2010 results published on October 26, 2010.

	Actual results 2010	**Updated 2010 forecast of results**
Capital expenditure*	243,315	260,000
Post paid subscribers of ‘n’ DTH platform	805,000	800,000
Average monthly revenue per user (ARPU)	60.2	60.0

** Defined as an increase of gross book value of our fixed and other intangible assets*

The differences between our forecasted and actual results do not exceed 10%.

Significant Changes

Other than those events described in Item 5. and other items in this annual report, there have not been any significant changes to our financial condition or results of operations since December 31, 2010.

ITEM 9. THE OFFER AND LISTING

Listing Details and Markets

On December 21, 2010 our 7.875% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

On December 21, 2009 our 10.75% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

Our shares have been listed on the regulated market on the Warsaw Stock Exchange since December 7, 2004.

As of December 29, 2006, a 1:5 share split was effective. We decreased the nominal value of each of our shares from PLN 1 to PLN 0.2, and increased the number of shares to 343,508,455 (not in thousands) as of that date.

As of December 31, 2010, the number of shares in TVN S.A. amounted to 342,354,192 (not in thousands). The share capital of TVN S.A. accounts for PLN 68,471.

The price history is set forth in the tables below:

(PLN not in thousands)	Highest share price during the month	Lowest share price during the month
July 2010	17.80	15.60
August 2010	18.90	16.50
September 2010	18.10	16.96
October 2010	19.35	17.05
November 2010	18.48	16.08
December 2010	17.22	16.26

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
First quarter ended March 31, 2009	14.11	7.90
Second quarter ended June 30, 2009	12.75	8.10
Third quarter ended September 30, 2009................	16.14	9.87
Fourth quarter ended December 31, 2009................	15.50	12.24
First quarter ended March 31, 2010	18.99	13.00
Second quarter ended June 30, 2010	19.43	15.78
Third quarter ended September 30, 2010................	18.90	15.60
Fourth quarter ended December 31, 2010................	19.35	16.80

(PLN not in thousands)	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010
Share price at end of period	24.90	25.00	13.46	14.29	17.10
Average share price during period	20.17	24.36	18.55	12.02	16.92
Highest share price during period	26.60	29.28	26.75	16.14	19.43
Lowest share price during period	15.10	19.50	10.60	7.90	13.00

ITEM 10. ADDITIONAL INFORMATION

Articles of Association

This summary describes certain material provisions of our Articles of Association as well as information on our share capital and ordinary shares, the Polish Commercial Companies Code and other regulations which are material for our operation. This description does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the Polish Commercial Companies Code and other applicable regulations in effect on the date of this annual report.

TVN Sp. z o.o. was incorporated on May 22, 1995 and was entered in the commercial register maintained by the District Court for the city of Warsaw, Commercial Court, XVI Commercial and Registration Division, under the RHB no. 43929. On June 12, 2001, the Registry Court entered TVN Sp. z o. o., into the National Court Register under number KRS 0000018906.

On July 2, 2004, the extraordinary general meeting of shareholders of TVN Sp. z o.o. unanimously adopted Resolution No. 12 transforming TVN Sp. z o.o. into a joint-stock company, TVN S.A. This transformation was officially registered on July 30, 2004, by entering TVN S.A. on that date in the Register of Entrepreneurs maintained by the Registry Court under number KRS 0000213007.

Share Capital

Our share capital is divided into 342,354,192 registered and bearer ordinary shares, Series A, B, C1, C2, D, E1, E2, E3 and E4 with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 162,007,734 are bearer shares).The series C shares were issued pursuant to the Resolution of TVN General Shareholders Meeting dated June 8, 2006, with a conditional increase of share capital of up to 9,870,000(not in thousands) shares of series C in respect of the employee share option scheme. The series E shares were issued pursuant to the Resolution of TVN General Shareholders Meeting, dated September 26, 2006, with a conditional increase of our share capital of up to 8,781,675 (not in thousands) shares of series E in respect of the employee share option scheme.

Pursuant to §7 Section 1 of our Articles of Association, our management board may, within three years from January 1, 2008, increase our authorized share capital one or more times, currently by an aggregate amount of up to PLN 15,000,000 (not in thousands) i.e., by 75,000,000 (not in thousands) shares (assuming the nominal value remains 20 groszy per share). The authorization to increase the share capital includes shares being acquired in exchange for a contribution in-kind and the possibility of the issuance of subscription warrants exercisable within the three-year period referred to above (see §7 Sections 2 and 3 of the Articles). Pursuant to §7.4 and §212.8 of our Articles of Association, resolutions of the management board on (i) the indication of the date of opening and ending of the subscription, (ii) the setting of the issue price, (iii) the allotment of shares in exchange for in-kind contribution, and (iv) the issue of subscription warrants, require the consent of our supervisory board.

The Issue of Shares

An increase in our share capital may be affected by an issuance of new shares or an increase of the nominal value of our existing shares, and requires the adoption of a resolution by a qualified majority of three-quarters of the votes of the shareholders in a general meeting.

The provisions of the Polish Commercial Companies Code, in addition to an ordinary share capital increase, provide for (i) a share capital increase with the use of funds from our reserve capital or from the supplementary capital within the limits defined by the law, (ii) a share capital increase within the value of the authorized capital, and (iii) a conditional share capital increase.

Transfer of Shares

Our shares are freely transferable and are not subject to any restrictions apart from the limitations arising out of our Articles of Association, the Commercial Companies Code, the Broadcasting Law, the Act on Trading in Financial Instruments, and the Act on Public Offering, and other provisions of law the material provisions of which are summarized below.

Pursuant to §10.1 of our Articles of Association, the disposal of our registered shares requires the prior written consent of the management board. The management board shall notify a shareholder on granting or refusing to grant consent within 30 days following the receipt of a written notice from the shareholder intending to dispose of the shares, specifying the number of shares to be disposed of and the price for the shares to be disposed of. If the management board refuses to grant the consent for the disposal of the shares, it shall designate within two months following the date of receipt of the notice, a purchaser who may only purchase such shares at a price that cannot be lower than the average price for the last 30 trading days on the Warsaw Stock Exchange plus 7.5% of the price set forth in the notice, unless a different price has been agreed to by the transferring shareholder and the purchaser designated by the management board.

The agreement on the transfer of the shares to the purchaser designated by the management board shall be executed, and the price for the shares shall be paid by the purchaser, within 14 days following the date of designation by the management board, unless the purchaser and transferring shareholder agree to other terms. In the event the purchaser designated by the management board does not purchase the shares within the requisite time period, a shareholder may sell the shares to another person or effect a conversion of registered shares into bearer shares without management board consent. The limitations concerning the disposal of our shares set forth in §10, section 1 shall not apply to the disposal of our registered shares for the benefit of certain of our affiliates.

Pursuant to §10.2 of our Articles of Association, as long as there are laws limiting the maximum number of our shares which may be acquired by foreign entities, having their residence or statutory seat in a country which is not a member of the EEA, the disposal of the registered Series A Shares may be made only for the benefit of a natural person being resident in a member country of the EEA or a legal person or organizational entity not being a legal person, which has a statutory seat in a member country of the EEA, subject to the conditions set forth in our television broadcasting licenses.

Pursuant to §10.3 of our Articles of Association, as long as there are laws limiting the acquisition of our shares by foreign entities having their residence or statutory seat in a country which is not a member of the EEA, the disposal of our shares for the benefit of a natural person not resident in a member country of the EEA or a legal person or organizational entity not a legal person, which does not have its statutory seat in a member country of the EEA, may be made only with the permission of the Chairman of the National Radio and Television Council.

Conversion of Registered Shares to Bearer Shares

Paragraph 9 of our Articles of Association permits conversion of our shares from registered into bearer form only upon the motion of a shareholder and requires the prior consent of our management board; provided, however, that such consent shall not be withheld if, prior to effecting the conversion to bearer form, the shareholder fulfils the procedure set forth under "Transfer of Shares" above.

Voting Rights

Pursuant to Article 412 §1 of the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and exercise voting rights in person or by proxy.

Pursuant to Article 411 of the Polish Commercial Companies Code, each share is entitled to one vote at the general meeting of shareholders. Pursuant to our Articles of Association no special voting rights are attached to our shares.

Pursuant to §13.4 of our Articles of Association, as long as required by the Broadcasting Act, voting rights held by foreign entities whose residence or registered office is in a country which is not a member of the EEA (including subsidiaries of such foreign entities) may not exceed 49%.

Pursuant to Article 400 of the Polish Commercial Companies Code, a shareholder or shareholders representing at least 5% of our share capital may request that an extraordinary general meeting of shareholders be convened and submit particular matters for the agenda of the meeting of the shareholders. Such request should be filed with the management board in writing or in electronic form. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the shareholders may refer the matter to the registry court and convene such meeting upon authorization of the registry court. At the same time, the court shall appoint the chairman of such meeting.

Supervisory Board

Pursuant to Article 385 §1 of the Polish Commercial Companies Code, the members of the supervisory board are appointed and removed by the general meeting of shareholders.

Pursuant to Article 385 §3 of the Polish Commercial Companies Code, upon an application by shareholders representing at least 20% of our share capital, the election of the supervisory board shall be made at the next general meeting of shareholders by way of a vote in separate groups.

Management Board

Our management board manages our activities and represents TVN. The company may be represented by two members of the management board acting jointly or one member acting jointly with a commercial procurator.

Our management board may be composed of at least three members, including the president and at least one vice president, appointed and removed by the supervisory board,

The number of members of our management board is determined by the supervisory board.

The members of our management board are appointed for a joint three-year term.

The resolutions of our management board are adopted by a simple majority of votes cast, at the meeting, or by written resolution without holding a meeting. If the resolution is adopted at a meeting of the management board, the meeting must be attended by at least half of its members. In the case of a tied vote, the vote of the president is decisive.

The following actions of the management board require prior consent of the supervisory board:

- entering into any contract with or contracting any obligation from our controlling shareholder or entity affiliated with our controlling shareholder in the amount exceeding the equivalent of EUR 500 in aggregate during the relevant financial year with the exclusion of transactions included in the approved annual budget;
- entering into or modifying any contract between us and other entities, including our subsidiaries (other than a wholly owned subsidiary), that requires us to expend or to provide goods or services having a value being more than EUR 5,000 in aggregate per financial year, or that is otherwise material to our business or our subsidiaries, provided that this provision shall not apply to programming contracts and expenditures which are included in the approved annual budget;
- making any capital expenditure for the acquisition or leasing of fixed assets not specifically included in the approved annual budget exceeding the equivalent of EUR 5,000 in aggregate per year;
- acquisition of securities or shares of any company for an amount exceeding the equivalent of EUR 5,000 in aggregate per year, except for such transactions included in the approved annual budget;
- disposal, (including lease, and tenancy) or encumbrance of our assets, the value of which exceeds EUR 5,000 in aggregate per year, except for those included in the approved annual budget;
- exercising powers held in respect of subsidiaries with regard to permitting such subsidiaries to carry out the actions listed above; or
- undertaking other activities not specified above, other than those which are connected with our current business activities resulting in the creation of obligations or termination of third party obligations towards us, the value of which exceeds EUR 5,000 in aggregate per year not including transactions included in the approved annual budget.

Borrowing Powers

Our management board is not entitled, without the supervisory board’s prior consent, to incur loans or credits or other financing for purposes other than the refinancing of existing obligations which are greater than EUR 5,000 in aggregate per year, except for loans, credits or other financing included in the annual budget as approved.

Pre-emptive Rights.

Pursuant to Article 433 §1 of the Polish Commercial Companies Code, our shareholders have a pre-emptive right with respect to newly issued shares in proportion to the number of shares that they already hold.

A general meeting of shareholders may deprive the shareholders of their pre-emptive rights, in whole or in part, upon a resolution adopted by an 80% majority when such proposal has been published in the agenda of the general shareholders' meeting and the written reasons for such resolution have been presented by the management board, under Article 433 § 2 of the Commercial Companies Code.

Pursuant to Article 433 §3 of the Polish Commercial Companies Code, the provisions of Article 433 §2 of the Polish Commercial Companies Code described above are not applied if the resolution on the increase of the share capital provides that the new shares:

- are to be subscribed in whole by a financial institution (i.e. an underwriter), which shall subsequently offer such new shares to shareholders with a view to enabling them to exercise the pre-emptive right on the terms stipulated in the resolution; or

- are to be subscribed by an underwriter, where the shareholders who have the pre-emptive rights have not subscribed for some or all of the shares offered to them.

Pursuant to §7.5 of our Articles of Association, the management board is entitled, up to the limit of our authorized capital, also in the case of the issuance of subscription warrants, to deprive the existing shareholders of their pre-emptive rights in whole or in part, subject to the prior consent of the supervisory board.

Dividends and Other Distributions.

Pursuant to Article 347 §1 of the Commercial Companies Code, our shareholders are entitled to participate in the profits presented in our audited financial statements, and so designated by the general meeting of shareholders.

Pursuant to Article 395 of the Polish Commercial Companies Code, a resolution on distribution of profits and dividend payments (or coverage of losses) may be adopted by the ordinary annual meeting of shareholders convened within six months after the end of each fiscal year.

Pursuant to Article 347 §2 of the Polish Commercial Companies Code, profits are divided in proportion to the number of shares owned by each shareholder.

§27. 2 of our Articles of Association authorizes the management board to make advance payment to shareholders, within a given financial year, against dividends expected as of the end of the fiscal year, if we have sufficient funds for such payment in accordance with Article 349, § 2 of the Commercial Companies Code. The payment of the advance for the expected dividend requires the consent of the supervisory board under Article 349, §1 of the Commercial Companies Code and §21.2.(9) of our Articles of Association.

Pursuant to Article 349 §2 of the Commercial Companies Code, we may pay such advance on the expected dividend if our financial statements for the previous fiscal year show profits. The advance, which may be disposed of by the management board, may not exceed half of the profits earned from the end of the previous financial year, according to the audited financial statements, plus reserve capital created from the profit reduced by uncovered losses and the company's own shares.

Directors' Material Interests.

Our Articles of Association do not contain any specific provisions concerning management board members' material interests. Therefore, the general rules provided by the Polish Commercial Companies Code apply.

According to Article 379 of the Commercial Companies Code and paragraph 21 Section 2(2) of our Articles of Association, in agreements between us and a member of the management board, as well as in a dispute with a member of the management board, we will be represented by the supervisory board or an attorney appointed by virtue of a resolution of the general meeting.

Moreover, according to Article 15 of the Polish Commercial Companies Code, the consent of shareholders is required for the execution of a credit agreement, loan agreement, guarantee agreement or any other similar agreement with a member of the management board, supervisory board, commercial proxy, liquidator or for the benefit of any of the above listed persons.

According to Article 377 of the Polish Commercial Companies Code, a member of the management board may not vote, and shall withhold from deciding in respect of any contract or arrangement in which he or she is interested, or in which his or her spouse or relatives (up to the second degree) are interested, or where any other conflict of interest exists between a member and the company.

Moreover, according to Article 380 §1 of the Polish Commercial Companies Code, a member of the management board may not, without the consent of the supervisory board, compete or participate as a partner in a partnership or a civil law partnership, or serve as a member of management of a company, or participate in any competitive legal entity as a member of its management that competes with us. The above prohibition shall also apply to participation in a competitor company if a member of the management board holds at least 10% of the shares in such company or has the right to appoint at least one member of the management board of such company.

Directors' Remuneration.

According to section 378 of the Polish Commercial Code, the supervisory board sets the remuneration of members of the management board employed under management services contracts or other contracts. The shareholders may authorize the supervisory board to establish that the remuneration of members of the management board shall also include the right to participate, in a specified manner, in the company's annual profit allocated for distribution among the shareholders.

No Age Disqualification for Directors.

Neither the Articles of Association nor the provisions of the Polish Commercial Companies Code contain any provision concerning age requirements for Directors.

Winding Up.

Under our Articles of Association, in the case of our winding up, the shareholders appoint, upon the supervisory board's request, liquidators among the members of the management board and determine the procedure of winding-up. As to other matters concerning winding-up not regulated by the Articles of Association, articles 459 – 478 of the Polish Commercial Companies Code apply.

According to the general rules for winding–up, our assets may be divided among shareholders after all claims of creditors are paid off or secured. The division of assets may not be performed earlier than within one year from the date of announcement of the commencement of the liquidation and notifying the creditors. The assets are divided among shareholders proportionately to their respective contribution made to the share capital.

Redemption.

Shares may be redeemed upon the shareholder's consent, known as "voluntary redemption", subject to binding provisions of law. Our Articles of Association do not provide for redemption of shares without the consent of the shareholder, known as "forced redemption".

Further Capital Calls.

According to the Polish Commercial Companies Code, the shareholders of a joint stock company are obligated to make full payment for shares. Any payment for shares should be made proportionally for all shares held.

Change of Control Provisions.

On September 22, 2004, KRRiT permitted us to trade an amount not exceeding 49% of our share capital on the Warsaw Stock Exchange. This limitation is the result of provisions contained in Article 35 of the Broadcasting Law that provides that shareholdings of foreign entities or persons that are not EEA residents may not exceed 49% of the share capital of a broadcasting license holder, such as TVN S.A., or 49% of voting right in the general shareholders meeting.

The decision of KRRiT issued at the time of admission to public trading on the Warsaw Stock Exchange is the most significant obstacle to a change of control. Under the decision, our shareholders having registered shares must continue to hold at least 51% of the voting shares of TVN S.A.

These restrictions provide a safeguard against takeovers or a change of control, and, we believe, virtually eliminate the possibility of takeover.

Anti-takeover provisions are also included in our Articles of Association.

Although all TVN S.A. shares have equal voting and dividend rights, the most effective defense mechanism operates through the registered shares. Since conversion of the shares from registered shares into bearer shares, as well as any disposition of the registered shares, requires the written consent of the management board, the management board ultimately controls any change in holding of the registered shares under Article 9 and 10 of our Articles of Association. Presently, our share capital consists of 180,355,430 registered shares, representing 52.98% of the total share capital. In addition, at the time of any increase in the share capital, existing shareholders have pre-emptive rights, and any deprivation of the pre-emptive rights requires a resolution adopted by a vote of 80% of the share capital. In the case of an increase in share capital within the authorized share capital, a resolution of the management board, acting with the supervisory board consent, is required. However, the management board may increase the share capital by an amount of up to PLN 15,000, under Article 7 of the Articles of Association, until January 1, 2011. Our management board is planning to refer to the general shareholders meeting for extension of the period of our management board right to exercise the power to increase of authorization capital up to 2014.

Although the Polish Commercial Companies Code provides that the shareholders have the right to remove the members of the management board, our Articles of Association permit such revocation or suspension only for significant reasons. The resolution must indicate such reasons, thereby strengthening the position of the management board.

Action Necessary to Change Rights of Shareholders.

Pursuant to Article 415 of the Polish Commercial Companies Code, any amendments to the Articles of Association providing for a limitation of the rights granted to individual shareholders requires the consent of all shareholders concerned. Any other change to the Articles of Association under the Polish Commercial Companies Code requires a resolution to be adopted by a majority of 75% of the votes at a general shareholders' meeting.

Disclosure of Shareholder Ownership Thresholds.

Chapter 4, Section 1 of the Act on Public Offering governs the obligation of the shareholders to disclose the acquisition of shares. Information about all acquisitions or dispositions of shares must be provided to the Polish Financial Supervision Authority, as well as to us, and also must be publicly announced.

The disclosure obligation covers, in particular, the following transactions:

- an acquisition or disposition of shares that results in a shareholder reaching or exceeding 5%,10%,15%, 20%, 25%, 33%, 50%, 75%, or 90% of the total number of voting shares;
- a disposition of shares that results in a reduction to below 5%,10%, 15%, 20%, 25%, 33%, 50%, 75%, or 90% or less of the total number of voting shares if the shareholder previously owned 5%,10%, 15%, 20%, 25%, 33%, 50%, 75% or 90% of the total number of voting shares;
- an acquisition or disposition of shares that results in a shareholder reaching or exceeding 2% of the total number of voting shares, if the shareholder already owns over 10% of voting shares; and
- an acquisition or disposition of the shares that results in a shareholder reaching or exceeding 1% of the total number of voting shares if the shareholder already owns over 33% of voting shares.

When a shareholder holds less than 33% of the total voting shares and acquires shares increasing his voting power by more than 10% of the voting shares within a period shorter than 60 days, such acquisition must be effected by way of a tender offer.

When a shareholder holds 33% or more of the total voting shares and acquires shares increasing his voting power by more than 5% of the voting shares within one year, such acquisition must be effected by way of a tender offer.

A shareholder may acquire shares exceeding a threshold of 33% of our total voting shares only by way of a tender offer to acquire shares which gives the right to tender to at least 66% of total voting shares.

The shareholder may acquire shares exceeding a threshold of 66% of total voting shares only by way of a tender offer to acquire the residual shares.

In addition, the Polish Office for Protection of Competition and Consumers has the right to control the concentration of shareholdings. Under Article 13 of the Act on the Protection of Competition and Consumers, the Office for Protection of Competition and Consumers must be notified about the intent to enter into a transaction of share acquisition resulting in the acquisition of direct and indirect control over company, in the event that the aggregate revenue of both companies participating in the concentration, exceeds in the year preceding concentration the sum of Euro 50,000 in Poland, or the sum of EUR 1,000,000 worldwide.

Changes in Share Capital.

Any increase or decrease in share capital requires an amendment to the Articles of Association. Any amendment to the Articles of Association must be adopted by a 75% majority of shareholders in accordance with Article 415 of the Commercial Companies Code.

Material Contracts

Acquired programming content

The following are descriptions of two of our most important programming agreements.

Warner Bros. programming agreement

On December 23, 2008, we entered into a free television license and basic subscription television license agreement with Warner Bros. International Television Distribution Inc. (“Warner”), pursuant to which Warner granted us an exclusive limited license for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Warner programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. The license fee payable is dependent on the type and length of the relevant programming. Warner has the option to terminate the agreement if we materially breach our obligations under the agreement or under any other agreement with Warner.

Paramount Pictures programming agreement

On July 24, 2009, we entered into an amended and restated television license output agreement with Paramount Pictures Global (“Paramount”) and DW (Netherlands) B.V. (“DWN”), pursuant to which Paramount and DWN granted us a limited license to transmit free/basic and pay licensed programming for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Paramount programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. Both parties have the option to terminate the agreement, if either party materially breaches its obligations under the agreement.

Copyright agreements

We have copyright agreements with organizations of writers, actors and filmmakers which govern the terms under which we may broadcast programming content produced by third parties.

License agreement with ZAiKS

On March 10, 2010, we entered into a license agreement with ZAiKS, an association of writers and composers in Poland. Pursuant to the terms of the license agreement, we are entitled to broadcast programming content protected by ZAiKS, in consideration for payment of a monthly royalty fee equal to a percentage of the revenue of TVN generated from broadcasting activities (such as advertising airtime sales, sponsorship, audiotele and teleshopping). The agreement may be terminated by either party with three months' notice. ZAiKS has the right to terminate the agreement with immediate effect if we default on our obligations under the agreement.

License agreement with ZASP

On July 24, 2001, we entered into an agreement with ZASP, a union of Polish actors. The agreement regulates the broadcasting of programs involving actors represented by ZASP and the payment of royalties to such actors. The fee due under this agreement is calculated and payable on a monthly basis depending on the type and length of the relevant programs. The agreement may be terminated by either party with three months' notice.

General Agreement with SFP

On August 28, 2009, we entered into an agreement with SFP, an association of Polish filmmakers. The agreement regulates the value and the manner of payment of the fees for broadcasting audiovisual programs. The consideration is set as a lump-sum fee on all revenues of TVN generated from its activity, including that from commercial advertisements, sale of airtime, sponsored programs, audio-text services and all other revenues directly connected with TVN's broadcasting activity. The agreement is for an unspecified term and may be terminated by either party with three months' notice.

Agreements for satellite and cable television transmission

We have an agreement with Eutelsat S.A. ("Eutelsat") relating to the provision of satellite transponders capacity. In addition, we have license agreements with satellite and cable operators for the distribution of our television channels through their networks. The agreements with satellite and cable providers typically provide for terms ranging from five to ten years and may be renewed for additional periods with the consent of the parties involved. From time to time, we negotiate or renegotiate the terms of these license agreements and generally seek to renegotiate the terms of our contracts with satellite and cable providers well in advance of their expiration dates.

Satellite transponder agreement with Eutelsat S.A.

We entered into satellite transponder capacity lease agreements, pursuant to which Eutelsat agreed to provide us satellite transponder capacity on its satellites on an exclusive basis in Poland. Allotment agreements entered into by us or ITI Neovision Sp. z o.o. with Eutelsat provide us with allotted capacity on an exclusive full-time basis on designated transponders. These allotment agreements will expire on September 14, 2011, December 31, 2014, April 19, 2018 and August 31, 2018.

License agreement with Cyfrowy Polsat S.A. - TVN and TVN 7 channels

On February 14, 2003, we entered into an agreement with Telewizja Polsat S.A. Telewizja Polsat S.A. assigned the agreement to Cyfrowy Polsat S.A. on November 28, 2003. The agreement grants a nonexclusive license for the distribution of the TVN and TVN 7 channels in Poland. The agreement is valid until February 29, 2012.

License agreement with Cyfrowy Polsat S.A. - other channels

On May 30, 2006, we entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo and TVN Style channels in Poland. The agreement is valid until February 29, 2012.

License agreements with Canal+ Cyfrowy Sp. z o.o.

On February 10, 2004, and on December 12, 2005, we entered into license agreements with Canal+ Cyfrowy Sp. z o.o. The 2004 agreement grants a non-exclusive license for the distribution of the TVN and TVN 7 channels in Poland. The agreement, as amended on January 14, 2011, is valid until December 31, 2013. The 2005 agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC channels in Poland, and was extended also until December 31, 2013 by amended dated January 14, 2011.

License agreement with Aster Sp. z o.o.

On January 2, 2007, we entered into an agreement with Aster Sp. z o.o. The agreement grants a nonexclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style, TVN CNBC and TVN Warszawa channels in Poland. The agreement is valid until December 31, 2011.

License agreement with Vectra S.A. ("Vectra")

On October 30, 2003, we entered into an agreement with Vectra. The agreement grants a nonexclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo and TVN Style channels in Poland. The agreement was amended on April 7, 2010. It is concluded for the term between September 1, 2003 and July 31, 2014. Pursuant to the agreement each party may unilaterally terminate the agreement if the other party materially breaches the terms of the agreement, or suspend the performance of the agreement for the time the other party is in breach. If we permanently cease to code the channels, then we are required to immediately notify Vectra, and the agreement will terminate with immediate effect on the date of such notification.

License agreement with UPC Polska Sp. z o.o. ("UPC")

On June 6, 2007, we entered into an agreement with UPC. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style, TVN Warszawa and TVN CNBC channels in Poland. The agreement is valid until December 31, 2010 and provides for automatic extension for further periods of one year unless terminated within the prescribed notice period. The agreement was terminated by UPC on June 15, 2010. The termination comes into effect on December 31, 2010. Subsequently the term of the agreement was extended until January 31, 2011 by an amendment dated December 28, 2010. A new agreement is being negotiated.

License agreement with Multimedia Polska S.A.

On February 28, 2006, we entered into an agreement with Multimedia Polska S.A. The agreement grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC channels in Poland. The agreement is valid until February 28, 2014.

Other

Signal distribution agreement with TP EmiTel Sp. z o.o. ("TP EmiTel")— analog technology

On April 20, 2009 we entered into an agreement with TP EmiTel regarding signal distribution services through a terrestrial network in analog technology for the purposes of broadcasting the TVN channel. TP EmiTel provides us with broadcasting services through its own television broadcast stations. The agreement was concluded for a specified term until the expiry of our licence to broadcast the TVN channel, i.e. until July 31, 2013. Either party may terminate the agreement with six months notice.

Signal distribution agreement with TP EmiTel— digital technology

On September 28, 2010, we entered into an agreement with TP EmiTel for signal distribution and other related services through TP EmiTel's terrestrial network in digital technology with regard to the TVN channel included in the MUX2. The term of the agreement is ten years. Under the agreement we are required to make monthly payments to TP EmiTel. Pursuant to the agreement, either party may terminate the agreement with one month's notice only in certain circumstances. TP EmiTel may also terminate the agreement with six months' notice in case it loses the rights to its infrastructure.

Framework cooperation agreement with Telekomunikacja Polska S.A. ("TP")

On October 13, 2010, we entered into a framework long-term cooperation agreement with Telekomunikacja Polska S.A. ("TP"), the incumbent national provider of fixed line, mobile telephony, Internet broadband and Internet protocol television ("IPTV") services in Poland. Pursuant to the terms of the agreement, TP will provide broadband and other communications services to the current and future customers of the 'n' satellite platform, and we will become the main content delivery partner for TP.

TP will enhance its basic TV offering with content provided by us, including by 'n', for its pay TV packages. TP's pay TV offerings will be harmonized over time to reflect an 'n' content packaging structure. We expect that the arrangement will allow 'n' to accelerate its development, give it greater opportunities to market its brand and products, including through TP's nationwide retail stores, and better leverage its quality content. We expect that both companies will benefit from the attractiveness of the multi-play offering, the up-selling potential on each others' customer bases, and the cost synergies from joint technical, marketing and sales activities.

Exchange Controls

Foreign exchange transactions are regulated by the Foreign Exchange Law of July 27, 2002, which came into force on October 1, 2002. The Foreign Exchange Law states that, as a rule, foreign exchange transactions are permitted, however some are subject to the restrictions provided therein. While foreign exchange transactions with member countries of the European Union, the EEA and the Organisation for Economic Co-operation and Development (including the United States) are mostly free from foreign exchange restrictions, a more stringent legal regime applies to residents of other countries, i.e. all countries that are not members of the EU, EEA or OECD. Any exemption from the restrictions and obligations set forth in the Foreign Exchange Law requires a general or individual foreign exchange permit. General foreign exchange permits are granted by the minister responsible for public finance. Such general permits may apply to all or a specific category of entities defined by type, as well as all transactions or transactions defined by type. Consequently, certain restrictions provided in the Foreign Exchange Law are excluded by the Ordinance of the Minister of Finance on general foreign exchange permits dated September 4, 2007, effective since October 3, 2007. While the adoption of amendments to the Foreign Exchange Law as a legislative act has to go through the parliamentary process, the adoption of an amendment to the Ordinance of the Minister of Finance rests solely within the powers of the Minister of Finance.

The Foreign Exchange Law provides for the equal treatment of Złoty and foreign currencies listed on a convertible currencies list in the conduct and settlement of foreign exchange transactions with parties located abroad. Accordingly, payments to persons who are non-residents of Poland (as defined therein) may be made and expressed in convertible currencies or in Złoty with no difference in the treatment thereof.

Restrictions contained in the Foreign Exchange Law cover transactions with third countries, i.e. all countries that are not members of the EU, EEA or OECD, such as:

1. The transfer of domestic or foreign money by residents to third countries, in order to undertake or broaden economic activity in those countries, including the purchasing of real estate, with some exceptions, i.e. transfer of money in order to cover the expenses related to supply of services in third countries.

2. Disposals in Poland by non-residents from third countries and by international organisations of which Poland is not a member, either directly or indirectly of:

    - debentures with a maturity period of less than one year, except for debentures purchased in Poland;
    - cash claims, except for those purchased in Poland or purchased from the Polish residents, to the extent where a foreign exchange permit is not required.

3. Purchases by residents either directly or indirectly through other persons of:

    - shares in companies seated in third countries, as well as taking up shares in such companies;
    - participation units in collective investment funds based in third countries;
    - debentures issued by non-residents from third countries;
    - foreign currency disposed of by non-residents from third countries, in exchange for other foreign or domestic currency;
    - cash claims disposed of by non-residents from third countries.

It is important to underline that the restriction on concluding agreements which result or may result in an obligation to pay in foreign currency in Poland was abrogated on January 24, 2009. The above amendment reflects the abolishment of the currency principle, which was stipulated in the Polish Civil Code.

Additionally, the Foreign Exchange Law imposes certain duties. Residents are required to transfer money abroad and to make settlements with non-residents in Poland through authorized banks, if the amount to be transferred or settled exceeds the equivalent of EUR15,000. The obligation to make settlements through authorized banks does not relate to situations when the authorised bank is a party to the settlement.

Residents engaged in foreign exchange transactions with non-residents and entrepreneurs conducting money exchange office activities must furnish the National Bank of Poland with sufficient data on such transactions or activities to prepare the balance of payments and of the states.

Taxation

United States of America

General.

To ensure compliance with U.S. Internal Revenue Service Circular 230, taxpayers are hereby notified that: (i) any discussion of U.S. federal tax issues in this annual report is not intended or written by us to be relied upon, and cannot be relied upon by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the U.S. Internal Revenue Code of 1986, as amended, or the "Code"; (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the senior notes. This summary is not a comprehensive description of all of the tax considerations that may be relevant to a holder of the senior notes. In particular, this summary of U.S. federal income tax matters deals only with holders that will hold senior notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not address the tax treatment of holders that are subject to special tax rules such as financial institutions, securities or currency dealers, brokers, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, persons holding senior notes as part of a hedging, straddle conversion or larger integrated financial transaction or ''U.S. Holders'' (as defined below) with a currency other than the Dollar as their functional currency. The following summary also assumes that the senior notes will be issued with no more than a statutorily defined minimum amount of original issue discount. If a partnership holds the senior notes, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership.

This summary is based upon the Code, U.S.Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect.

HOLDERS OF THE SENIOR NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE

PURCHASE, OWNERSHIP AND DISPOSITION OF THE SENIOR NOTES, IN ADDITION TO THE EFFECT OF ANY STATE OR LOCAL TAX LAWS OR THE LAWS OF ANY JURISDICTION OTHER THAN THE UNITED STATES OF AMERICA.

U.S. Holders.

As used herein, a "U.S. Holder" means a beneficial owner of a note who is for U.S. federal income tax purposes (i) a citizen or resident of the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, including the Commonwealth of Puerto Rico, the United States of America, (ii) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States of America or under the laws of the United States of America or of any political subdivision thereof, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) any trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

Interest on the Senior Notes.

Interest on the senior notes will be includable in a U.S. Holder's income as ordinary income at the time the interest is accrued or received, in accordance with the U.S. Holder's method of tax accounting. Interest income will constitute foreign source passive income for foreign tax credit purposes. If any foreign withholding taxes are imposed on the payments, the amount withheld will be included in the holder's gross income at the time such amount is received or accrued in accordance with such holder's method of accounting. A U.S. Holder will not be allowed to claim foreign tax credits (but would instead be allowed a deduction) for foreign taxes imposed on income with respect to the senior notes unless the U.S. Holder (i) holds such senior notes for more than 15 days during the 31-day period beginning at the date that is 15 days before the right to receive payment arises (disregarding any period during which the U.S. Holder has a diminished risk of loss with respect to such senior notes), and (ii) is not under an obligation to make related payments with respect to positions in substantially similar or related property. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of such interest paid or accrued in respect of a Note.

A U.S. Holder of Euro-denominated senior notes that uses the cash method of accounting for U.S. federal income tax purposes will realize interest income equal to the Dollar value of the interest payment, based on the exchange rate on the date of receipt, regardless of whether the payment in fact is converted into Dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment. However, a U.S. Holder may recognize foreign currency gain or loss when the U.S. Holder converts the proceeds into Dollars.

A U.S. Holder of Euro-denominated senior notes that uses the accrual method of accounting for U.S. federal income tax purposes will determine the amount of interest income allocable to an accrual period in Euro, and then will translate that amount into Dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may elect to convert accrued interest into Dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the part of the accrual period within each taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all Euro-denominated senior notes from year to year and cannot change the election without the consent of the Internal Revenue Service. A U.S. Holder that does not want to accrue interest income using the average exchange rate may make certain alternative elections. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to an accrual of that interest. This foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss.

Sale and Redemption of the Senior Notes.

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized upon such sale (other than amounts received in respect of accrued and unpaid interest), exchange, retirement or other disposition and such U.S. Holder's adjusted tax basis in the note. The Dollar amount realized will be the value of the Euro received at the spot exchange rate on the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). Gain or loss will be capital except to the extent attributable to accrued but unpaid interest or foreign exchange gain or loss. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. The amount paid for a note with Euro will be the Dollar value of the Euro used to purchase it at the spot exchange rate on the date of purchase.

Capital gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be long-term capital gain or loss if the note is held for more than one year. Under the current law, net long-term capital gains of individuals are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to limitations. A U.S. Holder will recognize foreign currency exchange gain or loss equal to the difference between the Dollar value of the principal amount of the note on the date of acquisition and the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). The foreign currency exchange gain or loss cannot exceed overall gain or loss on the note. Foreign currency gain or loss generally will be ordinary income or loss.

U.S. Holders should note that the Polish tax on civil law transactions, if imposed, will not be treated as creditable foreign tax for U.S. federal income tax purposes, although U.S. Holders may be entitled to deduct such taxes, subject to applicable limitations under the Code. See the discussion below "Polish Taxation—Tax on Civil Law Transactions on Transfer of the Senior Notes".

Satisfaction and discharge

If we were to obtain a discharge of the indenture governing the senior notes with respect to all of the senior notes then outstanding, as described in "Description of the senior notes — Satisfaction and discharge", such discharge would generally be deemed to constitute a taxable exchange of the senior notes outstanding for other property. In such case, a U.S. Holder would be required to recognize capital gain or loss in connection with such deemed exchange. In addition, after such deemed exchange, a U.S. Holder might also be required to recognize income from the property deemed to have been received in such exchange over the remaining life of the transaction in a manner or amount that is different than if the discharge had not occurred. U.S. Holders should consult their tax advisors as to the specific consequences arising from a discharge in their particular situations.

Disposition of Euro.

A U.S. Holder will have a tax basis in Euro received on the senior notes equal to the Dollar value to the Euro received determined at the spot exchange rate on the date the Euro is received. A U.S. Holder will have a tax basis in Euro received on the sale, exchange or other disposition of a note equal to the Dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the Euro generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding.

In general, information reporting requirements will apply to certain payments within the United States of America of interest, and principal and to proceeds of a sale, redemption or other disposition of the senior notes. A ''backup withholding'' tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest, fails to certify that he is not subject to such withholding or fails to report interest and dividend income in full. In general, a U.S. Holder may comply with this requirement by providing the paying agent, broker or other intermediary with a duly completed and executed copy of IRS Form W-9. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or credit against such beneficial owner's U.S. federal income tax liability provided the required information is furnished to the IRS.

Disclosure Requirements.

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions, "Reportable Transactions", could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note. U.S. Holders considering the purchase of the senior notes should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the senior notes, including any requirement to file Internal Revenue Service Form 8886 ("Reportable Transaction Statement").

Recently enacted legislation affecting disclosure obligations for U.S. individuals

Legislation was enacted on March 18, 2010, that generally imposes new U.S. return disclosure obligations (and related penalties for failure to disclose) on U.S. individuals that hold certain specified foreign assets. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. Investors are urged to consult their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in the senior notes.

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, a member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within the jurisdiction of the first member state to an individual, or certain other persons, resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

Polish Taxation

The following is a summary of the principal Polish tax consequences for investors in the senior notes. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and disposal of the senior notes or the receipt of interest and accrual of discount (including for these purposes any premium payable on redemption) on the senior notes or payments by the Company under the guarantee. Potential investors should, therefore, consult their own tax advisers regarding the tax consequences under Polish law including the application of any tax treaty between Poland and their country of residence. All references to a repurchase or redemption of senior notes are to a repurchase or redemption of senior notes by the issuer of the senior notes and shall mean a "repurchase" of the senior notes for Polish tax law purposes.

Residence.

All references to residence for the purposes of this summary are to residence for the purposes of Polish tax law and applicable Double Tax Treaties. References to a "Polish individual" or "Polish legal person" are to an individual or corporation or other legal entity resident in Poland for tax purposes and references to a "foreign individual" or to a "foreign legal person" to an individual or legal person or other legal entity not resident in Poland for tax purposes.

Corporate taxpayers, having their seat or place of management in Poland are subject to Polish corporate income tax on their worldwide income, irrespective of the place in which such income is earned. A corporate taxpayer which has neither its seat nor its place of management in Poland is subject to Polish income tax only on income earned in Poland.

An individual whose place of residence is in Poland is subject to Polish income tax on his or her worldwide income irrespective of the place in which such income is earned. An individual whose place of residence is not located in Poland is subject to Polish income tax only on income earned in Poland.

Taxation of Persons Who Are Not Resident in Poland

Taxation of interest and discount on the Senior Notes and sale and repurchase of the Senior Notes

Individuals and legal persons having neither their place of residence nor seat nor place of management in Poland will not be liable to taxation in Poland on interest or discount paid or accruing on the senior notes nor on income arising from the sale or repurchase of the senior notes (save as described below in relation to payments by the Company under the guarantee).

Payments under the Guarantee.

Payments made by the Company under the guarantee constitute a fulfillment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified as the same type of income as the senior notes i.e. repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. “income from other sources.”

Any entity resident in Poland (including the Company) which pays interest on the senior notes to nonresidents (whether individuals or legal persons) is obliged to withhold Polish income tax at the rate of 20% from such payments on the date of payment thereof. However, the rate of withholding tax may be reduced pursuant to an applicable double tax treaty, provided that the foreign resident obtains a certificate confirming its place of residence issued for tax purposes by the appropriate tax administration (a certificate of tax residence).

Should the Polish tax authorities reclassify the streams of payments under guarantee into “income from other sources”, then non-residents would not be taxable in Poland provided that they are resident in a Treaty country i.e. country with which Poland has concluded a Double Tax Treaty. up to ceiling of PLN 85,528 and 32% rate thereafter) and the Company would not be obliged to withhold tax on behalf of the Polish individuals. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Taxation of persons resident in Poland

Interest and discount on the Senior Notes

Interest and discount on the senior notes paid by the issuer will, for Polish taxation purposes, be treated as income earned in Sweden. Pursuant to the convention for the avoidance of double taxation entered into between Sweden and the Republic of Poland (the “Convention”), interest or discount on the senior notes earned in the Sweden by Polish legal persons or individuals may be taxed only in the state of residence i.e. Poland (Sweden does not have the right of taxation). The above rules do not apply if the noteholder carries on a trade or business in Sweden through a permanent establishment with which the senior notes are effectively connected.

Interest and discount on the senior notes earned by Polish tax residents (whether individuals or legal persons) are subject to income tax in Poland at the rate of 19%.

Sale, repurchase and redemption of the Senior Notes

Pursuant to the Convention, income from the sale of the senior notes or repurchase or redemption of the senior notes by the issuer arising to Polish tax residents (whether individuals or legal persons) is subject to taxation only in Poland unless the noteholder carries on business in the Sweden through a permanent establishment with which the senior notes are effectively connected. In such cases, tax is payable on the difference between the proceeds of sale, repurchase or redemption and the acquisition cost of the relevant senior notes (capital gains).

With respect to individuals, capital gains generated on disposal of the senior notes is subject to flat 19% personal income tax rate, assuming the trading of the senior notes does not form part of their business activity. No tax advances are payable upon realization of the capital gain during a calendar year— individuals are obliged to file an annual tax return, in which all such capital gains should be declared, and pay the tax accordingly (both due April 30th of the following calendar year).

With respect to legal persons, such capital gains are subject to flat 19% corporate income tax rate. Legal persons are obliged to pay the tax upon realization of the capital gain (relevant tax advance is payable by 20th of the following month, except if the gain is generated during the last month of the tax year, in which case no tax advance is required and tax is settled in an annual corporate tax return).

Payments under the guarantee

Payments made by the Company under the guarantee constitute a fulfillment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified under the same type of income as the senior notes i.e. as repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. "income from other sources."

In the case of interest paid by the Company to Polish individuals, such income will be subject to 19% flat rate personal income tax without deduction of any costs. The Company would withhold the tax and remit it to the tax office. Such income is not subject to aggregation with other types of income.

In the case of interest payments made by the Company under the guarantee paid to Polish legal persons, the income would be subject to aggregation with other types of income generated by such legal persons and then subject to flat 19% corporate income tax rate. No withholding tax would apply.

In the case of repurchase or redemption amounts payable by the Company, tax will be payable in Poland by Polish individuals and Polish legal persons on the difference between the proceeds of the repurchase or redemption and the acquisition cost of the senior notes (capital gain). The Company would not withhold the tax. In the case of Polish individuals the capital gain would be subject to 19% personal income tax settled on an annual basis (i.e. no interim tax advances are payable). In the case of Polish legal persons, such capital gain is subject to 19% corporate income tax, payable in advance on the 20th day of the month following the month in which the capital gain was realized.

Should the Polish tax authorities reclassify the interest payments under guarantee into "income from other sources", then the Polish individuals would be subject to progressive taxation (18% rate up to a ceiling of PLN 85,528 and 32% rate thereafter) and the Company would not be obliged to withhold tax on behalf of the Polish individuals. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Tax on Civil Law Transactions on Transfer of The Senior Notes

Tax on civil law transactions is payable on sale or exchange of the senior notes at a rate of1%of the market value transferred, where the transfer of the senior notes is treated as relating to:

- property rights enforceable in the territory of Poland; or
- property rights enforceable abroad, if the purchaser of the senior notes has its residence or seat in Poland and the transfer is executed in Poland.

It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

In-kind contribution of the senior notes to a company or partnership may be subject to tax on civil law transactions if the company/partnership has its seat in Poland. The applicable tax rate would be 0.5% payable on the value of nominal share capital issued (in the case of companies) or value of the contributed senior notes (in the case of partnerships).

Gift and Inheritance Tax

Liabilities to gift and inheritance tax apply only to individuals and may arise on a gift of the senior notes or on an inheritance of the senior notes, where:

- the heir or the donee is a Polish citizen or as a permanent stay in Poland; or
- the rights attributable to the senior notes are treated as property rights enforceable in the territory of Poland. It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

The amount of such tax (and applicable tax exemptions) depends on the relationship of the donor to donee or of the deceased to the heir.

Documents on Display

All the documents concerning us which we refer to in this document may be inspected at our registered office by contacting Tomasz Poźniak at +48.22.856.66.14.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports as required by the Indenture is recorded, processed, summarized and reported within the time periods specified by the Indenture.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Not applicable.

ITEM 16B. CODE OF ETHICS

As we are not required to do so by Polish Law, we did not adopt a code of ethics. However, we adopted a Corporate Governance code which is described in Item 16G.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

We entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim financial statement and audit annual financial statements on April 12, 2010 and on October 12, 2010. These agreements cover the review and audit of financial statements for the period ended June 30, 2010 and the audit of the period ended December 31, 2010.

We also entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., on October 29, 2010 to the provide attestation necessary for preparing the offering memorandum for the issue of the 7.875% Senior Notes.

The following table sets out a summary of accountancy fees and services for the twelve months ended December 31, 2009 and 2010:

(in thousands)	2010	2009
Audit fees (1)	1,878	1,750
Tax fees (2)	120	184
Other fees (3)...	1,518	1,584
Total fees	**3,516**	**3,518**

(1) *Audit fees are the fees for review and audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.*

(2) *This position includes fees and expenses for services rendered from January 1 through December 31, of the fiscal year, notwithstanding when the fees and expenses were billed.*

(3) *This position includes fees for attestation necessary for offering memorandum for the issue of the 10.75% Senior Notes and 7.875% Senior Notes*

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Share Buyback Program

On October 30, 2008, our shareholders approved a share buyback program to acquire and voluntarily redeem our shares (the “Share Buyback Program”). The Share Buyback Program allowed us to purchase up to 35 million shares, but not more than 10% of our share capital as calculated on the last day of the Share Buyback Program. Under the Share Buyback Program, we have purchased a total of 9,157,107 shares at an average price of PLN 10.92 per share (numbers not in thousands) for a total of PLN 100,000 including share buyback cost.

The first tranche of PLN 50,000 of the Share Buyback Program commenced on November 17, 2008. Up to January 21, 2009, we purchased a total of 3,903,188 (not in thousands) shares at an average price of PLN 12.81 (not in thousands) per share for the total price of PLN 49,999,961 (not in thousands).

The second tranche of PLN 50,000 of the Share Buyback Program commenced on February 5, 2009. Up to March 18, 2009, we purchased a total of 5,253,919 (not in thousands) shares at an average price of PLN 9.52 (not in thousands) per share for the total price of PLN 49,999,991 (not in thousands).

We spent PLN 62,572 from the Share Buyback Program in 2009. Redemption of the shares purchased in the Share Buyback Program was registered by the court on July 3, 2009.

On July 3, 2009 we decreased the share capital from PLN 69,903 to PLN 68,072 by way of a voluntary redemption of 9,157,107 (not in thousands) shares held by TVN S.A. for compensation of PLN 99,651.

The program expired on December 31, 2009.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where text of such set of rules is available in public

In 2010 the Company adhered to the principles set forth in the document entitled Best Practices of WSE Listed Companies, available in public on the following web page http://www.corp-gov.gpw.pl/.

In light of the amendments made to the Best Practices of WSE Listed Companies enforced on July 1, 2010 (resolution of the Supervisory Board of WSE No. 17/1249/2010 of May 19, 2010), the Company hereby informs that it intends to apply the remuneration policies of Management Board members to be adopted by the Company's Supervisory Board in 2011 accordance to the recommendation set forth in Para I.5. As to remuneration of Supervisory Board members, the Company applies principles set forth in Resolution No. 33 of the Annual General Meeting of Shareholders of the Company of May 11, 2007.

II. Description of the principal features of the internal control and risk management systems applied in the Company in respect to the process of preparing financial statements

Company's Management Board is responsible for the internal control system within the Company and its effectiveness in course of the process applied in preparation of financial statements and interim reports which are to be prepared and published in accordance with provisions of the Regulation of the Minister of Finance of February 19, 2009 on current and regular reports made available by issuers of securities.

Effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included into the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- Defined scope of financial reporting applied by the Company;
- Defined division of duties and organization of work in the financial reporting process;
- Regular review of Company's results using the applied financial reporting method;

- Regular independent review of published financial statements of the Company by an auditor;
- Principles of authorizing financial reports prior to their publication;
- Involving internal audit function in assessing effectiveness of the control mechanisms used;

Defined scope of financial reporting applied by the Company

The Company carries out annual reviews of strategy and long-term business plans. Based on conclusions drawn from such review, a detailed budgeting process is performed including all functional areas of the Company, with participation of the medium and top level management. The budget prepared each year for the following year is adopted approved by the Management Board and approved by the Supervisory Board.

In course of the year, the Management Board analyzes current financial results and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (International Financial Reporting Standards) and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

Accounting policies adopted by the Company in respect to reporting is used both in the process and in course of preparing the interim financial statements.

The Company applies coherent accounting principles, presenting financial data in financial statements, interim financial reports and other reports made available to the investors.

Defined division of duties and organization of work in the financial reporting process

The TVN Group Financial Division headed by the Management Board Member for Finance is responsible for preparing financial statements, interim financial reports and regular management reports of the Company.

Financial statements of the Company are prepared by the medium level managers within the TVN Group Financial Division based on financial data included in interim management reports, after their acceptance by the TVN and TVN Group General Director for Finance, taking into consideration other, supplementary data supplied by specified employees from other departments. The prepared financial statements are verified by the competent director of the TVN Group Financial Division and, next, by the Management Board Member for Finance prior to their issue to the independent auditor.

Company's interim reports are prepared by the appropriate section within the TVN Group Financial Division based on financial data available from interim management reports, after their acceptance by the TVN and TVN Group General Director for Finance, taking into consideration other, supplementary data supplied by specified employees from other departments. The prepared interim reports are verified by the competent director of the TVN Group Financial Division and, next, by the Management Board Member for Finance prior to their issue to the independent auditor.

Regular review of Company's results using the applied financial reporting method

Financial data on which financial statements and interim reports are based, are derived from the monthly financial and operational reports system used by the Company. After ledger closing of each calendar month, the medium and top level management within TVN Group

Financial Division headed by Management Board Member for Finance jointly analyze financial results of the Company comparing these with the assumptions and divided by each business segment.

Identified mistakes are immediately adjusted within the Company' ledgers, according to the adopted accounting policy.

Process of preparing financial statements and interim reports begins once results of the ended period are accepted by the Management Board Member for Finance.

Regular independent review of published financial statements of the Company by an auditor

The Company applies the principle of independent review of published financial statements irrespectively of whether such a requirement is imposed by the applicable laws.

The published quarterly interim financial statements and financial reports, as well as financial data on which such reports are based, are reviewed by the Company's auditor. Adequacy of financial data and scope of necessary disclosures are scrutinized in particular.

Results of quarterly reviews or audits are presented by the auditor to the Financial Department management during summary meetings and meetings of the Audit Committee.

Principles of authorizing financial reports prior to their publication

Financial statements and interim reports are submitted by members of the Supervisory Board after the review or audit are complete.

The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the Management Board and the Supervisory Board, during which the TVN and TVN Group General Director for Finance presents key aspects of the quarterly/semiannual/annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit Committee reviews interim financial statements taking into consideration information presented by the Company Management Board and the independent auditor, and thereafter recommends the Supervisory Board approval of such documents.

Involving internal audit function in assessing effectiveness of the control mechanisms used

The Company operates an internal audit section, which participates in identifying the risks and assesses control mechanisms for the needs of TVN S.A. and TVN Group companies. The annual internal audits program is created based on a risk assessment process performed with participation of the Management Board. The program of audits is approved by the Audit Committee. Planned audits are supplemented by follow-up audits to review implementation of recommendations issued in course of previous inspections, and ad hoc audits ordered by the Management Board or the Audit Committee.

Internal audit prepares reports containing recommendations for improving the control mechanisms.

Results of internal audit activities are first discussed by the Management Board and next submitted to the Audit Committee. The Management Board is responsible for timely implementation of recommendations issued.

III. Shareholder holding significant share blocks of TVN S.A., both directly and indirectly

The table below present current structure of Company's Shareholders possessing significant Company share blocks as of December 31, 2010.

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. [1]	180,355,430	52.68	180,355,430	52.68
N-Vision B.V. [1]	3,963,095	1.16	3,963,095	1.16
Cadizin Trading&Investment [1]	8,131,477	2.38	8,131,477	2.38
ITI Impresario [1]	1,400	0.00	1,400	0.00
Other shareholders	149,902,790	43.78	149,902,790	43.78
TOTAL:	**342,354,192**	**100.00**	**342,354,192**	**100.00**

IV. Holders of securities entitling to special control rights

Shares of the Company are common shares, either registered or bearer shares. Company Statutes do not provide for any special rights attributed to shares in the Company, including any voting rights or rights to appoint members of the Company's bodies. Shareholders in the company do not hold any shares entitling to special control rights.

V. Voting restrictions

Company Statutes do not provide for any restrictions in performing voting rights by Shareholders possessing more than 10% overall votes in the Company.

The Company is not aware of any time or quantity related restrictions concerning performance of voting rights associated with any particular shares or Shareholders in result of any agreements executed by and between its Shareholders. Neither have there been any agreements executed with the Company, in which shareholder rights would have been detached from holding of securities.

In 2010 there were no cases of prohibiting performance of voting rights from shares imposed as sanctions due to reaching or exceeding any threshold of votes, in reference to those instances which have been provided for in the Act on Public Offers.

VI. Restrictions applicable to transfer of rights from securities

Disposing with registered shares of the Company requires prior consent of the Management Board, as provided for in the procedure set forth in Paragraph 10 of the Company's Statutes. Such restrictions are not applicable to sale of registered shares to the parent, subsidiary o any other entity within the Company's capital group. Disposing with registered shares in violation of principles set forth in the Statutes is ineffective.

Disposing with Company's shares to any individual or legal person having domicile or seat outside any European Economic Area Member State may take place after obtaining consent from the Chairman, National Media Council, except for disposing with bearer shares admitted into trading on the stock exchange, but only up to 49% of the Company's share capital – as set forth in Decision (Permit) of the Chairman of the National media Council No. DK-181/2004 of September 22, 2004. Disposing with Company shares in violation of principles set forth in the preceding sentence is void.

VII. Principles of appointing and recalling members of the Management Board and authorities of the Management Board, particularly in reference to the right to decide about issue or repurchase of shares

Principles of appointing and recalling members of the Management Board

Members of the Management Board are appointed and recalled by the Supervisory Board. Members of the Management Board are appointed for a joint three-year term of office. Recalling or suspension of a Management Board member may take place due to important reasons. Resolution on recalling or suspending a Management Board member should state the reasons for which such member is being recalled or suspended. Art. 368 § 4 Code of Commercial Companies also provides for the right to recall or suspend member of the Management Board by the General Meeting of Shareholders.

Authorization of the Management Board, including the right to adopt decisions on issue or redeeming of shares

Authorization to manage matters of the Company has been provided for in Standing By-laws of the Management Board approved by Resolution of the Supervisory Board No. 9/02/10 of February 17 2010. Members of the Management Board manage matters of the Company acting jointly, subject to self-dependent authorizations provided for in §5 and §6 of the Standing By-laws of the Management Board. Notwithstanding those provisions, each action constituting a disposal of assets or undertaking of an obligation by the Company in amount exceeding PLN 5,000 requires a resolution of the Management Board to be adopted prior thereto. Matters requiring joint action by the Management Board include: setting significant growth indices of the Company, incurring or premature repayment of loans and credits, and issue of sureties, guarantees and other collateral for repayment of the received loans and credits, as well as analysis of material investment projects relating to technical infrastructure of the Company and undertaking decisions on starting such projects. Moreover, the Management Board jointly decides about all matters requiring resolutions to be adopted by the Supervisory Board or the General Meeting of Shareholders.

Pursuant to Resolution No. 37 of the Annual General Meeting of Shareholders of the Company of May 14, 2010 amending Statutes of TVN S.A., the Company is represented by two members of the Management Board acting jointly, or by one member of the Management Board acting jointly with a signing clerk.

Pursuant to the Company's Statutes, the Management Board had authorization to issue Company shares within the bounds of increasing share capital of the Company up to the target capital level. This authorization was valid for three years, up to the January 1, 2011 and authorized the Management Board to increase the Company's share capital one or more times within the target capital threshold by a total amount not to exceed PLN 15,000.

The General Meeting of Shareholders did not adopt in 2010 any resolution authorizing the Management Board to purchase own shares of the Company as provided for in Art. 362 § 1.8 Code of Commercial Companies.

VIII. Principles applied in amending Company's Statutes

TVN S.A. performs its activities based on Statutes adopted by resolution of the General Meeting of Shareholders held on July 2, 2004, with subsequent amendments.

Any amendment of the Statutes requires a resolution to be adopted by the General Meeting of Shareholders and an appropriate entry into the court register. Resolutions of the General Meeting of Shareholders on amending the Statutes are adopted with a 3/4 majority vote.

IX. Description of the proceedings of General Meeting of Shareholders, its principal authorities and Shareholder rights and manner of exercising such rights

The General Meeting of Shareholders

The Annual General Meeting of Shareholders was held on May 14, 2010 and its proceedings were in accordance with provisions of the Code of Commercial Companies and provisions of the newly adopted Standing By-laws of the General Meeting of Shareholders of TVN S.A., which replaced the formerly applicable Standing By-laws.

Chairman of the General Meeting of Shareholders assured efficient conduction of the meeting. Members of the Management Board and of the Supervisory Board participated in the General Meeting of Shareholders in a number allowing issue of substantive responses to questions asked during the meeting.

Resolutions of the General Meeting of Shareholders were adopted under conditions allowing minority Shareholders to exercise their rights, including the right of objecting to the resolutions adopted. None of the resolutions adopted was questions either by submitting an objection or initiating court litigation. Resolutions adopted by the Annual General Meeting of Shareholders were posted to the Company's web site.

In line with the new requirements for proceedings of General Meetings of Shareholders, TVN has made an e-mail address available on its corporate web site for contacts with the Company's Management Board as required in the new principles of organizing General Meeting of Shareholders.

Shareholders exercising the rights attributed to them under amended provisions of the Code of Commercial Companies may send to the specified e-mail address motions to the Management Board for convening a General Meeting of Shareholders, placing of specific items in the agenda and draft resolutions.

Shareholder using electronic means of contact has to identify himself, and document of the rights they refer to has to be verified.

Shareholder rights

Amended provisions of the Code of Commercial Companies introduced new, imperative for all public companies, principles simplifying participation of Shareholders in General Meetings of Shareholders and exercising their voting rights.

Shareholders representing in total 5 percent of Company's share capital obtained a right to convene the General Meeting of Shareholders and place specific matters in its agenda. Such a request may be placed in writing or by e-mail.

Shareholders possessing 50 percent of Company's share capital obtained the right to self-dependently convene General Meetings of Shareholders.

Shareholders representing in total 5 percent of Company's share capital obtained a right to submit draft resolutions prior to date of the meeting, and in exercising Shareholders' rights to have full access to information, it obligated to publish such draft documents on the Company's web page.

Shareholders also obtained the right to cash different votes from their shares at the meeting – a Shareholder may vote differently from each of his shares held.

X. Membership and proceedings of managing and supervising bodies of the Company, and committees thereof

A. The Management Board

Current membership in the Management Board and changes in membership during 2010

The Management Board currently consists of the following persons:

1) Markus Tellenbach – President of the Management Board – appointed for the current joint three-year term of office of the Management Board, which started on May 14, 2010;
2) Piotr Walter – Vice-president of the Management Board - appointed for the current joint three-year term of office of the Management Board, which started on May 14, 2010;
3) Łukasz Wejchert – Vice-president of the Management Board - appointed for the current joint three-year term of office of the Management Board, which started on May 14, 2010;
4) John Driscoll – member of the Management Board – appointed for the current joint three-year term of office of the Management Board, which started on May 14, 2010.

A change in membership of the Management Board took place on May 14, 2010: Mr. Rafał Wyszomierski ceased to perform function of member of the Management Board and Mr. John Driscoll was appointed in his place.

Proceedings of the Management Board in 2010

In adopting its decisions acting within authorities set forth in the Statutes, Company's Management Board adhered to provisions of the Code of Commercial Companies, statutory regulations applicable to listed companies and Best Practices of WSE Listed Companies.

Implementing strategic objectives of the Company approved by the Supervisory Board as well as current tasks, the Management Board was guided by interests of the Company, took into account interests of shareholders, Company staff and creditors, acting in compliance with the applicable laws.

In effort to ensure transparency and efficiency of the system of management, the Management Board adhered to the principle of action within bounds of justified economic risk, guided by professional information, analyses and opinions.

The Management Board jointly resolved on all matters requiring resolutions to be adopted by the Supervisory Board or the General Meeting of Shareholders, including resolutions on approving interim financial statements and reports from activities of the Management Board, as well as the annual financial statements and annual report from activities of the Management Board.

Matters being considered jointly by the Management Board included decisions of material importance for business of the Company, involving areas associated with implementing growth strategy adopted by the Supervisory Board, including decisions on continued investments by the Company into the "n" platform, as well as assuring financing of the Company's business through issue of TVN Finance Corporation III AB, Bonds, and decisions relating to Company's participation in implementing land based DVB-T digital TV.

Resolutions of the Management Board were adopted by simple majority votes cast during the meetings with required quorum being in attendance, or in writing, provided that all members of the Management Board had been informed of the draft resolution. Members of the Management Board adhered to principles of abstaining from participation in resolving on matters associated with existence of a conflict of interests.

Information policy of the Company was implemented by the Management Board in adherence to the principle of posting to the Company's web site both Polish and English language versions of information required under the applicable laws and by the Best Practices of WSE Listed Companies.

The Management Board turned to the Supervisory Board for approval of any major transaction to be executed with a related entity, as resulted by the Statutes and the Best Practices of WSE Listed Companies.

B. The Supervisory Board

Current membership in the Supervisory Board

The Supervisory Board presently consists of eleven members appointed by resolutions of the General Meeting of Shareholders held on May 15, 2009 for a new joint term of office. The current membership is as follows:

1) Wojciech Kostrzewa – Chairman of the Supervisory Board, Chairman of the Related Party Transactions and Remuneration Committee,
2) Bruno Valsangiacomo – Deputy Chairman of the Supervisory Board, member of the Audit Committee,
3) Arnold Bahlmann – independent Supervisory Board member, member of the Related Party Transactions and Remuneration Committee,
4) Michał Broniatowski – independent Supervisory Board member,
5) Romano Fanconi – Supervisory Board member,
6) Paweł Gricuk – independent Supervisory Board member, member of the Audit Committee and Related Party Transactions and Remuneration Committee,
7) Paul Lorenz – Supervisory Board member,
8) Wiesław Rozłucki – independent Supervisory Board member, Chairman of the Audit Committee,
9) Andrzej Rybicki – Supervisory Board member,

10) Aldona Wejchert – Supervisory Board member,
11) Gabriel Wujek – Supervisory Board member.

In result of resignation by Mr. Paweł Kosmala from his function as a Supervisory Board member, as from September 29, 2010, Mr. Paul Lorenz was co-opted into the Supervisory Board on September 30, 2010, in compliance with provisions of the Company's Statutes.

Activities of the Supervisory Board

In adopting resolutions acting within the scope of its authorities set forth in the Company Statutes, the Supervisory Board adhered to provisions of the Code of Commercial Companies, By-laws of the Supervisory Board approved by the General Meeting of Shareholders held on August 19, 2004, as subsequently amended, and the Best Practices of WSE Listed Companies

The Supervisory Board adopted its resolutions by simple majority during the meetings adhering to the quorum requirement, or by correspondence, provided that all members of the Supervisory Board were informed of wording of the draft resolution.

Supervisory Board members adhered to the principle of abstaining from participating in resolving of Company matters in cases when conflicts of interest existed, in line with the principles of Best Practices of WSE Listed Companies.

Meetings of the Supervisory Board may be convened by the Chairman or Deputy Chairman of the Supervisory Board on their own initiative or on motion of the Management Board or any member of the Supervisory Board. Members of the Supervisory Board may participate in the meeting using remote communication devices, and where permitted by the applicable laws, may cast their votes in writing through another member of the Supervisory Board. Meetings of the Supervisory Board are convened as required. Last year seven meetings of the Supervisory Board were held in total.

Management Board members participated in Supervisory Board meetings. The Management Board provided the Supervisory Board with exhaustive information on all material issues relating to Company's business.

The Supervisory Board last year adopted seven resolutions outside meetings using the written voting procedure.

Supervisory Board members having economic, family or other ties with Shareholders possessing more than 5% of votes at the General Meeting of Shareholders had notified the Management Board duly thereof. That information was also published on the TVN corporate web site.

In 2010 four Supervisory Board members fulfilled the criterion of being independent from the Company and entities remaining in material relationship with the Company, as defined in European Commission Recommendations of February 15, 2005 on role of non-executive directors being members in supervisory boards of listed companies.

The Supervisory Board submitted to the Annual General Meeting of Shareholders held on May 14, 2010 a concise assessment of the condition of TVN S.A. in 2009 and a report from its activities and activities of the Supervisory Board's committees, containing an evaluation of their work in 2009. The General Meeting of Shareholders accepted report of the Supervisory Board. It also recommended the General Meeting of Shareholders to adopt a resolution on payment of dividend.

In continuing the adopted during previous years assumptions and growth directions of the TVN Group, in 2010 the Supervisory Board extended its consent to Management Board for finally settling transactions of acquiring shares in the “n” digital platform and issue TVN Finance Corporation III AB Bonds having the par value of EUR 175,000 to be used for repayment of TVN Bonds issued in 2008, repayment of bank loans and improving liquidity of the Company. In effort to further streamliner the existing system of management in the Company and the TVN Group, the Supervisory Board changed subdivision of authorities of the individual Management Board members, in line with the approved Standing By-laws of the Management Board.

In performing its authorities to control business of the Company, the Supervisory Board considered interim financial statements of the Company and the TVN Group, as well as reports of the Management Board from business of the Company.

C. Supervisory Board Committees

The Supervisory Board established the following committees, i.e. the Audit Committee and the Related Party Transactions and Remuneration Committee, each consisting of three Supervisory Board members, in that at least two independent Supervisory Board members.

The Audit Committee

Duties of the Audit Committee have been provided for in the Audit Committee By-laws approved by the Supervisory Board. The Audit Committee supervises the financial reporting process for the purpose of ensuring equilibrium, transparency and integrity of published financial information, verifies efficiency of internal financial control mechanisms and the risk management system, as well as evaluates operation of internal and external audit. Moreover, the Audit Committee recommends appointing of the external auditor to the Supervisory Board.

The Audit Committee cooperates with the Supervisory Board, the Management Board, middle level management and with internal and external audit in course of performing its duties

The Audit Committee consists of three members, who as of today are: Wiesław Rozłucki (Chairman), Paweł Gricuk and Bruno Valsangiacomo. All members of the Audit Committee have the required qualifications in accounting and finance, with two of them being independent Supervisory Board members.

The Audit Committee holds regular meetings, at least 4 times per year. Member of the Management Board for Financial Matters, Internal Audit Manager and representatives of the external audit participate in the Committee meetings on invitation. The Committee held 5 meetings in 2010.

TVN Internal Audit submitted to the Audit Committee results of all audits conducted in the Company in accordance with the annual plan of audits approved by the Audit Committee, reviewing follow-up audits conducted as follow-up to recommendations of previous audits, as well as ad hoc audits. In 2010 the Committee had acquainted with reports from 6 internal TVN audits.

Results of internal audits performed in Onet.pl Group are presented to the Onet.pl Group Supervisory Board and to the Audit Committee. In 2010 the Committee had acquainted with reports from 3 internal audits performed within the Onet.pl Group.

Results of internal audits performed in ITI Neovision are presented to the ITI Neovision Supervisory Board and to the Audit Committee. In 2010 the Committee had acquainted with reports from 3 internal audits performed within the ITI Neovision.

The Related Party Transactions and Remuneration Committee

Duties of the Related Party Transactions and Remuneration Committee have been defined clearly in the Supervisory Board by-laws and include analysis of related party transactions, review of remuneration of the Management Board and members of the Supervisory Board, as well as presentation of recommendations in these matters to the Supervisory Board.

The Related Party Transactions and Remuneration Committee consists of: Wojciech Kostrzewa (Chairman), Arnold Bahlmann and Paweł Gricuk.

In 2010 the Committee held five meetings (teleconferences) to analyze presented by the Management Board transactions with related entities within the ITI Group, and financial terms of the management agreement with the newly appointed member of the Management Board.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of TVN Group. presented as a part of this annual report are included on pages F-1 through F-78 as follows:

ITEM 19. EXHIBITS

Not applicable.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Poland
Telephone +48 (22) 523 4000
Facsimile +48 (22) 523 4040
http://www.pwc.com/pl

Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the 'TVN Group'), which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland

February 21, 2011

MANAGEMENT REPRESENTATIONS

These consolidated financial statements of TVN S.A. and its subsidiaries (the “TVN Group”) as of and for the year ended December 31, 2010, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of TVN Group as of and for the year ended December 31, 2010 include: consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders’ equity, consolidated cash flow statement and notes to the consolidated financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities, the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group’s financial position and its results of operations, and that the annual Directors’ Report gives a true view of the Group’s development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the principles specified in the Accounting Act.

These consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 21, 2011.

Markus Tellenbach
President of the Board

Piotr Walter
Vice-President of the Board

Jan Łukasz Wejchert
Vice-President of the Board

John Driscoll
Member of the Board

Warsaw, February 21, 2011

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2010

TVN Group

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TVN Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, including operation of a digital satellite pay television, internet and teleshopping. TVN S.A. (the "Company") and its subsidiaries ("TVN Group", the "Group") operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, TVN Warszawa, NTL Radomsko and Telezakupy Mango 24. The Group's channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group also operates a Polish direct-to-home ("DTH") digital satellite television 'n', which offers technologically advanced pay television services. The Group also operates Onet.pl, the leading internet portal in Poland operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Michał Broniatowski
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala (resigned September 29, 2010)
- Paul H. Lorenz (appointed September 30, 2010)
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President
- John Driscoll (appointed May 14, 2010)
- Rafał Wyszomierski (resigned May 14, 2010)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. ("Pekao S.A.")
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation plc in members' voluntary liquidation
  One London Wall
  London EC2Y 5EB, UK
- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Finance Corporation III AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK

8. Subsidiaries (continued)

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Media Entertainment Ventures International Limited
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 1436, Malta
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

9. Joint ventures

- MGM Channel Poland Ltd.
  72 New Cavendish Street
  London W1G 8AU, UK
- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa

10. Associate

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa

TVN S.A.
Consolidated Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Revenue	**6**	2,490,697	2,115,123
Cost of revenue	**7**	(1,616,151)	(1,323,841)
Selling expenses	**7**	(317,297)	(272,267)
General and administration expenses	**7**	(190,696)	(174,433)
Other operating expenses, net	**7**	(2,792)	(8,461)
Gain on step acquisition	**29**	-	122,359
Gain on remeasurement of contingent consideration	**5**	-	153,610
Operating profit		**363,761**	**612,090**
Investment (expense)/ income, net	**8**	(12,052)	51,175
Finance expense, net	**8**	(233,730)	(243,340)
Share of profit/ (loss) of associate	**29**	298	(39,132)
Profit before income tax		**118,277**	**380,793**
Income tax charge	**26**	(72,416)	(34,637)
Profit for the period		**45,861**	**346,156**
Profit/ (loss) attributable to:			
Owners of the parent		42,754	420,821
Non-controlling interests		3,107	(74,665)
		45,861	**346,156**
Earnings per share for profit attributable to the owners of TVN S.A. (not in thousands)			
- basic	**9**	0.13	1.23
- diluted	**9**	0.12	1.23

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period		**45,861**	**346,156**
Other comprehensive income:			
Available-for-sale financial assets	**16**	702	(1,370)
Income tax relating to components of other comprehensive income	**26**	(133)	260
Other comprehensive income for the period, net of tax		569	(1,110)
Total comprehensive income for the period		**46,430**	**345,046**
Total comprehensive income/ (loss) attributable to:			
Owners of the parent		43,323	419,711
Non-controlling interests		3,107	(74,665)
		46,430	**345,046**

TVN S.A.
Consolidated Balance Sheet
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	As at December 31, 2010	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	763,030	798,757
Goodwill	**11**	1,677,614	1,677,614
Brands	**12**	778,625	788,988
Other intangible assets	**13**	112,199	93,288
Non-current programming rights	**14**	155,345	158,930
Investments in associates		1,527	1,229
Available-for-sale financial assets	**16**	7,588	138,250
Deferred tax asset	**26**	46,505	58,111
Non-current restricted cash	**20**	84,172	-
Other non current assets	**19**	5,787	5,562
		3,632,392	**3,720,729**
Current assets			
Current programming rights	**14**	247,004	230,681
Trade receivables	**17**	334,705	322,518
Available-for-sale financial assets	**16**	-	246,851
Prepayments and other assets	**19**	135,400	81,059
Corporate income tax receivable		12,603	-
Current restricted cash	**20**	27,363	-
Bank deposits with maturity over three months	**20**	321,721	-
Cash and cash equivalents	**20**	480,294	381,658
		1,559,090	**1,262,767**
TOTAL ASSETS		**5,191,482**	**4,983,496**
EQUITY			
Shareholders' equity			
Share capital	**21**	68,471	68,088
Share premium		643,049	607,054
8% obligatory reserve		23,301	23,301
Other reserves		(438,036)	(58,526)
Accumulated profit		941,900	1,004,954
		1,238,685	**1,644,871**
Non-controlling interest		-	(359,717)
		1,238,685	**1,285,154**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**22**	2,263,055	1,589,292
7.875% Senior Notes due 2018	**22**	671,146	-
PLN Bonds due 2013	**22**	140,739	498,837
Loans from related parties	**22, 31 (iv)**	-	544,612
Deferred tax liability	**26**	168,255	156,506
Non-current trade payables	**23**	13,186	21,415
Contingent consideration	**29**	-	78,397
Financial liability related to acquisition of non-controlling interest	**29**	-	131,325
Other non-current liabilities		4,826	2,481
		3,261,207	**3,022,865**
Current liabilities			
Current trade payables	**23**	239,550	286,877
Corporate income tax payable		-	13,007
Accrued interest on borrowings	**22**	38,377	22,010
Other liabilities and accruals	**24**	413,663	353,583
		691,590	**675,477**
Total liabilities		**3,952,797**	**3,698,342**
TOTAL EQUITY AND LIABILITIES		**5,191,482**	**4,983,496**

The accompanying notes are an integral part of these consolidated financial statements.

TVN S.A.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2009	**349,515,414**	**69,903**	**605,805**	**(37,428)**	**23,152**	**109,048**	**876,474**	**1,646,954**	**-**	**1,646,954**
Total comprehensive income for the period	-	-	-	-	-	(1,110)	420,821	419,711	(74,665)	345,046
Issue of shares	82,221	17	1,370	-	-	(636)	-	751	-	751
Share issue cost	-	-	(121)	-	-	-	-	(121)	-	(121)
Purchase of treasury shares	-	-	-	(62,572)	-	-	-	(62,572)	-	(62,572)
Redemption of treasury shares	(9,157,107)	(1,832)	-	100,000	-	-	(98,168)	-	-	-
Dividend declared and paid	-	-	-	-	-	-	(194,005)	(194,005)	-	(194,005)
Dividend cost	-	-	-	-	-	-	(19)	(19)	-	(19)
Share option plan charge for the period [1]	-	-	-	-	-	21,743	-	21,743	-	21,743
Acquisition of subsidiary (see Note 29)	-	-	-	-	-	-	-	-	(288,602)	(288,602)
Fair value adjustments on loans from related parties	-	-	-	-	-	3,696	-	3,696	3,550	7,246
Financial liability related to acquisition of non-controlling interest	-	-	-	-	-	(131,616)	-	(131,616)	-	(131,616)
Revaluation of loans from related parties	-	-	-	-	-	(54,642)	-	(54,642)	-	(54,642)
Revaluation of contingent consideration	-	-	-	-	-	(5,009)	-	(5,009)	-	(5,009)
Appropriation of 2008 profit - transfer to 8% obligatory reserve	-	-	-	-	149	-	(149)	-	-	-
Balance at December 31, 2009	**340,440,528**	**68,088**	**607,054**	**-**	**23,301**	**(58,526)**	**1,004,954**	**1,644,871**	**(359,717)**	**1,285,154**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2009	**108,507**	**541**	**-**	**109,048**
Issue of shares	(636)	-	-	(636)
Charge/ (credit) for the period	21,743	(1,370)	-	20,373
Deferred tax on charge for the period	-	260	-	260
Fair value adjustments on loans from related parties	-	-	3,696	3,696
Financial liability related to acquisition of non-controlling interest	-	-	(131,616)	(131,616)
Revaluation of loans from related parties	-	-	(67,459)	(67,459)
Deferred tax on revaluation of loans from related parties	-	-	12,817	12,817
Revaluation of contingent consideration	-	-	(5,009)	(5,009)
Balance at December 31, 2009	**129,614**	**(569)**	**(187,571)**	**(58,526)**

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2010	**340,440,528**	**68,088**	**607,054**	**23,301**	**(58,526)**	**1,004,954**	**1,644,871**	**(359,717)**	**1,285,154**
Total comprehensive income for the period	-	-	-	-	569	42,754	43,323	3,107	46,430
Issue of shares [(2)]	1,913,664	383	36,200	-	(16,502)	-	20,081	-	20,081
Share issue cost	-	-	(205)	-	-	-	(205)	-	(205)
Dividend declared and paid [(3)]	-	-	-	-	-	(105,788)	(105,788)	-	(105,788)
Dividend cost	-	-	-	-	-	(20)	(20)	-	(20)
Derecognition of non-controlling interest [(4)]	-	-	-	-	(356,718)	-	(356,718)	356,610	(108)
Cost related to acquisition of non-controlling interest [(4)]	-	-	-	-	(6,859)	-	(6,859)	-	(6,859)
Balance at December 31, 2010	**342,354,192**	**68,471**	**643,049**	**23,301**	**(438,036)**	**941,900**	**1,238,685**	**-**	**1,238,685**

(*) Other reserves

	Employee share option plan reserve	Fair value reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2010	**129,614**	**(569)**	**(187,571)**	**(58,526)**
Issue of shares	(16,502)	-	-	(16,502)
Charge for the period	-	702	-	702
Deferred tax on charge for the period	-	(133)	-	(133)
Derecognition of non-controlling interest [(4)]	-	-	(356,718)	(356,718)
Cost related to acquisition of non-controlling interest [(4)]	-	-	(6,859)	(6,859)
Balance at December 31, 2010	**113,112**	**-**	**(551,148)**	**(438,036)**

(1) On December 27, 2005 TVN S.A. introduced the TVN Incentive Scheme I based on C series of shares. On June 8, 2006 the Annual Shareholders' Meeting approved a conditional share capital increase of up to 1,974 required for execution of the TVN Incentive Scheme I.
On July 31, 2006, as part of the acquisition of Grupa Onet.pl, TVN S.A. introduced the TVN Incentive Scheme II based on E series of shares. On September 26, 2006 the Extraordinary Shareholders' Meeting approved a conditional share capital increase of up to 1,756 required for execution of the TVN Incentive Scheme II.

(2) During the year ended December 31, 2010 1,913,664 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes.

(3) The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

(4) On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding and derecognized non-controlling interest (see Note 4 (iv) and 29).

Included in accumulated profit as of December 31, 2010 is an amount of 1,174,164 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 (see Note 22) impose certain restrictions on payment of dividends.

The accompanying notes are an integral part of these consolidated financial statements.

TVN S.A.
Consolidated Cash Flow Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Operating activities			
Cash generated from operations	**25**	578,865	599,434
Tax paid		(74,805)	(119,667)
Net cash generated by operating activities		**504,060**	**479,767**
Investing activities			
Cost of acquisition of non-controlling interest		(6,859)	-
Acquisition of subsidiary, net of cash acquired	**29**	-	(97,683)
Cost of acquisition of subsidiary		-	(13,335)
Loans granted to associate		-	(75,344)
Payments to acquire property, plant and equipment		(236,431)	(297,977)
Proceeds from sale of property, plant and equipment		1,790	674
Payments to acquire intangible assets		(47,964)	(31,497)
Purchase of available for sale financial assets	**16**	-	(411,891)
Sale of available-for-sale financial assets	**16**	363,700	347,270
Settlement of foreign exchange options		-	9,864
Bank deposits with maturity over three months	**20**	(318,673)	-
Interest received		13,356	7,649
Net cash used in investing activities		**(231,081)**	**(562,270)**
Financing activities			
Issue of shares, net of issue cost		19,906	630
Dividend paid, including costs		(105,808)	(194,025)
Issue of 7.875% Senior Notes due 2018	**22**	689,255	-
Cost of issue of 7.875% Senior Notes due 2018	**22**	(21,134)	-
Repurchase of PLN Bonds due 2013	**22**	(366,180)	-
Issue of 10.75% Senior Notes due 2017	**22**	-	1,635,209
Cost of issue of 10.75% Senior Notes due 2017	**22**	(14,366)	(55,549)
Repurchase of 9.5% Senior Notes due 2013	**22**	-	(907,399)
Loan facility		-	(110,000)
Overdraft facility		-	(48,733)
Share buyback, including related expenses		-	(62,572)
Proceeds from related party borrowings		-	61,823
Early settlement of options		-	101,014
Restricted cash	**20, 22**	(111,535)	-
Interest paid		(264,529)	(147,361)
Net cash (used in)/ generated by financing activities		**(174,391)**	**273,037**
Increase in cash and cash equivalents		**98,588**	**190,534**
Cash and cash equivalents at the start of the period		381,658	184,867
Effects of exchange rate changes		48	6,257
Cash and cash equivalents at the end of the period		**480,294**	**381,658**

The accompanying notes are an integral part of these consolidated financial statements.

1. TVN

These consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 21, 2011.

TVN S.A. (until July 29, 2004 TVN Sp. z o. o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland.

The structure of the TVN Group is described in Note 30.

The majority of the Group's operations and assets are based in Poland. Assets and revenues from outside Poland constitute less than 10% of the total assets and revenues of all segments. Therefore, no geographic information has been included.

Recent significant transactions

On March 11, 2009, following the transaction agreement with ITI Media Group N.V. ("ITI Media Group"), the Group increased its direct ownership interest in Neovision Holding B.V. ("Neovision Holding") and its indirect ownership interest in ITI Neovision Sp. z o.o. ("ITI Neovision") to, in aggregate, 51% of company's shares and a corresponding pro-rata interest in the shareholders' loans granted to Neovision Holding Group. ITI Neovision owns and operates the 'n' digital satellite television in Poland. As a result, the Group obtained control over Neovision Holding Group on March 11, 2009.

Up to March 11, 2009 the Group had classified its investment in Neovision Holding as an investment in an associate and recognized only the respective share of net results of the associate. From March 11, 2009 the Group has fully consolidated the operations of Neovision Holding Group.

As a result of the acquisition, the financial results of the Group for the year ended December 31, 2010 are not directly comparable to the results for the year ended December 31, 2009.

On November 19, 2009 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% ("10.75% Senior Notes due 2017").

On March 10, 2010 the Group completed the acquisition from ITI Media Group of the remaining shares in Neovision Holding. The total transaction price amounted to EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 were issued to ITI Media Group under the same indenture pursuant to which the Senior Notes were issued by the Group in November 2009. The remaining EUR 40,000 of the transaction price was paid by the issuance of two promissory notes ("Promissory Notes") in the principal amount of EUR 40,000 in the aggregate which were paid into an escrow account. After completion of the transaction the Group directly owns 100% of the shares in Neovision Holding and shareholders' loans previously owed by Neovision Holding Group to ITI Media Group and its affiliates (see Note 29). On April 30, 2010 the Group exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled.

On April 13, 2010 the Group amended and restated the loan facility agreement with Bank Pekao (see Note 22).

1. TVN (CONTINUED)

On April 30, 2010 the Group completed the transformation of the legal form of Neovision Holding B.V., its wholly owned subsidiary, into DTH Poland Holding Coöperatief U.A.

On October 13, 2010 the Group and Telekomunikacja Polska S.A. ("TP Group") signed a long-term framework cooperation agreement for a reciprocal exchange of their respective offerings and services and for the joint creation of new offerings and services. In particular, the Group and TP Group agreed to co-operate in the areas of content supply, post-paid DTH Pay-TV and prepaid satellite TV, Video-On-Demand, Broadband distribution, as well as in the fields of TV technology and marketing. The agreement should allow both parties to expand and strengthen their product offering, while capitalizing on up sell potential and cost synergies from the ongoing convergence of TV, broadband access and other communications services.

On November 19, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") (see Note 22).

On December 17, 2010 the Group entered into 200,000 revolving guarantee facility agreement with Bank Pekao S.A., which replaced and terminated previous loan facility originally established on June 30, 2008 (see Note 22).

On December 22, 2010 the Group entered into an agreement with Bank Pekao S.A. to repurchase a portion of the Group's PLN Bonds due 2013. As a result, on December 23, 2010 the Group redeemed 359,000 of the PLN Bonds due 2013 (see Note 22).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2010 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2009 except for standards, amendments to standards and interpretations which became effective January 1, 2010.

In 2010 the Group adopted:

(i) IFRS Improvements 2009

The International Accounting Standards Board issued "IFRS Improvements", which amend 12 standards. The amendments include changes in scope, presentation, recognition and valuation and include terminology and editorial changes. The Group adopted the changes in accordance with the transition provisions, the changes did not have a significant impact on Group's consolidated financial statements.

(ii) Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions

The amendments clarify the accounting treatment for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments did not affect the Group's consolidated financial statements.

(iii) Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The amendments did not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items

The amendments provide additional guidance on what can be designated as a hedged item. The amendments did not affect the Group's consolidated financial statements.

(v) IFRIC 17 – Distributions of Non-cash Assets to Owners

The interpretation standardizes practice in the accounting treatment of distribution of non-cash assets to owners. The interpretation clarifies that: (1) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed, (3) an entity should recognize the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation did not affect the Group's consolidated financial statements.

These consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and available for sale financial assets.

The Group's consolidated financial statements for the year ended December 31, 2009 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date the Group ceases to have control.

The Group applies the acquisition method of accounting to account for business combinations, including business combinations with entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of shares from non-controlling interests, the difference between any consideration and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

2.3. Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flow on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognize its share of profits or losses from joint ventures that result from the Group's purchase of assets from a joint venture until it resells the assets to an independent party. However, a loss on a transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.4. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition other comprehensive income and movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Forward contracts (the term of which do not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction) between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are out of scope of IAS 39 thus not accounted for as derivatives.

2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the committee, which is responsible for assessing performance of the operating segments. The committee is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department.

2.6. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non – monetary assets, the gain or loss that is recognized directly in other comprehensive income includes any related foreign exchange translation component.

2.7. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Decoders	4-5 years
Satellite dishes	up to 5 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

Decoders provided to subscribers in order to allow them to receive the television signal broadcast by the Group remain the Group's property and are recognized as non-current assets. Before their activation, decoders are regarded as non-commissioned fixed assets and are not depreciated. Depreciation begins after the activation of services by the subscriber and lasts for the expected useful life of a decoder. Depreciation is not discontinued for periods in which a decoder is not used, e.g. due to small repairs or being delivered to another subscriber.

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2010.

2.8. Goodwill

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9. Brands

Brands acquired through business combinations, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with an indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment. The following useful lives are applied by the Group:

	Term
Onet.pl	indefinite
Mango Media	indefinite
'n'	10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10. Other intangible assets

Customer related intangibles

Customer related intangibles acquired through business combinations are amortised on a straight line basis over their estimated useful life. The following economic useful lives are applied by the Group:

	Term
Recognized on acquisition of Onet.pl	4 years
Recognized on acquisition of 'n'	7 years

Capitalized development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Currently the majority of capitalized development costs are amortized over three years. Development assets are tested for impairment annually, in accordance with IAS 36.

Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years.

2.11. Programming rights

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquired program rights

Program rights acquired by the Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell and its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

The program rights purchased by the Group are amortized as follows:

Program Categories		**Number of runs**	**Percentage of amortization per run**		
			1st	**2nd**	**3rd**
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Group under own licences or under licences from third parties.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs with second runs in prime time	60% on first showing, 40% on second showing, or 75% on first showing, 25% on second showing or 85% on first showing, 15% on second showing
Programs with second runs outside prime time	90% on first showing, 10% on second showing
Programs expected to be broadcast once	100% on first showing
Fiction series	50% on first showing, 30% on second showing, 20% on third and next showings in total or 66% on first showing, 20% on second showing, 14% on third and next showings in total (including 10% residual value) or 66% on first showing, 30% on second showing, 4% on third and next showings in total

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2.12. <u>Impairment of non - financial assets</u>

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brands are allocated to groups of cash-generating units as identified by the Group.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category ‘loans and receivables’ includes amounts classified as trade receivables in the balance sheet (see Note 2.16).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. During the period the Group did not hold any financial assets in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are included in the income statement in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the fair value of monetary and non-monetary securities are classified as available for sale and are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Group’s specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.16.

2.14. <u>Derivative financial instruments and hedging activities</u>

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a highly probable forecast transaction (cash flow hedge), or (3) a hedge of a net investment in a foreign operation, on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings, programming rights payables, fees for broadcasting television channels and content and firm commitments to acquire certain fixed assets. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.15. Inventory

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realisable value is the estimated selling price less estimated costs of completion and sale. Where necessary, provision is made for obsolete, slow moving and defective inventory. Inventories sold in promotional offers are stated at the lower of cost or probable net realisable value, taking into account future margin expected from related services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate.

The future cash flows related to subscription fees from digital platform customers are estimated by the Group based on available historical data on late payment of receivables. Provision for impaired receivables from digital platform customers is calculated based on uncollected subscription fees related to historical billing cycles (with the exception of the two most recent billings). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.17. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.18. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.19. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20. Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.21. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.22. Borrowings

The Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.23. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilised.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the Group has a legally enforceable right to offset tax assets against tax liabilities.

2.24. Tax credit

The Group recognizes deferred tax assets related to tax credits arising from operations in the special economic zone. Tax credits are subject to meeting certain conditions related to minimum levels of capital expenditures and employment. Generally, tax credits are recognized when it is highly probable that these conditions will be met, in particular when expenditure is made and if it is probable that the tax credit will be used in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25. Employee benefits

Retirement benefit costs

The Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

Share-based plans

The Group's management board and certain key employees and co-workers are granted share options based on the rules of an incentive scheme introduced by the Group. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.26. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.27. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services - television and on-line

Revenue primarily results from the sale of television and on-line advertising and is recognized in the period in which the advertising is broadcast. Other revenues primarily result from cable and satellite television subscription fees, internet users' fees and call television and are recognized generally upon the performance of service.

(ii) Sales of services – digital platform

Revenue primarily results from subscription and activation fees paid by digital platform customers.

Revenue from subscription and activation fees is recognized on a straight-line basis over the contract term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounts granted are deducted from revenue and are recognized on a straight-line basis over the contract term.

Revenue from sale of subscriptions in the pre-paid system is recognized starting from the moment the service is activated by the end customer, over the period when the service is rendered.

Revenue from penalty fees assessed against subscribers, for example those related to early contract termination or failure to return decoders after contract termination, are recognized in the period when the penalties are assessed, but only to the extent the Group expects the penalty fees to be paid.

(iii) Sales of goods

The Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when the goods are sent to the customer. It is the Group's policy to sell the goods to the individual customers with a right to return within 10 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.28. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.29. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Group provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.30. Advertising costs

The Group expenses advertising costs at the time of the first broadcast or publication.

2.31. Restructuring costs

The Group recognizes restructuring costs when the final decision to implement the restructuring is made and announced to the parties involved. Restructuring costs comprise agreements termination fees. Restructuring costs are presented within operating expenses to which they relate.

2.32. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.33. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.34. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.35. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2011. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment was published on January 28, 2010. It applies for annual periods beginning on or after July 1, 2010. The amendment will not affect the Group's consolidated financial statements.

(ii) IFRS Improvements 2010

On May 6, 2010 the International Accounting Standards Board issued "IFRS Improvements", which amend six standards and one interpretation. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The majority of the amendments is effective from annual periods starting on January 1, 2011, but some changes are effective for annual periods beginning on or after July 1, 2010. The amendment will not affect the Group's consolidated financial statements.

(iii) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments were published on October 7, 2010 and they amended the required disclosures related to transfers of financial assets. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) IFRS 9 Financial Instruments

The standard was published on November 12, 2009 and it replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies how an entity should classify and measure financial assets, including some hybrid contracts. It requires all financial assets to be:

- classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset,
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs,
- subsequently measured at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

On October 28, 2010 IASB issued requirements on the accounting for financial liabilities. These requirements were added to *IFRS 9 Financial Instruments* and completed the classification and measurement phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new requirements maintain the existing amortised cost measurement for most liabilities and address the problem of volatility in income statement arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, rather than within income statement. The standard is effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the impact of the standard on the Group's consolidated financial statements.

(v) Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendments were published in December 2010. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Group's consolidated financial statements.

(vi) Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments were published in December 2010. The amendments apply for annual periods beginning on or after January 1, 2012. The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporate into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the following standards, amendments and IFRIC Interpretations are applicable in future and were discussed in the Group's consolidated financial statements for the year ended December 31, 2009:

- *Amendment to IAS 32 Classification of Rights Issues – applicable for annual periods beginning on or after February 1, 2010*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – applicable for annual periods beginning on or after July 1, 2010*
- *Revised IAS 24 Related Party Disclosures – applicable for annual periods beginning on or after January 1, 2011*
- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement – applicable for annual periods beginning on or after January 1, 2011*

At the date of preparation of these financial statements the following standards and amendments to standards were not adopted by the EU:

- *IFRS 9 Financial Instruments*
- *IFRS Improvements 2010*
- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be cost effective.

Financial risk management is carried out by the Group under policies approved by the Management Board and Supervisory Board. The Group Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Group is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies settlement of the transactions.

(i) Market risk

Market risk related to 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018

The 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 are listed on the Luxembourg Stock Exchange. The price of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 depends on the Group's creditworthiness and on the relative performance of the bond market as a whole. The Group does not account for early prepayment options embedded in the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil (see Note 22). The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are carried at amortized cost. The Group is therefore not exposed to changes in market price of the 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group's revenue is primarily denominated in Polish złoty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018, bank deposits with maturity over three months and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Liabilities related to the purchase of decoders are denominated in PLN but are linked to USD through a price setting mechanism based on USD. Other assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

The estimated net profit (post-tax) impact on balances as of December 31, 2010 and December 31, 2009 of a reasonably possible EUR appreciation of 5% against the złoty, with all other variables held constant and without taking into account any derivative financial instruments entered into for hedging purposes on EUR denominated items in the balance sheet amounts to a loss of 116,433 (a loss of 79,116 as of December 31, 2009) and is presented below:

	Year ended December 31, 2010	Year ended December 31, 2009
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(96,391)	(68,210)
7.875% Senior Notes due 2018 including accrued interest	(28,327)	-
Loans from related parties	-	(22,107)
Contingent consideration	-	(3,175)
Financial liability related to acquisition of non-controlling interest	-	(5,319)
Trade payables	(903)	(963)
Other	(1,629)	(428)
Assets:		
Bank deposits with maturity over three months	9,864	-
Cash and cash equivalents	820	5,684
Available-for-sale financial assets	-	15,289
Trade receivables	133	113
	(116,433)	**(79,116)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of December 31, 2010 and December 31, 2009 of a reasonably possible USD appreciation of 5% against the złoty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,449 (a loss of 2,294 as of December 31, 2009) and is presented below:

	Year ended December 31, 2010	Year ended December 31, 2009
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(4,082)	(3,893)
Assets:		
Cash and cash equivalents	1,307	667
Trade receivables	326	932
	(2,449)	**(2,294)**

The Group did not consider it cost effective to hedge or otherwise seek to reduce foreign currency risk as of December 31, 2010.

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018 and PLN Bonds due 2013 (see Note 22).

As the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 are at a fixed interest rate, the Group is exposed to fair value interest rate risk in this respect. Since the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 are carried at amortised cost, the changes in fair values of these instruments do not have a direct impact on valuation of the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 in the balance sheet.

PLN Bonds due 2013 with a nominal value of 500,000 were issued by the Group on June 23, 2008. On December 23, 2010 the Group redeemed 359,000 of the PLN Bonds due 2013 (see Note 22). PLN Bonds due 2013 are at a variable interest rate linked to WIBOR and therefore expose the Group to interest rate risk. At December 31, 2010, if WIBOR interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been 27 lower/higher.

The Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of December 31, 2010.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The Group places its cash and cash equivalents, restricted cash and bank deposits with maturity over three months with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 20). The Group does not consider its current concentration of credit risk as significant.

The Group defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty.

Television broadcasting, production and on-line advertising customers

The Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients with poor or no history of payments with the Group, with low value committed spending or assessed by the Group as not credit worthy are required to pay before the service is rendered. Credit is granted to customers with a good history of payments and significant spending who are assessed credit worthy based on internal or external ratings. The Group performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the Group's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The majority of the Group's sales are made through advertising agencies (64% of the total trade receivables as of December 31, 2010) who manage advertising campaigns for advertisers and pay the Group once payment has been received from the customer.

The Group's top ten advertisers account for 15% and the single largest advertiser accounted for 2% of sales for the year ended December 31, 2010. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

The major players amongst the advertising agencies in Poland with whom the Group co-operates are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Group mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

Digital satellite pay television customers

The primary source of credit risk related to digital platform operations is the sale of services to subscribers to the pay TV service, who comprise a large group of individuals and companies with a relatively low individual value in their purchases from the Group. Credit risk is therefore dispersed and is additionally limited by the Group's policy of monitoring the collection of receivables and deactivating the service to customers who do not pay their subscription fees. The Group monitors the statistics related to late or non-payment of subscription fees and creates bad debt provisions based on the available statistics.

The Group performs ongoing credit evaluations of the financial condition of its distributors and in many cases requires certain collateral in the form of deposits, bills of exchange or bank guarantees. Collateral is provided in order to secure the Group's receivables arising from activation fees collected by distributors from subscribers on behalf of the Group, receivables from the sale of decoders and prepaid decoding cards to distributors, as well from the value of decoders and other devices provided to distributors for further distribution to the Group's subscribers.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's trade receivables by category of customers:

Trade receivables (net)	**December 31, 2010**	**December 31, 2009**
Receivables from advertising agencies	64%	58%
Receivables from individual customers	34%	35%
Receivables from related parties	2%	7%
	100%	**100%**

Credit concentration of the five largest counterparties measured as a percentage of the Group's total trade receivables:

Trade receivables (net)	**December 31, 2010**	**December 31, 2009 ***
Agency A	9%	10%
Agency B	8%	6%
Agency C	7%	6%
Agency D	7%	6%
Agency E	5%	3%
Sub-total	**36%**	**31%**
Total other counterparties	64%	69%
	100%	**100%**

* 2009 figures represent comparative data for each Agency

Certain advertising agencies operating in Poland as separate entities are part of international financial groups controlled by the same ultimate shareholders. Credit concentration of the Group aggregated by international agency groups, measured as a percentage of the Group's total trade receivables is presented below:

Trade receivables (net)	**December 31, 2010**	**December 31, 2009 ***
Agency Group F	20%	18%
Agency Group G	13%	15%
Agency Group H	12%	9%
Agency Group I	4%	8%
Agency Group J	3%	3%
Sub-total	**52%**	**53%**
Total other counterparties	48%	47%
	100%	**100%**

* 2009 figures represent comparative data for each Agency Group.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at December 31, 2010.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital and financing expenditures relating to dividends, capital investment in digital satellite pay television set top decoders and television and broadcasting facilities and equipment, debt service on 10.75% Senior Notes due 2017, 7.875% Senior Notes due 2018 and PLN Bonds due 2013, repayment of PLN Bonds due 2013 and the launch of new thematic channels and internet services. The Group believes that its cash balances and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Group are negatively affected by a prolonged economic slow-down or clients' financial difficulties the Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2010 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 802,015 at its disposal (cash and cash equivalents, easily marketable available-for-sale financial assets and unutilized credit facility totaling 914,074 at December 31, 2009).

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2010			
10.75% Senior Notes due 2017 (see Note 22)	252,460	252,460	3,610,758
7.875% Senior Notes due 2018 (see Note 22)	54,123	54,578	1,020,521
PLN Bonds due 2013 *	9,701	9,728	145,837
Trade payables	239,550	13,186	-
Other liabilities and accruals	212,890	1,078	1,981
	768,724	**331,030**	**4,779,097**
At December 31, 2009			
10.75% Senior Notes due 2017	176,873	178,861	2,736,986
PLN Bonds due 2013	35,200	35,200	552,848
Loans from related parties **	-	-	830,910
Trade payables	286,877	21,415	-
Contingent consideration **	-	79,830	-
Financial liability related to acquisition of non-controlling interest **	-	-	134,914
Other liabilities and accruals	200,155	837	153
	699,105	**316,143**	**4,255,811**

* On December 23, 2010 the Group redeemed PLN Bonds due 2013 in the total nominal value of 359,000 (see Note 22). The Group plans to repurchase and redeem the remainder of PLN Bonds due 2013 by no later than June 14, 2011.

** Derecognized on March 10, 2010 with completion of the acquisition of the non-controlling interest (see Note 29). On completion these liabilities were replaced by long term financial liabilities (10.75% Senior Notes due 2017 held by related parties and Promissory Notes) with maturity beyond 2 years. On April 30, 2010 the Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled. Loans from related parties, contingent consideration and financial liability related to acquisition of non-controlling interest are presented as payable at earliest possible date of repayment providing that the completion of acquisition of non-controlling interest was not finalized.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2. Capital risk management

The Group's objectives when managing capital risk are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 22) payable at the reporting date including accrued interest and bank guarantees issued on the Group's behalf (without bank guarantees secured with cash collateral) less cash and cash equivalents, bank deposits with maturity over three months and easily marketable available for sale financial instruments. EBITDA is calculated for the last twelve months. The Group defines EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of net results of associates. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/ (loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself the Group's presentation and calculation of EBITDA may not be comparable to that of other companies.

	December 31, 2010	December 31, 2009	
Net debt	2,419,544	2,083,350	
EBITDA	610,696	794,770	
Net debt/ EBITDA ratio	4.0	2.6	*

* EBITDA for the year ended December 31, 2009 includes significant non-recurring items (gain on step acquisition of 122,359 and gain on remeasurement of contingent consideration of 153,610). EBITDA for the year ended December 31, 2010 includes a restructuring charge of 17,630 related to the non-recurring termination of TVOD contracts in the digital satellite pay television.

Subject to changes in EUR/ PLN foreign exchange rate, the Group's goal is to continue to lower its net debt/ EBITDA ratio.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of available for sale financial assets which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency options and forwards is determined based on valuations performed by the banks that hold the instruments.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (“Level 2”),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (“Level 3”).

	Level 1	Level 2	Level 3	Total
At December 31, 2009				
Assets				
Available-for-sale financial assets				
EUR Treasury bills	243,543	-	-	243,543
EUR Bonds	133,970	-	-	133,970
	377,513	**-**	**-**	**377,513**
Liabilities				
Contingent consideration	-	-	78,397	78,397
	-	**-**	**78,397**	**78,397**

The Group did not have any financial instruments measured at fair value as of December 31, 2010.

3.4. Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility has abated somewhat. Nevertheless, the continuing albeit milder effects of the liquidity crisis, as well as the ongoing sovereign debt issues in a few European countries, continue to contribute to somewhat unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Group’s financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s businesses under the current circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated useful life of Onet.pl brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Onet.pl brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for media services,
- expected actions by competitors or potential competitions in the media via internet industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Onet.pl brand is expected to generate net cash flows for the Group, therefore the useful life of the Onet.pl brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Onet.pl brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(ii) Estimated impairment of goodwill and brand allocated to on-line cash-generating unit

The Group classifies the Onet.pl brand acquired as an intangible asset with an indefinite useful life and allocates the brand and goodwill to the on-line cash-generating unit. The Group tests annually whether the on-line cash-generating unit, including goodwill and brand, have suffered any impairment. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to the brand and other assets of the on-line cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The key financial assumptions used for discounting free cash flows in 2010 and 2009 were as follows:

	2010	**2009**
Terminal growth	4%	4%
Discount rate *	8.86%	11.7%

*Beginning in 2010 the discount rate is calculated on the basis that individual Group operating segments have the same financing structure and cost of financing as TVN S.A.

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2011 to 2015,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2011 to 2015,
- share of Onet in the online advertising market in 2011 to 2015,
- growth of free cash flows in 2016 to 2025

There were no material changes in these other key assumptions during the 2011 business planning process.

The Group believes that the key assumptions made in testing for impairment of the on-line cash generating unit as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which on-line cash-generating unit' recoverable amount is based would not cause the impairment charge to be recognised.

(iii) Estimated impairment of digital satellite pay television cash-generating unit

The Group tests annually whether the digital satellite pay television cash-generating unit, including goodwill, has suffered any impairment. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the remaining impairment loss is allocated to the carrying value of brand, customer related asset and other assets of the digital satellite pay television cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 and 2009 were as follows:

	2010	**2009**
Terminal growth	3%	2%
Discount rate *	8.74%	13.88%

* Beginning in 2010 the discount rate is calculated on the basis that individual Group operating segments have the same financing structure and cost of financing as TVN S.A.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Other key assumptions included:

- Compound annual growth rate of the Polish pay TV DTH market in 2011-2015
- Share of 'n' in the Polish pay TV DTH market in 2015

During the 2011 business planning process, the Group lowered its expectations regarding the compound annual growth rate of the Polish pay DTH market over the period ending December 31, 2015, whilst increasing its expectations regarding n's total share of the market by 2015.

The Group believes that the key assumptions made in testing for impairment of the digital satellite pay television cash generating unit as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which digital satellite pay television cash-generating unit' recoverable amount is based would not cause the impairment charge to be recognised.

(iv) Acquisition of non-controlling interest in digital satellite pay television

On December 10, 2009 the Group concluded a share purchase agreement with ITI Media Group, under which the Group acquired the remaining 49% of the shares in Neovision Holding. As at December 31, 2009 the share purchase agreement was pending completion due to consent required from the lenders of ITI Media Group for the issuance of additional debt as consideration for the acquisition. Therefore, in accordance with the Group's accounting policy, the Group did not derecognize the non-controlling interest as of December 31, 2009.

As at December 31, 2009 the Group recorded a financial liability representing the firm commitment to acquire the non-controlling interest.

On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding and therefore the Group derecognized the non-controlling interest as of March 10, 2010.

Details of the transactions and corresponding accounting are disclosed in Note 29.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, digital satellite pay television and on-line.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated and assess its performance.

The committee, which is composed of the Board Member responsible for the Group's financial reporting and heads of the teams within the Group's financial department, reviews regularly the Group's internal reporting. Management has determined the operating segments based on these reports. The committee considers the business from a product and service perspective. The committee assesses the performance of TV channels aggregated into single television broadcasting and production segment, digital satellite pay television and on-line operations. All other include mainly teleshopping services and content and technical services.

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For Group's definition of EBITDA please refer to Note 3.2. Other information provided to the committee is measured in a manner consistent with that in the financial statements.

Operating segments are aggregated into a single operating segment if the segments have similar economic characteristics and have in particular a similar nature of products and services, type of customers, distribution methods and regulatory environment.

The television broadcasting and production segment is mainly involved in the production, purchase and broadcasting of news, information and entertainment shows, series and movies and comprises television channels operated in Poland. The television broadcasting and production segment generates revenue mainly from advertising spot sales, sponsoring and cable and direct-to-home operators. The digital satellite pay television segment is mainly engaged in direct-to-home distribution of technologically advanced pay television services and generates revenue mainly from program subscription. The on-line segment primarily comprises Onet.pl, Poland's leading portal, revenue is generated mainly form internet advertising spot sales and user generated transactions.

Sales between segments are carried out at arm's length. The revenue from external customers reported to the committee is measured in a manner consistent with that in the income statement.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Reconciliation of EBITDA to total profit before income tax:

	Year ended December 31, 2010	Year ended December 31, 2009
EBITDA	**610,696**	**794,770**
Depreciation of property, plant and equipment	(190,294)	(140,962)
Impairment of property, plant and equipment	(5,760)	-
Amortization of intangible assets	(48,824)	(41,272)
Impairment of intangible assets	(2,057)	(446)
Operating profit	**363,761**	**612,090**
Investment (expense)/ income, net (see Note 8)	(12,052)	51,175
Finance expense, net (see Note 8)	(233,730)	(243,340)
Share of profit/ (loss) of associate	298	(39,132)
Profit before income tax	**118,277**	**380,793**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2009	Television broadcasting and production	Digital satellite pay television	On-line	All other	Other reconciling items		Total
Revenue from external customers	1,476,152	361,239	186,209	81,652	-		2,105,252
Inter-segment revenue	47,158	1,259	21,843	39,375	(99,764)		9,871
Total revenue	**1,523,310**	**362,498**	**208,052**	**121,027**	**(99,764)**		**2,115,123**
EBITDA	**628,908**	**(126,558)**	**51,912**	**23,658**	**216,850**	*	**794,770**
Operating profit/ (loss)	**566,045**	**(212,545)**	**22,654**	**19,086**	**216,850**		**612,090**
Additions to property, plant and equipment and other intangible assets	29,357	194,679	78,254	248	-		302,538
Depreciation of property, plant and equipment	52,996	70,545	13,869	3,552	-		140,962
Amortization of intangible assets	9,867	15,442	14,943	1,020	-		41,272
Impairment of intangible assets	-	-	446	-	-		446
Significant non-cash income	-	-	-	-	275,969		275,969
Gain on step acquisition	-	-	-	-	122,359		122,359
Gain on remeasurement of contingent consideration	-	-	-	-	153,610	**	153,610
Significant non-cash expenses	15,277	-	1,569	678	4,219		21,743
Share option plan	15,277	-	1,569	678	4,219		21,743
As at December 31, 2009							
Segment assets including:	**1,380,954**	**1,436,241**	**1,718,088**	**90,843**	**357,370**	***	**4,983,496**
Investment in associates	-	1,039	190	-	-		1,229

* Other reconciling items on EBITDA level include: gain on step acquisition (122,359), gain on remeasurement of contingent consideration (153,610), headquarter and other costs (59,119).

** On November 30, 2009 the Group remeasured the fair value of the contingent supplemental payment payable to ITI Media Group in relation to acquisition of control in ITI Neovision (see Note 29). The remeasurement followed the update of the business plan for ITI Neovision prepared by the new management reflecting new strategic approach and current economic surroundings. As a result of the remeasurement the Group recognized a gain on remeasurement of contingent consideration in the amount of 153,610.

*** Other reconciling items on assets level include: deferred tax assets (58,111), available-for-sale financial assets (385,101) and other assets and consolidation adjustments (deficit of 85,842).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2010	Television broadcasting and production	Digital satellite pay television	On-line	All other	Other reconciling items		Total
Revenue from external customers	1,578,077	610,621	219,502	82,497	-		2,490,697
Inter-segment revenue	43,951	2,525	24,626	43,407	(114,509)		-
Total revenue	**1,622,028**	**613,146**	**244,128**	**125,904**	**(114,509)**		**2,490,697**
EBITDA without restructuring charge	**661,969**	**(53,432)**	**72,269**	**6,635**	**(59,115)**		**628,326**
Restructuring charge	-	(17,630)	-	-	-		(17,630)
EBITDA	**661,969**	**(71,062)**	**72,269**	**6,635**	**(59,115)**	*	**610,696**
Operating profit/ (loss)	**598,356**	**(215,874)**	**38,143**	**2,359**	**(59,223)**		**363,761**
Additions to property, plant and equipment and other intangible assets	61,426	147,248	34,213	1,136	(708)		243,315
Depreciation of property, plant and equipment	49,517	120,838	16,715	3,399	(175)		190,294
Impairment of property, plant and equipment	5,760	-	-	-	-		5,760
Amortization of intangible assets	8,336	23,974	15,354	877	283		48,824
Impairment of intangible assets	-	-	2,057	-	-		2,057
As at December 31, 2010							
Segment assets including:	**1,518,075**	**1,458,797**	**1,707,679**	**81,543**	**425,388**	**	**5,191,482**
Investment in associates	-	1,341	186	-	-		1,527

* Other reconciling items on EBITDA level include mainly headquarter and other costs.

** Other reconciling items on assets level include: deferred tax assets (46,505), bank deposits with maturity over three months (321,721), restricted cash (111,535) and other assets and consolidation adjustments (deficit of 54,373).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

6. REVENUE

	Year ended December 31, 2010	Year ended December 31, 2009
Revenue from advertising spot sales	1,424,343	1,299,254
Subscription fees	755,467	530,962
Revenue from sponsoring	141,720	119,915
Revenue from sales of goods	68,644	58,383
Other revenue	100,523	106,609
	2,490,697	**2,115,123**

Subscription fees include subscriptions receivable by TVN from DTH and cable operators, subscriptions receivable by 'n' platform from consumers and internet transaction based fees. Other revenue includes revenue generated from call television, text messages and sales of rights to programming content.

Included in revenues for the year ended December 31, 2010 are revenues from related parties in the amount of 14,057 (year ended December 31, 2009: 23,134) (see Note 31 (i)).

7. OPERATING EXPENSES

	Year ended December 31, 2010	Year ended December 31, 2009
Amortization of locally produced content	506,087	471,145
Fees for broadcasting television channels and content	310,521	180,867
Amortization of acquired programming rights and co-production	194,485	167,479
Staff expenses	256,155	195,477
Share options granted to board members and employees	-	21,743
Depreciation, amortization and impairment charges	246,935	182,680
Marketing and research	102,838	101,222
Broadcasting expenses	96,279	97,294
Royalties	75,379	79,730
Cost of services and goods sold	62,685	35,744
Rental	55,975	52,312
Impaired accounts receivable	11,086	7,340
Other	208,511	185,969
	2,126,936	**1,779,002**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2010 of 152,541 (year ended December 31, 2009: 152,159).

Included in fees for broadcasting television channels and content is restructuring charge of 17,630 (year ended December 31, 2009: nil). The restructuring charge comprises of termination fees for certain TVOD and content delivery agreements.

Included in depreciation, amortization and impairment charges is an impairment of property, plant and equipment in the amount of 5,760 (year ended December 31, 2009: nil).

Included in depreciation, amortization and impairment charges is an impairment of intangible assets in the amount of 2,057 (year ended December 31, 2009: 446).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

7. OPERATING EXPENSES (CONTINUED)

Included in the above operating expenses is an aggregate amount of research and development expenditure of 955 recognized as an expense in the year ended December 31, 2010 (year ended December 31, 2009: 1,238).

Operating expenses for the year ended December 31, 2010 has been reduced by grants received in the total amount of 2,094 (year ended December 31, 2009: 1,605).

8. INVESTMENT INCOME AND FINANCE EXPENSE

Investment (expense)/ income, net	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Foreign exchange (losses)/ gains, net	(8,140)	76,394
Foreign exchange losses on available for sale financial assets (see Note 16)	(15,293)	(6,845)
Fair value (losses)/ gains on financial instruments:		
- loss on currency forward contracts	-	(514)
- foreign exchange options not designated as hedging instruments	*-*	*(23,746)*
- foreign exchange options – settlement of instrument	*-*	*27,853*
	-	4,107
Interest income from available for sale financial assets (see Note 16)	778	5,491
Loss on the settlement of liabilities due to the acquisition of non-controlling interest (see Note 29)	(3,268)	-
Accrued interest income on loan to associate	-	4,181
Fair value and other losses recognized on loans due to consolidation of associate	-	(38,189)
Other interest income	13,871	6,550
	(12,052)	**51,175**

These notes are an integral part of these consolidated financial statements.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

8. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Finance expense, net	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	49,839	(6,955)
Foreign exchange losses on 7.875% Senior Notes due 2018	(3,746)	-
Foreign exchange losses on Promissory Notes	(1,357)	-
Foreign exchange losses on 9.5% Senior Notes due 2013	-	(1,580)
Foreign exchange gains on loans from related parties	30,098	57,096
Foreign exchange gains on contingent consideration	4,315	24,962
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	7,255	1,128
Fair value gains/ (losses) on financial instruments:		
- foreign exchange forwards – fair value hedges (see Note 18)	*333*	*(126,121)*
- foreign exchange options –settlement of instrument	*-*	*101,014*
	333	(25,107)
Interest expense on 10.75% Senior Notes due 2017 (see Note 22)	(243,646)	(20,381)
Interest expense on 7.875% Senior Notes due 2018 (see Note 22)	(6,516)	-
Interest expense on Promissory Notes (see Note 22)	(2,326)	-
Interest expense on 9.5% Senior Notes due 2013 (see Note 22)	-	(97,438)
Interest expense on PLN Bonds due 2013 (see Note 22)	(34,132)	(41,543)
Interest expenses on loans from related parties (see Note 22, 31 (iv))	(10,452)	(32,091)
Interest expense on loan facility and overdraft	-	(6,877)
Unwinding of interest on financial liability related to acquisition of non-controlling interest (see Note 29)	(2,680)	(837)
Unwinding of interest on contingent consideration (see Note 29)	(1,069)	(15,514)
Premium on early repayment of PLN Bonds due 2013	(7,180)	-
Premium on early repayment of 9.5% Senior Notes	-	(27,855)
Pre-issuance costs written off *	(664)	(35,077)
Guarantee fees to related party (see Note 31 (vii))	(2,074)	(4,459)
Bank and other charges	(9,728)	(10,812)
	(233,730)	**(243,340)**

* The 2010 cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment. The 2009 cost includes the amount of the unamortized debt issuance costs of 9.5% Senior Notes due 2013 written off on early repayment.

9. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings per share is calculated by dividing the net profit attributable to the owners of TVN S.A. by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Year ended December 31, 2010	**Year ended December 31, 2009**
Profit attributable to the owners of TVN S.A. (in thousands)	42,754	420,821
Weighted average number of ordinary shares in issue	341,292,193	341,262,586
Basic earnings per share	**0.13**	**1.23**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2010	**Year ended December 31, 2009**
Profit attributable to the owners of TVN S.A. (in thousands)	42,754	420,821
Weighted average number of ordinary shares in issue	341,292,193	341,262,586
Adjustment for share options	4,218,911	1,283,603
Weighted average number of potential ordinary shares for diluted earnings per share	345,511,104	342,546,189
Diluted earnings per share	**0.12**	**1.23**

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2010**	**December 31, 2009**
Freehold land	35,286	35,286
Buildings	26,749	26,906
Leasehold improvements	33,175	37,701
Television, broadcasting and other technical equipment	181,642	192,196
Set top decoders and satellite dishes	371,721	362,414
Vehicles	34,414	28,164
Furniture and fixtures	10,022	11,979
Assets under construction	70,021	104,111
	763,030	**798,757**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Set top decoders and satellite dishes	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value									
January 1, 2009	34,784	194	87,258	415,192	-	48,936	22,007	52,587	660,958
Additions	502	89	5,908	45,117	-	3,305	5,369	206,314	266,604
Transfers	-	26,961	-	5,679	134,883	-	-	(167,523)	-
Acquired in a business combination	-	-	1,256	15,132	295,591	3,195	2,316	12,894	330,384
Disposals	-	(4)	(155)	(8,469)	(3,539)	(1,041)	(228)	(161)	(13,597)
December 31, 2009	**35,286**	**27,240**	**94,267**	**472,651**	**426,935**	**54,395**	**29,464**	**104,111**	**1,244,349**
Accumulated depreciation and impairment	-								
January 1, 2009	-	31	49,452	231,400	-	19,212	13,463	-	313,558
Charge for the period	-	303	7,584	56,707	64,824	7,485	4,059	-	140,962
Disposals	-	-	(470)	(7,652)	(303)	(466)	(37)	-	(8,928)
December 31, 2009	**-**	**334**	**56,566**	**280,455**	**64,521**	**26,231**	**17,485**	**-**	**445,592**
Net book value at January 1, 2009	**34,784**	**163**	**37,806**	**183,792**	**-**	**29,724**	**8,544**	**52,587**	**347,400**
Net book value at December 31, 2009	**35,286**	**26,906**	**37,701**	**192,196**	**362,414**	**28,164**	**11,979**	**104,111**	**798,757**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Set top decoders and satellite dishes	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value									
January 1, 2010	35,286	27,240	94,267	472,651	426,935	54,395	29,464	104,111	1,244,349
Additions	-	553	2,922	45,665	-	12,694	1,537	120,047	183,418
Transfers	-	-	150	5,415	136,129	3,370	319	(145,383)	-
Disposals	-	-	(5,699)	(13,106)	(24,613)	(9,572)	(1,858)	(2,994)	(57,842)
December 31, 2010	**35,286**	**27,793**	**91,640**	**510,625**	**538,451**	**60,887**	**29,462**	**75,781**	**1,369,925**
Accumulated depreciation and impairment									
January 1, 2010	-	334	56,566	280,455	64,521	26,231	17,485	-	445,592
Charge for the period	-	710	7,476	56,544	114,493	7,283	3,788	-	190,294
Impairment	-	-	-	-	-	-	-	5,760	5,760
Disposals	-	-	(5,577)	(8,016)	(12,284)	(7,041)	(1,833)	-	(34,751)
December 31, 2010	**-**	**1,044**	**58,465**	**328,983**	**166,730**	**26,473**	**19,440**	**5,760**	**606,895**
Net book value at January 1, 2010	**35,286**	**26,906**	**37,701**	**192,196**	**362,414**	**28,164**	**11,979**	**104,111**	**798,757**
Net book value at December 31, 2010	**35,286**	**26,749**	**33,175**	**181,642**	**371,721**	**34,414**	**10,022**	**70,021**	**763,030**

Depreciation expense of 176,988 has been charged in cost of revenue (year ended December 31, 2009: 126,997), 4,583 in selling expenses (year ended December 31, 2009: 4,261) and 8,723 in general and administration expenses (year ended December 31, 2009: 9,704).

Impairment of 5,760 has been charged in cost of revenue (year ended December 31, 2009: nil).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

11. GOODWILL

January 1, 2009	952,657
Business combination with Neovision Holding	724,957
December 31, 2009	**1,677,614**
January 1, 2010	1,677,614
December 31, 2010	**1,677,614**

The carrying amount of goodwill is allocated to cash generating units identified by the Group:

On-line	802,205
Digital satellite pay television	724,957
Thematic television channels	131,704
Television production unit	12,423
Teleshopping unit	6,325
	1,677,614

12. BRAND

January 1, 2009	693,688
Business combination with Neovision Holding	103,630
Amortization of “n” brand	(8,330)
December 31, 2009	**788,988**
January 1, 2010	788,988
Amortization of “n” brand	(10,363)
December 31, 2010	**778,625**

The carrying amount of brands as of December 31, 2010 is allocated to the following brands identified by the Group:

Onet.pl (on-line cash generating unit)	643,428
‘n’ (digital satellite pay television cash generating unit)	84,937
Mango (teleshopping cash generating unit)	50,260
	778,625

13. OTHER INTANGIBLE ASSETS

	December 31, 2010	December 31, 2009
Broadcasting licenses	5,712	7,361
Customer related intangibles	17,402	23,039
Internally generated software	11,660	8,439
Software and other	77,425	54,449
	112,199	**93,288**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2009	12,882	14,792	12,996	83,764	124,434
Additions	1,338	-	6,521	28,075	35,934
Acquired in a business combination	-	23,666	-	13,655	37,321
Disposals	-	-	(257)	(5,099)	(5,356)
December 31, 2009	**14,220**	**38,458**	**19,260**	**120,395**	**192,333**
Accumulated amortization and impairment					
January 1, 2009	5,238	8,937	6,012	47,451	67,638
Charge for the period	1,621	6,482	4,375	20,464	32,942
Impairment	-	-	446	-	446
Disposals	-	-	(12)	(1,969)	(1,981)
December 31, 2009	**6,859**	**15,419**	**10,821**	**65,946**	**99,045**
Net book value at January 1, 2009	**7,644**	**5,855**	**6,984**	**36,313**	**56,796**
Net book value at December 31, 2009	**7,361**	**23,039**	**8,439**	**54,449**	**93,288**
Gross value					
January 1, 2010	14,220	38,458	19,260	120,395	192,333
Additions	-	-	7,679	52,218	59,897
Disposals	-	-	(3,573)	(5,276)	(8,849)
December 31, 2010	**14,220**	**38,458**	**23,366**	**167,337**	**243,381**
Accumulated amortization and impairment					
January 1, 2010	6,859	15,419	10,821	65,946	99,045
Charge for the period	1,649	5,637	4,313	26,862	38,461
Impairment	-	-	-	2,057	2,057
Disposals	-	-	(3,428)	(4,953)	(8,381)
December 31, 2010	**8,508**	**21,056**	**11,706**	**89,912**	**131,182**
Net book value at January 1, 2010	**7,361**	**23,039**	**8,439**	**54,449**	**93,288**
Net book value at December 31, 2010	**5,712**	**17,402**	**11,660**	**77,425**	**112,199**

Amortization of 19,852 has been charged in cost of revenue (year ended December 31, 2009: 16,993), 12,655 in selling expenses (year ended December 31, 2009: 16,567) and 5,954 in general and administration expenses (year ended December 31, 2009: 7,712).

Impairment of 2,057 has been charged in cost of revenue (year ended December 31, 2009: 446).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

14. PROGRAMMING RIGHTS

	December 31, 2010	December 31, 2009
Acquired programming rights	253,133	219,074
News archive	11,547	12,000
Co-productions	7,661	10,680
Productions	130,008	147,857
	402,349	**389,611**
Less current portion of programming rights	(247,004)	(230,681)
Non-current portion of programming rights	**155,345**	**158,930**

Changes in acquired programming rights

	Year ended December 31, 2010	Year ended December 31, 2009
Net book value as at January 1	219,074	172,707
Additions	224,787	208,669
Amortization	(190,728)	(162,302)
Net book value as at December 31	**253,133**	**219,074**

15. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Loans and receivables**	**Financial assets available-for-sale**	**Total**
December 31, 2010			
Available-for-sale financial assets	-	7,588	7,588
Trade receivables	334,705	-	334,705
Restricted cash	111,535	-	111,535
Bank deposits with maturity over three months	321,721	-	321,721
Cash and cash equivalents	480,294	-	480,294
	1,248,255	**7,588**	**1,255,843**
December 31, 2009			
Available-for-sale financial assets	-	385,101	385,101
Trade receivables	322,518	-	322,518
Cash and cash equivalents	381,658	-	381,658
	704,176	**385,101**	**1,089,277**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

15. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	**Liabilities at fair value through profit and loss**	**Other financial liabilities**	**Total**
December 31, 2010			
10.75% Senior Notes due 2017	-	2,263,055	2,263,055
7.875% Senior Notes due 2018	-	671,146	671,146
PLN Bonds due 2013	-	140,739	140,739
Accrued interest on borrowings	-	38,377	38,377
Non-current trade payables	-	13,186	13,186
Current trade payables	-	239,550	239,550
Other liabilities and accruals*	-	215,949	215,949
	-	**3,582,002**	**3,582,002**
December 31, 2009			
10.75% Senior Notes due 2017	-	1,589,292	1,589,292
PLN Bonds due 2013	-	498,837	498,837
Loans from related parties	-	544,612	544,612
Accrued interest on borrowings	-	22,010	22,010
Non-current trade payables	-	21,415	21,415
Current trade payables	-	286,877	286,877
Contingent consideration	78,397	-	78,397
Financial liability related to acquisition of non-controlling interest	-	131,325	131,325
Other liabilities and accruals*	-	201,145	201,145
	78,397	**3,295,513**	**3,373,910**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2010	Year ended December 31, 2009
Beginning of the period	385,101	323,204
Additions	-	411,891
Sales	(363,700)	(347,270)
Fair value change through other comprehensive income	702	(1,370)
Interest credited to profit or loss (see Note 8)	778	5,491
Foreign exchange differences (see Note 8)	(15,293)	(6,845)
End of the period	**7,588**	**385,101**
Less: non-current portion	(7,588)	(138,250)
Current portion	**-**	**246,851**

Available for sale financial assets include:

	December 31, 2010	December 31, 2009
Securities quoted on active markets:		
- EUR Treasury bills	-	243,543
- EUR Bonds	-	133,970
Securities not quoted on active markets:		
- Polskie Media S.A.	7,588	7,588
	7,588	**385,101**

The Group does not have any significant influence over the financial and operating policies of Polskie Media S.A. ("Polskie Media"). The investment is measured at cost as the fair value can not be reliable determined. The Group estimated the recoverability of its investment in Polskie Media as at June 30, 2010 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2009 and industry sales multiples. The Group assessed that there is no impairment of the carrying value as of December 31, 2010. During the year the Group monitors audience share of Polskie Media for impairment indicators. The Group's share in Polskie Media is 5.59% of the current voting interest and 6.95% of the share capital.

17. TRADE RECEIVABLES

	December 31, 2010	December 31, 2009
Trade receivables	349,465	302,029
Less: provision for impairment of receivables	(25,681)	(17,076)
Trade receivables – net	323,784	284,953
Accrued revenue - discounts to 'n' customers	5,311	14,011
Receivables from related parties (Note 31 (iii))	5,610	23,554
	334,705	**322,518**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

17. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31, 2010	December 31, 2009
PLN	322,811	296,296
USD	8,041	23,019
EUR	3,235	2,791
GBP	498	269
CAD	103	87
AUD	17	56
	334,705	**322,518**

Provision for impairment of receivables was created individually for non-related trade receivables that were in general overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2010	Year ended December 31, 2009
Beginning of the period	17,076	9,993
Provision for receivables impaired, net change	11,086	8,683
Receivables written off as uncollectible	(2,481)	(1,600)
End of the period	**25,681**	**17,076**

The creation and release of provisions for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2010, trade receivables of 160,230 were past due but not impaired. The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2010	December 31, 2009
Up to 30 days	136,063	106,152
31-60 days	16,233	7,518
Over 60 days	7,934	18,376
	160,230	**132,046**

The Group defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2010 was 334,705 (December 31, 2009: 322,518).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS

In July 2010 the Group entered into USD and EUR foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 7,000, maturity dates between August 18, 2010 and September 30, 2010 and PLN/USD foreign exchange forward rates between 3.06 and 3.07, the hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 5,850, maturity dates between August 18, 2010 and September 30, 2010 and PLN/EUR foreign exchange forward rates between 4.01 and 4.03. The Group has designated these USD and EUR foreign exchange forwards for fair value hedge accounting. The Group recognized a loss on realization of these foreign exchange forwards in the total amount of 552, of which 396, as an effective portion of the hedge, was recognized within fees for broadcasting television channels and content and 156, as an ineffective portion of the hedge, was recognized within finance expenses (see Note 8).

In September 2010 the Group entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on fees for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forwards had in total a notional value of USD 7,540, maturity dates between October 4, 2010 and December 31, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Group has designated these USD foreign exchange forwards for fair value hedge accounting. The Group recognized a loss on realization of these foreign exchange forwards in the total amount of 113, of which loss of 29, as an effective portion of the hedge, was recognized within fees for broadcasting television channels and content and loss of 84, as an ineffective portion of the hedge, was recognized within finance expenses (see Note 8).

In September 2010 the Group also entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Group has designated these USD foreign exchange forwards for fair value hedge accounting. The Group recognized a loss on realization of these foreign exchange forwards in the total amount of 224, of which loss of 797, as an effective portion of the hedge, was recognized within investment income and gain of 573, as an ineffective portion of the hedge, was recognized within finance expenses (see Note 8).

The Group did not have any foreign exchange forwards as of December 31, 2010.

19. PREPAYMENTS AND OTHER ASSETS

	December 31, 2010	December 31, 2009
Inventory, net of impairment provision	53,899	21,135
Prepayments for programming	7,602	12,794
VAT and other non-CIT taxes receivables	8,694	13,081
Technical support	5,428	5,518
Employee settlements	5,033	4,750
Other	60,531	29,343
	141,187	**86,621**
Less: current portion of other assets	**(135,400)**	**(81,059)**
Non-current portion of other assets	**5,787**	**5,562**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

20. CASH AND CASH EQUIVALENTS, BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2010	December 31, 2009
Cash at bank and in hand	480,294	381,658
	480,294	**381,658**
Bank deposits with maturity over three months	321,721	-
	321,721	**-**
Restricted cash	111,535	-
	111,535	**-**
Less: current portion of restricted cash	**(27,363)**	**-**
Non-current portion of restricted cash	**84,172**	**-**

Cash at bank and in hand (credit rating – Standard and Poor's)**:**

	December 31, 2010	December 31, 2009
Bank rated A-	253,375	308,812
Bank rated AAA	200,784	52,668
Banks rated BBB and other	26,135	20,178
	480,294	**381,658**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	December 31, 2010	December 31, 2009
Bank rated A-	243,558	-
Bank rated AAA	47,735	-
Bank rated BBB	30,428	-
	321,721	**-**

The carrying amounts of the Group's bank deposits with maturity over three months are denominated in the following currencies:

	December 31, 2010	December 31, 2009
EUR	243,558	-
PLN	78,163	-
	321,721	**-**

Restricted cash (credit rating – Standard and Poor's)**:**

	December 31, 2010	December 31, 2009
Bank rated A- *	107,985	-
Other	3,550	-
	111,535	**-**

* Cash held as collateral for bank guarantees issued (see Note 22)

21. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2010 was 342,354,192 with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received.

The shareholders structure as at December 31, 2010:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. [(1)] [(2)]	180,355,430	52.68%	180,355,430	52.68%
N-Vision B.V. [(1)]	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment [(1)]	8,131,477	2.38%	8,131,477	2.38%
ITI Impressario[(1)]	1,400	0.00%	1,400	0.00%
Other shareholders	149,902,790	43.78%	149,902,790	43.78%
Total	**342,354,192**	**100.00%**	**342,354,192**	**100.00%**

[(1)] Entities controlled by ITI Group.

[(2)] Polish Television Holding B.V. (formerly Strateurop International B.V.) has pledged the Company's shares.

Included in the total number of shares in issue as at December 31, 2010 held by other shareholders are 878,874 shares of C1, C2, C3, E1, E2, E3 and E4 series not registered by the Court.

During the year ended December 31, 2010 1,913,664 shares of C1, C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 20,081 (in thousands).

22. BORROWINGS

	December 31, 2010	December 31, 2009
10.75% Senior Notes due 2017	2,263,055	1,589,292
Interest accrued on 10.75% Senior Notes due 2017	31,558	20,371
7.875% Senior Notes due 2018	671,146	-
Interest accrued on 7.875% Senior Notes due 2018	6,367	-
PLN Bonds due 2013	140,739	498,837
Interest accrued on PLN Bonds due 2013	452	1,639
Loans from related parties (see Note 22, 31 (iv)) *	-	544,612
	3,113,317	**2,654,751**
Less: current portion of borrowings	(38,377)	(22,010)
Non-current portion of borrowings	**3,074,940**	**2,632,741**

* Including accrued interest

22. BORROWINGS (CONTINUED)

10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018

On November 19, 2009 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% ("10.75% Senior Notes due 2017"). The 10.75% Senior Notes due 2017 were issued at a purchase price of 98.696% for a total consideration of EUR 399,719 (PLN 1,635,209). The total transaction costs of this issue amounted to 56,493 and mainly related to dealers commission, legal services, auditor fees and printing. The 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12.01%.

As disclosed in Note 29, on March 10, 2010 the Group acquired the remaining 49% of the shares in Neovision Holding for the total consideration of EUR 188,000, consisting of 10.75% Senior Notes due 2017 and Promissory Notes.

On March 10, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 148,000 of additional 10.75% Senior Notes due 2017 as part of the purchase price for the remaining 49% equity interest in Neovision Holding. Additional 10.75% Senior Notes due 2017 were issued to ITI Media Group at a purchase price of 100.000%. The total transaction costs of this additional issue amounted to 12,565 and mainly related to dealers commission, legal services, auditor fees and printing. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.50%.

Also on March 10, 2010 the Group issued at par to ITI Media Group as a remaining part of the purchase price for the remaining 49% shares in Neovision Holding two Promissory Notes in the aggregate principal amount of EUR 40,000. The Promissory Notes had substantially similar economic terms as the 10.75% Senior Notes due 2017 and were paid into an escrow account pursuant to an escrow agreement among the Group, ITI Media Group and the Bank of New York Mellon as escrow agent. On April 30, 2010 the Group exchanged the Promissory Notes for a like principal amount of additional 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. The total transaction costs of this additional issue amounted to 1,959 and related mainly to dealers commission. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.30%. On November 30, 2010 10.75% Senior Notes due 2017 issued in April 2010 were released from the escrow account.

Total nominal value of 10.75% Senior Notes due 2017 issued in November 2009, March 2010 and April 2010 is EUR 593,000, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2010 and mature on November 15, 2017.

On November 19, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018"). The 7.875% Senior Notes due 2018 were issued at a purchase price of 100.000% for a total consideration of PLN 689,255. The total transaction costs of this issue amounted to 22,032 and mainly related to dealers commission, legal services, auditor fees and printing. The 7.875% Senior Notes due 2018 are carried at amortized cost using an effective interest rate of 8.61%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2011 and mature on November 15, 2018.

22. BORROWINGS (CONTINUED)

The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are senior unsecured obligations and are governed by a number of covenants including, but not limited to, restrictions on the level of additional indebtedness, payment of dividends, sale of assets and transactions with affiliated companies. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are fully and unconditionally guaranteed by the Company and its subsidiaries Grupa Onet.pl S.A., Grupa Onet Poland Holding B.V., ITI Neovision Sp. z o.o., DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) and Mango Media Sp. z o.o.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at December 31, 2010 was estimated to be PLN 2,571,561 or EUR 649,335. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at December 31, 2010 was estimated to be PLN 686,122 or EUR 173,250. Fair values of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 reflect their market price quoted by Reuters based on the last value date on December 31, 2010. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are quoted on the Luxembourg Stock Exchange.

The following early prepayment options are included in 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018:

- the Group may redeem all or part of the 10.75% Senior Notes due 2017 on or after November 15, 2013 at a redemption price ranging from 105.375% to 100.000% and all or part of the 7.875% Senior Notes due 2018 on or after November 15, 2013 at a redemption price ranging from 105.906% to 100.000%
- the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 may be redeemed, at the option of the Group, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws
- if change of control over the Company occurs, each registered holder of the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 will have the right to require the Group to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase
- prior to November 15, 2012, the Group may on any one or more occasions redeem up to 35% of the original principal amount of the 10.75% Senior Notes due 2017 with the net cash proceeds of one or more public equity offerings at a redemption price of 110.75% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date
- prior to November 15, 2013, the Group may on any one or more occasions redeem up to 35% of the original principal amount of the 7.875% Senior Notes due 2018 with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date

22. BORROWINGS (CONTINUED)

- at any time prior to November 15, 2013, the Group has also an option to redeem the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium as of, and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the Notes on November 15, 2013 plus interest due through November 15, 2013 computed using a discount rate equal to the Bund Rate plus 50 basis points (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes due 2017 or the 7.875% Senior Notes due 2018 on the redemption date.

The Group does not account for early prepayment options embedded in the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil.

PLN Bonds due 2013

On May 26, 2008 the Group entered into an agreement with Bank Pekao S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. to conduct a Bond Issue Program ("Program"). The Program enables the Group to issue bearer, unsubordinated and unsecured bonds ("PLN Bonds due 2013") with a maximum total nominal value of PLN 1 billion at any time. The Program can be extended up to a nominal value of PLN 2 billion.

On June 23, 2008 the Group completed the first issue of PLN Bonds due 2013 with a total nominal value of 500,000 and with a variable interest rate of 6 month WIBOR plus 2.75% per annum. The interest is payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 are due for repayment on June 14, 2013. The PLN Bonds due 2013 are unsecured obligations and are governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 are carried at amortized cost using an effective interest rate of 7.09%.

The Group has an option to redeem all or 50% of the PLN Bonds due 2013 on June 14, 2011 or on June 14, 2012 at a redemption price of 102% or 101% of the nominal value respectively. The Group assessed that the early prepayment options are closely related to the economic characteristics of the host contract (PLN Bonds due 2013) as the option exercise price is close on each exercise date to the amortized cost of the PLN Bonds due 2013. Consequently, the Group did not separate the embedded derivative.

On December 23, 2010 the Group acquired PLN Bonds due 2013 with nominal value of 359,000. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to December 23, 2010. The amount paid for the acquired PLN Bonds due 2013 including accrued interest was 366,789. On December 23, 2010 the Group redeemed 359,000 of the PLN Bonds due 2013.

By reference to the repayment transactions from December 23, 2010 the fair value of the PLN Bonds due 2013, including accrued interest, as at December 31, 2010 was estimated to be 144,272. However, the PLN Bonds due 2013 are non-public and their fair value cannot be measured reliably.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

22. BORROWINGS (CONTINUED)

In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with total nominal value of 132,500. These PLN Bonds due 2013 were purchased at a price of 102.85% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

Revolving guarantee facility

On December 17, 2010 the Group entered into revolving guarantee facility agreement with Bank Pekao S.A. The revolving guarantee facility replaced the PLN 200,000 multicurrency loan facility with Bank Pekao S.A., which was established on June 30, 2008 and amended and restated on April 13, 2010.

The revolving guarantee facility is a PLN 200,000 multicurrency revolving guarantee facility available in EUR, USD and/ or PLN, with a termination date on December 17, 2012. It may be used in an amount of up to PLN 200,000 for guarantees and letters of credit with tenors not exceeding twelve months from issuance or up to PLN 100,000 for guarantees with maturity longer than twelve months but not exceeding thirty six months. The revolving guarantee facility is secured with cash collateral for 100% of each guarantee (see Note 20).

As of December 31, 2010 the revolving guarantee facility had been used for the bank guarantees issued at 107,285 (total amount of loan facility used as of December 31, 2009: 45,097).

23. TRADE PAYABLES

	December 31, 2010	December 31, 2009
Acquired programming rights payables	88,307	96,136
Property, plant, equipment and intangible assets payables	48,428	112,714
Other trade payables	92,544	78,526
Related party payables (see Note 31 (iii))	23,457	20,916
	252,736	**308,292**
Less: current portion of trade payables	**(239,550)**	**(286,877)**
Non-current portion of acquired programming rights payables	**13,186**	**21,415**

24. OTHER LIABILITIES AND ACCRUALS

	December 31, 2010	December 31, 2009
VAT and other taxes payable	77,632	74,063
Employee benefits	61,744	33,120
Deferred income	61,397	46,245
Accrued production costs	35,771	22,984
Sales and marketing related costs	23,816	24,560
Satellites	7,071	4,846
Other liabilities and accrued costs	146,232	147,765
	413,663	**353,583**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period		45,861	346,156
Tax charge		72,416	34,637
Share options granted to board members and employees	**7**	-	21,743
Depreciation, amortization and impairment charges	**7**	246,935	182,680
Amortization of acquired programming rights and co-production	**7**	194,485	167,479
Impaired accounts receivable	**7**	11,086	7,340
Loss on sale of property, plant and equipment		552	332
Investment expense/ (income), net	**8**	12,052	(51,175)
Finance expense, net	**8**	233,730	243,340
Share of (profit)/ loss of associate		(298)	39,132
Gain on step acquisition		-	(122,359)
Gain on remeasurement of contingent consideration		-	(153,610)
Transaction costs related to acquisition of subsidiary, expensed		-	16,608
Loss on sale of joint venture		-	1,924
Guarantee fee	**8**	(1,707)	(3,488)
Payments to acquire programming rights		(226,848)	(154,146)
Change in local production balance		17,849	94
Changes in working capital:			
Trade receivables		(23,273)	23,162
Prepayments and other assets		(63,244)	31,071
Trade payables		(2,256)	(77,486)
Other short term liabilities and accruals		61,525	46,000
		(27,248)	22,747
Cash generated from operations		**578,865**	**599,434**

Non-cash transactions

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Gain on step acquisition		-	122,359
Gain on remeasurement of contingent consideration		-	153,610
Barter revenue, net		818	7,136
Share options granted to board members and employees	**7**	-	(21,743)

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION

	Year ended December 31, 2010	**Year ended December 31, 2009**
Current tax charge	(49,194)	(94,641)
Deferred tax (charge)/ credit	(23,222)	60,004
	(72,416)	**(34,637)**
Reconciliation of accounting profit to tax charge		
Profit before income tax	**118,277**	**380,793**
Income tax charge at the enacted statutory rate of 19%	(22,473)	(72,351)
Impact of tax deduction claimed and deferred in relation to operations in special economic zone	7,312	30,899
Impact of non-taxable gains and losses related to acquisition of non-controlling interest, net	248	-
Impact of settlement of contingent consideration	(1,832)	-
Losses carry-forwards on which deferred tax asset was not recognized	(51,379)	(26,798)
Impact of non-taxable gain recognized on step acquisition	-	23,248
Impact of non-taxable gain recognized on valuation of contingent consideration, net	-	30,981
Reversal of deferred tax assets recognized on investment in associate due to obtaining the control	-	(25,475)
Impact of non-taxable loss on elimination of loans granted to associate recognized on consolidation	-	(6,708)
Impact of non-taxable amortization of fair value adjustments on intercompany loans	-	(1,058)
Impact of reversal of deferred tax liability due to settlement of intercompany loan	-	22,836
Tax impact of employee share option plan costs not deductible for tax purposes (see Note 7)	-	(4,131)
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(4,292)	(6,080)
Tax for the period	**(72,416)**	**(34,637)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

On March 17, 2010 tax authorities completed the audit of certain of the Company's financial records for the 2007 financial year. The audit did not reveal any irregularities or mistakes in the Company's tax filings as of and for the year ended December 31, 2007.

The Group operates partially in a special economic zone in Kraków and was granted a tax credit equal to 40% and 50% of investments undertaken and certain categories of staff expenses incurred in the zone. The tax credits are available until December 31, 2017 and are subject to minimum investment commitments and the creation and maintenance of a certain number of jobs. As at December 31, 2010 the remaining committed investment amounted to 111,645 (December 31, 2009: 96,748). In the year ended December 31, 2010 the Group claimed tax reductions in the amount of 13,714 with respect to its costs incurred in the special economic zone (December 31, 2009: 6,539). The balance of 29,894 with respect to this tax credit is deferred for future tax reduction.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION (CONTINUED)

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2010.

Deferred income tax assets are recognized for tax loss carry-forwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2010	**December 31, 2009**
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(181,143)	(145,645)
- Deferred tax asset, net to be recovered within 12 months	59,393	47,250
	(121,750)	**(98,395)**

Movements in deferred tax asset	**Year ended December 31, 2010**	**Year ended December 31, 2009**	
Balance at beginning of period	58,111	34,515	
(Charge)/ credit to the income statement	(11,606)	23,596	*
Balance at end of period	**46,505**	**58,111**	

Movements in deferred tax liability	**Year ended December 31, 2010**	**Year ended December 31, 2009**	
Balance at beginning of period	(156,506)	(165,679)	
Acquisition of subsidiary	-	(40,312)	**
Deferred tax (charged)/ credited to other comprehensive income, net	(133)	13,077	
Credit to the income statement	(11,616)	36,408	
Balance at end of period	**(168,255)**	**(156,506)**	

* includes reversal of deferred tax asset of 25,475 recognized on investment in associate due to obtaining the control

****** represents the deferred tax liability established on ‘n’ brand, customer related intangible asset and fair value adjustments

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Investment in associate	Unpaid interest accrued, net	Available for sale investments	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax asset/(liability) at January 1, 2009	(2,397)	38,661	(8,180)	(30,785)	(23,967)	17,943	(2,638)	1,071	(132,808)	11,936	-	(131,164)
(Charged)/ credited to net profit	1,433	(5,498)	6,700	28,381	23,967	(17,943)	(5,303)	-	3,907	24,360	-	60,004
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(40,312)	-	-	(40,312)
(Charged)/ credited to other comprehensive income or equity	-	-	-	-	-	-	-	260	12,817	-	-	13,077
Deferred tax asset/(liability) at December 31, 2009	**(964)**	**33,163**	**(1,480)**	**(2,404)**	**-**	**-**	**(7,941)**	**1,331**	**(156,396)**	**36,296**	**-**	**(98,395)**
Deferred tax asset/(liability) at January 1, 2010	(964)	33,163	(1,480)	(2,404)	-	-	(7,941)	1,331	(156,396)	36,296	-	(98,395)
(Charged)/ credited to net profit	3,269	15,479	(15,276)	(3,896)	-	-	(21,678)	-	4,543	(6,402)	739	(23,222)
(Charged)/ credited to other comprehensive income	-	-	-	-	-	-	-	(133)	-	-	-	(133)
Deferred tax asset/(liability) at December 31, 2010	**2,305**	**48,642**	**(16,756)**	**(6,300)**	**-**	**-**	**(29,619)**	**1,198**	**(151,853)**	**29,894**	**739**	**(121,750)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

27. CONTINGENCIES

The Group had a remaining contingent asset in respect of a VAT claim and interest due from the tax authorities. The Group received penalties imposed by tax authorities and interest due in 2009 following a decision of the Administrative Court. However, on March 26, 2010, the Supreme Administrative Court overruled the Group's claim with respect to the VAT claim.

28. COMMITMENTS

The Group has entered into a number of operating lease and other agreements. The commitments derived from these agreements are presented below.

(i) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming as of December 31, 2010. These commitments are scheduled to be paid as follows:

Due in 2011	272,082
Due in 2012	298,225
Due in 2013	193,804
Due in 2014	17,227
Due in 2015	4,335
Due in 2016 and thereafter	-
	785,673

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2010:

	Related parties	Non-related parties	Total
Due in 2011	17,864	20,510	38,374
Due in 2012	17,812	16,808	34,620
Due in 2013	17,812	11,330	29,142
Due in 2014	17,812	5,834	23,646
Due in 2015	17,812	5,658	23,470
Due in 2016 and thereafter	10,000	4,830	14,830
	99,112	**64,970**	**164,082**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

28. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties", previously ITI Poland S.A.) and Diverti Sp. z o.o. ("Diverti"). Diverti is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2010.

Contracts signed with non-related parties relate to the lease of office space and television studios.

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the provision of satellite capacity. Under these agreements the Group is obliged to pay annual fees. These commitments are scheduled to be paid as follows:

Due in 2011	73,434
Due in 2012	75,431
Due in 2013	75,238
Due in 2014	75,238
Due in 2015	60,197
Due in 2016 and thereafter	125,117
	484,655

Additionally, the Group leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Group has an outstanding commitment of service to broadcast advertising of 2,401 to settle sundry amounts payable recorded as of December 31, 2010 (2,984 at December 31, 2009). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2010, the Group assumed contractual commitments of 39,610 to acquire property, plant and equipment and intangible assets (65,604 at December 31, 2009).

Additionally the Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. As at December 31, 2010 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

29. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Acquisition of associate

In 2008 the Group acquired 25% of the share capital plus 1 share of Neovision Holding from ITI Media Group, an entity under common control.

Before March 11, 2009 the Group had significant influence on, but not control over ITI Neovision's operations. Accordingly, the investment was classified as an investment in an associate and accounted for using the equity method with the recognition of a 25% share of the associate's net results. In the consolidated financial statements the total investment was split between investment in an associate and loans receivable from an associate.

29. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Acquisition of control on March 11, 2009

On March 11, 2009, the Group increased its direct ownership interest in Neovision Holding and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of the company's shares and a corresponding pro-rata interest in the shareholder's loans granted to Neovision Holding Group for a price of EUR 46.2 million. As a result, the Group obtained control over Neovision Holding Group.

The transaction agreement provided that the Group would pay ITI Media Group a supplemental payment, subject to a EUR 60,000 limit, if and to the extent that ITI Neovision meets certain operating targets in 2010.

The Group has accounted for the acquisition of Neovision Holding using the purchase accounting method under IFRS 3 (revised). The goodwill of 724,957 arising from the acquisition is attributable to the future operating cash-flows from the digital platform.

Details of the purchase price allocation following the acquisition of control over Neovision Holding Group on March 11, 2009 were disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2009.

The Group recognized a gain on the step acquisition of 122,359. Gain on the step acquisition resulted from measuring at fair value the Group's 25% equity investment in Neovision Holding held before the business combination. The gain on the step acquisition is disclosed separately in the Group's consolidated income statement as of and for the year ended December 31, 2009.

Acquisition of non-controlling interest

On December 10, 2009 the Group concluded the share purchase agreement with ITI Media Group, under which the Group would acquire the remaining 49% of the shares in Neovision Holding. The acquisition of the remaining 49% of the shares in Neovision Holding was completed on March 10, 2010. The transaction also involved the settlement of certain shareholder loans owed by Neovision Holding, ITI Neovision and Cyfrowy Dom, as borrowers to ITI Media Group, Strateurop, and N-Vision, as lenders, and the cancellation of contingent consideration owed by the Group to ITI Media Group. The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of an EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017 and the remaining EUR 40,000 was paid by the issuance of two Promissory Notes in the principal amount of EUR 40,000 into an escrow account. On April 30, 2010 the Group exchanged the Promissory Notes for like principal amount of 10.75% Senior Notes due 2017, following which the Promissory Notes were cancelled. On November 30, 2010 10.75% Senior Notes due 2017 issued in April 2010 were released from the escrow account.

The completion of the share purchase agreement was conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group. The conditions were not fulfilled on December 31, 2009, therefore the non-controlling interest as at December 31, 2009 was not derecognized. The Group derecognized the non-controlling interest as of March 10, 2010 with completion of the transaction.

29. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

Following the acquisition of the remaining non-controlling interest in Neovision Holding Group and remaining shareholder loans from ITI Media Group and its affiliates, the Group derecognized loans from related parties with total carrying amount of 524,967, contingent consideration with the carrying amount of 75,150 and financial liability related to acquisition of non-controlling interest with the carrying amount of 126,750. As a result the Group recognized a loss on the settlement of liabilities due to the acquisition of the non-controlling interest in the amount of PLN 3,268 (see Note 4 (iv) and 8).

The direct costs related to the acquisition of the non-controlling interest amounted to 6,859, included mainly legal and professional consulting fees and were recorded in equity.

As a result of the acquisition of the non-controlling interest the Company is, through DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding), the sole shareholder of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

The investment of the Group in 'n' DTH platform, which offers technologically advanced pay television services in Poland, has strengthened the competitive position of the Group on the attractive Polish DTH and cable market which is likely to consolidate in the future and will provide the Group with revenue diversification.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

30. GROUP COMPANIES

These consolidated financial statements as at December 31, 2010 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	December 31, 2010 Ownership %	December 31, 2009 Ownership %
Grupa Onet.pl S.A.	Poland	100	100
DreamLab Onet.pl Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
SunWeb Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	96
TVN Finance Corporation plc in members' voluntary liquidation	UK	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	-
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd	Malta	100	100
DTH Poland Holding Coöperatief U.A. *	The Netherlands	100	51
ITI Neovision Sp. z o.o.	Poland	100	51
Cyfrowy Dom Sp. z o.o.	Poland	100	51
Neovision UK Ltd	UK	100	51
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	23
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

* Formerly Neovision Holding B.V. By April 30, 2010 Neovision Holding B.V. and Neovision Holding II B.V. were merged into DTH Poland Holding Coöperatief U.A.

The share capital percentage owned by the Group equals the percentage of voting rights in each of the above entities.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2010	Year ended December 31, 2009
ITI Group	7,988	10,301
MGM Channel Poland	6,054	4,746
Poland Media Properties	15	22
ITI Neovision *	-	8,065
	14,057	**23,134**

* ITI Neovision was an associate of the Group from June 25, 2008 to March 10, 2009. From March 11, 2009 ITI Neovision is consolidated with TVN Group (see Note 29).

Revenue from the ITI Group, MGM Channel Poland and ITI Neovision includes mainly revenue from the exploitation of film rights, license fees, production, broadcasting and technical services rendered and services of broadcasting advertising, net of commissions. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

(ii) Operating expenses:

	Year ended December 31, 2010	Year ended December 31, 2009
ITI Group	48,263	28,532
MGM Channel Poland	12,039	9,334
Poland Media Properties	4,874	4,104
ITI Neovision *	-	1,493
	65,176	**43,463**

* ITI Neovision was an associate of the Group from June 25, 2008 to March 10, 2009. From March 11, 2009 ITI Neovision is consolidated with TVN Group (see Note 29).

Operating expenses from ITI Group comprise rent of office premises and the provision of certain management, sales, financial advisory and other services.

Operating expenses from Poland Media Properties comprise rent of office premises.

(iii) Outstanding balances arising from sale/ purchase of goods and services:

	December 31, 2010	December 31, 2009
Receivables:		
MGM Channel Poland	3,119	17,406
ITI Group	2,491	6,148
	5,610	**23,554**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	December 31, 2010	December 31, 2009
Payables:		
ITI Group	21,380	2,750
MGM Channel Poland	1,886	18,095
Poland Media Properties	191	71
	23,457	**20,916**

(iv) Non-current loans from related parties

	December 31, 2010	December 31, 2009
Loans from Strateurop *	-	323,589
Loans from N-Vision *	-	221,000
Loans from ITI Media Group *	-	23
	-	**544,612**

* Including accrued interest.

Loans from related parties were settled in the transactions disclosed in Note 29.

(v) Other non current assets

Other non-current assets include a rental deposit paid to ITI Group by TVN and Grupa Onet.pl in the amount of 2,418.

(vi) Lease commitments with related parties

See Note 28 for further details.

(vii) Other

ITI Holdings has provided guarantees in the amount of USD 11,000 to Warner Bros. International Television Distribution, USD 4,000 to DreamWorks (expired October 14, 2010), USD 17,301 to Universal Studios International, USD 4,203 to MGM in respect of programming rights purchased and broadcasted by the Group and EUR 1,900 to Eutelsat in respect of rental of satellite capacity (expired September 14, 2010). During the year ended December 31, 2010, the Group recorded finance costs relating to ITI Holdings guarantees of 2,074 (year ended December 31, 2009: 4,459).

On March 10, 2010 the Group completed the acquisition of the remaining 49% of the shares in the Neovision Holding from ITI Media Group (see Note 29). The purchase price for the transaction was EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction and the remaining EUR 40,000 was paid into an escrow account (see Note 29).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(viii) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2010 amounted to 12,810 (year ended December 31, 2009: 16,687).

	Year ended December 31, 2010		**Year ended December 31, 2009**	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Markus Tellenbach	4,035	661	1,450	-
Piotr Walter	3,101	-	1,947	2,320
Jan Łukasz Wejchert	2,655	333	1,356	502
John Driscoll	1,207	-	-	-
Rafał Wyszomierski	618	200	222	-
Karen Burgess	-	-	2,103	1,080
Edward Miszczak	-	-	564	780
Tomasz Berezowski	-	-	221	350
Olgierd Dobrzyński	-	-	246	284
Waldemar Ostrowski	-	-	189	350
Adam Pieczyński	-	-	236	500
Jarosław Potasz	-	-	194	350
Piotr Tyborowicz	-	-	194	1,249
	11,616	**1,194**	**8,922**	**7,765**

*Bonuses paid for 2009

**Bonuses paid for 2008

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Share based payments

Members of the Management Board of the Company participate in share incentive schemes introduced by the Group (see note 32) with the following total number of granted share options divided into four series and estimated fair value thereof recognized either as an expense or incremental cost of business combination with Grupa Onet.pl. The fair value of options granted on December 27, 2005 was estimated with reference to a share price of PLN 15.76 (not in thousands) at that date (after taking into account the effect of subsequent share split). Fair values of options granted on July 31, 2006 and December 18, 2007 were estimated with reference to share prices of (not in thousands) PLN 21.30 and PLN 24.75 respectively. For details of the share incentive scheme please refer to Note 32.

	Total number of share options granted (not in thousands)	**Cumulative fair value recognized up to December 31, 2010***	**Cumulative fair value recognized up to December 31, 2009***
Markus Tellenbach	-	-	-
Piotr Walter	622,600	7,588	7,588
Jan Łukasz Wejchert	577,065	6,942	6,942
John Driscoll	-	-	-
Rafał Wyszomierski	206,200	2,725	2,725

*Calculated as the proportion of the fair value of service already rendered to the total fair value of the scheme.

(ix) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2010 amounted to 1,188 (year ended December 31, 2009: 1,287).

	Year ended December 31, 2010	**Year ended December 31, 2009**
Wojciech Kostrzewa	192	192
Bruno Valsangiacomo	120	156
Arnold Bahlmann	168	243
Michał Broniatowski	72	12
Romano Fanconi	72	72
Paweł Gricuk	144	144
Paweł Kosmala	54	72
Paul H. Lorenz	18	-
Wiesław Rozłucki	132	132
Andrzej Rybicki	72	72
Marcus Tellenbach	-	48
Aldona Wejchert	72	72
Gabriel Wujek	72	72
	1,188	**1,287**

32. SHARE-BASED PAYMENTS

Share options are granted to certain Management Board members, employees and co-workers who are of key importance to the Group. Share options are granted under two share option schemes:

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

(ii) TVN Incentive Scheme II introduced on July 31, 2006 as part of the acquisition of Grupa Onet.pl, based on E series of shares.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows (not in thousands)

	Year ended December 31, 2010		Year ended December 31, 2009	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.80	**12,562,495**	PLN 10.79	**12,644,716**
Exercised	PLN 10.49	(1,913,664)	PLN 9.13	(82,221)
At 31 December	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumes that dividends would be paid in the future in accordance with the Group's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	Vested
C2	1,148,951	PLN 9.58	Vested
C3	2,673,263	PLN 10.58	Vested
	4,074,704		

Series	Number of options	Exercise price	Service vesting period
E1	211,655	PLN 8.66	Vested
E2	264,065	PLN 9.58	Vested
E3	1,294,266	PLN 10.58	Vested
E4	4,804,141	PLN 11.68	Vested
	6,574,127		

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2011 and the date when these financial statements were prepared 37,682 (not in thousands) of C2, C3, E3 and E4 series options were exercised and as a result 37,682 (not in thousands) new ordinary shares were issued.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

33. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
December 31, 2010	2.9641	3.9603
December 31, 2009	2.8503	4.1082

The movement in the consumer price index for the year ended December 31, 2010 amounted to 3.1% (year ended December 31, 2009: 3.5%).

34. EVENTS AFTER THE REPORTING PERIOD

On January 12, 2011 the Group entered into foreign exchange forward transaction with Rabobank Polska S.A. for a purchase of EUR 350,000 with a settlement date on March 31, 2011. The transaction is based on current market conditions, in line with generally adopted terms for such transactions.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Poland
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http://www.pwc.com/pl

Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the 'TVN Group') which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
February 17, 2010

MANAGEMENT REPRESENTATIONS

These separate financial statements of TVN S.A. (the "Company") as of and for the year ended December 31, 2010, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date

The separate financial statements of TVN S.A. as of and for year ended December 31, 2010 include: separate income statement, separate statement of comprehensive income, separate balance sheet, separate statement of changes in shareholders' equity, separate cash flow statement and notes to the separate financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities, the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual separate financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Company's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Company's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual separate financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the principles specified in the Accounting Act.

These separate financial statements were authorized for issuance by the Management Board of TVN S.A. on February 21, 2011.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Jan Łukasz Wejchert Vice-President of the Board	John Driscoll Member of the Board

Warsaw, February 21, 2011

TVN S.A.

Separate Financial Statements
As of and for the year ended December 31, 2010

TVN S.A.

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TVN Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, including the operation of a digital satellite pay television, internet and teleshopping. TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, TVN Warszawa, NTL Radomsko and Telezakupy Mango 24. The Group’s channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group also operates a Polish direct-to-home digital satellite pay television ‘n’, which offers technologically advanced pay television services. The Group also operates Onet.pl, the leading internet portal in Poland operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Michał Broniatowski
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala (resigned September 29, 2010)
- Paul H. Lorenz (appointed September 30, 2010)
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President
- John Driscoll (appointed May 14, 2010)
- Rafał Wyszomierski (resigned May 14, 2010)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. ("Pekao S.A.")
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation plc in members' voluntary liquidation
  One London Wall
  London EC2Y 5EB, UK
- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Finance Corporation III AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK

8. Subsidiaries (continued)

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Dream Lab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Media Entertainment Ventures International Limited
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 05, Malta
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

9. Joint ventures

- MGM Channel Poland Ltd.
  Carmelite, 50 Victoria Embankment
  London EC4Y 0DX, UK
- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa

10. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa

TVN S.A.
Separate Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Revenue	**5**	1,665,723	1,565,759
Cost of revenue	**6**	(884,289)	(831,798)
Selling expenses	**6**	(101,552)	(89,526)
General and administration expenses	**6**	(132,760)	(107,551)
Other operating income /(expense), net	**6**	2,451	(3,815)
Gain on remeasurement of contingent consideration	**27**	-	153,610
Operating profit		**549,573**	**686,679**
Investment income, net	**7**	75,971	35,754
Finance expense, net	**7**	(271,838)	(263,729)
Profit before income tax		**353,706**	**458,704**
Income tax charge	**26**	(76,832)	(40,046)
Profit for the period		**276,874**	**418,658**
Earnings per share (not in thousands)			
- basic	**8**	0.81	1.23
- diluted	**8**	0.80	1.22

The accompanying notes are an integral part of these separate financial statements.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period		**276,874**	**418,658**
Other comprehensive income:			
Available-for-sale financial assets	**16**	702	10,326
Income tax relating to components of other comprehensive income	**26**	(133)	(1,962)
Other comprehensive income for the period, net of tax		569	8,364
Total comprehensive income for the period		**277,443**	**427,022**

TVN S.A.
Separate Balance Sheet
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	As at December 31, 2010	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	212,434	227,837
Goodwill	**10**	144,127	144,127
Other intangible assets	**11**	23,974	20,965
Non-current programming rights	**12**	155,214	158,582
Investments in subsidiaries and joint ventures	**13, 14**	2,086,883	1,929,029
Non-current restricted cash	**20**	84,172	-
Available-for-sale financial assets	**16**	7,255	137,916
Non-current related party loans	**14, 29 (v)**	1,559,903	656,801
Deferred tax asset	**26**	-	16,112
Other non-current assets	**19**	5,280	4,865
		4,279,242	**3,296,234**
Current assets			
Current programming rights	**12**	230,783	208,144
Current restricted cash	**20**	23,814	-
Trade receivables	**17**	294,266	302,188
Available-for-sale financial assets	**16**	-	246,852
Prepayments and other assets	**19**	26,344	27,174
Corporate income tax receivable		12,610	-
Bank deposits with maturity over three months	**20**	243,558	-
Cash and cash equivalents	**20**	425,653	290,585
		1,257,028	**1,074,943**
TOTAL ASSETS		**5,536,270**	**4,371,177**
EQUITY			
Shareholders' equity			
Share capital	**21**	68,471	68,088
Share premium		643,049	607,054
8% obligatory reserve		23,301	23,301
Share options plan		111,667	-
Other reserves		-	127,600
Accumulated profit		1,175,994	1,004,928
		2,022,482	**1,830,971**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**22, 29 (iii)**	2,941,131	1,594,967
PLN Bonds due 2013	**22**	140,739	498,837
Non-current trade payables	**23**	13,186	8,671
Contingent consideration	**27**	-	78,397
Deferred tax liability	**26**	16,427	-
Other non-current liabilities		1,979	1,491
		3,113,462	**2,182,363**
Current liabilities			
Current trade payables	**23**	131,668	112,983
Corporate income tax payable		-	14,154
Accrued interest on borrowings	**22, 29 (iii)**	42,787	24,214
Other liabilities and accruals	**24**	225,871	206,492
		400,326	**357,843**
Total liability		**3,513,788**	**2,540,206**
TOTAL EQUITY AND LIABILITIES		**5,536,270**	**4,371,177**

The accompanying notes are an integral part of these separate financial statements.

	Number of shares (not in thousands)	Share capital	Share Premium	Treasury shares	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated profit	Shareholders' equity
Balance at January 1, 2009	**349,515,414**	**69,903**	**605,805**	**(37,428)**	**23,152**	**107,163**	**(8,933)**	**878,612**	**1,638,274**
Total comprehensive income for the period	-	-	-	-	-	-	8,364	418,658	427,022
Issue of shares	82,221	17	1,370	-	-	(636)	-	-	751
Share issue cost	-	-	(121)	-	-	-	-	-	(121)
Purchase of treasury shares	-	-	-	(62,572)	-	-	-	-	(62,572)
Redemption of treasury shares	(9,157,107)	(1,832)	-	100,000	-	-	-	(98,168)	-
Dividend declared and paid	-	-	-	-	-	-	-	(194,005)	(194,005)
Dividend cost	-	-	-	-	-	-	-	(20)	(20)
Share option plan charge for the period (1)	-	-	-	-	-	21,642	-	-	21,642
Appropriation of 2008 profit – transfer to 8% obligatory reserve	-	-	-	-	149	-	-	(149)	-
Balance at December 31, 2009	**340,440,528**	**68,088**	**607,054**	**-**	**23,301**	**128,169**	**(569)**	**1,004,928**	**1,830,971**

The accompanying notes are an integral part of these separate financial statements.

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2010	**340,440,528**	**68,088**	**607,054**	**23,301**	**128,169**	**(569)**	**1,004,928**	**1,830,971**
Total comprehensive income for the period	-	-	-	-	-	569	276,874	277,443
Issue of shares (2)	1,913,664	383	36,200	-	(16,502)	-	-	20,081
Share issue cost	-	-	(205)	-	-	-	-	(205)
Dividend declared and paid (3)	-	-	-	-	-	-	(105,788)	(105,788)
Dividend cost	-	-	-	-	-	-	(20)	(20)
Balance at December 31, 2010	**342,354,192**	**68,471**	**643,049**	**23,301**	**111,667**	**-**	**1,175,994**	**2,022,482**

(1) On December 27, 2005 TVN S.A. introduced the TVN Incentive Scheme I based on C series of shares. On June 8, 2006 the Annual Shareholders' Meeting approved a conditional share capital increase of up to 1,974 required for execution of the TVN Incentive Scheme I.

On July 31, 2006, as part of the acquisition of Grupa Onet.pl, TVN S.A. introduced the TVN Incentive Scheme II based on E series of shares. On September 26, 2006 the Extraordinary Shareholders' Meeting approved a conditional share capital increase of up to 1,756 required for execution of the TVN Incentive Scheme II. (See Note 30)

(2) During the year ended December 31, 2010 1,913,664 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes.

(3) The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of December 31, 2010 is an amount of 1,174,164 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (See the consolidated financial statements).

TVN S.A.
Separate Cash Flow Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Operating activities			
Cash generated from operations	25	617,167	615,260
Tax paid		(71,191)	(115,328)
Net cash generated from operating activities		**545,976**	**499,932**
Investing activities			
Increase of share capital of joint venture		-	(75)
Investment in subsidiaries		(5,228)	(209)
Direct cost of acquisition of subsidiary and loans extended		-	(13,355)
Cost of acquisition of non-controlling interest		(6,859)	-
Payments to acquire property, plant and equipment		(48,923)	(31,071)
Proceeds from sale of property, plant and equipment		7,178	404
Payments to acquire intangible assets		(10,345)	(12,566)
Purchase of available for sale financial assets	16	-	(384,866)
Sale of available for sales financial assets	16	363,700	369,130
Bank deposits with maturity over three months		(241,073)	-
Loans granted to subsidiary	14, 29 (v)	(313,945)	(411,405)
Repayment of loans		12,730	1,538
Settlement of foreign exchange options		-	9,864
Dividend received		-	1,878
Interest received		11,440	11,377
Net cash used in investing activities		**(231,325)**	**(459,356)**
Financing activities			
Issue of shares, net of issue cost		19,906	630
Share buyback, including expenses related		-	(62,572)
Dividend paid, including costs		(105,808)	(194,025)
TVN Finance Corporation II AB loan	29 (iii)	689,255	1,656,815
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans	29 (iii)	(34,102)	(77,154)
Settlement of TVN Finance Corporation plc loan	29 (iii)	-	(1,003,581)
Repurchase of PLN Bonds due 2013	22	(366,180)	-
Early settlement of options		-	101,014
Restricted cash	20, 22	(107,986)	-
Loan facility		-	(110,000)
Overdraft facility		-	(48,723)
Interest paid		(276,576)	(143,175)
Net cash (used in)/generated from financing activities		**(181,491)**	**119,229**
Increase in cash and cash equivalents		**133,160**	**159,805**
Cash and cash equivalents at the start of the period		290,585	124,523
Effects of exchange rates changes		1,908	6,257
Cash and cash equivalents at the end of the period		**425,653**	**290,585**

1. TVN

These separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 21, 2011.

TVN S.A. (until July 29, 2004 TVN Sp. z o.o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland.

The Company wholly owns the following subsidiaries: Grupa Onet Poland Holding B.V.,Grupa Onet.pl S.A., DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.), Tivien Sp. z o.o., TVN Finance Corporation plc in members' voluntary liquidation, TVN Finance Corporation II AB, TVN Finance Corporation III AB, El-Trade Sp. z o.o., Thema Film Sp. z o.o., NTL Radomsko Sp. z o.o., Mango Media Sp. z o.o. and through Grupa Onet.pl S.A.: DreamLab Sp. z o. o., Media Entertainment Ventures International Limited and SunWeb Sp. z o.o. and through DTH Poland Holding Coöperatief U.A., ITI Neovision Sp. z o.o., Cyfrowy Dom Sp. z o.o. and Neovision UK Ltd. The Company also holds directly and through its subsidiaries in total 5.438% of the voting interest and 6.76% of the share capital of Polskie Media S.A. The investments in subsidiaries are recognized as non-current assets. The investment in Polskie Media is recognized as an available-for-sale investment under non-current assets.

The Company believes that all of its material operations are part of the television broadcast service segment and it currently reports as a single business segment. Additionally, all of the Company's operations and assets are based in Poland. Therefore, no other geographic information has been included.

Recent significant transactions

On March 11, 2009, following the transaction agreement with ITI Media Group N.V. ("ITI Media Group"), the Company increased its direct ownership interest in Neovision Holding B.V. ("Neovision Holding") and its indirect ownership interest in ITI Neovision Sp. z o.o. ("ITI Neovision") to, in aggregate, 51% of the company's shares and a corresponding pro-rata interest in the shareholders' loans granted to Neovision Holding Group. ITI Neovision owns and operates the 'n' digital satellite television in Poland.

Up to March 11, 2009 the Company had classified its investment in Neovision Holding as an investment in an associate. Starting from March 11, 2009 the Company classified this investment as investment in subsidiary (see Note 14). The agreement was completed on March 31, 2009.

On November 19, 2009 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% ("10.75% Senior Notes due 2017").

1. TVN (CONTINUED)

On March 10, 2010 the Company completed the acquisition from ITI Media Group of the remaining shares in Neovision Holding. The total transaction price amounted to EUR 188,000 of which EUR 148,000 was paid on the closing date of the transaction through the issuance of EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 were issued to ITI Media Group by TVN Finance Corporation II AB, the Company's wholly owned subsidiary, under the same indenture pursuant to which the Senior Notes were issued by TVN Finance Corporation II AB in November 2009. On the issue of EUR 148,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 148,000. The remaining EUR 40,000 of the transaction price was paid by the Company through the issuance of two promissory notes ("Promissory Notes") in the principal amount of EUR 40,000 in the aggregate which were paid into an escrow account. After completion of the transaction the Company directly owns 100% of the shares in Neovision Holding and indirectly 100% of the shares in ITI Neovision.

As part of the transaction settlement, the Company granted loans to Neovision Holding Group companies at the aggregate amount of EUR 135,172. These loans settled Neovision Holding Group shareholder loans liabilities toward ITI Media Group and its affiliates and set-off ITI Media Group's payment liability for the subscription of 10.75% Senior Notes due 2017 issued within the transaction. As a result, the Company holds all of the shareholder loans made to the Neovision Holding Group companies. As part of the transaction and within the transaction price the Company's obligation to pay contingent supplemental payment amount arising under the transaction agreement concluded on March 31, 2009 between ITI Media Group, Neovision Holding and the Company was settled. The acquisition of the remaining shares in Neovision Holding did not involve cash transfers between the Company, its subsidiaries and ITI Media Group (see Note 10). On April 30, 2010 the Company exchanged the Promissory Notes for a like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000.

On April 13, 2010 the Company amended and restated the loan facility agreement with Bank Pekao (see Note 22).

On April 30, 2010 the Company completed the transformation of the legal form of Neovision Holding, its wholly owned subsidiary, into DTH Poland Holding Coöperatief U.A.

On November 19, 2010 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") (see Note 22). The proceeds from the issue of 7.875% Senior Notes due 2018 were lent by TVN Finance Corporation III AB to the Company under the loan agreement (see Note 29 (iii)).

On December 17, 2010 the Company entered into 200,000 revolving guarantee facility agreement with Bank Pekao S.A., which replaced and terminated previous loan facility originally established on June 30, 2008 (see Note 22).

On December 22, 2010 the Company entered into an agreement with Bank Pekao S.A. to repurchase a portion of the Company's PLN Bonds due 2013. As a result, on December 23, 2010 the Company redeemed 359,000 of the PLN Bonds due 2013 (see Note 22).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These separate financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the separate financial statements as of and for year ended December 31, 2010 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2009 except for standards, amendments to standards and interpretations which became effective January 1, 2010.

In 2010 the Company adopted:

(i) IFRS Improvements 2009

The International Accounting Standards Board issued "IFRS Improvements", which amends 12 standards. The amendments include changes in scope, presentation, recognition and valuation and include terminology and editorial changes. The Company adopted the changes in accordance with the transition provisions, the changes did not have a significant impact on Company's separate financial statements.

(ii) Amendments to IFRS 2 Company Cash-settled Share-based Payment Transactions

The amendments clarify the accounting treatment for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments did not affect the Company's separate financial statements.

(iii) Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The amendments did not affect the Company's separate financial statements.

(iv) Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items

The amendments provide additional guidance on what can be designated as a hedged item. The amendments did not affect the Company's separate financial statements.

(v) IFRIC 17 – Distributions of Non-cash Assets to Owners

The interpretation standardizes practice in the accounting treatment of distribution of non-cash assets to owners. The interpretation clarifies that: (1) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed, (3) an entity should recognize the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation did not affect the Company's separate financial statements.

These separate financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and available for sale financial assets.

These separate financial statements should be read together with the consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The consolidated financial statements for year ended December 31, 2010 are published together with these separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the year ended December 31, 2009 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognized at cost and subsequently accounted for at cost less any accumulated impairment losses.

2.3. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non-monetary assets, the gain or loss that is recognized directly in other comprehensive income includes any related foreign exchange translation component.

2.4. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
Leasehold improvements	up to 10 years
TV and broadcasting equipment	2-10 years
Vehicles	4-5 years
Studio vehicles	7 years
Furniture and fixtures	4-5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2010.

2.5. Goodwill

In relation to the transactions completed before January 1, 2009 goodwill represents the excess of the cost of an acquisition over the Company's share of fair value of net identifiable assets of the acquired subsidiary at the date of acquisition. In relation to the transactions completed after January 1, 2009 goodwill represents the excess of the sum of consideration transferred and payable, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is recognized in the separate financial statements of the Company as an effect of merger with the previously acquired subsidiary. Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.6. Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years. Research expenditure is recognized as an expense as incurred.

2.7. Programming rights

Programming rights includes acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below:

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquired program rights

Program rights acquired by the Company under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Company.

The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell and its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

The program rights purchased by the Company are amortized as follows:

Program Categories		Number of runs	Percentage of amortization per run 1st	2nd	3rd
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Company under own licences or licences from third parties.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalized production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs with second runs in prime time	60% on first showing, 40% on second showing, or 75% on first showing, 25% on second showing or 85% on first showing, 15% on second showing
Programs with second runs outside prime time	90% on first showing, 10% on second showing
Programs expected to be broadcast once	100% on first showing
Fiction series	50% on first showing, 30% on second showing, 20% on third and next showings in total or 66% on first showing, 20% on second showing, 14% on third and next showings in total (including 10% residual value) or 66% on first showing, 30% on second showing, 4% on third and next showings in total

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Company for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2.8. <u>Impairment of non - financial assets</u>

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to groups of cash-generating units as identified by the Company.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9. Financial assets

Investments in subsidiaries and associates are classified as non-current assets. The Company values investments in subsidiaries, jointly controlled entities and associates at cost less impairment losses.

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Company determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see note 2.11).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. During the period the Company did not hold any financial assets in this category.

Purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities are classified as available for sale and are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Company's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.11.

2.10. <u>Derivative financial instruments and hedging activities</u>

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a highly probable forecast transaction (cash flow hedge), or (3) a hedge of a net investment in a foreign operation, on the date a derivative contract is entered into.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Company applies fair value hedge accounting for hedging foreign exchange risk on borrowings and programming rights payables. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.11. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Company does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.13. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Company.

2.14. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2.15. Treasury shares

Where the Company purchases own equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.16. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17. Borrowings

The Company recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

2.18. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilised.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.19. Employee benefits

Retirement benefit costs

The Company contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

Share-based plans

The Company's management board and certain key employees and co-workers are granted share options based on the rules of an incentive scheme introduced by the Company. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.20. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue primarily results from the sale of television advertising and is recognised in the period in which the advertising is broadcast. Other revenues from sales of services primarily result from cable and satellite television subscription fees and call television and are recognized generally upon the performance of service.

2.22. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants are deducted in reporting the related expense if the expense might not have been incurred if the grant had not been available.

2.23. Barter transactions

Revenue from barter transactions (television advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Company records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Company provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.24. Advertising costs

The Company expenses advertising costs at the time of the first broadcast or publication.

2.25. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.26. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.27. Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with a debt instrument. Financial guarantees are initially recognized at fair value and subsequently measured at a higher of: amount determined in accordance with IAS 37 and amount initially recognized less amortization.

Fair value of guarantee contracts issued in respect of Company's subsidiary as long as it can be reliably measured increases value of Company's investment in respective subsidiary.

2.28. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.29. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual separate financial statements that are mandatory for accounting periods beginning on or after January 1, 2011. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment was published on January 28, 2010. It applies for annual periods beginning on or after July 1, 2010. The amendment will not affect the Company's separate financial statements.

(ii) IFRS Improvements 2010

On May 6, 2010 the International Accounting Standards Board issued "IFRS Improvements", which amend six standards and one interpretation. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The majority of the amendments are effective from annual periods starting on January 1, 2011, but some changes are effective for annual periods beginning on or after July 1, 2010. The amendment will not affect the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments were published on October 7, 2010 and they amended the required disclosures related to transfers of financial assets. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Company's financial statements..

(iv) *IFRS 9 Financial Instruments*

The standard was published on November 12, 2009 and it replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies how an entity should classify and measure financial assets, including some hybrid contracts. It requires all financial assets to be:

- classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset,
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs,
- subsequently measured at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

On October 28, 2010 IASB issued requirements on the accounting for financial liabilities. These requirements were added to IFRS 9 Financial Instruments and completed the classification and measurement phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new requirements maintain the existing amortised cost measurement for most liabilities and address the problem of volatility in income statement arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, rather than within income statement. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the standard on the Company's financial statements.

(v) *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendments were published in December 2010. The amendments apply for annual periods beginning on or after July 1, 2011. The amendments will not affect the Company's financial statements.

(vi) *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

The amendments were published in December 2010. The amendments apply for annual periods beginning on or after January 1, 2012. The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporate into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments will not affect the Company's financial statements.

Additionally, the following standards, amendments and IFRIC Interpretations are applicable in the future and were discussed in the Company's separate financial statements for the year ended December 31, 2009:

- *Amendment to IAS 32 Classification of Rights Issues – applicable for annual periods beginning on or after February 1, 2010*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – applicable for annual periods beginning on or after July 1, 2010*
- *Revised IAS 24 Related Party Disclosures – applicable for annual periods beginning on or after January 1, 2011*
- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement – applicable for annual periods beginning on or after January 1, 2011*

At the date of preparation of these financial statements the following standards and amendments to standards were not adopted by the EU:

- *IFRS 9 Financial Instruments*
- *IFRS Improvements 2010*
- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be cost effective.

Financial risk management is carried out by the Company under policies approved by the Management Board and Supervisory Board. The TVN Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Company is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Company's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Board Member responsible for the Company's separate reporting and heads of the teams within the Company's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analysis team measure and identify financial risk exposure based on information reported by operating units generating that exposure. The liquidity management team performs analysis of the Company's risk factors, forecasts the Company's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies the settlement of the transactions.

(i) Market risk

Market risk related to bonds issued

On November 19, 2009 the Company, via its subsidiary TVN Finance Corporation II AB, issued EUR 405,000 of 10.75% Senior Notes due 2017, which are listed on the Luxembourg Stock Exchange. On March 10, 2010, as part of the acquisition of the remaining shares in Neovision Holding, the Company, via TVN Finance Corporation II AB, issued additional EUR 148,000 of 10.75% Senior Notes due 2017. On April 30, 2010 additional EUR 40,000 was issued in exchange for Promissory Notes that were issued as part of the acquisition of the remaining interest in Neovision Holding. The Company does not account for the early prepayment options embedded in the 10.75% Senior Notes due 2017 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

On November 19, 2010 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") which are listed on the Luxembourg Stock Exchange (see Note 22) The Company does not account for the early prepayment options embedded in the 7.875% Senior Notes due 2018 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Company's revenue is primarily denominated in Polish zloty. Foreign exchange risk arises mainly from the Company's liabilities in respect of the loans from related parties and the Company's assets in respect of loans to subsidiaries, cash and cash equivalents, bank deposits with maturity over three months, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Company enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

The estimated net profit (post-tax) impact on balances as of December 31, 2010 and December, 2009 of a reasonably possible EUR appreciation of 5% against the Polish zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into for hedging purposes on EUR denominated items in the balance sheet amounts to a loss of 48,846 (a loss of 23,202 as of December 31, 2009) and is presented below:

	Year ended December 31, 2010	Year ended December 31, 2009
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(96,527)	(68,298)
9.025% loan from subsidiary due 2018 including accrued interest	(28,367)	-
Contingent consideration	-	(3,175)
Trade payables	(92)	(269)
Other	(858)	(428)
Assets:		
Loans to subsidiaries	66,303	28,064
Bank deposits with maturity over three months	9,864	
Cash and cash equivalents	763	5,566
Available for sale financial assets	-	15,289
Trade receivables	68	49
	(48,846)	**(23,202)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact on balances as of December 31, 2010 and December 31, 2009 of a reasonably possible USD appreciation of 5% against the Polish zloty, with all other variables held constant, and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 1,809 (a loss of 2,381 as of December 31, 2009) and is presented below:

	Year ended December 31, 2010	Year ended December 31, 2009
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(3,268)	(3,158)
Assets:		
Cash and cash equivalents	1,281	617
Trade receivables	178	160
	(1,809)	**(2,381)**

The Company did not consider it cost effective to hedge or otherwise seek to reduce foreign currency risk as of December 31, 2010

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the 11.90% loans from related party due 2017, 9.025% loans from related party due 2018, PLN Bonds (see Note 22), loans to subsidiaries

As 11.90% loans from related party due 2017 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect. Since 11.90% loans from related party due 2017 are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of 11.90% loans from related party due 2017 in the balance sheet.

As 9.025% loan from related party due 2018 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect. Since 9.025% loan from related party due 2018 are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of 9.025% loan from related party due 2018 in the balance sheet.

PLN Bonds with a nominal value of 500,000 were issued by the Company on June 23, 2008.On December 23, 2010 the Company redeemed 359,000 of the PLN Bonds due 2013 (see Note 22). PLN Bonds due 2013 are at a variable interest rate linked to WIBOR and therefore expose the Company to interest rate risk. At December 31, 2010, if WIBOR interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been 27 lower/higher.

As the loans to subsidiaries are at a fixed annual interest rate the Company is exposed to fair value interest rate risk in this respect. Since the loans to subsidiaries are carried at amortized cost, the changes in fair values of these instruments do not have direct impact on valuation of the instruments in the balance sheet.

The Company did not consider cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of December 31, 2010.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of trade receivables, related party receivables and loans granted to subsidiaries. The Company places its cash and cash equivalents, restricted cash and bank deposits with maturity over three months with financial institutions that the Company believes are credit worthy based on current credit ratings (see Note 16 and 20). The Company expects that loans granted to subsidiaries will be repaid from future cash flows of the controlled entities (see Note 29 (v)). Loans granted to subsidiaries mature in general in 2015 or later. The Company does not consider its current concentration of credit risk as significant.

The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients with poor or no history of payments with the Company, with low value committed spending or assessed by the Company as not credit worthy are required to pay before the service is rendered. Credit is granted to customers with a good history of payments and significant spending who are assessed credits worthy based on internal or external ratings. The Company performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the Company's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The Company defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty. The majority of the Company's sales are made through advertising agencies(65% of the total trade receivables as of December 31, 2010) who manage advertising campaigns for advertisers and pay the Company once payment has been received from the customer. The Company's top ten advertisers accounted for 21% of sales and the single largest advertiser accounted for 3% of sales for the year ended December 31, 2010.

Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency. The major players amongst the advertising agencies in Poland with whom the Company co-operates are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

The table below analyses the Company's trade receivables by category of customers:

Trade receivables (net)	December 31, 2010	December 31, 2009
Receivables from advertising agencies	65%	56%
Receivables from individual customers	17%	18%
Receivables from related parties	18%	26%
	100%	**100%**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit concentration of the five largest counterparties measured as a percentage of the Company's total trade receivables:

Trade receivables (net)	**December 31, 2010**	**December 31, 2009***
Agency A	9%	10%
Agency B	9%	5%
Agency C	8%	6%
Agency D	7%	6%
Agency E	5%	3%
Sub-total	**38%**	**30%**
Total other counterparties	62%	70%
	100%	**100%**

* 2009 figures represent comparative data for each Agency.

Certain advertising agencies operating in Poland as separate entities are part of international financial groups controlled by the same ultimate shareholders. Credit concentration of the Company aggregated by international agency groups, measured as a percentage of the Company's total trade receivables is presented below:

Trade receivables (net)	**December 31, 2010**	**December 31, 2009***
Agency Group F	21%	18%
Agency Group G	13%	14%
Agency Group H	13%	9%
Agency Group I	4%	8%
Agency Group J	3%	3%
Sub-total	**54%**	**52%**
Total other counterparties	46%	48%
	100%	**100%**

* 2009 figures represent comparative data for each Agency Group.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Company's customers as at December 31, 2010.

(iii) Liquidity risk

The Company maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Company expects that its principal future cash needs will be capital and financing expenditures relating to dividends, capital investment in television and broadcasting facilities and equipment, debt service of PLN Bonds and through its subsidiaries of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 the launch of new thematic channels and investment in its subsidiaries and repayment of PLN Bonds due 2013 The Company believes that its cash balances, bank deposits with maturity over three months, and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Company are negatively affected by an economic slow-down or clients' financial difficulties the Company will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2010 the Company had cash and cash equivalents, bank deposits with maturity over three months, totaling 669,211 at its disposal (cash and cash equivalents, easily marketable available-for-sale financial assets and unutilized credit facility of 668,098 as at December 31, 2009).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	More than 2 years
At December 31, 2010			
11.90% loans from subsidiary due 2017	279,466	279,466	3,745,788
9.025% loan from subsidiary due 2018	62,021	62,548	1,068,341
9.95% loan from subsidiary due 2013	585	586	6,382
PLN Bonds*	9,701	9,728	145,837
Trade payables	131,668	13,186	-
Other liabilities and accruals	102,051	212	-
Guarantees	16,925	79,206	1,000
	602,417	**444,932**	**4,967,348**
At December 31, 2009			
11.90% loan from subsidiary due 2017	195,795	197,995	2,851,789
9.95% loan from subsidiary due 2013	585	585	6,969
PLN Bonds	35,200	35,200	552,848
Trade payables	112,983	8,671	-
Contingent consideration **	-	79,830	-
Other liabilities and accruals	106,859	-	-
Guarantees	36,818	65,731	-
	488,240	**388,012**	**3,411,606**

* On December 23, 2010 the Company redeemed PLN Bonds due 2013 in the total nominal value of 359,000 (see Note 22). The Company plans to repurchase and redeem the remainder of PLN Bonds due 2013 by no later than June 14, 2011

**Derecognized on March 10, 2010 with completion of acquisition of the remaining interest in subsidiary (see Note 14). As at December 31, 2009 the table above presents the contractual undiscounted balances including interest due at earliest possible date of repayment (providing that the completion of acquisition of non-controlling interest would not be finalized).

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The Company monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 22) payable at the reporting date including accrued interest and bank guarantees issued on Company's behalf (without bank guarantees secured with cash collateral) less cash and cash equivalents, bank deposits with maturity over three months and easily marketable available-for-sale financial instruments. EBITDA is calculated for the last twelve months and is defined as net profit/(loss), before depreciation and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, finance expense, investment income and income tax charge.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	December 31, 2010	December 31, 2009
Net debt	2,561,884	1,636,562
EBITDA *	616,905	753,867
Net debt/EBITDA ratio	4.2	2.2

* EBITDA for the year ended December 31, 2009 includes significant non-recurring item (remeasurement of contingent consideration of 153,610)

Subject to changes in EUR/ PLN foreign exchange rate, he Company's goal is to lower its net debt/ EBITDA ratio.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of available for sale financial assets which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency options and forwards is determined based on valuations performed by banks that hold the instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”),
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (“Level 2”),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (“Level 3”).

	Level 1	Level 2	Level 3	Total
At December 31, 2009				
Assets				
Available-for-sale financial assets				
EUR Bonds	133,970	-	-	133,970
EUR Treasury bills	243,543	-	-	243,543
	377,513	**-**	**-**	**377,513**
Liabilities				
Contingent consideration	-	-	78,397	78,397
	-	**-**	**78,397**	**78,397**

The Company did not have any financial instruments measured at fair value as of December 31, 2010.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility has abated somewhat. Nevertheless, the continuing albeit milder effects of the liquidity crisis, as well as the ongoing sovereign debt issues in a few European countries, continue to contribute to somewhat unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Company's financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's businesses under the current circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of investment in on-line subsidiaries

The Company tests annually whether investment in subsidiaries has suffered any impairment. The Company tests the total aggregate carrying amount of investment in Grupa Onet Poland Holding and Grupa Onet.pl. During the year the Company monitors investment in subsidiaries against impairment indicators through the review of actual financial and operating results of Grupa Onet.pl. The recoverable amount of investment has been determined based on value-in-use calculations.

In the annual impairment test performed by the Company as at December 31, 2010 the calculation of value-in-use, was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 and 2009 were as follows:

	December 31, 2010	**December 31, 2009**
Terminal growth	4%	4%
Discount rate *	8.86%	11.7%

*Beginning in 2010 the discount rate is calculated on the basis that individual investments in operating segments have the same financing structure and cost of financing as TVN S.A.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2011-2015,
- increase in the on-line advertising market as a percentage of the total Polish advertising market in 2011-2015,
- share of Onet in the on-line advertising market in 2011-2015,
- growth of free cash flows in 2016-2025.

There were no material changes in these other key assumptions during the 2011 business planning process .

The Company believes that the key assumptions made in testing for impairment of investment in Grupa Onet Poland Holding and Grupa Onet.pl. as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which investment in Grupa Onet Poland Holding and Grupa Onet.pl. recoverable amount is based would not cause the impairment charge to be recognized.

(ii) Estimated impairment of investment in digital satellite pay television

The Company tests annually whether the investment in Neovision Holding has suffered any impairment. The recoverable amount of the investment is determined based on value-in-use calculations.

In the annual impairment test performed by the Company as at December 31, 2010 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2015.

The key financial assumptions used for discounting free cash flows in 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
Terminal growth	3%	2%
Discount rate *	8.74%	13.88%

*Beginning in 2010 the discount rate is calculated on the basis that individual investments in operating segments have the same financing structure and cost of financing as TVN S.A.

Other key assumptions included:

- compound annual growth rate of the Polish pay TV DTH market in 2011-2015,
- share of 'n' in the Polish pay TV DTH market in 2015

During the 2011 business planning process, the Company lowered its expectations regarding the compound annual growth rate of the Polish pay DTH market over the period ending December 31, 2015, whilst increasing its expectations regarding n's total share of the market by 2015.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The Company believes that the key assumptions made in testing for impairment of investment in Neovision Holding as at December 31, 2010 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which investment in Neovision Holding recoverable amount is based would not cause the impairment charge to be recognized.

5. REVENUE

	Year ended December 31, 2010	Year ended December 31, 2009
Revenue from advertising spot sales	1,236,744	1,153,844
Subscription fees	179,592	175,509
Revenue from sponsoring	142,909	126,155
Revenue from sales of goods and services	35,431	32,834
Other revenue	71,047	77,417
	1,665,723	**1,565,759**

Subscription fees include subscriptions receivable from DTH and cable operators. Other revenue includes mainly audiotele revenues and sales of licenses. Included in revenues for year ended December 31, 2010 are revenues from related parties in the amount of 69,595 (year ended December 31, 2009: 70,442) (see Note 29 (i)).

6. OPERATING EXPENSES

	Year ended December 31, 2010	Year ended December 31, 2009
Amortization of locally produced content	444,262	418,625
Amortization of acquired programming rights and co-production	143,724	128,116
Staff expenses	158,091	127,047
Share options granted to board members and employees	-	20,238
Depreciation, amortization and impairment charges	67,332	67,188
Marketing and research	53,468	49,986
Royalties	63,595	64,166
Broadcasting expenses	43,784	45,667
Cost of services and goods sold	17,614	11,685
Rental	36,647	36,505
Impaired accounts receivable	1,346	(1,217)
Other	86,287	64,684
	1,116,150	**1,032,690**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2010 of 96,506 (year ended December 31, 2009: 95,256). Amortization of locally produced content for the year ended December 31, 2010 has been reduced by grants received in the total amount of 467 (year ended December 31, 2009: 1,605).

Included in depreciation, amortization and impairment charges is an impairment of property, plant and equipment in the amount of 5,760 (year ended December 31, 2009: nil).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

7. INVESTMENT INCOME AND FINANCE EXPENSE

Investment income, net	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Fair value gains/ (losses) on financial instruments:		
- foreign exchange options - settlement of instrument	-	*27,853*
- foreign exchange options not designated as hedging instruments	-	*(23,746)*
- foreign exchange forward (see Note 18)	*(797)*	*(4,052)*
		55
Foreign exchange losses, net	(44,004)	(29,179)
Interest income on loans to related parties	110,905	42,006
Interest income from available for sale financial assets (see Note 16)	778	17,241
Dividend income	-	1,878
Other interest income	9,089	3,753
	75,971	**35,754**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

7. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Finance expense, net	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Foreign exchange gains/ (losses) on 11.90% loan from related party	49,937	(6,955)
Foreign exchange gains on 9.65% loan from related party	-	7,937
Foreign exchange losses on Promissory Notes	(1,357)	
Foreign exchange losses on 9.025% loan from related party	(3,737)	-
Foreign exchange gains on contingent consideration	4,315	24,962
Fair value gains/ (losses) on financial instruments:		
- foreign exchange options/forwards – fair value hedges (see Note 18)	*573*	*(126,121)*
- foreign exchange options –settlement of instrument	*-*	*101,014*
	573	(25,107)
Interest expense on 11.90% loan from related party (see Note 29 (iii))	(268,655)	(22,638)
Interest expense on 9.95% loan from related party (see Note 29(iii))	(577)	-
Interest expense on 9.65% loan from related party (see Note 29(iii))	-	(98,451)
Interest expense on 9,025% loan from related party (see Note 29(iii))	(7,519)	-
Interest expense on Promissory Notes (see Note 22)	(2,326)	-
Interest expense on PLN Bonds (see Note 22)	(34,132)	(41,793)
Interest expense on loan facility and overdraft (see Note 22)	-	(6,915)
Unwinding of interest on contingent consideration	(1,069)	(15,514)
Premium on early repayment of PLN Bonds due 2013	(7,180)	
Fee for the early repayment of the loan from related party	-	(30,446)
Pre-issuance costs written off *	(664)	(38,340)
Income from guarantee fees from related parties (see Note 29 (viii))	13,367	1,758
Guarantee fees to related parties (see Note 29 (viii))	(5,528)	(9,970)
Bank charges	(7,286)	(2,257)
	(271,838)	**(263,729)**

* The 2010 cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment. The 2009 cost includes the amount of the unamortized debt issuance costs of 9.5% Senior Notes due 2013 written off on early repayment.

8. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period (in thousands)	276,874	418,658
Weighted average number of ordinary shares in issue	341,292,193	341,262,586
Basic earnings per share	**0.81**	**1.23**

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options.

For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period (in thousands)	276,874	418,658
Weighted average number of ordinary shares in issue	341,292,193	341,262,586
Adjustment for share options	4,218,911	1,283,603
Weighted average number of potential ordinary shares for diluted earnings per share	345,511,104	342,546,189
Diluted earnings per share	**0.80**	**1.22**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2010**	**December 31, 2009**
Freehold land	12,247	12,247
Leasehold improvements	27,914	31,880
Television, broadcasting and other technical equipment	128,758	137,800
Vehicles	25,308	21,348
Furniture and fixtures	5,371	6,615
Assets under construction	12,836	17,947
	212,434	**227,837**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value							
January 1, 2009	**12,247**	**75,650**	**322,318**	**39,091**	**16,196**	**17,872**	**483,374**
Additions	-	4,100	12,565	1,676	2,304	75	20,720
Disposals	-	(256)	(7,448)	(726)	(81)	-	(8,511)
December 31, 2009	**12,247**	**79,494**	**327,435**	**40,041**	**18,419**	**17,947**	**495,583**
Accumulated depreciation and impairment							
January 1, 2009	**-**	**41,309**	**155,729**	**13,370**	**8,996**	**-**	**219,404**
Charge for the year	-	6,780	41,110	5,608	2,644	-	56,142
Disposals	-	(475)	(7,204)	(285)	164	-	(7,800)
December 31, 2009	**-**	**47,614**	**189,635**	**18,693**	**11,804**	**-**	**267,746**
Net book value at January 1, 2009	**12,247**	**34,341**	**166,589**	**25,721**	**7,200**	**17,872**	**263,970**
Net book value at December 31, 2009	**12,247**	**31,880**	**137,800**	**21,348**	**6,615**	**17,947**	**227,837**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value							
January 1, 2010	**12.247**	**79,494**	**327,435**	**40,041**	**18,419**	**17,947**	**495,583**
Additions	-	2,858	34,615	10,451	839	649	49,412
Disposals	-	(5,558)	(12,535)	(5,272)	(1,838)	-	(25,203)
December 31, 2010	**12,247**	**76,794**	**349,515**	**45,220**	**17,420**	**18,596**	**519,792**
Accumulated depreciation and impairment							
January 1, 2010	**-**	**47,614**	**189,635**	**18,693**	**11,804**	**-**	**267,746**
Charge for the year	-	6,727	38,570	5,198	2,072	-	52,567
Impairment	-	-	-	-	-	5,760	5,760
Disposals	-	(5,461)	(7,448)	(3,979)	(1,827)	-	(18,715)
December 31, 2010		**48,880**	**220,757**	**19,912**	**12,049**	**5,760**	**307,358**
Net book value at January 1, 2010	**12,247**	**31,880**	**137,800**	**21,348**	**6,615**	**17,947**	**227,837**
Net book value at December 31, 2010	**12,247**	**27,914**	**128,758**	**25,308**	**5,371**	**12,836**	**212,434**

Depreciation expense of 45,557 has been charged in cost of revenue (year ended December 31, 2009: 48,533), 651 in selling expenses (year ended December 31, 2009: 804) and 6,359 in general and administration expenses (year ended December 31, 2009: 6,805).

Impairment of 5,760 has been charged in cost of revenue (year ended December 31, 2009: nil).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. GOODWILL

January 1, 2009	144,127
December 31, 2009	**144,127**
January 1, 2010	144,127
December 31, 2010	**144,127**

The carrying amount of goodwill is allocated to cash generating units identified by the Company:

Thematic television channels	131,704
Television production unit	12,423
	144,127

11. OTHER INTANGIBLE ASSETS

	December 31, 2010	December 31, 2009
Broadcasting licenses	4,610	5,991
Software and other	19,364	14,974
	23,974	**20,965**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

11. OTHER INTANGIBLE ASSETS (CONTINUED)

Changes in other intangible assets

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2009	10,418	59,405	69,823
Additions	1,337	7,297	8,634
Disposals	-	(2,706)	(2,706)
December 31, 2009	**11,755**	**63,996**	**75,751**
Accumulated amortization and impairment			
January 1, 2009	4,603	40,007	44,610
Charge for the year	1,161	9,885	11,046
Disposals	-	(870)	(870)
December 31, 2009	**5,764**	**49,022**	**54,786**
Net book value at January 1, 2009	**5,815**	**19,398**	**25,213**
Net book value at December 31, 2009	**5,991**	**14,974**	**20,965**

Changes in other intangible assets

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2010	11,755	63,996	75,751
Additions	-	12,014	12,014
Disposals	-	-	-
December 31, 2010	**11,755**	**76,010**	**87,765**
Accumulated amortization and impairment			
January 1, 2010	5,764	49,022	54,786
Charge for the year	1,381	7,624	9,005
Disposals	-	-	-
December 31, 2010	**7,145**	**56,646**	**63,791**
Net book value at January 1, 2010	**5,991**	**14,974**	**20,965**
Net book value at December 31, 2010	**4,610**	**19,364**	**23,974**

Amortization of 5,789 has been charged in cost of revenue (year ended December 31, 2009: 6,536), 154 in selling expenses (year ended December 31, 2009: 1,083) and 3,062 in general and administration expenses (year ended December 31, 2009: 3,427).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

12. PROGRAMMING RIGHTS

	December 31, 2010	December 31, 2009
Acquired programming rights	236,729	196,138
News archive	11,547	12,000
Co-productions	7,661	10,680
Productions	130,060	147,908
	385,997	**366,726**
Less current portion of programming rights	(230,783)	(208,144)
Non-current portion of programming rights	**155,214**	**158,582**

Changes in acquired programming rights

	Year ended December 31, 2010	Year ended December 31, 2009
Net book value as at January 1	**196,138**	172,548
Additions	180,558	146,529
Amortization	(139,967)	(122,939)
Net book value as at December 31	**236,729**	**196,138**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	December 31, 2010	December 31, 2009
Grupa Onet Poland Holding B.V.	1,102,500	1,102,500
DTH Poland Holding Coöperatief U.A. (5)	647,184	494,558
Grupa Onet.pl S.A.	271,874	271,874
Mango Media Sp. z o.o.	54,861	49,862
TVN Finance Corporation plc in members' voluntary liquidation	6,572	6,572
NTL Radomsko Sp. z o.o.	2,800	2,800
Polski Operator Telewizyjny Sp. z o.o.	400	400
TVN Finance Corporation III AB	219	-
TVN Finance Corporation II AB	209	209
El-Trade Sp. z o.o.	156	156
Thema Film Sp. z o.o.	58	48
Tivien Sp. z o.o.	50	50
Total	**2,086,883**	**1,929,029**

	Country of incorporation	December 31, 2010 Ownership %	December 31, 2009 Ownership %
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Grupa Onet.pl S.A. (1)	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
TVN Finance Corporation plc in members' voluntary liquidation	UK	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	-
NTL Radomsko Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	96
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Media Entertainment Ventures Int Ltd (2)	Malta	100	100
DreamLab Onet.pl Sp. z o.o. (2)	Poland	100	100
SunWeb Sp. z o.o. (2)	Poland	100	100
DTH Poland Holding Coöperatief U.A. (5)	The Netherlands	100	51
ITI Neovision Sp. z o.o. (3)	Poland	100	51
Cyfrowy Dom Sp. z o.o. (3) (6)	Poland	100	51
Neovision UK Ltd (3)	UK	100	51
MGM Chanel Poland Ltd (4)	UK	45	23

(1) Owned directly by the Company and indirectly through GOPH B.V.
(2) Owned indirectly through Grupa Onet.pl S.A.
(3) Owned indirectly through DTH Poland Holding Coöperatief U.A.
(4) Joint venture through DTH Poland Holding Coöperatief U.A.
(5) Formerly Neovision Holding B.V. By April 30, 2010 Neovision Holding B.V. and Neovision Holding II B.V. were merged into DTH Poland Holding Coöperatief U.A.
6) On July 20, 2010 ITI Neovision acquired the remaining 1% of the share capital of Cyfrowy Dom.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

14. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Investment in subsidiary	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Beginning of the period	494,558	214,432
Investment in Neovision Holding *	151,044	272,663
Other direct costs	1,582	7,463
End of the period	**647,184**	**494,558**

* the amount includes excess of nominal value of loans extended in the period over their fair value.

Loans receivable from subsidiary	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Beginning of the period	560,541	179,138
Loans extended during the period **	817,886	380,165
Repayment of loans	(8,548)	-
Other direct costs	5,278	5,872
Interest accrued	105,461	38,459
Foreign exchange losses	(14,067)	(43,093)
End of the period	**1,466,551**	**560,541**

** the value of loans extended includes fair value adjustments on loans at their inception date. Total nominal value of loans extended in 2010 amounted to 838,912. The excess of nominal value of loans extended over their fair value was recognized as an investment in subsidiary. The amount includes the aggregate amount of EUR 135,172 being loans granted by the Company to Neovision Holding Group as part of the settlement of the acquisition of the remaining 49% of the shares in Neovision Holding. The total cash outflow in the year ended December 31, 2010 related to the loans granted to Neovision Holding Group amounted to 313,945 (excluding other direct costs of 5,278).

Acquisition of associate

In 2008 the Company acquired 25% of the share capital plus 1 share of Neovision Holding from ITI Media Group, an entity under common control.

Before March 11, 2009 the Company had significant influence on, but not control over ITI Neovision's operations. Accordingly, the investment was classified as an investment in associate and was recognized at cost. In the separate financial statements the total investment was split between investment in an associate and loans receivable from an associate.

Acquisition of control on March 11, 2009

On March 11, 2009, the Company increased its direct ownership interest in Neovision Holding and its indirect ownership interest in ITI Neovision to, in aggregate, 51% of company's shares and a corresponding pro-rata interest in the shareholder's loans granted to Neovision Holding Group for a price of EUR 46,200. As a result, the Company obtained control over Neovision Holding Group and starting from March 11, 2009 the Company classifies this investment as an investment in subsidiary. The agreement was completed on March 31, 2009.

14. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

The transaction agreement provided that the Company would pay ITI Media Group a supplemental payment, subject to a EUR 60,000 limit, if and to the extent that ITI Neovision meets certain operating targets in 2010.

Acquisition of non-controlling interest in subsidiary

On December 10, 2009 the Company concluded the share purchase agreement with ITI Media Group, under which the Company would acquire remaining 49% of the shares in Neovision Holding. The completion of the share purchase agreement was conditional upon the fulfillment of a number of conditions, in particular, on obtaining the consent of the banks lending to ITI Group. The conditions were not fulfilled on December 31, 2009.

The acquisition of the remaining 49% of the shares in Neovision Holding was completed on March 10, 2010. The purchase price for the transaction was EUR 188,000 (PLN 730,136) of which EUR 148,000 was paid on the closing date of the transaction through the issuance by TVN Finance Corporation II AB, the Company's subsidiary, of an EUR 148,000 aggregate principal amount of 10.75% Senior Notes due 2017. On the issue of EUR 148,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 148,000. The remaining EUR 40,000 was paid by the issuance of two Promissory Notes in the principal amount of EUR 40,000 into an escrow account. On April 30, 2010 the Company exchanged the Promissory Notes for a like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of the additional EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000. On November 30, 2010 10.75%Senior Notes due 2017 issued in April were released from the escrow account.

The transaction also involved the settlement of certain shareholder loans owed by Neovision Holding, ITI Neovision and Cyfrowy Dom, as borrowers to ITI Media Group, Polish Television Holding B.V. (formerly Strateurop International B.V.), and N-Vision, as lenders, and the settlement of a contingent supplemental payment owed by the Company to ITI Media Group.

As part of the transaction settlement and within the transaction price, the Company granted loans to Neovision Holding Group in the aggregate amount of EUR 135,172 (PLN 524,968). The aggregate amount of the loans was determined as the total of nominal values of loans from ITI Media Group and its related companies to Neovision Holding Group and interest due at March 10, 2010. These loans settled Neovision Holding Group's shareholder loans liability to ITI Media Group and set-off ITI Media Group's payment liability for the subscription of 10.75% Senior Notes due 2017 issued in the transaction.

The acquisition of the remaining shares in Neovision Holding, including settlement of shareholder loans, did not involve cash transfers between the Company, its subsidiaries and ITI Media Group.

As a result of executing the acquisition of the remaining non-controlling interest in Neovision Holding Group the Company's contingent obligation to pay supplemental amounts arising under the transaction agreement concluded on March 31, 2009 between ITI Media Group, Neovision Holding and the Company was settled and accordingly the Company derecognized contingent consideration with the carrying amount of 75,150 as of March 10, 2010.

As a result of the acquisition of the remaining non-controlling interest in the subsidiary the Company is, through Neovision Holding, the sole shareholder of ITI Neovision and the sole creditor of the digital satellite pay television 'n' under shareholder loans.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

14. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

The investment of the Group in 'n' DTH platform, which offers technologically advanced pay television services in Poland, has strengthened the competitive position of the Group on the attractive Polish DTH and cable market which is likely to consolidate in the future and will provide the Group with revenue diversification.

15. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Loans and receivables**	**Financial assets available-for-sale**	**Total**
December 31, 2010			
Available-for-sale financial assets	-	7,255	7,255
Non-current related party loans	1,559,903	-	1,559,903
Trade receivables	294,266	-	294,266
Restricted cash	107,986	-	107,986
Bank deposits with maturity over three months	243,558	-	243,558
Cash and cash equivalents	425,653	-	425,653
	2,631,366	**7,255**	**2,638,621**
December 31, 2009			
Available-for-sale financial assets	-	384,768	384,768
Non-current related party loans	656,801	-	656,801
Trade receivables	302,188	-	302,188
Cash and cash equivalents	290,585	-	290,585
	1,249,574	**384,768**	**1,634,342**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

15. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities	Total
December 31, 2010				
Loans from related parties	-	-	2,941,131	2,941,131
PLN Bonds due 2013	-	-	140,739	140,739
Accrued interest on borrowings	-	-	42,787	42,787
Non-current trade payables	-	-	13,186	13,186
Current trade payables	-	-	131,668	131,668
Other liabilities and accruals*	-	-	102,263	102,263
	-	**-**	**3,371,774**	**3,371,774**
December 31, 2009				
Loans from related parties	-	-	1,594,967	1,594,967
PLN Bonds due 2013	-	-	498,837	498,837
Accrued interest on borrowings	-	-	24,214	24,214
Non-current trade payables	-	-	8,671	8,671
Current trade payables	-	-	112,983	112,983
Contingent consideration	-	78,397	-	78,397
Other liabilities and accruals*	-	-	106,859	106,859
	-	**78,397**	**2,346,531**	**2,424,928**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2010	**Year ended December 31, 2009**
Beginning of the period	384,768	356,501
Redemption of 9.5% Senior Notes due in 2013	-	(86,260)
Sales	(363,700)	(282,870)
Additions	-	384,866
Fair value change through other comprehensive income	702	10,326
Interest credited to profit or loss (see Note 7)	778	8,981
Foreign exchange differences	(15,293)	(6,776)
End of the period	**7,255**	**384,768**
Less: non-current portion	(7,255)	(137,916)
Current portion	**-**	**246,852**

Available for sale financial assets include:

	December 31, 2010	**December 31, 2009**
Securities not quoted on active markets:		
- Polskie Media S.A.	7,255	7,255
Securities quoted on active markets:		
- EUR treasury bills	-	243,543
- EUR bonds	-	133,970
Total	**7,255**	**384,768**

The Company does not have any significant influence over the financial and operating policies of Polskie Media S.A. (“Polskie Media”). The investment is measured at cost as the fair value can not be reliable determined. The Company estimated the recoverability of its investment in Polskie Media as at June 30, 2010 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2009 and industry sales multiples. The Company assessed that there is no impairment of the carrying value as of December 31, 2010. During the period the Company monitors audience share of Polskie Media for impairment indicators. The Company’s share in Polskie Media is 5.44% of the current voting interest and 6.76% of the share capital.

17 TRADE RECEIVABLES

	December 31, 2010	**December 31, 2009**
Trade receivables	246,243	232,077
Less: provision for impairment of receivables	(6,140)	(7,177)
Trade receivables – net	240,103	224,900
Receivables from related parties (Note 29 (iv))	54,163	77,288
	294,266	**302,188**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

17. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	December 31, 2010	December 31, 2009
PLN	288,255	296,887
EUR	1,500	1,215
USD	4,391	3,942
CAD	103	87
AUD	17	57
	294,266	**302,188**

Provision for impairment of receivables was created individually for non-related trade receivables that were in general overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2010	Year ended December 31, 2009
Beginning of the period	7,177	8,333
Provision for receivables impaired, net change	1,346	(237)
Receivables written off as uncollectible	(2,383)	(919)
End of the period	**6,140**	**7,177**

The creation and release of provision for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2010, trade receivables of 143,883 were past due but not impaired. The balance includes mainly receivables from related parties and relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2010	December 31, 2009
Up to 30 days	96,908	88,390
31-60 days	18,501	12,658
Over 60 days	28,474	53,655
	143,883	**154,703**

The Company defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2010 was 294,266 (December 31, 2009: 302,188).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS

In September 2010 the Company entered into USD foreign exchange forwards in order to limit the impact of exchange rate movements on programming rights payables. The hedging strategy based on USD foreign exchange forwards has in total a notional value of USD 23,900, maturity dates between October 22, 2010 and December 23, 2010 and PLN/USD foreign exchange forward rate of 3.00. The Company has designated these USD foreign exchange forwards for fair value hedge accounting. The Company recognized a loss on realization of these foreign exchange forwards in the total amount of 224, of which loss of 797, as an effective portion of the hedge, was recognized within investment income and gain of 573, as an ineffective portion of the hedge, was recognized within finance expenses (see Note 7).

The Company did not have any foreign exchange forwards as of December 31, 2010.

19 PREPAYMENTS AND OTHER ASSETS

	December 31, 2010	December 31, 2009
Prepayments for programming	4,710	8,129
Employee settlements	4,785	4,518
Technical support	2,788	3,640
Inventory, net of impairment provision	669	531
Other	18,672	15,221
	31,624	**32,039**
Less: current portion of other assets	**(26,344)**	**(27,174)**
Non-current portion of other assets	**5,280**	**4,865**

20. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2010	December 31, 2009
Cash at bank and in hand	425,653	290,585
	425,653	**290,585**
Bank deposits with maturity over three months	243,558	-
	243,558	**-**
Restricted cash	**107,986**	-
Less: current portion of restricted cash	**23,814**	**-**
Non-current portion of restricted cash	**84,172**	**-**

20. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH (CONTINUED)

Cash at bank and in hand (credit rating – Standard and Poor's)**:**

	December 31, 2010	December 31, 2009
Bank rated A-	245,049	290,117
Bank rated AAA	180,128	14
Banks rated BBB and other	476	454
	425,653	**290,585**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	December 31, 2010	December 31, 2009
Bank rated A-	243,558	-
	243,558	**-**

The carrying amounts of the Company's bank deposits with maturity over three months are denominated in the following currencies:

	December 31, 2010	December 31, 2009
EUR	243,558	-
	243,558	**-**

Restricted cash (credit rating – Standard and Poor's):

	December 31, 2010	December 31, 2009
Bank rated A-*	107,986	-
	107,986	**-**

* Cash held as collateral for bank guarantees issued (see Note 22)

21. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2010 was 342,354,192 with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received.

The shareholders structure as at December 31, 2010:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V [(1) (2)]	180,355,430	52.68%	180,355,430	52.68%
N-Vision B.V. [(1)]	3,963,095	1.16%	3,963,095	1.16%
Cadizin Trading&Investment [(1)]	8,131,477	2.38%	8,131,477	2.38%
ITI Impressario[(1)]	1,400	0.00%	1,400	0.00%
Other shareholders	149,902,790	43.78%	149,902,790	43.78%
Total	**342,354,192**	**100.00%**	**342,354,192**	**100.00%**

[(1)] Entities controlled by ITI Group.

[(2] Polish Television Holding B.V. (formerly Strateurop International B.V.) has pledged the Company's shares.

21. SHARE CAPITAL (NOT IN THOUSANDS) (CONTINUED)

Included in the total number of shares in issue as at December 31, 2010 held by other shareholders are 878,874 shares of C1,C2, C3, E1,E2, E3 and E4 series not registered by the Court.

During the year ended December 31, 2010 1,913,664 shares of C1, C2, C3, E1, E3 and E4 series were issued under the stock option plan for an amount of 20,081 (in thousands).

22. BORROWINGS

	December 31, 2010	December 31, 2009
Loans from related parties (see Note 29 (iii))	2,941,131	1,594,967
Interest accrued on loans from related parties (see Note 29 (iii))	42,335	22,575
PLN Bonds due 2013	140,739	498,837
Interest accrued on PLN Bonds due 2013	452	1,639
	3,124,657	**2,118,018**
Less: current portion of borrowings	(42,787)	(24,214)
Non-current portion of borrowings	**3,081,870**	**2,093,804**

PLN Bonds due 2013

On May 26, 2008 the Company entered into an agreement with Bank Pekao S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. to conduct a Bond Issue Program ("Program"). The Program enables the Company to issue bearer, unsubordinated and unsecured bonds ("PLN Bonds due 2013") with a maximum total nominal value of PLN 1 billion at any time. The Program can be extended up to a nominal value of PLN 2 billion.

On June 23, 2008 the Company completed the first issue of PLN Bonds due 2013 with a total nominal value of 500,000 and with a variable interest rate of 6 month WIBOR plus 2.75% per annum. The interest is payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 are due for repayment on June 14, 2013. The PLN Bonds due 2013 are unsecured obligations and are governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 are carried at amortized cost using an effective interest rate of 7.09%.

The Company has an option to redeem all or 50% of the PLN Bonds due 2013 on June 14, 2011 or on June 14, 2012 at a redemption price of 102% or 101% of the nominal value respectively. The Company assessed that the early prepayment options are closely related to the economic characteristics of the host contract (PLN Bonds due 2013) as the option exercise price is close on each exercise date to the amortized cost of the PLN Bonds due 2013. Consequently, the Company did not separate the embedded derivative.

On December 23, 2010 the Company acquired PLN Bonds due 2013 with nominal value of 359,000. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to December 23, 2010. The amount paid for the acquired PLN Bonds due 2013 including accrued interest was 366,789. On December 23, 2010 the Company redeemed 359,000 of the PLN Bonds due 2013.

By reference to the repayment transactions from December 23, 2010 the fair value of the PLN Bonds due 2013, including accrued interest, as at December 31, 2010 was estimated to be 144,272. However, the PLN Bonds due 2013 are non-public and their fair value cannot be measured reliably.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

22. BORROWINGS (CONTINUED)

In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with total nominal value of 132,500. These PLN Bonds due 2013 were purchased at a price of 102.85% of the principal amount plus the aggregate amount of accrued interest on the these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

Revolving guarantee facility

On December 17, 2010 the Company entered into a revolving guarantee facility agreement with Bank Pekao S.A. The revolving guarantee facility replaced the PLN 200,000 multicurrency loan facility with Bank Pekao S.A., which was established on June 30, 2008 and amended and restated on April 13, 2010.

The revolving guarantee facility is a PLN 200,000 multicurrency revolving guarantee facility available in EUR, USD and/ or PLN, with a termination date on December 17, 2012. It may be used in an amount of up to PLN 200,000 for guarantees and letters of credit with tenors not exceeding twelve months from issuance or up to PLN 100,000 for guarantees with maturity longer than twelve months but not exceeding thirty six months. The revolving guarantee facility is secured with cash collateral for 100% of each guarantee (see Note 20).

As of December 31, 2010 the revolving guarantee facility had been used for the bank guarantees issued at 107,285 (total amount of loan facility used as of December 31, 2009: 45,097).

23. TRADE PAYABLES

	December 31, 2010	**December 31, 2009**
Acquired programming rights payables	85,004	85,463
Property, plant, equipment and intangible assets payables	5,779	3,292
Other trade payables	27,183	30,579
Related party payables (see note 29 (iv))	26,888	2,320
	144,854	**121,654**
Less: current portion of trade payables	**(131,668)**	**(112,983)**
Non-current portion of acquired programming rights payables	**13,186**	**8,671**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

24. OTHER LIABILITIES AND ACCRUALS

	December 31, 2010	December 31, 2009
Employee benefits	46,353	26,512
VAT and other taxes payable	65,341	63,646
Deferred income	7,531	9,475
Accrued production costs	9,246	9.390
Satellites	3,258	3,164
Sales and marketing related costs	4,111	3,664
Other liabilities and accrued costs	90,031	90,641
	225,871	**206,492**

25. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Profit for the period		276,874	418,658
Tax charge	**26**	76,832	40,046
Share options granted to board members and employees	**6**		20,238
Depreciation, amortization and impairment	**6**	67,332	67,188
Amortization of acquired program rights and co-production	**6**	143,724	128,116
Payments to acquire programming rights		(183,467)	(116,884)
Impaired accounts receivable	**6**	1,346	(1,217)
(Gain)/ loss on sale of property, plant and equipment		(185)	342
Investment income ,net	**7**	(75,971)	(35,754)
Finance expense, net	**7**	271,838	263,729
Guarantee fee		(1,566)	(3,893)
Change in local production balance		17,848	(2,972)
Loss on sale of joint venture		-	5
Gain on remeasurement of contingent consideration	**27**	-	(153,610)
Changes in working capital:			
Trade receivables		6,576	(33,560)
Prepayments and other assets		(4,574)	(448)
Trade payables		2,585	9,412
Other short term liabilities and accruals		17,975	15,864
		22,562	(8,732)
Cash generated from operations		**617,167**	**615,260**

Non-cash transactions

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Gain on remeasurement of contingent consideration	**27**	-	153,610
Barter revenue, net		1,315	13,604
Share options granted to board members and employees	**6**	-	(20,238)

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION

	Year ended December 31, 2010	**Year ended December 31, 2009**
Current tax charge	(44,426)	(89,283)
Deferred tax (charge)/credit	(32,406)	49,237
	(76,832)	**(40,046)**

Reconciliation of accounting profit to tax charge		
Profit before income tax	**353,706**	**458,704**
Income tax benefit/(charge) at the enacted statutory rate of 19%	(67,204)	(87,154)
Tax impact of employee share option plan costs not deductible for tax purposes	-	(3,845)
Tax impact of not taxable dividends and non–taxable return of tax penalty with related interest	-	357
Impact of non-taxable gain recognized on valuation of contingent consideration, net	(1,832)	30,981
Impact of non-taxable amortization of fair value adjustments on intercompany loans	-	(1,058)
Impact of reversal of deferred tax liability due to settlement of intercompany loan	-	22,836
Net tax impact of other net expenses and losses not deductible for tax purposes and revenue not taxable	(7,796)	(2,163)
Tax for the period	**(76,832)**	**(40,046)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

On March 17, 2010 tax authorities completed the audit of certain of the Company's financial records for the 2007 financial year. The audit did not reveal any irregularities or mistakes in the Company's tax filings as of and for the year ended December 31, 2007.

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in full. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2010.

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2010	**December 31, 2009**
Deferred tax asset/ (liability), net		
- Deferred tax liability, net to be realized after more than 12 months	(61,314)	(23,963)
- Deferred tax asset, net to be recovered within 12 months	44,887	40,075
	(16,427)	**16,112**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION (CONTINUED)

Movements in deferred tax asset/ (liability), net	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Balance at beginning of period	16,112	(31,163)
Deferred tax (debited)/ credited to other comprehensive income, net	(133)	(1,962)
(Charge)/Credit for the period	(32,406)	49,237
Balance at end of period	**(16,427)**	**16,112**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Available for sale investments	Total
Deferred tax asset/(liability) at January 1, 2009	(1,541)	33,326	(8,916)	(30,790)	(23,967)	(2,569)	3,294	(31,163)
(Charged)/ credited to net profit	2,729	(7,938)	7,436	28,400	23,967	(5,357)	-	49,237
Charged to other comprehensive income	-	-	-	-	-	-	(1,962)	(1,962)
Deferred tax asset/(liability) at December 31, 2009	**1,188**	**25,388**	**(1,480)**	**(2,390)**	**-**	**(7,926)**	**1,332**	**16,112**
Deferred tax asset/(liability) at January 1, 2010	1,188	25,388	(1,480)	(2,390)	-	(7,926)	1,332	16,112
(Charged)/ credited to net profit	2,498	5,852	(15,276)	(3,930)	-	(21,550)	-	(32,406)
Charged to other comprehensive income	-	-	-	-	-	-	(133)	(133)
Deferred tax asset/(liability) at December 31, 2010	**3,686**	**31,240**	**(16,756)**	**(6,320)**	**-**	**(29,476)**	**1,199**	**(16,427)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

27. CONTINGENCIES

The Company had a remaining contingent asset in respect of a VAT claim and interest due from the tax authorities. The Company received penalties imposed by tax authorities and interest due in 2009 following a decision of the Administrative Court. However, on March 26, 2010, the Supreme Administrative Court overruled the Company's claim with respect to the VAT claim.

On November 30, 2009 the Company remeasured the fair value of the contingent supplemental payment payable to ITI Media Group in relation to acquisition of control in ITI Neovision. The remeasurement followed the update of the business plan for ITI Neovision prepared by the new management reflecting new strategic approach and current economic surroundings. As a result of the remeasurement the Company recognized in the year ended 31 December 2009 a gain on remeasurement of contingent consideration in the amount of 153,610. On March 10, 2010 as a result of executing the acquisition of the remaining non-controlling interest in Neovision Holding Group the Company's contingent obligation was settled and accordingly the Company derecognized contingent consideration with the carrying amount of 75,150 (see Note 14).

28. COMMITMENTS

The Company has entered into a number of operating lease and other agreements. The commitments derived from these agreements are presented below.

(i) Commitments to acquire programming

The Company has outstanding contractual payment commitments in relation to programming as of December 31, 2010. These commitments are scheduled to be paid as follows:

Due in 2011	158,447
Due in 2012	198,992
Due in 2013	181,775
Due in 2014	17,227
Due in 2015	4,335
Due in 2016 and thereafter	-
	560,776

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2010:

	Related parties	Non-related parties	Total
Due in 2011	12,956	15,364	28,320
Due in 2012	12,904	13,907	26,811
Due in 2013	12,904	8,429	21,333
Due in 2014	12,846	3,336	16,182
Due in 2015	12,788	3,160	15,948
Due in 2016 and thereafter	8,539	2,480	11,019
	72,937	**46,676**	**119,613**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

28. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties", previously ITI Poland S.A.) and Diverti Sp. z o.o. ("Diverti"). Diverti is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2010.

Contracts signed with non-related parties relate to lease of office space and television studios.

In addition to the lease agreements disclosed above, the Company has agreements with third parties for the provision of satellite capacity. Under these agreements the Company is obliged to pay annual fees. These commitments are scheduled to be paid as follows:

Due in 2011	28,295
Due in 2012	30,291
Due in 2013	30,098
Due in 2014	30,098
Due in 2015	30,098
Due in 2016 and thereafter	74,327
	223,207

Additionally, the Company leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Company has an outstanding commitment of service to broadcast advertising of 781 to settle sundry amounts payable recorded as of December 31, 2010 (1,016 at December 31, 2009). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2010, the Company assumed contractual commitments of 5,215 to acquire property, plant and equipment and intangible assets (423 at December 31, 2009).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2010	Year ended December 31, 2009
ITI Neovision *	43,550	43,038
Grupa Onet Poland Holding	12,017	10,260
Mango Media	9,234	8,485
ITI Group	4,608	8,468
El-Trade	122	122
Tivien	46	46
Poland Media Properties	15	23
TVN Finance Corporation plc in members' voluntary liquidation	2	-
	69,595	**70,442**

* ITI Neovision was an associate of the Company from June 25, 2008 and subsidiary of the Company from March 11, 2009 (see Note 10).

Revenue from ITI Neovision includes mainly revenue from license fees, production and technical services.

Additionally the Company recognized revenue of 8,997 for the year ended December 31, 2010 (year ended Decemcber 31, 2009: 9,131) from advertising services rendered for ITI Neovision through advertising agencies.

Revenue from Grupa Onet Poland Holding includes mainly revenue from sale of airtime, production and technical services.

Revenue from Mango Media includes mainly revenue from sale of airtime and satellite transmissions.

Revenue from ITI Group includes mainly revenue from the exploitation of film rights, license fees, production and technical services rendered and services of broadcasting advertising, net of commissions. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Year ended December 31, 2010	Year ended December 31, 2009
ITI Group	38,754	22,663
Grupa Onet Poland Holding	17,405	17,676
Tivien	15,452	13,105
ITI Neovision *	1,978	2,461
Poland Media Properties	2,045	1,818
NTL Radomsko	1,397	1,394
El-Trade	439	615
Mango Media	(49)	-
Polski Operator Telewizyjny	-	241
	77,421	**59,973**

* ITI Neovision was an associate of the Company from June 25, 2008 and a subsidiary of the Company from March 11, 2009 (see Note 10).

Operating expenses from ITI Group comprise rent of office premises and the provision of certain management, sales, financial advisory and other services.

Operating expenses from Grupa Onet Poland Holding include mainly marketing and production services.

Operating expenses from Tivien comprise technical and production services.

Operating expenses from ITI Neovision include mainly technical and production services.

Operating expenses from Poland Media Properties comprise rent of office premises

(iii) Loans from related parties

	December 31, 2010	December 31, 2009
Loans from TVN Finance Corporation II AB	2,247,026	1,589,170
Loan from TVN Finance Corporation plc in members' voluntary liquidation	5,798	5,797
Interest accrued	42,335	22,575
Loans from TVN Finance Corporation III AB	688,307	-
	2,983,466	**1,617,542**

As of December 31, 2010 the Company had a loan from TVN Finance Corporation II AB with the nominal of EUR 405,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The loan is carried at amortized cost using an effective interest rate of 13.25%.

29. RELATED PARTY TRANSACTIONS (CONTINUED)

On March 10, 2010, as part of the purchase price for acquisition by the Company of the non-controlling interest in Neovision Holding (see Note 10), TVN Finance Corporation II AB, the Company's subsidiary, issued to ITI Media Group and its affiliates an additional 10.75% Senior Notes due 2017 in the aggregate principal amount of EUR 148,000. Following the issue of 10.75% Senior Notes due 2017, TVN Finance Corporation II AB granted to the Company a loan with the nominal of EUR 148,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The total costs of the loan by the Company amounted to 12,439, including commission for granting the loan in the amount of 7,185 and other direct costs in the amount of 5,254. The loan is carried at amortized cost using an effective interest rate of 12.73%.

On April 30, 2010 the Company exchanged the Promissory Notes (see Note 14) for like principal amount of 10.75% Senior Notes due 2017 issued by TVN Finance Corporation II AB, following which the Promissory Notes were cancelled. On the issue of EUR 40,000 of 10.75% Senior Notes due 2017 the Company and TVN Finance Corporation II AB entered into a loan agreement for the total principal amount of EUR 40,000, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on this loan is paid semi-annually. The total costs of the loan amounted to 1,959 including mainly commission for granting the loan. The loan is carried at amortized cost using an effective interest rate of 12.53%

The total nominal value of loans granted by TVN Finance Corporation II AB following the issue of 10.75% Senior Notes due 2017 in November 2009, March and April 2010 is EUR 593,000.

On November 19, 2010, TVN Finance Corporation III AB, the Company's subsidiary, issued 7.875% Senior Notes due 2018 in the aggregate principal amount of EUR 175,000. Following the issue of 7.875% Senior Notes due 2018, TVN Finance Corporation III AB granted to the Company a loan with the nominal of EUR 175,000, bearing interest at 9.025% p.a. and due for repayment on November 15, 2018. Interest on this loan is paid semi-annually. The total costs of the loan amounted to 21,993, including commission for granting the loan in the amount of 17,231 and other direct costs in the amount of 4,762. The loan is carried at amortized cost using an effective interest rate of 9.84%.

The loan from TVN Finance Corporation plc bears interest at 9.95% p.a. and due for repayment on December 15, 2013. Interest is paid semi-annually.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Outstanding balances arising from sale/ purchase of goods and services:

	December 31, 2010	December 31, 2009
Receivables:		
ITI Neovision Group	46,789	68,135
Grupa Onet Poland Holding	1,665	2,471
Mango Media	4,191	1,270
ITI Group	1,480	5,412
TVN Finance Corporation III AB	38	-
	54,163	**77,288**
Payables:		
ITI Group	18,514	685
Grupa Onet Poland Holding	7,740	1,265
Tivien	386	277
NTL-Radomsko	49	-
Poland Media Properties	188	71
El-Trade	11	22
	26,888	**2,320**

(v) Related party loans

	December 31, 2010	December 31, 2009
ITI Neovision (see Note 14)	1,306,200	419,558
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) (see Note 14)	160,351	140,983
Grupa Onet Poland Holding	92,847	90,894
Thema Film	505	477
El-Trade	-	45
Mango Media	-	4,844
Non-current portion	**1,559,903**	**656,801**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

The loans to Grupa Onet Poland Holding consists mainly of the loan for a principal amount of EUR 16,886, bears interest of 7.63% per annum, due for repayment on December 31, 2016. Further loans are for the total amount of PLN 160, bears interest of 7.98% per annum and EUR 28, bears interest of 7.63% per annum.

On December 31, 2010 the following loans were receivable from Neovision Holding Group:

Nominal value (EUR)		Effective interest rate	Maturity dates	Carrying value	Fair value
ITI Neovision					
10,198		9.69%	April 5, 2011	50,394	50,759
8,180	*	11.58%	June 30, 2015	35,088	37,508
7,055		10.45%	June 30, 2015	31,195	31,884
2,034		10.36%	June 30, 2015	8,894	9,065
2,354		10.39%	June 30, 2015	10,223	10,435
10,146		10.08%	June 30, 2015	44,262	44,629
2,081		10.81%	June 30, 2015	8,954	9,291
12,110		12.57%	June 30, 2015	46,802	52,244
21,115		10.24%	December 31, 2015	91,656	93,558
25,073		10.59%	December 31, 2015	111,945	115,752
6,796		10.75%	June 30, 2015	29,671	29,033
8,058		10.75%	June 30, 2015	34,874	34,237
5,748		10.75%	June 30, 2015	24,863	24,411
24,063		10.75%	June 30, 2015	103,178	101,633
133,158	**	9.68%	June 30, 2015	547,870	559,559
1,375		8.98%	June 30, 2015	5,746	5,746
12,020		8.99%	June 30, 2015	50,118	50,118
4,444		9.04%	June 30, 2017	18,245	18,245
761		9.10%	June 30, 2015	3,073	3,073
1,258		9.08%	June 30, 2015	5,101	5,101
3,801		9.13%	June 30, 2015	15,196	15,196
2,717		9.15%	June 30, 2015	10,804	10,804
5,283		9.98%	June 30, 2015	21,017	21,017
2,422		10.00%	June 30, 2015	9,596	9,596
				1,318,765	**1,342,894**
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)					
25,096		10.41%	December 31, 2015	108,421	111,506
8,957		10.25%	December 31, 2015	38,873	39,686
114	**	10.75%	December 31, 2014	492	492
				147,786	**151,684**
				1,466,551	**1,494,578**

* Aggregate of loans granted in the period between July 15, 2008 and December 9, 2008.

** Loans granted as part of the transaction settlement for the acquisition of the remaining 49% of shares in Neovision Holding (see Note 10).

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Other non-current assets

Other non-current assets include a rental deposit paid to ITI Group in the amount of 1,981.

(vii) Lease commitments with related parties

See Note 28 (ii) for further details.

(viii) Other

ITI Holdings has provided guarantees in the amount of USD 11,000 to Warner Bros. International Television Distribution, USD 4,000 to DreamWorks (expired October 14, 2010) and USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the Company. During the year ended December 31, 2010, the Company recorded finance costs relating to ITI Holdings guarantees of 1,568 (during the year ended December 31, 2009: 3,690).

Additionally during the year ended December 31, 2010 the Company recorded the cost of 1,320 from Grupa Onet, 1,320 from Mango Media and 1,320 from ITI Neovision relating to the guarantees provided (year ended December 31, 2009: Grupa Onet 2,909, Mango Media 945 and ITI Neovision 2,426).

As of December 31, 2010 the Company's bank issued under revolving guarantee facility in the total amount of 86,731 on the Company's behalf relating to the liabilities of ITI Neovision.

As of December 31, 2010 the Company has provided guarantee in the amount of 10,400 to IBM in respect of services provided to ITI Neovision.

During the year ended December 31, 2010 the Company recorded the revenue of 10,983 from TVN Finance Corporation II AB, 401 from TVN Finance Corporation III AB and 1,976 from ITI Neovision relating to the guarantees provided.

As of December 31, 2010 the Company had an outstanding commitment to provide loans to ITI Neovision in a total amount of EUR 22,296 (EUR 16,041 as at December 31, 2009).

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(ix) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2010 amounted to 11,439 (year ended December 31, 2009: 15,335).

	Year ended December 31, 2010		Year ended December 31, 2009	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Markus Tellenbach	3,999	661	1,450	-
Piotr Walter	3,065	-	1,911	2,320
Jan Łukasz Wejchert	1,393	333	547	100
John Driscoll	1,187	-	-	-
Rafał Wyszomierski	601	200	222	-
Karen Burgess	-	-	2,079	1,080
Edward Miszczak	-	-	564	780
Tomasz Berezowski	-	-	185	350
Olgierd Dobrzyński	-	-	210	284
Waldemar Ostrowski	-	-	189	350
Adam Pieczyński	-	-	236	500
Jarosław Potasz	-	-	185	350
Piotr Tyborowicz	-	-	194	1,249
	10,245	**1,194**	**7,972**	**7,363**

*Bonuses paid for 2009
**Bonuses paid for 2008

Share based payments

Members of the Management Board of the Company participate in share incentive schemes introduced by the Group (see note 30) with the following total number of granted share options divided into four series and estimated fair value thereof recognized either as an expense or incremental cost of business combination with Grupa Onet.pl. The fair value of options granted on December 27, 2005 was estimated with reference to a share price of PLN 15.76 (not in thousands) at that date (after taking into account the effect of subsequent share split). Fair values of options granted on July 31, 2006 and December 18, 2007 were estimated with reference to share prices of (not in thousands) PLN 21.30 and PLN 24.75 respectively. For details of the share incentive scheme please refer to Note 30.

29. RELATED PARTY TRANSACTIONS (CONTINUED)

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2010*	Cumulative fair value recognized up to December 31, 2009*
Markus Tellenbach	-	-	-
Piotr Walter	622,600	7,588	7,588
Jan Łukasz Wejchert	577,065	6,942	6,942
John Driscoll	-	-	-
Rafał Wyszomierski	206,200	2,725	2,725

*Calculated as proportion of the fair value of service already rendered to the total fair value of the scheme.

(x) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2010 amounted to 1,092 (year ended December 31, 2009: 1,080).

	Year ended December 31, 2010	Year ended December 31, 2009
Wojciech Kostrzewa	156	156
Bruno Valsangiacomo	120	120
Arnold Bahlmann	108	108
Michał Broniatowski	72	12
Romano Fanconi	72	72
Paweł Gricuk	144	144
Paweł Kosmala	54	72
Paul H. Lorenz	18	-
Wiesław Rozłucki	132	132
Andrzej Rybicki	72	72
Marcus Tellenbach	-	48
Aldona Wejchert	72	72
Gabriel Wujek	72	72
	1,092	**1,080**

30. SHARE-BASED PAYMENTS

Share options are granted to certain Management Board members, employees and co-workers who are of key importance to the Group. Share options are granted under two share option schemes:

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

(ii) TVN Incentive Scheme II introduced on July 31, 2006 as part of the acquisition of Grupa Onet.pl, based on E series of shares.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows (not in thousands):

	Year ended December 31, 2010		Year ended December 31, 2009	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.80	**12,562,495**	10.79 PLN	**12,644,716**
Exercised	PLN 10.49	(1,913,664)	9.13 PLN	(82,221)
At 31 December	PLN 10.86	**10,648,831**	10.80 PLN	**12,562,495**

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumes that dividends would be paid in the future in accordance with the Company's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	Vested
C2	1,148,951	PLN 9.58	Vested
C3	2,673,263	PLN 10.58	Vested
	4,074,704		

Series	Number of options	Exercise price	Service vesting period
E1	211,655	PLN 8.66	Vested
E2	264,065	PLN 9.58	Vested
E3	1,294,266	PLN 10.58	Vested
E4	4,804,141	PLN 11.68	Vested
	6,574,127		

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2011 and the date when these financial statements were prepared 37,682 (not in thousands) of C2 C3, E3 and E4 series options were exercised and as a result 37,682 (not in thousands) new ordinary shares were issued.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
December 31, 2010	2.9641	3.9603
December 31, 2009	2.8503	4.1082

The movement in the consumer price index for the year ended December 31, 2010 amounted to 3.1% (year ended December 31, 2009: 3.5%).

32. EVENTS AFTER THE REPORTING PERIOD

On January 12, 2011 the Company entered into foreign exchange forward transaction with Rabobank Polska S.A. for a purchase of EUR 350,000 with a settlement date on March 31, 2011. The transaction is based on current market conditions, in line with generally adopted terms for such transactions.