ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

TVN S.A.

Dear Shareholders,

On the forefront of the attached 2011 Annual Report of the TVN Capital Group I would like to summarise key events driving the results of our Group – the leading diversified and multi-platform media company in Poland and one of the largest media companies in Central Europe. Key themes of last year for the media market would be: volatility and consolidation.

In the first half of 2011 the market enjoyed accelerating growth in the advertising budgets with relatively stable macroeconomic environment and expectations for further undisturbed development. On such background our businesses delivered strong operating and financial results. TV broadcasting and Online segments benefited from their leading market positions, translating them into strong set of reported figures. ‘n’ platform was focused on implementing new CRM system and introducing to the market the bundled offers with TP Group services. Both projects were fully operational in June providing us with a solid outlook to the second half of the year.

The summer brought a sudden cooling shower – with unfavourable macroeconomic events, particularly in Europe, the confidence suffered significant decline, immediately reflecting in the advertising market which weakened considerably, forcing us to partially revise the full year guidance for TVN Group. However, ‘n’ platform continued its robust performance based on its premium programming and innovative technological offerings, further fuelled by first benefits from partnership with TP Group. Furthermore, in early July ITI Group announced its intention to sell controlling stake in TVN S.A., an event that led to signing in December 2011 an agreement with Group Canal+ concerning merger of the two satellite Pay TV platforms: ‘n’ and Cyfra+.

On such backdrop, the TVN Group successfully met its targets for 2011, with performance reflecting market volatility in the advertising driven part of operations and strong development of Pay TV business ahead of consolidation of satellite TV space. Comparable headline figures are appealing: the Group full year revenue was up 6%, EBITDA increased by 8% and reached the target level of PLN 660 million. Operating metrics were also strong – TV maintained its average peak-time audience share in 16-49 years old target group, Online segment continued to grow its users base while ‘n’ platform reached 1 million clients of its High Definition offerings.

The Group has also achieved its strategic objective – participation in the digital satellite Pay TV consolidation and securing distribution of its content through significant stake in the merged ‘n’ and Cyfra+ platform. The announced merger with Cyfra+ combined with the strategic partnership with TP Group set TVN Group’s shareholders in a very strong position to participate in benefits from creating the leading premium satellite Pay TV operator in Poland. Further enhanced by access to the largest in the country set of telecom services and wide spread sales network of TP Group, TVN will significantly improve its risk profile reducing exposure to capital expenditures.

Looking forward at the market in 2012 we believe that temporary volatility will prevail, gradually calming down but without clear growth catalysts for the advertising. Foreign exchange rates that impacted our bottom line in 2011 already improve with market consensus foreseeing further strengthening of Polish zloty towards year end. In such market environment our approach is to focus on preserving market shares and profitability in the TV broadcasting and Online businesses while pushing further operating metrics in Pay TV in order to maximize benefits from the merger with Cyfra+. All in all, TVN Group will continue to provide value to its shareholders through strengthening its position ahead of stabilization of macroeconomic drivers and rebound of media market.

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 Poland Holding B.V, Grupa Onet.pl S.A., 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; "**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 decided to cease broadcasting and to transfer its content to online presence only on March 25, 2011; "**Onet.pl**" refers to the Internet portal Onet.pl; "**TTV**" refers to an interactive social-intervention channel co-owned and co-produced by TVN was launched on January 2, 2012; "**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., a company registered in Amsterdam, the Netherlands and currently the sole shareholder of ITI Neovision (currently DTH Poland Holding Coöperatief U.A.); "**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; "**NNK**", refers to "n na kartę", rebranded in June 2011 version of TNK HD; "**Onet VOD**" refers to video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**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, dissolved on December 5, 2011; "**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.; **"TVN Holding"** refers to TVN Holding S.A.; **"TVN Media"** refers to TVN Media Sp. z o.o., a company which was created through the separation of Sales, Marketing and Brand Management departments from the TVN S.A. organizational structure; **"Stavka"** refers to Stavka Sp. z o.o. holder of the license for terrestrial broadcasting of the TTV channel. We acquired 25%

shares of the company in September 2011 and additional 26% in December 2011; "**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 and fully redeemed by June 14, 2011;"**Guarantee Facility**" refers to a PLN 400,000 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 four major business segments – television broadcasting and production, digital satellite pay television, online and teleshopping. Our 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 TTV. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment as well as 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, our local channel aimed at residents of Warsaw, ceased broadcasting via TV platforms and its content was transferred to online presence only as of March 25, 2011. As a result we do not account it anymore as a television channel. TTV is an interactive social-intervention channel co-owned and co-produced by TVN and was launched on January 2, 2012. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. Additionally we launched TVN Player which is our ad-supported internet VOD service, which allows viewing of both videos produced by our company (or in our name), and other movies that were shown previously in our TV channels.

- **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, 2011, the 'n' DTH platform had over 929,000 (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 over 345,000 (not in thousands) active customers (including TNK HD) as of December 31, 2011. On December 18, 2011 we signed an agreement with Canal+ Group (“Canal+ Group”) concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” (“Combination Agreement”) resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”

- **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.

- **Teleshopping** – we own Telezakupy Mango 24, which is the only all-day teleshopping channel in Poland.

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 that 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 who 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. Please note, that the fact of presenting the exchange rates of Złoty against Dolar or Euro does not mean that the Złoty amounts presented in this report represent exact Dollar or Euro amounts converted at the rates indicated or at any other rate.

	Year ended December 31,				
Year (Złoty per Euro)	**2007**	**2008**	**2009**	**2010**	**2011**
Exchange rate at end of period.....................................	3.58	4.17	4.11	3.96	4.42
Average exchange rate during period[(1)].........................	3.78	3.53	4.34	4.00	4.14
Highest exchange rate during period.............................	3.94	4.18	4.90	4.18	4.56
Lowest exchange rate during period..............................	3.57	3.20	3.92	3.84	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 2011……………………………………………………………………….	3.96	3.84
February 2011………………………………………………………………………	3.99	3.87
March 2011………………………………………………………………………….	4.08	3.96
April 2011…………………………………………………………………………	4.03	3.94
May 2011…………………………………………………………………………….	3.98	3.91
June 2011………………………………………………………………………….	4.01	3.93
July 2011………………………………………………………………………….	4.04	3.93
August 2011………………………………………………………………………	4.19	3.99
September 2011…………………………………………………………………….	4.49	4.15
October 2011…………………………………………………………………….	4.44	4.27
November 2011………………………………………………………………….	4.55	4.35
December 2011………………………………………………………………….	4.56	4.39
January 2012…………………………………………………………………….	4.51	4.22

Year (Złoty per Dollar)	Year ended December 31,				
	2007	2008	2009	2010	2011
Exchange rate at end of period....................................	2.44	2.96	2.85	2.96	3.42
Average exchange rate during period[(1)]........................	2.75	2.41	3.12	3.04	2.97
Highest exchange rate during period............................	3.04	3.13	3.90	3.49	3.51
Lowest exchange rate during period	2.43	2.02	2.71	2.74	2.65

[(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 2011……………………………………………………………………….	3.03	2.83
February 2011………………………………………………………………………	2.92	2.82
March 2011………………………………………………………………………….	2.93	2.82
April 2011…………………………………………………………………………	2.85	2.65
May 2011…………………………………………………………………………….	2.82	2.65
June 2011………………………………………………………………………….	2.82	2.69
July 2011………………………………………………………………………….	2.90	2.72
August 2011………………………………………………………………………	2.93	2.77
September 2011…………………………………………………………………….	3.32	2.90
October 2011…………………………………………………………………….	3.33	3.05
November 2011………………………………………………………………….	3.42	3.14
December 2011………………………………………………………………….	3.51	3.32
January 2012…………………………………………………………………….	3.51	3.20

Selected Financial Data

The following tables set forth our selected historical financial data for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 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, 2011 have been converted into Euro at a rate of PLN 4.4168 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, 2011 have been converted into Euro at a rate of PLN 4.1401 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011, September 30, 2011, October 31, 2011, November 30, 2011 and December 31, 2011). 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.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation. See "Material Contract" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group". The operations of ITI Neovision Group are presented as discontinued and the assets and liabilities related to ITI Neovision Group are presented as held for sale as at December 31, 2011.

On December 18, 2011 we signed an agreement with Group Canal+ concerning the merger of the 'n' platform and the Canal+ DTH platform "Cyfra+", resulting in the creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation. See "Material Contract" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group". The operations of ITI Neovision Group are presented as discontinued and the assets and liabilities related to ITI Neovision Group are presented as held for sale as at December 31, 2011.

The consolidated balance sheet as at December 31, 2011 and the consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 have been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

As we expect that the relationship between TVN Group and 'n' will continue after the completion of the above transaction, the income and expenses from the intercompany transactions were eliminated against the discontinued operations (i.e. revenue from continuing operations includes sales by continuing operations to discontinued operations).

As a result the comparability of the income statement items for the periods ended December 31, 2011 and 2010, as compared to the corresponding periods ended December 31, 2007, 2008 and 2009 is limited.

The consolidated balance sheet as at December 31, 2011 has been restated in order to conform with the presentation requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ whereas the consolidated balance sheet as at December 31, 2010 is presented as previously reported. Assets and liabilities of a disposal group classified as held for sale are presented as single amounts within current assets and liabilities separately from other asset and other liabilities. As a result the comparability of the balance sheet items as at December 31, 2011 and 2010 is limited.

	Year ended December 31,					
	2007	**2008**	**2009**	**2010****	**2011****	**2011**
(in thousands)	**PLN**	**PLN**	**PLN**	**PLN**	**PLN**	**Euro**
Income Statement data						
Revenue	1,554,729	1,897,309	2,115,123	1,925,130	1,959,843	473,381
Operating profit	482,012	631,875	612,090	585,361	549,261	132,668
Profit/ (loss) before income tax	297,232	447,552	380,793	318,876	(84,432)	(20,394)
Profit attributable to the owners of TVN S.A.	243,308	363,676	420,821	42,754	(317,365)	(76,656)
Cash Flow Data						
Net cash generated by operating activities	419,959	615,354	479,767	504,060	435,232	105,126
Net cash (used in) / generated by investing activities	(174,751)	(813,388)	(562,270)	(231,081)	48,145	11,629
Net cash (used in)/ generated by financing activities	(239,912)	271,513	273,037	(174,391)	(319,429)	(77,155)
Increase in cash and cash equivalents	5,296	73,479	190,534	98,588	163,948	39,600
Weighted average number of ordinary shares in issue (not in thousands)	345,979,725	348,585,264	341,262,586	341,292,193	343,336,965	343,336,965
Weighted average number of potential ordinary shares in issue (not in thousands)	352,494,544	353,066,178	342,546,189	345,511,104	343,336,965	343,336,965
Basic earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.70	1.04	1.23	0.13	(0.92)	(0.22)
Diluted earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.69	1.03	1.23	0.12	(0.92)	(0.22)
Dividend paid or declared per share (not in thousands)	0.37	0.49	0.57	0.31	0.04	0.01
Other data						
EBITDA*	554,102	711,378	794,770	610,696	659,796	159,367
EBITDA margin	35.6%	37.5%	37.6%	31.7%	33.7%	33.7%
Operating margin	31.0%	33.3%	28.9%	30.4%	28.0%	28.0%
Balance Sheet data	**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, 2011 PLN**	**As at December 31, 2011 Euro**
Total assets	2,744,925	3,753,174	4,983,496	5,191,482	5,111,958	1,157,390
Current assets	645,446	1,201,394	1,262,767	1,559,090	1,357,701	307,395
Non-current liabilities	967,064	1,637,872	3,022,865	3,261,207	3,478,473	787,555
Current liabilities	348,100	468,348	675,477	691,590	456,414	103,336
Shareholders' equity***	1,429,761	1,646,954	1,644,871	1,238,685	923,471	209,081
Share capital	69,455	69,903	68,088	68,471	68,775	15,571
Non-controlling interest	-	-	(359,717)	-	558	126

*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, interest income, finance expenses, foreign exchange gains and losses, income taxes and share of net results of associates. The reconciling item 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. 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 consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

*** Shareholders equity attributed to the owners of TVNS.A.

The following table provides a reconciliation of our operating profit to EBITDA for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

	Year ended December 31,					
	2007	**2008**	**2009**	**2010***	**2011***	**2011**
(in thousands)	**PLN**	**PLN**	**PLN**	**PLN**	**PLN**	**Euro**
Operating profit	482,012	631,875	612,090	585,361	549,261	132,668
Depreciation, amortization and impairment charges	72,090	79,503	182,680	102,313	112,786	27,242
EBITDA	554,102	711,378	794,770	610,696	659,796	159,367

* The consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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. In particular, current adverse economic conditions in Europe generally may negatively impact the Polish advertising industry, which has had, and would have an adverse impact on our revenue and results of operations. Even if the Polish economy does not suffer similar declines to those experienced in neighboring countries, our customers, many of whom are global companies, could nevertheless reduce global or regional advertising budgets or perceive there to be local weakness and, in such an event, demand for local advertising could be adversely affected, which would have an adverse impact 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 sale of advertising space on websites in Poland. For the twelve months ended December 31, 2011 we derived 73.7% 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% of total net advertising spending in the twelve months ended December 31, 2011, and net expenditure on Internet advertising (including display and search engine marketing) accounted for approximately 16% of total net advertising spending in the twelve months ended December 31, 2011. However, there can be no assurances that the television and Internet advertising markets will maintain their current positions in the Polish advertising market or that 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. Since 2005, Polish television broadcasters with a double-digit share of the viewing market have all experienced a cumulative decline in their respective share of viewers. 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 the appeal of television and Internet as advertising mediums 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, or upgrade their technology (to high definition, for example), 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 kartę ("TNK") service currently compete with two other DTH providers, each of which has more subscribers than our DTH platforms. The completion of the 'n/C+' Combination Agreement is contingent on fulfillment of several conditions, as described below under "—we may not be able to fulfill the conditions of our agreement with Canal+".

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 potential cost inflation and audience preferences

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 preferences, 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 reducing our audience or 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 do not have guaranteed access to television programs and are dependent on our relationships and cooperation with program providers

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our subscribers. We do not produce all of the programming content that we broadcast and depend upon broadcasters for programming. We have entered into licensing agreements with several third parties for the provision of programs for distribution via our television channels. As we depend upon such programs to attract audience share, program licensors may have considerable power to renegotiate the fees we pay to license their programs. Since most of these licensing contracts need to be renewed on a yearly basis, we may be unable to renegotiate them on terms that are as attractive as those of the current contracts, which could result in an increase in our programming costs. In addition, program providers may elect to distribute their programming through other distribution platforms, such as satellite, digital terrestrial broadcasting or Internet-based platforms, or may enter into exclusive arrangements with other distributors.

We also license programming for our DTH platform. We intend to negotiate additional access to programming to expand our DTH product range. Rights with respect to premium and/or high definition content may in the future be obtained by our competitors on an exclusive basis and, as a result, may not be available to us. As we continue to develop our on-demand and other interactive services, our ability to source content will be increasingly important and will depend on our ability to maintain relationships and cooperation with program providers and broadcasters for both standard and high definition content.

Our inability to obtain or retain attractively priced competitive programs for broadcast on our channels and for broadcast on our DTH platform could reduce our television audience share or reduce demand for our existing and future television services, thereby limiting our ability to maintain or increase revenues from our channels and these television services. The loss of programs could have a material adverse effect on our business, financial condition and results of operations.

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, 2011, we had total outstanding net debt of PLN 2,706,961. 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 indentures governing our Senior Notes, 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 may result in either acceleration of the repayment of the 10.75% Senior Notes or 7.875% Senior Notes, 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.

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 businesses that we have acquired and any future acquisitions 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. 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.

We may not be able to fulfill the conditions of our agreement with Canal+ in respect of our 'n' DTH business

On December 18, 2011, we announced that we had entered into a definitive combination agreement with Canal+ Group pursuant to which we and Canal+ Group agreed to combine their pay-TV operations in Poland. Under the Combination Agreement, we will procure the contribution of our interest in 'n' and Canal+ Group will procure contribution of its interest in Canal+ to a combined entity to be named 'n/C+'. The combined 'n/C+' entity of which we will hold 32%, Canal+ Group will hold 51% and LGI Ventures B.V. ("LGI") will hold 17%. In addition, under the terms of a separate agreement with ITI Holdings, Canal+ Group has also agreed to take a 40% stake in N-Vision B.V., our indirect majority shareholder. See "Material Contract" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group".

The completion of the Combination Agreement is subject to certain conditions, including, among others: (1) antitrust regulatory approval of the transaction envisaged in the Combination Agreement; (2) all material licenses held by ITI Neovision Sp. z o.o. and Canal+ remaining valid and in full force; and (3) there having occurred no default or any acceleration of any sum due, in respect of the notes of Polish Television Holding and there having occurred no breach of representations made by us regarding the Senior Notes. Unless the parties agree otherwise, the long stop date to satisfy the conditions to the combination is May 18, 2013, which is the date that is 17 months after the date of the Combination Agreement. We cannot assure that all the conditions in the Combination Agreement will be fulfilled as we cannot be certain that The Office of Competition and Consumer Protection will approve this transaction or that there will not occur a default or any acceleration of any sum due in respect of the Senior Notes.

If the Combination Agreement is terminated, or if certain conditions are not fulfilled, we may not complete the transaction. As a result, we cannot assure you that the proposed combination will be completed. If the closing conditions for the proposed combination set forth in the Combination Agreement are not satisfied or waived pursuant to the terms of the Combination Agreement, or if the transaction is not completed for any other reason, the market price of our common stock may decline. In addition, if the proposed combination does not occur, we will nonetheless remain liable for significant expenses that we have incurred related to the transaction.

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 providers on the Polish DTH pay TV market: (1) Cyfrowy Polsat S.A. (“Polsat”) and (2) Canal+ Cyfrowy Sp. z o.o (“Canal+”, with which our agreement to merge ‘n’ is subject to regulatory approval). 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.

Integration of the Canal+ business with ‘n’ business may not be effective

The ‘n/C+’ merged entiry, if completed, will combine the Canal+ and ‘n’ DTH platforms to form a single DTH service provider. Realization of the benefits of the combination will require the integration of some or all of the sales and marketing, information technology systems and administrative operations of the two DTH platforms. If the two DTH platforms cannot be successfully integrated within a reasonable time following the completion of the transaction, we may not be able to realize the potential benefits anticipated from the merged entity. Failure in the successful integration of the two DTH platforms and the diversion of management attention from existing operations could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, even if the two DTH platforms are successfully integrated, they may not be able to realize the cost saving, synergies that are anticipated from the merged entity, either in the amount or within the time frame that is currently anticipated, and the costs of achieving these benefits may be higher than, and the timing may differ from, what is expected. The ability of merged entity to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including the following:

- the use of more cash or other financial resources on integration and implementation activities than expected; and
- increases in other expenses related to the merged entity, which may offset the cost savings from other synergies.

Following the completion of the proposed merger under the Combination Agreement, we will not control ‘n/C+’, and actions taken by our partners in respect of ‘n/C+’ could materially adversely affect our business

The ‘n/C+’ merged entiry, if completed, will be 51% percent owned by Groupe Canal+, 17% owned by LGI and 32% owned by us. We will not be the majority shareholder in ‘n/C+’ and are therefore dependent on our respective joint venture partners to cooperate with us in making decisions regarding the business of ‘n/C+’ and the day-to-day operation of the DTH business operated by ‘n/C+’. This means that we may be unable to prevent actions that we believe are not in the best interests of ‘n/C+’ or our company as a whole. Any such actions could materially adversely affect our business, results of operations, financial condition and cash flows.

The completion of ‘n/C+’ is subject to certain conditions. See - “We may not be able to fulfill the conditions of our agreement with Canal+ in respect of our ‘n’ DTH business”.

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.

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, high definition television, 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 or could affect the pricing of our advertising services. 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 undergoing 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 and we cannot predict the effect of the migration on our existing operations. 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 for the TVN channel was converted into a digital terrestrial license in June 2010, and will expire in 2014, while our satellite licenses will expire between 2011 and 2021 The Polish Law on Radio and Television Broadcasting dated December 29, 1992, as amended (the "Broadcasting Law"), provides for the procedure and requirements for renewal of licenses after they 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 ("MUX2"). TVN channel is located on the MUX2 together with the following free-to-air 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. Furthermore on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2. However, 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.

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.

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 such laws 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 such laws 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.

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, such acquisition will be null and void in violation of the Broadcasting Law. Violation of applicable laws and regulations, or our licenses including the thresholds of 49% of our shares, 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 in order 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, digital platform and teleshopping segments may have an adverse impact on our financial results

As a result of our acquisition of Onet, 'n' and Mango Media, 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 and teleshopping segments have suffered any impairment by estimating the recoverable amount of the online cash generating unit based on value in use. 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, finance expenses and capital expenditures is, 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 or expense 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 may increase as a percentage of net sales, thereby decreasing our net margins and net profit. Between early August 2011 and late December 2011, the zloty depreciated by approximately 11% against the Euro, the currency in which most of our long-term debt is denominated. The effect of the currency depreciation is to inflate the value of our indebtedness in relation to our ability to make payments on our indebtedness. 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. Furthermore, in 2011 in particular more attention in global financial markets was focused on the ability of several members of the group of countries using the Euro to continue using the Euro as their national currency. The consequent uncertainty about these countries and even determining what remaining group of countries may use the Euro has caused a higher degree of uncertainty in foreign exchange markets as to expectations about the value of the Euro. In light of the developing situation, it is possible that hedging foreign exchange exposure could become even more expensive or difficult at a time when it is most needed. Furthermore, banks across much of Europe have become more risk averse and reluctant to lend as a consequence of the continuing financial turmoil, which may affect our ability to obtain financing or refinancing if foreign exchange fluctuations affect our ability to remain in compliance with our current debt obligations.

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 twelve months ended December 31, 2011 we entered into related party transactions for which we incurred costs from ITI Group and its related parties, inclusive of an annual advisory fee of EUR 5,000, of PLN 46,812. 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.

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 are risks 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 *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. 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, 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.

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, 2011, our subsidiaries which are not guarantors of the 10.75% Senior Notes or 7.875% Senior Notes had PLN 127,796 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. 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 15, 2011, 55.62% 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 are 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 be maintained 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 four major business segments – television broadcasting and production, digital satellite pay television, online and teleshopping. Our 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 TTV. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment as well as 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, our local channel aimed at residents of Warsaw, ceased broadcasting via TV platforms and its content was transferred to online presence only as of March 25, 2011. As a result we do not account it anymore as a television channel. TTV is an interactive social-intervention channel co-owned and co-produced by TVN and was launched on January 2, 2012. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. Additionally we launched TVN Player which is our ad-supported internet VOD service, which allows viewing of both videos produced by our company (or in our name), and other movies that were shown previously in our TV channels.

- **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, 2011, the ‘n’ DTH platform had over 929,000 (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 over 345,000 (not in thousands) active customers (including TNK HD) as of December 31, 2011. On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation. See "Material Contract" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group"

- **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.

- **Teleshopping** – we own Telezakupy Mango 24, which is the only all-day teleshopping channel in Poland.

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, 2011, all of our channels obtained a nationwide all-day audience share of 20.7%, and our TVN channel achieved a peak-time audience share in its key target group of 22.7%. This high market share of our key target audience makes us attractive to advertisers. According to NAM, TVN Group had a 37.7% 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, 2011, the 'n' DTH platform had over 929,000 (not in thousands) active subscribers. Since October 2008 the 'n' DTH platform operates TNK, which had over 345,000 (not in thousands) active customers (including TNK HD) as of December 31, 2011. According to the latest available data from Megapanel PBI/Gemius for November 2011, Onet's monthly number of real users totaled 13.6 million in November 2011, while the average time spent on the portal was 5 hours and 37 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. For the twelve months ended December 31, 2011, we generated revenue of PLN 1,959,843 and EBITDA of PLN 659,796 with an EBITDA margin of 33.7%.

TELEVISION BROADCASTING AND PRODUCTION SEGMENT

For the year ended December 31, 2011, this segment accounted for 63.5% of our total revenues, including both continuing and discontinued revenues.

Industry overview

Polish television broadcasting industry

Poland has the largest population in Central Europe, with approximately 38 million residents. According to NAM, in 2011 approximately 100% of the country's 14.0 million households had at least one television set, and approximately 24.7% 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, 2011, satellite operators served 4.8 million households with premium DTH services, representing a penetration rate of 34,3%, while cable networks reached 4.9 million households, including social packages, and had a total cable penetration rate of 34,9%. Based on a TGI survey by Nielsen Audience Measurement in 2011, we estimate that 30.8% 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, 2011, up to 155 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, 2010, TVP derived approximately 12.2% 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 NAM, watching television is a popular leisure activity in Poland with the average viewer watching approximately 245 minutes of television per day in 2010. 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 2010.

Country	Average number of minutes
Italy	246
Spain	234
Germany	223
France	212
Poland	245
Czech Republic	191

Source: NAM

Polish cable and satellite market

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, Vectra and Multimedia are Poland's largest cable operators with an aggregate 62% share of the Polish cable market as of December 31, 2011. The purchase of Aster by UPC was finalized in the fall 2011, after receiving the antimonopoly office's 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. In the future there will be three digital satellite platforms, as Canal+ Cyfrowy Sp. z o.o and ITI Neovision Sp. z o.o. platforms will merge – subject to approval by the antimonopoly office.

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 7,491 million in 2011 (according to Starlink). Data compiled by Starlink indicates that total net advertising expenditures for all Polish media grew by 1.9% in 2011. Total television advertising market in 2011 was 0.5% higher than in 2010.

Television advertising is the dominant advertising medium in Poland, accounting for approximately 52% of the total net advertising expenditure for the year ended December 31, 2011, according to Starlink. In 2011, total net television advertising expenditure in Poland amounted to approximately PLN 3,881 million.

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

	Year	
Media	**2010**	**2011**
Television	52	52
Internet (including display and Search Engine Marketing)	14	16
Magazines	10	9
Newspapers	8	7
Radio	8	8
Outdoor	7	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 over 60% 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 and Estonia, according to 2010 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*, *Prosto w Serce* and *Przepis na życie.*

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	92%
TVN 24	2001	News	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	63%
TVN 7	2002	entertainment	encrypted digital satellite platforms, cable and DSL	free-to- view	70%
TVN Meteo	2003	weather	encrypted digital satellite platforms, cable and DSL	license fee based	61%
TVN Turbo	2003	automotive	encrypted digital satellite platforms, cable and DSL	license fee based	62%
TVN Style	2004	Health and beauty	encrypted digital satellite platforms, cable and DSL	license fee based	62%
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	62%
TVN CNBC…………	2007	business	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	56%

(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 2011, demonstrating the strength of both our locally produced and acquired programming content:

Top Ten programs by Nationwide Audience Share in 2011

Date	Title	Description	Nationwide audience share (%)
July 14,	Fakty	Main news bulletin	37.2
October 1,	Mam talent (Got Talent!)	Entertainment	33.4
April 10,	X Factor	Entertainment	32.7
June 13,	W-11 Wydział Śledczy	Docu-crime series	29.2
November 27,	Taniec z Gwiazdami (Strictly Come Dancing)	Entertainment	29.2
April 16,	Kuchenne rewolucje	Reality show	28.4
December 11,	Uwaga!	Current affairs	27.5
June 17,	Prosto w serce	Series	27.2
April 15,	Sędzia Anna Maria Wesołowska	Docu-crime series	27.1
July 28,	Detektywi	Docu-crime series	26.5

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 2011, 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 24-hours, 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 well over 8.5 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 and Vectra.

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, 2011 we derived approximately 54.7% 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 2007:

Nationwide Peak-time Audience Share

Channel	2007 (%)	2008 (%)	2009(%)	2010(%)	2011(%)
TVN Group including (but not limited to):	24.3	24.6	23.7	23.7	23.2
TVN........................	20.0	20.4	19.5	18.8	18.2
TVN 7.....................	1.4	1.6	1.6	1.6	1.9
TVN 24...................	2.1	1.9	1.9	2.5	2.4
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.................	0.3	0.3	0.3	0.3	0.3
TVP 1..........................	23.5	22.5	21.2	20.6	18.6
TVP 2..........................	17.7	17.3	17.1	16.6	15.3
Polsat..........................	18.6	17.6	16.0	14.6	15.2
TV 4............................	2.1	1.8	2.2	2.4	2.5
Others.........................	13.8	16.2	19.8	22.1	25.1

Source: NAM

16-49 Peak-time Audience Share

Channel	2007 (%)	2008 (%)	2009(%)	2010(%)	2011(%)
TVN Group including (but not limited to):	24.4	25.0	24.2	23.7	23.7
TVN........................	20.3	20.6	20.0	19.2	18.9
TVN 7.....................	1.7	2.1	2.0	1.9	2.3
TVN 24...................	1.6	1.3	1.2	1.6	1.4
TVN Meteo.............	0.0	0.1	0.1	0.1	0.1
TVN Turbo..............	0.5	0.5	0.5	0.5	0.6
TVN Style.................	0.4	0.4	0.4	0.4	0.4
TVP 1..........................	21.2	19.9	18.4	18.0	15.4
TVP 2..........................	16.0	15.8	16.1	15.5	13.7
Polsat..........................	21.8	20.4	18.4	16.7	17.4
TV 4............................	2.4	2.2	2.6	2.7	3.0
Others.........................	14.2	16.7	20.3	23.4	26.8

Source: NAM

According to NAM, in 2011, our channels captured an aggregate average of 20.7% 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 2007:

Nationwide All-Day Audience Share

Channel	2007 (%)	2008 (%)	2009(%)	2010(%)	2011(%)
TVN Group including (but not limited to):	21.8	21.9	21.2	21.1	20.7
TVN	16.5	16.7	15.9	15.2	14.9
TVN 7	1.5	1.6	1.7	1.6	1.8
TVN 24	3.0	2.7	2.7	3.4	3.1
TVN Meteo	0.1	0.1	0.1	0.1	0.1
TVN Turbo..............	0.3	0.4	0.4	0.4	0.4
TVN Style	0.4	0.4	0.4	0.4	0.4
TVP 1..........................	23.2	22.6	20.9	19.3	17.4
TVP 2..........................	18.0	16.8	15.4	14.5	13.3
Polsat..........................	16.8	15.4	14.8	13.8	14.5
TV 4	2.1	1.8	2.1	2.1	2.4
Others.........................	18.1	21.5	25.6	29.2	31.7

Source: NAM

16-49 All-Day Audience Share

Channel	2007 (%)	2008 (%)	2009(%)	2010(%)	2011(%)
TVN Group including (but not limited to):	22.3	22.8	22.1	22.3	21.8
TVN	17.2	17.5	16.9	16.4	16.1
TVN 7	1.8	2.0	2.0	2.0	2.2
TVN 24	2.3	2.0	2.0	2.6	2.2
TVN Meteo	0.0	0.1	0.1	0.2	0.1
TVN Turbo..............	0.5	0.6	0.6	0.6	0.7
TVN Style	0.5	0.6	0.5	0.5	0.5
TVP 1..........................	20.2	19.2	17.5	15.9	13.6
TVP 2..........................	16.8	15.6	14.3	13.5	11.9
Polsat..........................	19.9	18.5	17.4	16.0	16.5
TV 4	2.4	2.2	2.5	2.5	2.8
Others.........................	18.4	21.7	26.2	29.8	33.4

Source: NAM

Television advertising

Television advertising sales

We sell advertising airtime to a broad and diverse group of advertisers that includes multinational and national companies. The majority of our advertising revenue generated in 2011 came from media houses representing multiple advertisers, with the balance generated directly pursuant to agreements with individual advertisers. For the year ended December 31, 2011, our ten largest individual advertisers collectively accounted for approximately 18.5% of our net advertising revenue with no single advertiser accounting for more than 3.4% 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 2011, 52% of our advertising sales on our TVN channel were package sales priced on the basis of cost per GRP compared to 47% in 2010.

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 214 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 37.7% 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 2011. During the same period, we had a peak time key target audience share of 28.7%. 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 2011:

Group	**All-day nationwide audience share (%)**	**All-day share of voice (%)**
TVN Group	21.0	26.1
TVP Group...	36.7	34.7
Polsat Group..	21.0	26.4
Others..	21.3	12.8
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 2011:

Group	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN Group	28.7	37.7
TVP Group	26.3	21.6
Polsat Group	20.1	24.4
Others	24.9	16.3
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 2011:

Channel	Peak time key target group audience share (%)	Peak time key target group share of voice (%)
TVN	22.8	31.0
TVP 1	12.0	11.4
TVP 2	10.8	8.7
Polsat	14.7	18.8
Others	39.7	30.1
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 2011, we produced approximately 2,901 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, Rochstar Sp. z o.o 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 Arab Spring, Wedding of Prince William and Catherine Middleton or financial turbulence within European Union. 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 2.7% 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, 2011. 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	98%
TVN	92%

Source: NAM

According to NAM, during 2011, TVP1, TVP2 and Polsat together accounted for a nationwide all-day audience share of 45.2%. TVN's market share during this period was 14.9%. The aggregate nationwide all-day audience share of TVP1, TVP2 and Polsat in TVN's coverage area was 41.6%, while for TVN it was 16.1%.

For the year ended December 31, 2010 TVP generated approximately 12.2% 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 that broadcasts news and current affairs programs.

The remaining Polish audience share is split among over 151 other Polish language cable and satellite channels. According to NAM, these other market participants collectively captured 31.7% of the nationwide all-day audience share in 2011.

PAY TV SEGMENT

Segment overview

For the year ended December 31, 2011, our pay TV segment generated 27.9% of our total revenues, including both continuing and discontinued 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, Vectra and Multimedia are Poland's largest cable operators with an aggregate 62% of the cable market as of December 31, 2011. 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. In 2010 we entered into a framework cooperation agreement with TP. See "Material Contract" for "Framework cooperation agreement with Telekomunikacja Polska S.A.". On December 18, 2011 we signed a definitive fully binding agreement with Canal+ to merge the respective Pay-TV operations "n" and Cyfra+. Under the terms of the transaction, we will contribute our subsidiary ITI Neovision in exchange for a 32% stake in n/C+. At the same time, Canal+ will contribute Cyfra+ in exchange for a 51% stake in n/C+. A shareholder agreement has been signed between us, Canal+, "n" and Cyfra+, that safeguards ours minority rights in n/C+ and provides potential exit and liquidity rights, 3 or 4 years after closing of the transaction. See "Material Contract" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group"

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 73% as of December 31, 2011, not adjusting for the TV households with more than one pay TV service. There remains 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 Coöperatief 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.

On December 18, 2011 we signed a definitive fully binding agreement with Canal+ to merge their respective Pay-TV operations “n” and Cyfra+. Under the terms of the transaction, we will contribute its subsidiary ITI Neovision in exchange for a 32% stake in n/C+. At the same time, Canal+ will contribute Cyfra+ in exchange for a 51% stake in n/C+. A shareholder agreement has been signed between us, Canal+, “n” and Cyfra+, that safeguards ours minority rights in n/C+ and provides potential exit and liquidity rights, 3 or 4 years after closing of the transaction. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”.

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 mainstream and premium segment of the pay TV market, “Telewizja na kartę” (“TNK”) and “n na kartę” (“NNK”), which provides a pre-paid offering for the economy segment of the market. As of December 31, 2011, the ‘n’ DTH platform had almost 929,000 (not in thousands) active subscriber and TNK and NNK had over 345,000 (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 seven 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. The ‘n’ customers may also select to use our OTT service – nVODnet. The service gives ‘n’ subscribers access to thousands of additional TV series and movies by connecting their decoder to the internet via cable or WiFi.

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 and NNK. As of December 31, 2011, TNK had over 345,000 active customers. TNK and NNK 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”) and in June 2011 the service was rebranded to “n na kartę”, 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, 2011, TNK had 266,000 (not in thousands) active customers for its basic pre-paid service and an additional 79,000 (not in thousands) active customers for its TNK HD and NNK HD pre-paid service.

In March 2011, ITI Neovision became content distributor of basic television offer for Telekomunikacja Polska. ITI Neovision provided content on a wholesale basis to 262,000 (not in thousands) TP customers as of December 31, 2011.

In June 2011 ITI Neovision and TP introduced bundle offer consisting of television service sold by ITI Neovision and Internet access service sold by TP (“Bundle Offer”). ITI Neovision had 24,000 (not in thousands) postpaid subscribers of Bundle Offer as of December 31, 2011.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”.

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. In addition ‘n’ platform services can be purchased through Telekomunikacja Polska Group’s distribution network of over 1100 points of sale, as part of television and internet bundles.

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 Contego conditional access system with pairing of cards and set-top boxes by individually encrypting card-box communications to prevent key sharing. Conax Contego as next generation security system provides flexibility for new business models, DRM integration and further security improvements.

Competition

Besides ITI Neovision, which owns and operates the 'n' DTH platform and the pre-paid TNK and NNK services, 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, 2010 and 2011:

	Number of subscribers (in thousands)				
Platform	**2007**	**2008**	**2009**	**2010**	**2011**
'n' (1)	272	493	692	805	929
TNK (1)	-	92	262	322	345
Total 'n' and TNK	**272**	**585**	**954**	**1,127**	**1,275**
Cyfrowy Polsat (2)	2,068	2,727	3,200	3,434	3,506
Cyfra + (3)	1,070	1,380	1,500	1,550	1,550
TP(4)	40	113	283	497	615
Total market	**3,450**	**4,805**	**5,937**	**6,608**	**6,946**

(1) TVN Group internal data;
(2) Cyfrowy Polsat Investors' Center data for the end of third quarter 2011
(3) Publicly available data for the year 2010
(4) Data for TP includes DTH and IPTV subscribers and comes from the Telekomunikacja Polska Investors' Center for the end of third quarter 2011

ONLINE SEGMENT

Segment overview

For the year ended December 31, 2011, this segment accounted for 10.2% of our total revenues, including both continuing and discontinued 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 November 2011, based on estimates of Megapanel PBI/ Gemius. According to 'Social Diagnosis 2011' published by Social Monitoring Council, in 2011, approximately 70% of Poles aged over 16 had an internet-connected computer.

The Polish Internet market consists of private commercial content destination sites, thematic vortals, social media and countless e-commerce pages. 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 2011, 9.3% (1.5 million) of Internet users from Poland regularly access the Internet using mobile access.

Polish Internet content destination sites 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 2011 amounted to approximately PLN 1,214 million (compared to PLN 1,021 million in 2010), representing a 18,9% 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;
- marketing research development—joint platform for measuring the effectiveness of an advertiser.

Our portals and vortals

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

- Onet.pl has been the leading Polish Internet portal since 2000 and 2nd most popular domain after Google, 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 November 2011, 71.1% of Polish Internet users use services of Grupa 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 map based online yellow page 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 4.5 million as of November 2011.
- Plejada.pl is Poland's most popular show-business web site launched in March 2008 as a joint project of TVN and Onet.pl.
- Sympatia.pl is Poland's leading online dating service with over 4 million registered profiles with over 16 million pictures uploaded by its users.
- OnetVOD offers popular Polish and American series, TV shows, feature films, documentaries, cartoons and music video clips. The service was launched on February 2010. It achieves over 2 million users monthly as of October 2011.

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 on others thematic vortals like 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 246 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 (so called long-tail) 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 content destination and e-commerce sites, like WP.pl, Gazeta.pl or Allegro.pl and also with other major websites including Google, Youtube, Facebook 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 2011, 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 November 2011:

Websites	**Type**	**Reach** (%)	**Real users** (in thousands)
Google.pl.......................................	search engine	92.1	17,559
Onet.pl..	**portal**	**71.1**	**13,557**
WP.pl..	portal	65.0	12,381
Gazeta.pl……………………………	portal	62.5	11,916
Allegro.pl......................................	online auction	61.0	11,626
Interia.pl…………………………….	portal	59.9	11,418
nasza-klasa.pl………….................	social network website	58.9	11,238
o2.pl…………………………………	portal	52.3	9,967

Source: Megapanel PBI/Gemius, November 2011

The following table sets out the total time spent by users per month on Onet.pl and the top five Polish websites as of November 2011. 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**	**76,192**	**5:37**
WP.pl...	Portal	74,897	6:03
Allegro.pl..	online auction	60,318	5:11
Interia.pl……………………………..	Portal	44,875	3:56
o2.pl………………………………….	Portal	28,195	2:50
Gazeta.pl…………………………….	Portal	25,854	2:10

Source: Megapanel PBI/Gemius, November 2011.

THE COMPANIES DEVELOPMENT TARGETS

The management team remains focused to accomplish continued value creation for the shareholders. We strive to develop all our business segments with a clear focus on profitability whilst driving revenue growth and engaging in new business opportunities. We benefit from a very experienced management team and a unique and diversified position in the Polish media market. Our main development objectives are:

- ***Pursue a sound level of strategic integration and push the levels of convergence*** - We develop further integrated products of 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 continue to 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. Under our new TVN 3.0 strategy we will continue to deliver our own content to a broader and wider audience. A first successful example is the recently launched TVNPlayer. We also intend to develop new products, which will maximize the effectiveness and efficiency of advertising on television and via the Internet at the same time. The first significant step in preparing a wider approach to the advertising community has been accomplished with the newly created TVN Media Company, serving both TVN and third party channels, allowing us to broaden our sales and marketing activities and respond to the current and future needs of our customers. 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, movies and shows, 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 20th Century Fox, 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.

- ***Focus on our advertising customers' needs and convert growth in audience market share into advertising revenue*** — We intend to continue providing 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 2011, about 60.0% of our revenue was derived from television and Internet advertising, 26.0% from subscription fees of 'n' platform subscribers and 14.0% from other sources (teleshopping, call television, revenue from cable operators and Internet services). We embrace the new opportunities provided by national coverage due to the introduction of the DTT network, allowing TVN and TVN7 to increase their reach to 100% and we acquired 51% of TTV, to broaden our demographic offer in all Polish TV homes.

- ***Successfully exploit TVN's position in the recently announced Canal+ Transaction*** – Subject to approval from the relevant government authorities we expect to drive significant shareholder value from the combination of the two DTH platforms Cyfra+ and n. Planned in the in the second half of 2012 we will start to realize substantial synergies which will materially improve the risk profile of TVN group.

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 249,265 in 2011.

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 by 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 7, 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 and verbal-graphic trademark; (16) Onet.pl e-mocje, as a verbal-graphic trademark; (17) Tenbit, as a verbal-graphic trademark and (18) Republika www, as a verbal-graphic trademark, (19) onet.tv PLATFORMA as a several verbal-graphic trademarks, (20) Zumi.pl as a verbal trademark, (21) PCLab.pl DIGITAL COMMUNITY as a verbal-graphic 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, (7) Onet., as a several verbal-graphic trademarks, (8) VOD.onet.pl Gdzie chcesz. Kiedy chcesz. as a verbal and verbalgraphic 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.

Prior to December 31, 2011 ZAIKS, a collective rights management organization representing the rights of authors and composers being members of this association, filed two court claims against ITI Neovision in the total amount of PLN 50,075 covering the period from October 12, 2006 until December 31, 2010. Following the conclusions from both external legal opinions as well as internal analysis ITI Neovision believes that it is adequately provided for with regard to these claims.

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. The renewal of existing terrestrial and satellite licenses are subject to the simplified procedure of the Broadcasting Law.

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.

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 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.

As on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2. The license for distribution of the TVN 7 Channel is under the procedure of renewal for the next ten years.

The date of the switch-off, is established on July 31, 2013.

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	April 14, 2014
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 Terrestrial 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
nSport 3	Satellite broadcast license	ITI Neovision	KRRiT	August 23, 2021
Wojna i Pokój	Satellite broadcast license	Neovision UK Ltd.	Ofcom	Indeterminate
nShow 3D	Satellite broadcast license	ITI Neovision	KRRiT	August 29, 2021
Strefa Abonenta	Satellite broadcast license	ITI Neovision	KRRiT	August 29, 2021

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.

The restrictions of the ownership above, do not apply to foreign ownership of the Internet portal operations.

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 only 12 minutes of advertising time per hour. 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. Product placement is allowed under the certain conditions.

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, 2011:

Entity	Country of incorporation and residence	December 31, 2011 Ownership (%)	December 31, 2011 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	0	0
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 plc in members' voluntary liquidation [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
TVN Holding S.A.	Poland	100	100
TVN Media Sp. z o.o. (previously Highgate Capital Investments Sp. z o.o.)	Poland	100	100
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
MGM Channel Poland Ltd (joint venture) [2]	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	34
Stavka Sp. z o.o.	Poland	51	51
Polskie Badania Internetu Sp. z o.o.[1]	Poland	16	16

* Dissolved on December 5, 2011.

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 August 29, 2011 we entered into strategic alliance with Stavka Sp. z o.o., holder of the licence for terrestrial broadcasting of the TTV channel, acquiring 25% of its interest. On December 21, 2011 we purchased another 26% stake in Stavka Sp. z o.o.

On October 3, 2011 we acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of PLN 110.

On November 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary. On 13 December 2011 we signed with TVN Media an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on behalf of us. The agreement is valid from November 29, 2011 until December 31, 2012. The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients. The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group's structure, and opening the functions to new independent product implementations. The Group assessed that as a result of the reorganization the post-tax cash flows expected from the sales and marketing functions will improve mainly due to expected increase in revenue from services provided to external customers and expected selling expenses savings and certain tax benefits resulting in additional positive margin generated by the Group.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in 'n' for a 32% stake in the combined operation.

Our fiscal year ends on December 31. References to "2009", and "2010" and "2011" are to the years ended December 31, 2009, 2010 and 2011 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 two years ended December 31:

(PLN)	**2011***	**2010***	**2011 vs. 2010 increase/ (decrease) (%)**
Revenue	1,959,843	1,925,130	1.8
Operating Profit	549,261	585,361	(6.2)
Loss for the period from discontinued operations……………………………..	(251,489)	(213,159)	18.0
(Loss)/Profit for the period	(317,365)	45,861	(792.0)
(Loss)/Profit attributable to the owners of TVN S.A..............	**(317,365)**	**42,754**	**(842.3)**

* The consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The following table provides a summary of our consolidated results for the three months ended December 31, 2011 and December 31, 2010.

	Three months ended December 31,		
(PLN)	**2011**	**2010**	**2011 vs. 2010 increase/ (decrease) (%)**
Revenue	594,166	601,301	(1.2)
Operating Profit	181,807	208,534	(12.8)
Loss for the period from discontinued operations……………………………..	(67,108)	(89,445)	(25.0)
Profit for the period	12,431	15,801	(21.3)
Profit attributable to the owners of TVN S.A..............	**12,431**	**15,801**	**(21.3)**

Three Months Ended December 31, 2011

The principal events of the three months ended December 31, 2011 were as follows:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended December 31, 2011 decreased by 5.8% compared to the corresponding period of 2010.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, did not change and accounted for 36.4% in three months months ended December 31, 2011 and in the corresponding period of 2010.

- All our channels in total increased its audience share in all day nationwide audience share to 21.7% from 21.4%.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 2.0%, from 1.5%, all-day basic commercial target group audience share increased to 2.5%, from 1.9%, all-day key target group audience share increased to 2.9%, from 2.1%, *prime time* basic commercial target group audience share increased to 2.6%, from 1.9%, *prime time* key target group audience share increased to 2.7%, from 2.2%, *peak time* basic commercial target group audience share increased to 2.4%, from 1.9% and *peak time* target group audience share increased to 2.6%, from 2.3% in the corresponding period of 2010 according to NAM.

- Our TVN Turbo channel increased its audience share in six out of seven categories. All-day nationwide audience share increased to 0.5%, from 0.4%, all-day basic commercial target group audience share increased to 0.8%, from 0.6%, all-day key target group audience share increased to 1.4%, from 1.3%, *prime time* basic commercial target group audience share increased to 0.6%, from 0.5%, *prime time* key target group audience share increased to 1.0%, from 0.8% and *peak time* basic commercial target group audience share increased to 0.6%, from 0.5% in the corresponding period of 2010 according to NAM.

- Our Internet portal Onet.pl had 13.6 million real users and 2.9 billion page views in November 2011. Average monthly time spent per real user on Onet.pl portal in November 2011 was 5 hours and 37 minutes, according to Megapanel PBI/Gemius.

- Our 'n' DTH platform's post-paid net subscriber number increased by over 71,000 (not in thousands) during three months ended December 31, 2011. As of December 31, 2011, the 'n' DTH platform had over 929,000 (not in thousands) active subscribers. As of December 31, 2011, the 'n' DTH platform recorded monthly average revenue per subscriber ("ARPU") of PLN 61.1 (not in thousands), compared to PLN 60.2 (not in thousands) in the corresponding period of 2010.

- TNK active pre-paid net customer increased by over 4,000 (not in thousands) during three months ended December 31, 2011. As of December 31, 2011, TNK had a total customer base (active and inactive) of almost 821,000 (not in thousands). As of December 31, 2011, TNK HD had over 79,000 active customers. The 'n' DTH platform including TNK and TNK HD, had reached a total active clients number of almost 1,275,000 (not in thousands) as of December 31, 2011, compared to 1,127,000 (not in thousands) as of December 31, 2010.

- Our Group reported revenue decreased by PLN 7,135, or 1.2% to PLN 594,166, from PLN 601,301 in the corresponding period of 2010. Including 'n' platform results our Group revenue would have increased by PLN 23,613, or 3.1% to PLN 777,064, from PLN 753,451 in the corresponding period of 2010.

- Our TV segment decreased its revenue by PLN 15,337, or 2.9% to PLN 513,632, from PLN 528,969 in the corresponding period of 2010.

- Our Digital satellite pay television segment increased its revenue by PLN 33,114, or 20.1%, to PLN 197,868, from PLN 164,754 in the corresponding period of 2010.

- Our Online segment increased its revenue by PLN 3,686, or 5.0%, to PLN 76,901, from PLN 73,215 in the corresponding period of 2010.

- Our operating profit decreased by 12.8% to PLN 181,807, from PLN 208,534 in the corresponding period of 2010. Including 'n' platform results our operating profit would have increased by PLN 8,316 or 7.1% to PLN 125,268 from PLN 116,952 in the corresponding period of 2010.

- Our EBITDA increased by PLN 27,343 to PLN 212,606, from PLN 185,263 in the corresponding period of 2010. Our EBITDA margin increased to 35.8% from 30.8% in the in the corresponding period of 2010.

- We recorded profit for the period from continuing operations of PLN 79,539 compared to the profit for the period from continuing operations of PLN 105,793 in 2010.

- We recorded loss for the period from discontinued operations of PLN 67,108 compared to the loss for the period from discontinued operations of PLN 89,992 in 2010.

- We recorded a profit for the period of PLN 12,431 compared to a profit for the period of PLN 15,801 in 2010. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 12,431, compared to a profit attributable to the owners of TVN S.A. of PLN 15,801 in 2010.

- Our Net debt to EBITDA ratio as of December 31, 2011 was 4.1. As of December 31, 2011 we held in total PLN 667,126 of cash and cash equivalents resulting from continuing operations and PLN 60,819 from discontinued operations.

- On October 3, 2011 we acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of PLN 110.

- On October 6, 2011 we sold our stake in the share capital of Polskie Media S.A. for a consideration of PLN 8,002. We recognized a gain on this transaction in the amount of PLN 414.

- On November 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary.

- On 13 December 2011 we signed with TVN Media an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on behalf of us. The agreement is valid from November 29, 2011 until December 31, 2012. Based on this agreement, TVN Media on its behalf and for the benefit our contracts broadcasting of advertising, sponsorship, product placement and classifieds.

- On December 18, 2011 we signed a definitive fully binding agreement with Canal+ to merge their respective Pay-TV operations “n” and Cyfra+. Under the terms of the transaction, we will contribute its subsidiary ITI Neovision in exchange for a 32% stake in n/C+. At the same time, Canal+ will contribute Cyfra+ in exchange for a 51% stake in n/C+. A shareholder agreement has been signed between us, Canal+, “n” and Cyfra+, that safeguards ours minority rights in n/C+ and provides potential exit and liquidity rights, 3 or 4 years after closing of the transaction. To further cement the strategic partnership with us, Canal+ will invest in TVN indirectly by purchasing from ITI Group a 40% interest in N-Vision, the 100% ITI controlled parent of Polish Television Holdings – a holding company owning 51% stake in TVN (on a fully diluted basis), for a sum of approximately EUR 230,000. A shareholder agreement between Canal+ and ITI has been signed, and call options granted to Canal+ which provide a potential path to full control of N-Vision, 3 or 4 years after closing of the Transaction. At the same time ITI Holdings has a put option to sell to Canal+ a further 9% stake in N-Vision 2 years post signing.

Twelve Months Ended December 31, 2011:

The principal events of the twelve months ended December 31, 2011 were as follows:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the twelve months ended December 31, 2011 was flat and did not change compared to the corresponding period of 2010.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, decreased to 35.0%, from 35.4% in the corresponding period of 2010.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 1.8%, from 1.6%, all-day basic commercial target group audience share increased to 2.2%, from 2.0%, all-day key target group audience share increased to 2.4%, from 2.0%, *prime time* basic commercial target group audience share increased to 2.3%, from 1.9%, *prime time* target group audience share increased to 2.2%, from 2.0%, *peak time* basic commercial target group audience share increased to 2.3%, from 1.9% and *peak time* target group audience share increased to 2.2%, from 2.1% in the corresponding period of 2010 according to NAM.

- Our Internet portal Onet.pl had 13.6 million real users and 2.9 billion page views in November 2011. Average monthly time spent per real user on Onet.pl portal in November 2011 was 5 hours and 37 minutes, according to Megapanel PBI/Gemius.

- Our 'n' DTH platform's post-paid net subscriber number increased by almost 125,000 (not in thousands) during twelve months ended December 31, 2011. As of December 31, 2011, the 'n' DTH platform had over 929,000 (not in thousands) active subscribers.

- TNK active pre-paid net customer decreased by almost 25,000 (not in thousands) during twelve months ended December 31, 2011. As of December 31, 2011, TNK had a total customer base (active and inactive) of over 821,000 (not in thousands). As of December 31, 2011, TNK HD had over 79,000 active customers. The 'n' DTH platform including TNK and TNK HD, had reached a total active clients number of almost 1,275,000 (not in thousands) as of December 31, 2011, compared to 1,127,000 (not in thousands) as of December 31, 2010.

- Our Group revenue increased by PLN 34,713, or 1.8% to PLN 1,959,843, from PLN 1,925,130 in the corresponding period of 2010. Including 'n' platform results our Group revenue would have increased by PLN 158,334, or 6.4% to PLN 2,649,031, from PLN 2,490,697 in the corresponding period of 2010.

- Our TV segment increased its revenue by PLN 15,562, or 0.9% to PLN 1,682,100, from PLN 1,666,538 in the corresponding period of 2010.

- Our Digital satellite pay television segment increased its revenue by PLN 125,897, or 20.5%, to PLN 739,043, from PLN 613,146 in the corresponding period of 2010.

- Our Online segment increased its revenue by PLN 30,610, or 12.7%, to PLN 271,461, from PLN 240,851 in the corresponding period of 2010.

- Our operating profit decreased by 36,100, or 6.2% to PLN 549,261, from PLN 585,361 in the corresponding period of 2010. Including 'n' platform results our group operating profit increased by PLN 12,386, or 3.4% to PLN 376,147, from PLN 363,761 in the corresponding period of 2010.

- Our EBITDA increased by PLN 49,100, or 8.0% to PLN 659,796, from PLN 610,696 in the corresponding period of 2010 and EBITDA margin to 33.7% from 31.7% in the corresponding period of 2010.

- We recorded loss for the period from continuing operations of PLN 65,876 compared to the profit for the period from continuing operations of PLN 259,020 in 2010.

- We recorded loss for the period from discontinued operations of PLN 251,489 compared to the loss for the period from discontinued operations of PLN 213,159 in 2010.

- We recorded a loss for the period of PLN 317,365 compared to a profit for the period of PLN 45,861 in of 2010, primarily as a result of negative difference between unrealized foreign exchange losses booked this year and gains recorded last year.

- Consequently, we recorded a loss attributable to the owners of TVN S.A., of PLN 317,365, compared to a profit attributable to the owners of TVN S.A. of PLN 42,754 in 2010.

- Our Net debt to EBITDA ratio as of December 31, 2011 was 4.1. As of December 31, 2011 we held in total PLN 667,126 of cash and cash equivalents resulting from continuing operations and PLN 60,819 resulting from discontinued operations.

- On March 25, 2011 we announced decision to cease broadcasting TVN Warszawa and from March 26, 2011 TVN Warszawa is fully present online at www.tvnwarszawa.pl.

- On April 29, 2011 TVN and ITI Neovision signed agreements with Cyfrowy Polsat S.A. and Telewizja Polsat S.A., respectively, concerning mutual distribution of television channels. According to the agreements, Cyfrowy Polsat S.A. will continue to distribute TVN, TVN 7, TVN24, TVN Turbo, TVN Meteo and TVN Style channels as well as it will start offering TVN CNBC, Telezakupy Mango, TVN HD and TVN HD+1 via its satellite platform. At the same time ITI Neovision will initiate distribution of Polsat, Polsat HD, Polsat News, Polsat Cafe, Polsat Play, TV Biznes, Polsat JimJam, and later also Polsat Sport News, through ‘n’ platform.

- On May 17, 2011 we have amended the PLN 200 million (not in thousands) revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010. The amended agreement is a PLN 200 million (not in thousands) multicurrency facility available in EUR, USD and/or PLN, valid for the next 12 months with an extension option for another year.

- On June 14, 2011 we acquired our own PLN bonds with nominal value of PLN 5.6 million (not in thousands), outstanding portion of the PLN 500 million (not in thousands) PLN Bonds, issued in 2008 and maturing in 2013. As a result of this acquisition all of our PLN Bonds were redeemed.

- On July 4, 2011 ITI Neovision entered into a license agreement with Union des Associations Européennes de Football (“UEFA”). Under the agreement ITI Neovision acquires rights to broadcast UEFA Champions League and Europa League on ‘n’ platform’s sport channels, as well as to sublicense certain rights to selected TVN’s channels and to Telewizja Polska S.A.

- On July 7, 2011 ITI Holdings informed that it was considering options concerning potential sale of entire stake it held in the TVN Group at that time.

- On July 26, 2011 we have amended the PLN 200 million revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010. The amended agreement is a multicurrency facility increased to PLN 300 million available in EUR, USD and/or PLN, valid for the May 16, 2012 with an extension option for another year.

- On August 29, 2011 we entered into strategic alliance with Stavka Sp. z o.o., the holder of the licence for terrestrial broadcasting of the TTV channel, through acquisition of a 25% stake in that company. We will provide know-how in the production and broadcast operations of TTV channel, which is one of the channels to be broadcast via the first DTT multiplex.

- On September 30, 2011 we have amended the revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010 and then amended on May 17, 2011 and again on July 26, 2011. The amended Agreement is a multicurrency facility increased to PLN 400 million (not in thousands) available in EUR, USD and/or PLN, valid till May 16, 2012 with an extension option for another year.

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, 2011 have been converted into Euro at a rate of PLN 4.4168 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2011). Złoty amounts for the three months ended December 31, 2011 have been converted into Euro at a rate of PLN 4.4365 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2011, November 30, 2011 and December 31, 2011). Złoty amounts for the year ended December 31, 2011 have been converted into Euro at a rate of PLN 4.1401 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011, September 30, 2011, October 31, 2011, November 30, 2011 and December 31, 2011). 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).

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.

On December 18, 2011 we signed an agreement with Group Canal+ concerning the merger of the ‘n’ platform and the Canal+ DTH platform “Cyfra+”, resulting in the creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”. The operations of ITI Neovision Group are presented as discontinued and the assets and liabilities related to ITI Neovision Group are presented as held for sale as at December 31, 2011.

The consolidated balance sheet as at December 31, 2011 and the consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 have been restated in order to conform with the presentation requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’. The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

As we expect that the relationship between TVN Group and ‘n’ will continue after the completion of the above transaction, the income and expenses from the intercompany transactions were eliminated against the discontinued operations (i.e. revenue from continuing operations includes sales by continuing operations to discontinued operations).

As a result the comparability of the income statement items for the periods ended December 31, 2011 and 2010, as compared to the corresponding periods ended December 31, 2007, 2008 and 2009 is limited.

The consolidated balance sheet as at December 31, 2011 has been restated in order to conform with the presentation requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ whereas the consolidated balance sheet as at December 31, 2010 is presented as previously reported. Assets and liabilities of a disposal group classified as held for sale are presented as single amounts within current assets and liabilities separately from other asset and other liabilities. As a result the comparability of the balance sheet items as at December 31, 2011 and 2010 is limited.

	Three months ended December 31**,				Twelve months ended December 31**,			
	2010	2010	2011	2011	2010	2010	2011	2011
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	Euro
Income Statement data								
Revenue	601,301	149,973	594,166	133,926	1,925,130	480,754	1,959,843	473,381
Operating profit	208,534	52,011	181,807	40,980	585,361	146,179	549,261	132,668
Profit/ (loss) before income tax	130,626	32,580	93,573	21,092	318,876	79,631	(84,432)	(20,394)
Profit/ (loss) for the period from continuing operations	105,793	26,386	79,539	2,802	259,020	64,684	(65,876)	(15,912)
(Loss)/ profit for the period from discontinued operations	(89,992)	(22,445)	(67,108)	(15,126)	(213,159)	(53,231)	(251,489)	(60,745)
Profit/(loss) for the period	15,801	3,941	12,431	2,802	45,861	11,453	(317,365)	(76,656)
Profit/(loss) attributable to the owners of TVN S.A.	15,801	3,941	12,431	2,802	42,754	10,677	(317,365)	(76,656)
Cash Flow Data								
Net cash generated by operating activities	179,997	44,894	153,846	34,677	504,060	125,877	435,232	105,126
Net cash used in investing activities	(65,721)	(16,392)	(117,152)	(26,406)	(231,081)	(57,707)	48,145	11,629
Net cash generated by/ (used in) financing activities	55,191	13,765	(168,433)	(37,965)	(174,391)	(43,550)	(319,429)	(77,155)
Increase in cash and cash equivalents	169,467	42,267	(131,739)	(29,694)	98,588	24,620	163,948	39,600
Weighted average number of ordinary shares in issue (not in thousands)	342,110,672	342,110,672	343,856,814	343,856,814	341,292,193	341,292,193	343,336,965	343,336,965
Weighted average number of potential ordinary shares in issue (not in thousands)	343,096,286	343,096,286	343,856,814	343,856,814	345,511,104	345,511,104	343,336,965	343,336,965
Basic earnings per share (not in thousands)	0.05	0.01	(1.00)	(0.23)	0.13	0.03	(0.92)	(0.22)
Diluted earnings per share (not in thousands)	0.05	0.01	(1.00)	(0.23)	0.12	0.03	(0.92)	(0.22)
Dividend paid or declared per share (not in thousands)	-	-	-	-	0.31	0.08	0.04	0.01
Other data								
EBITDA*	185,263	46,207	212,606	47,922	610,696	152,506	659,796	159,367
EBITDA margin	30.8%	30.8%	35.8%	35.8%	31.7%	31.7%	33.7%	33.7%
Operating margin	34.7%	34.7%	30.6%	30.6%	30.4%	30.4%	28.0%	28.0%
Balance Sheet data	**As at December 31, 2010 PLN**	**As at December 31, 2010 Euro**	**As at December 31, 2011 PLN**	**As at December 31, 2011 Euro**	**As at December 31, 2010 PLN**	**As at December 31, 2010 Euro**	**As at December 31, 2011 PLN**	**As at December 31, 2011 Euro**
Total assets	5,191,482	1,310,881	5,111,958	1,157,390	5,191,482	1,310,881	5,111,958	1,157,390
Current assets	1,559,090	393,680	1,357,701	307,395	1,559,090	393,680	1,357,701	307,395
Non-current liabilities	3,261,207	823,475	3,478,473	787,555	3,261,207	823,475	3,478,473	787,555
Current liabilities	691,590	174,631	456,414	103,336	691,590	174,631	456,414	103,336
Shareholders' equity***	1,238,685	312,776	923,471	209,081	1,238,685	312,776	923,471	209,081
Share capital	68,471	17,289	68,775	15,571	68,471	17,289	68,775	15,571

*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, interest income, finance expenses, foreign exchange gains and losses, income taxes and share of net results of associates. The reconciling item 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. 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 consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

*** Shareholders equity attributed to the owners of TVNS.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*,			
	2010	2010	2011	2011	2010	2010	2011	2011
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	Euro
Operating profit	208,534	52,011	181,807	40,980	585,361	146,179	549,261	132,669
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	(54,252)	(13,531)	(12,413)	(2,798)	(76,978)	(19,223)	(2,251)	(554)
Depreciation, amortization and impairment charges	30,981	7,727	(43,212)	9,740	102,313	25,550	112,786	27,242
EBITDA	185,263	46,207	212,606	47,922	610,696	152,506	659,796	159,367

* The consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Revenue

Television broadcasting and production

This segment primarily derives revenue from commercial advertising. During the three and twelve months ended December 31 2011, we derived 56.4% and 54.7%, respectively, of our total revenue from commercial television advertising, compared to 60.8% and 57.2% in the corresponding periods of 2010.

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,			Twelve months ended December 31,		
	2009	2010	2011	2009	2010	2011
Our Rate-card pricing	55	44	44	55	53	48
Our Cost per GRP pricing	45	56	56	45	47	52

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, 2011, we tended to sell over 97.3% and 98.6.%, respectively, of peak time advertising spots on our TVN channel and over 63.3% and 68.9% 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, 2011, 6.0% and 6.6%, respectively, of our total revenue came from such fees compared with 5.3% and 6.4% in the corresponding periods of 2010. 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, 2011, we derived 23.2% and 26.0%, respectively, of our total revenue from 'n' DTH platform subscription fees and recharges compared with 20.4% and 23.2% in the corresponding periods of 2010.

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.

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, 2011, we derived 8.7% and 8.9%, respectively of our total revenue from online advertising, compared with 8.9% and 8.3% in the corresponding periods of 2010.

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. Fee revenue also includes sales of telecommunications services under such brands as OnetSkype, and OnetTelefon.

Teleshopping

Revenue in teleshopping primarily includes the sale of goods/teleshopping which accounted for approximately 1.4% and 1.5%, respectively, of our revenue in the three and twelve months ended December 31, 2011, compared with 1.7% and 2.3% in the corresponding periods of 2010. 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.

Our expenses

The majority of our operating expenses, 46.5% and 46.4%, respectively, the three and twelve months ended December 31, 2011 and 50.2% and 47.6% in the corresponding periods of 2010, 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 26.6% and 26.0%, respectively, of our operating expenses in the three and twelve months ended December 31, 2011, compared with 30.3% and 27.7% in the corresponding periods of 2010. 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, 2011, we commissioned and produced locally through third parties 79.1% and 76.8%, respectively, of programming content on our TVN channel, compared with 78.2% and 73.9% in the corresponding period of 2010. During the three and twelve months ended December 31, 2011, we acquired 20.9% and 23.2%, respectively, of our programming content from third parties, compared with 21.8% and 26.1% in the corresponding periods of 2010. 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 of satellite and terrestrial transmission capacity (both analog and digital), 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 18.7% and 18.9%, respectively, of our operating expenses in the three and twelve months ended December 31, 2011, compared with 18.9% and 18.8% in the corresponding periods of 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 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.

Teleshopping

Teleshopping's expenses consist primarily of costs of services and goods sold.

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 2.5% GDP growth in 2012 according to the most recent view of the World Bank expressed in January, 2011. We estimate that net television advertising expenditure in Poland was flat in 2011 despite of 4.3% GDP growth estimate by Polish Central Statistical Office.

Although the Polish advertising market is dominated by spending on television advertising, which, according to Starlink, accounted for about 52% of total advertising expenditure in the 2011, 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, 2011, we generated approximately 21.0% of our television segment total advertising revenue in the first quarter, 29.8% in the second quarter, 18.8% in the third quarter and 30.4% 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 appeals to our target audience. According to NAM, our channels captured an average of 21.7% and 20.7%, respectively, of Poland's nationwide all-day audience in the three and twelve months ended December 31, 2011, and our TVN channel achieved 22.5% and 22.7%, respectively, of our key target audience during *peak time* in the three and twelve months ended December 31, 2011. 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 channel, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med, TVN Lingua and TVN Warszawa channels. On January 2, 2012 launched TTV an interactive social-intervention channel co-owned and co-produced by TVN. 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 appeal 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, 2011, we generated approximately 21.3% of our total online advertising revenue in the first quarter of 2010, 26.9% in the second quarter, 23.0% in the third quarter and 28.8% 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, 2011 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 138.929 loss from continuing operations.

On January 12, 2011 we entered into EUR foreign exchange forwards in order to mitigate the impact on the our net results of PLN/EUR exchange rate movements in relation to the 10.75% Senior Notes and 7.875% Senior Notes balance. The hedging strategy based on EUR foreign exchange forwards had in total a notional value of EUR 350,000 with a settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. We recognized a gain on realization of this foreign exchange forward contract in the total amount of PLN 46,585 and an interest expense on this foreign exchange forward contract in the amount of PLN 9,625.

On January 19, 2011 we entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, maturity dates between January 31, 2011 and March 31, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98.

On January 19, 2011 we entered also into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on payments for broadcasting television channels and content. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 15,700, maturity dates between March 25, 2011 and January 20, 2012 and PLN/USD foreign exchange forward rates between 2.89 and 2.99.

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 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.

On October 3, 2011 we acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of PLN 110.

On October 6, 2011 we sold its share in the share capital of Polskie Media S.A. for a consideration of PLN 8,002. We recognized a gain on this transaction in the amount of PLN 414.

On November 28, 2011, we concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary.

On December 18, 2011 we signed an agreement with Group Canal+ concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+” resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we will exchange our 100% stake in ‘n’ for a 32% stake in the combined operation. See “Material Contract” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”

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 tax value of brands recognized by TVN Media 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.

Financial Condition

Our property, plant and equipment decreased by PLN 422,711 or 55.4% to PLN 340,319 as of December 31, 2011, from PLN 763,030 as of December 31, 2010. The decrease results primarily from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our goodwill decreased by PLN 724,957 to PLN 952,657 as of December 31, 2011, from PLN 1,677,614 as of December 31, 2010. Our brand decreased by PLN 84,938 to PLN 693,687 as of December 31, 2011, from PLN 778,625 as of December 31, 2010. This decrease results primarily from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our other intangible assets decreased by PLN 36,972, or 33.0%, to PLN 75,227 as of December 31, 2011, from PLN 112,199 as of December 31, 2010. The decrease results primarily from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our current and non-current programming rights inventory increased by PLN 18,358, or 4.6%, to PLN 420,707 as of December 31, 2011, from PLN 402,349 as of December 31, 2010. The increase is mainly due to productions increase in our television broadcasting and production segment.

Our available or sale financial assets decreased to nil as of December 31, 2011 from PLN 7,588 in corresponding period of 2010. On October 6, 2011 we sold our share in the share capital of Polskie Media S.A. for a consideration of PLN 8,002. We recognized a gain on this transaction in the amount of 414.

Our non-current restricted cash was nil, as of December 31, 2011, compared to PLN 84,172 as of December 31, 2010. Our current restricted cash was nil, as of December 31, 2011, compared to PLN 27,363 as of December 31, 2010. The revolving guarantee facility agreement with Bank Pekao S.A., established on December 17, 2010 and then amended on May 17, 2011 and again on July 26 and on September 30, 2011, 2011. The amended Agreement is a multicurrency facility increased to PLN 400 million (not in thousands) available in EUR, USD and/or PLN, valid till May 16, 2012 with an extension option for another year.

Our prepayments and other assets decreased by PLN 77,795, or 57.5%, to PLN 57,605 as of December 31, 2011, from PLN 135,400 as of December 31, 2010. The decrease results mainly from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Assets of disposal group classified as held for sale”.

Our bank deposits with maturity over three months decreased to 75,000 as of December 31, 2011, compared to PLN 321,721 as of December 31, 2010. This decrease results mainly from the fact that all most of our bank deposits with maturity over three months matured before December 31, 2011 and the fact we open a new bank deposits with maturity over three months of PLN 75,000 in December 2011.

Our assets of disposal group classified as held for sale increase to PLN 1,463,368 as of December 31, 2011 from nil in corresponding period of 2010. This is the result of an agreement with Group Canal+ concerning merger of ‘n’ platform and Canal+ DTH platform “Cyfra+”. As a result we will dispose of ‘n’ and contribute it to a new merged company in exchange for a 32% stake in the combined operation and the operations of ITI Neovision Group are presented as discontinued.

Our share capital increased by PLN 304, to PLN 68,775 as of December 31, 2011, from PLN 68,471 as of December 31, 2010. Our share premium increased by PLN 29,882, to PLN 672,931 as of December 31, 2011, from PLN 643,049 as of December 31, 2010. This increase results from shares issued under our stock option plan.

Our other reserves amounted to a negative amount of PLN 451,785 as of December 31, 2011, compared to a negative amount of PLN 438,036 as of December 31, 2010. This decrease results mainly from shares issued under our stock option plan.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,542,476 as of December 31, 2011, compared to PLN 2,263,055 as of December 31, 2010. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 752,490 as of December 31, 2011, compared to PLN 671,146 as of December 31, 2010. These increases result primarily from higher PLN/EUR exchange rate applied as of December 31, 2011 in comparison to PLN/EUR exchange rate we applied on December 31, 2010.

Our PLN Bonds, excluding accrued interest, decreased to nil as of December 31, 2011, compared with PLN 140,739 as of December 31, 2010. All our PLN Bonds were fully redeemed by December 31, 2011.

Our current trade payables decreased by PLN 75,911 to PLN 163,639 as of December 31, 2011, from PLN 239,550 as of December 31, 2010. The decrease results primarily from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Liabilities of disposal group classified as held for sale”.

Our other liabilities and accruals decreased by PLN 163,692, or 39.6%, to PLN 249,971 as of December 31, 2011, from PLN 413,663 as of December 31, 2010. The decrease results primarily from the transfer reclassification of ITI Neovision assets and liabilities, which are now presented under single balance sheet line “Liabilities of disposal group classified as held for sale”.

Results of Operations

Three Months Ended December 31, 2011 Compared to Three Months Ended December 31, 2010

Revenue. Our revenue decreased by PLN 7,135, or 1.2%, to PLN 594,166 in the three months ended December 31, 2011, from PLN 601,301 in the corresponding period of 2010. This decrease resulted mainly from decrease in advertising revenue of PLN 24,198 and from decrease in call TV of PLN 14,372. These decreases were partly offset by an increase in other revenue by PLN 18,879 and by an increase in carriage fees of PLN 9,755. Including 'n' results our revenue increased by PLN 23,613 or 3.1% to PLN 777,064 from PLN 753,451 in the corresponding period of 2010.

Our advertising revenue decreased by PLN 24,198, or 5.3%, to PLN 434,189 during the three months ended December 31, 2011, from PLN 458,387 in the corresponding period of 2010. This decrease results mainly from the decrease in the advertising revenue of our main channel TVN on the backdrop of declining TV advertising market.

Our call TV revenue decreased by PLN 14,372, or 75.0% to PLN 4,781 in the three months ended December 31, 2011 from PLN 19,153 in the corresponding period of 2010. This decrease results mainly from change of broadcast time of teleshopping spots on TVN channel.

Our other revenue increase by PLN 18,879, or 112.5% to PLN 35,662 in the three months ended December 31, 2011 from 16,783 in the corresponding period of 2010. This increase results mainly from third party content sales and from theatrical release of our movie "Listy do M.".

Our carriage fees increased by PLN 9,755, or 21.6% to PLN 54,867 in the three months ended December 31, 2011 from 45,112 in the corresponding period of 2010. This increase results from a significant Zloty depreciation in 2011 and from an increase in the number of subscribers

Cost of revenue. Cost of revenue decreased by PLN 23,022, or 7.2%, to PLN 298,349 in the three months ended December 31, 2011, from PLN 321,371 in the corresponding period of 2010. The decrease results mainly from a decrease of TVN local production costs by PLN 12,277, or 11.1%, and decrease in depreciation and amortisation of PLN 7,364, or 28.6%. Including 'n' results our cost of revenue decreased by PLN 19,245 or 3.9% to PLN 474,253 from PLN 493,498 in the corresponding period of 2010.

As a percentage of revenue, our cost of revenue decreased in the three months ended December 31, 2011, to 50.2%, compared to 53.4% in the corresponding period of 2010.

Selling expenses. Our selling expenses increased by PLN 21,281, or 73.3%, to PLN 50,302 for the three months ended December 31, 2011, from PLN 29,021 in the corresponding period of 2010. The increase results partly from an increase in marketing and research by PLN 14,205 and partly from an increase of other expenses by PLN 6,488. Including 'n' results our selling expenses increased by PLN 13,275 or 15.1% to PLN 101,112 from PLN 87,837 in the corresponding period of 2010.

As a percentage of revenue, our selling expenses increased to 8.5% in the three months ended December 31, 2011, from 4.8% in the corresponding period of 2010.

General and administration expenses. Our general and administration expenses increased by PLN 19,798, or 45.3%, to PLN 63,472 in the three months ended December 31, 2011, compared with PLN 43,674 in the corresponding period of 2010. This increase resulted mainly from an increase of depreciation and amortisation by PLN 19,519.

Including ‘n’ results our general and administration expenses increased by PLN 24,790 or 48.0% to PLN 76,424 from PLN 51,634 in the corresponding period of 2010.

As a percentage of revenue, our general and administration expenses increased to 10.7% in the three months ended December 31, 2011 from 7.3% in the corresponding period of 2010.

Operating profit. Operating profit decreased by PLN 26,727 to PLN 181,807 in the three months ended December 31, 2011, from an operating profit PLN 208,534 in the corresponding period of 2010. Including ‘n’ results our operating profit increased by PLN 8,316 or 7.1% to PLN 125,268 from PLN 116,952 in the corresponding period of 2010 and our operating margin increased to 16.1% from 15.5% in the corresponding period of 2010.

Interest income. We recorded interest income of PLN 8,071 for the three months ended December 31, 2011, compared to interest income of PLN 3,641 in the corresponding period of 2010. Including ‘n’ results we recorded interest income of PLN 8,265 for the three months ended December 31, 2011, compared to interest income of PLN 3,710 in the corresponding period of 2010.

Finance expense. We recorded finance expense of PLN 89,785 for the three months ended December 31, 2011, compared to finance expense of PLN 90,149 in the corresponding period of 2010. The decrease is partly due to decrease of interest expense on PLN Bonds by PLN 8,128 to PLN nil in three months ended December 31, 2011 as all our PLN Bonds were fully redeemed by June 30, 2011, partly due to decrease on premium on early repayment of PLN Bonds by PLN 7,180 to nil and partly due to decrease in guarantee fees by PLN 2,685 to PLN 910. These decreases were partly offset by an increase of interest expense on 7.875% Senior Notes of PLN 9,231, we recognized in the three months ended December 31, 2011 and an increase of interest expense on 10.75% Senior Notes of PLN 7,023 we recognized during the same period. Including ‘n’ results we recorded finance expense of PLN 90,011 for the three months ended December 31, 2011, compared to finance expense of PLN 90,298 in the corresponding period of 2010.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 6,391 for the three months ended December 31, 2011 compared to foreign exchange gains, net of PLN 8,604 in the corresponding period of 2010. We recorded foreign exchange losses on our 10.75% Senior Notes of PLN 1,782 in the three months ended December 31, 2011, compared to foreign exchange gains of PLN 18,007 in the corresponding period of 2010. We recorded foreign exchange loss on our 7.875% Senior Notes of PLN 681 in the three months ended December 31, 2011, compared to foreign exchange losses of PLN 3,746 in the corresponding period of 2010, following significant Zloty depreciation in the second half of 2011. Including ‘n’ results we recorded foreign exchanges losses, net of PLN 8,025 for the three months ended December 31, 2011, compared to foreign exchanges gains, net of PLN 9,995 in the corresponding period of 2010.

Profit before income tax. Our profit before income tax for the three months ended December 31, 2011 was PLN 93,573 compared to a profit before income tax of PLN 130,626, in the corresponding period of 2010. This decrease was primarily due to foreign exchange losses, net that we recognized in the three months ended December 31, 2011, as compared with foreign exchange gains recognized in the three months ended December 31, 2010. Including ‘n’ results our profit before income tax been PLN 34,740 for the three months ended December 31, 2011, compared to profit before income tax of PLN 40,375 in the corresponding period of 2010.

Income tax credit. For the three months ended December 31, 2011, we recorded a total income tax charge of PLN 14,034, compared to an income tax charge of PLN 24,833 in the corresponding period of 2010. This decrease is mostly due to the impact of deferred tax assets recognized in respect ofthe tax value of brands recognized by TVN Media, and due to the lower profit before income tax we recognized in the three months ended December 31, 2011 compared to profit before income tax we recognized in the corresponding period of 2010. Including ‘n’ results we recorded a total income tax charge of PLN 22,309 for the three months ended December 31, 2011, compared to a total income tax charge of PLN 24,574 in the corresponding period of 2010.

Profit for the period from continuing operations. Our profit for the period from continuing operations amounted to PLN 79,539 in the three months ended December 31, 2011 compared to the profit for the period from continued operations of PLN 105,793 in the corresponding period of 2010.

Loss for the period from discontinued operations Our loss for the period from discontinued operations amounted to PLN 67,108 in the three months ended December 31, compared to the loss for the period from discontinued operations of PLN 89,992 in the corresponding period of 2010.

Profit for the period. Our profit for the period amounted to PLN 12,431 in the three months ended December 31, 2011, compared to a profit of PLN 15,801 in the corresponding period of 2010.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 12,431 in the three months ended December 31, 2011, compared to a gain of PLN 15,801 in the corresponding period of 2010.

Results by Business Segment

Our business comprises four major business segments: television broadcasting and production, digital satellite pay television, online and teleshopping. 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. Following the changes in the composition of operating segments we have restated the corresponding items of segment information for comparative periods.

The table below sets forth the summarized financial results by segment for the three months ended December 31, 2011 and 2010:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 2011	Three months ended December 31, 2010
Revenue from external customers	494,362	505,901	197,267	164,195	71,612	67,198	13,821	16,158	(182,896)	(152,151)	594,166	601,301
Inter-segment revenue	19,270	23,068	601	559	5,289	6,017	-	-	(25,160)	(29,644)	-	-
Total revenue	**513,632**	**528,969**	**197,868**	**164,754**	**76,901**	**73,215**	**13,821**	**16,158**	**(208,056)**	**(181,795)**	**594,166**	**601,301**
Operating profit/(loss)	200,983	211,812	(53,376)	(91,316)	2,086	14,716	(929)	(5,677)	33,043	78,999	181,807	208,534
EBITDA*	**217,344**	**232,907**	**(9,365)**	**(54,098)**	**28,844**	**25,298**	**(851)**	**(5,594)**	**(23,366)**	**(13,250)**	**212,606**	**185,263**
EBITDA* margin	**42.3%**	**44.0%**	**-**	**-**	**37.5%**	**34.6%**	**-**	**-**	**-**	**-**	**35.8%**	**30.8%**

* 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, interest income, finance expenses, foreign exchange gains and losses, income taxes and share net 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 reflect the fact that our digital satellite pay television segment is now reclassified as “Discontinued operation” as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the three months ended December 31, 2011 and 2010.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Three months ended December 31, 2011	**Three months ended December 31, 2010**	**Three months ended December 31, 2011**	**Three months ended December 31, 2010**	**Three months ended December 31, 2011**	**Three months ended December 31, 2010**	**Three months ended December 31, 2011**	**Three months ended December 31, 2010**	**Three months ended December 31, 2011**	**Three months ended December 31, 2010**	**Three months ended December 31, 2011**	**Three months ended December 31, 2010**
Operating profit/(loss)	200,983	211,812	(53,376)	(91,316)	2,086	14,716	(929)	(5,677)	33,043	78,999	181,807	208,534
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	-	-	-	-	12,413	54,252	12,413	54,252
Depreciation, amortization and impairment charges	16,361	21,095	44,011	37,218	26,758	10,582	78	83	(68,822)	(146,501)	18,386	(77,523)
EBITDA	**217,344**	**232,907**	**(9,365)**	**(54,098)**	**28,844**	**25,298**	**(851)**	**(5,594)**	**(23,366)**	**(13,250)**	**212,606**	**185,263**

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, 2011 and 2010:

	Three months ended December 31,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channel	350,521	161,091	46.0	393,300	178,802	45.5
TVN 24 channel	65,856	34,986	53.1	62,814	34,234	54.5
Other	97,255	21,267	21.9	72,855	19,871	27.3
Total segment	**513,632**	**217,344**	**42.3**	**528,969**	**232,907**	**44.0**

Television broadcasting and production revenue in the three months ended December 31, 2011, decreased by 15,337 to PLN 513,632, compared to PLN 528,696 in the corresponding period of 2010.

Our TVN channel revenue decreased by PLN 42,779, or 10.9%, in the three months ended December 31, 2011. This decrease was primarily due to weaker advertising sales revenue.

TVN 24 increased its revenue by PLN 3,042, or 4.8%, in the three months ended December 31, 2011 mainly due to an increase in subscriptions revenue partly offset by lower advertising revenue and by lower sponsoring revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our other channels and increased by PLN 24,400, or 33.5%, in the three months ended December 31, 2011, mainly thanks to premium TV revenue, increasing sales of content to third parties, higher subscription revenue of our thematic channels and revenue from theatrical release of our movie “Listy do M.”.

Our TVN channel’s EBITDA decreased by PLN 17,711, or 9.9%, to PLN 161,091 in the three months ended December 31, 2011, from PLN 178,802 in the corresponding period of 2010. TVN channel’s EBITDA margin increased to 46.0% from 45.5% in the corresponding period of 2010. Our TVN 24 channel’s EBITDA increased by PLN 752, or 2.2% to PLN 34,986 in the three months ended December 31, 2011 from PLN 34,234 in the corresponding period of 2010, and its EBITDA margin was 53.1%.

EBITDA of television, broadcasting and production segment presented as ‘Other’ mainly consists of EBITDA of our other channels. It increased by PLN 1,396, or 7.0%.

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, 2011 and 2010.

	Three months ended December 31,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
'n' post-paid subscribers*	178,030	235	0.1%	148,279	(45,715)	-
'n' pre-paid customers (Telewizja na kartę)	19,838	(9,600)	-	16,478	(8,383)	-
Total segment	**197,868**	**(9,365)**	**-**	**164,754**	**(54,098)**	**-**

* Includes revenue from other services

'n' DTH platform revenue increased by PLN 33,114 or 20.1%, to PLN 197,868 in the three months ended December 31, 2011 from PLN 164,754 in corresponding period of 2010. This increase is mainly due to an increase in subscription fee revenue, which increased by PLN 25,707, or 16.9%, to PLN 177,484 in the three months ended December 31, 2011.

This increase in revenue is primarily due to a higher average number of subscribers. The 'n' DTH platform's subscribers increased net by 127,358 (not in thousands) to an average of 893,976 (not in thousands) in the three month period ended December 31, 2011, from an average of 766,618 (not in thousands) subscribers in the corresponding period of 2010. The 'n' DTH platform recorded average ARPU of PLN 60.8 (not in thousands) in the three months ended December 31, 2011, compared to the ARPU of PLN 60.2 in the corresponding period of 2010 (not in thousands). The 'n' DTH platform recorded 92,452 (not in thousands) post-paid subscriber gross additions during the three months ended December 31, 2011, compared to 87,354 (not in thousands) during the three months ended December 31, 2010.

TNK active pre-paid net customer base increased by over 4,000 (not in thousands) during the three months ended December 31, 2011. As of December 31, 2011, TNK had a total customer base (active and inactive) of over 345,000 (not in thousands). As of December 31, 2011, TNK HD had over 79,000 active customers. In the three months ended December 31, 2011, TNK recorded average ARPU of PLN 12.8 (not in thousands).

The 'n' DTH platform recorded a loss at the EBITDA level of PLN 9,365 in the three months ended December 31, 2011, compared to a loss at EBITDA level of PLN 54,098 in the corresponding period of 2010.

Online

The table below sets forth the summarized financial results for our Online segment for the three months ended December 31, 2011 and 2010:

	Three months ended December 31,							
	2011				2010			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	69,467	29,412	42.3	51.8	62,269	25,261	40.6	46.0
Other	7,434	(568)	-	-	10,946	37	0.3	0.3
Total segment	**76,901**	**28,844**	**37.5**	**45.0**	**73,215**	**25,298**	**34.6**	**38.3**

Online revenue increased by PLN 3,686, or 5.0%, to PLN 76,901 in the three months ended December 31, 2011, from PLN 73,215 in the corresponding period of 2010. Onet.pl revenue increased by PLN 7,198, or 11.6%, to PLN 69,467 in the three months ended December 31, 2011, from PLN 62,269 in the corresponding period of 2010. The increase is mostly due to an increase in advertising revenue. Revenue of our Internet vortals, presented in the table above as 'Other', decreased by PLN 3,512, or 32.1%, to PLN 7,434 in the three months ended December 31, 2011, from PLN 10,946 in the corresponding period of 2010, mainly due to decrease in Zumi advertising revenue.

Segment EBITDA increased by PLN 3,546, or 14.0% to PLN 28,844 in the three months ended December 31, 2011. EBITDA margin increased to 37.5% in the three months ended December 31, 2011 from 34.6% in the corresponding period of 2010. Onet.pl EBITDA increased by PLN 4,151 or 16.4%. EBITDA of our Internet vortals presented in the table above as 'Other' decreased by PLN 605 to a negative level of 568 PLN in the three months ended December 31, 2011, due to a slight decrease of Zumi.pl performance compared to very profitable three months ended December 31, 2010.

Teleshopping

The table below sets forth the summarized financial results of our "Teleshopping" segment for the three months ended December 31, 2011 and 2010.

	Three months ended December 31,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	13,821	(851)	-	16,158	(5,594)	-
Total segment	**13,821**	**(851)**	**-**	**16,158**	**(5,594)**	**-**

"Teleshopping" revenue decreased by PLN 2,337, or 14.5%, to PLN 13,821 in the three months ended December 31, 2011, from PLN 16,158 in the corresponding period of 2010 primarily due to change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA increased by PLN 4,743, to a loss at EBITDA level of PLN 851 in the three months ended December 31, 2011 from a loss at EBITDA level of PLN 5,594 in the corresponding period of 2010.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. However, the key item for the three months ended December 31, 2011 was elimination of Digital Satellite Pay Television segment results due to its reclassification as "Discontinued operation". As a result, other reconciling items had a negative impact on our revenue of PLN 208,056 in the three months ended December 31, 2011, compared to a negative impact of PLN 181,795 in the corresponding period of 2010.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenue. Our revenue increased by PLN 34,713, or 1.8%, to PLN 1,959,843 in the twelve months ended December 31, 2011, from PLN 1,925,130 in the corresponding period of 2010. This increase resulted partly from n increase in other revenue of PLN 36,515, from carriage fees revenue from satellite and cable operators of PLN 21,630 and partly from an increase in advertising revenue of PLN 19,546. These increases were partly offset by decrease in call TV revenue of PLN 23,635 and partly by decrease of sale of goods by PLN 19,195. Including 'n' results our revenue increased by PLN 158,334, or 6.4% to PLN 2,649,031 in the twelve months ended December 31, 2011, from PLN 2,490,697 in the corresponding period of 2010.

Our other revenue increase by PLN 36,515, or 62.1% to PLN 95,287 in the twelve months ended December 31, 2011 from 58,772 in the corresponding period of 2010. This increase results mainly from third party content sales and from theatrical release of our movie "Listy do M.".

Carriage fees revenue from satellite and cable operators increased by PLN 21,630, or 12.0%, to PLN 201,222, from PLN 179,592 in 2010. This increase results from a significant Zloty depreciation in 2001 and from an increase in the number of subscribers.

Our advertising revenue increased by PLN 19,546, or 1.4%, to PLN 1,440,275 during the twelve months ended December 31, 2011, from PLN 1,420,729 in the corresponding period of 2010. This increase results mainly from an increase in the advertising revenue of Onet.pl and also an increase in the advertising revenue our TVN7 and TVN Turbo channels, partially offset by lower advertising revenue of TVN channel, on the backdrop of declining TV advertising market.

Our call TV revenue decrease by PLN 23,635, or 49.1% to PLN 24,500 in the twelve months ended December 31, 2011 from PLN 48,135 in the corresponding period of 2010. This decrease results mainly from change of broadcast time of teleshopping spots on TVN channel.

Our sale of goods revenue decrease by PLN 19,195, or 33.2% to PLN 38,650 in the twelve months ended December 31, 2011 from PLN 57,845 in the corresponding period of 2010. This decrease results mainly from change of broadcast time of teleshopping spots on TVN channel.

Cost of revenue. Cost of revenue increased by PLN 12,031, or 1.2%, to PLN 1,043,470 in the twelve months ended December 31, 2011, from PLN 1,031,439 in the corresponding period of 2010. Including 'n' results our cost of revenue increased by PLN 75,745, or 4.7% to PLN 1,691,896 in the twelve months ended December 31, 2011, from PLN 1,616,151 in the corresponding period of 2010.

As a percentage of revenue, our cost of revenue decreased in the twelve months ended December 31, 2011, to 53.2%, compared to 53.6% in the corresponding period of 2010.

Selling expenses. Our selling expenses increased by PLN 22,428, or 14.6%, to PLN 176,514 for the twelve months ended December 31, 2011, from PLN 154,086 in the corresponding period of 2010. This increase results partly from an increase of marketing and research by PLN 13,965 and partly from a number of smaller increases across several cost lines amounting to PLN 17,633. Including 'n' results our selling expenses increased by PLN 34,217, or 10.8% to PLN 351,514 in the twelve months ended December 31, 2011, from PLN 317,297 in the corresponding period of 2010.

As a percentage of revenue, our selling expenses increased to 9.0% in the twelve months ended December 31, 2011, from 8.0% in the corresponding period of 2010.

General and administration expenses. Our general and administration expenses increased by PLN 27,150, or 16.8%, to PLN 188,654 in the twelve months ended December 31, 2011, compared with PLN 161,504 in the corresponding period of 2010. This increase resulted partly from an increase of depreciation and amortisation of PLN 20,954 and partly from an increase of consulting services by PLN 8,730. Including 'n' results our general and administration expenses increased by LN 37,521, or 19.7% to PLN 228,217 in the twelve months ended December 31, 2011, from PLN 190,696 in the corresponding period of 2010.

As a percentage of revenue, our general and administration expenses increased to 9.6% in the twelve months ended December 31, 2011 from 8.4% in the corresponding period of 2010.

Operating profit. Operating profit decreased by PLN 36,100, or 6.2% to PLN 549,261 in the twelve months ended December 31, 2011, from an operating profit PLN 585,361 in the corresponding period of 2010. Including 'n' results our operating profit increased by PLN 12,386 or 3.4% to PLN 376,147 from PLN 363,761 in the corresponding period of 2010 and our operating margin decreased to 14.2% from 14.6% in the corresponding period of 2010.

Interest income. We recorded interest income of PLN 26,547 for the twelve months ended December 31, 2011, compared to interest income of PLN 14,274 in the corresponding period of 2010. Including 'n' results we recorded interest income of PLN 27,116 for the twelve months ended December 31, 2011, compared to interest income of PLN 14,649 in the corresponding period of 2010.

Finance expense. We recorded finance expense of PLN 351,484 for the twelve months ended December 31, 2011, compared to finance expense of PLN 309,979 in the corresponding period of 2010. The increase is partly due to an increase in interest expense on 7.875% Senior Notes of PLN 52,355 and partly due to an increase in interest expense on 10.75% Senior Notes of PLN 28,649. This increase was partly offset by decrease of interest expense on PLN Bonds by PLN 32,743 to PLN 1,389 in twelve months ended December 31, 2011, which resulted from the PLN Bonds acquisition and redemption in February and June, 2011. Including 'n' results we recorded finance expense of PLN 353,947 for the twelve months ended December 31, 2011, compared to finance expense of PLN 323,402 in the corresponding period of 2010.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 308,476 for the twelve months ended December 31, 2011 compared to exchange gains, net of PLN 29,224 in the corresponding period of 2010. We recorded foreign exchange losses on our 10.75% Senior Notes of PLN 238,979 in the twelve months ended December 31, 2011, compared to foreign exchange gain of PLN 49,839 in the corresponding period of 2010. We recorded foreign exchange losses on our 7.875% Senior Notes of PLN 70,230 in the twelve months ended December 31, 2011, compared to 3,746 in the corresponding period of 2010, following significant Zloty depreciation over the course of 2011. Including 'n' results we recorded foreign exchanges losses, net of PLN 313,564 for the twelve months ended December 31, 2011, compared to foreign exchanges gains, net of PLN 62,971 in the corresponding period of 2010.

Loss before income tax. Our loss before income tax for the twelve months ended December 31, 2011 was PLN 84,432 compared to a profit before income tax of PLN 318,876, in the corresponding period of 2010. This decrease was primarily due to foreign exchange losses, net that we recognized in the twelve months ended December 31, 2011, as compared with foreign exchange gains recognized in the twelve months ended December 31, 2010. Including 'n' results our loss before income tax been PLN 265,651 for the twelve months ended December 31, 2011, compared to profit before income tax of PLN 118,277 in the corresponding period of 2010.

Income tax credit. For the twelve months ended December 31, 2011, we recorded a total income tax credit of PLN 18,556, compared to an income tax charge of PLN 59,856 in the corresponding period of 2010. This increase is mostly due to impact of deferred tax assets recognized on the tax value of brands recognized by TVN Media, due to provisions created for the deferred tax asset relating to operations in the special economic zone, and due to the loss before income tax we recognized for the year ended December 31, 2011 compared to profit before income tax we recognized in the corresponding period of 2010. Including ‘n’ results we recorded a total income tax charge of PLN 51,714 for the twelve months ended December 31, 2011, compared to a total income tax charge of PLN 72,416 in the corresponding period of 2010.

Loss for the period from continuing operations. Our loss for the period from continuing operations amounted to PLN 65,876 in the twelve months ended December 31, 2011 compared to the profit for the period from continuing operations of PLN 259,020 in the corresponding period of 2010.

Loss for the period from discontinued operations Our loss for the period from discontinued operations amounted to PLN 251,489 in the twelve months ended December 31, compared to the loss for the period from discontinued operations of PLN 213,159 in the corresponding period of 2010.

Loss for the period. Our loss for the period amounted to PLN 317,365 in the twelve months ended December 31, 2011, compared to a profit of PLN 45,861 in the corresponding period of 2010.

Loss attributable to the owners of TVN S.A. Our loss attributable to the owners of TVN S.A. was PLN 317,365 in the twelve months ended December 31, 2011, compared to a profit of PLN 42,754 in the corresponding period of 2010.

Results by Business Segment

Our business comprises four major business segments: television broadcasting and production, digital satellite pay television, online and teleshopping. 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. Following the changes in the composition of operating segments we have restated the corresponding items of segment information for comparative periods.

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2011 and 2010:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010
Revenue from external customers	1,614, 319	1,592,426	736,662	610,621	249,573	219, 251	48,475	68,400	(689,186)	(565, 568)	1,959,843	1,925,130
Inter-segment revenue	67,781	74,112	2,381	2,525	21,888	21,600	-	2	(92,050)	(98,239)	-	-
Total revenue	**1,682,100**	**1,666,538**	**739,043**	**613,146**	**271,461**	**240,851**	**48,475**	**68,402**	**(781, 236)**	**(663,807)**	**1,959, 843**	**1,925,130**
Operating profit/(loss)	577,754	607,569	(169,794)	(215,076)	46,822	40,834	(1,465)	(9,777)	95,944	161,811	549,261	585,361
EBITDA*	**640,719**	**675,216**	**611**	**(70,972)**	**96,209**	**75,799**	**(1,153)**	**(9,518)**	**(76,590)**	**(59,829)**	**659,796**	**610,696**
EBITDA* margin	**38.1%**	**40.5%**	**0.1%**	**-**	**35.4%**	**31.5%**	**-**	**-**	**-**	**-**	**33.7%**	**31.7%**

* 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, interest income, finance expenses, 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 reflect the fact that our digital satellite pay television segment is now reclassified as “Discontinued operation” as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the twelve months ended December 31, 2011 and 2010.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010
Operating profit/(loss)	577,754	607,569	(169,794)	(215,076)	46,822	40,834	(1,465)	(9,777)	95,944	161,811	549,261	585,361
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	-	-	-	-	(2,251)	(76, 978)	(2,251)	(76,978)
Depreciation, amortization and impairment charges	62,965	67,647	170,405	144,104	49,387	34,965	312	259	(170,283)	(144,662)	112,786	102,313
EBITDA	640,719	675,216	611	(70,972)	96,209	75,799	(1,153)	(9,518)	(76,590)	(59,829)	659,796	610,696

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, 2011 and 2010:

	Twelve months ended December 31,					
	2011			2010		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channel	1,141,985	464,247	40.7	1,192,121	500,391	42.0
TVN 24 channel	233,312	115,555	49.5	223,925	112,275	50.1
Other	306,803	60,917	19.9	250,492	62,550	25.0
Total segment	**1,682,100**	**640,719**	**38.1**	**1,666,538**	**675,216**	**40.5**

Television broadcasting and production revenue in the twelve months ended December 31, 2011, increased by 15,562 to PLN 1,682,100, compared to PLN 1,666,538 in the corresponding period of 2010.

Our TVN channel revenue decreased by PLN 50,136, or 4.2%, in the twelve months ended December 31, 2011. This decrease was primarily due to lower spot advertising revenue.

TVN 24 increased its revenue by PLN 9,387, or 4.2%, in the twelve months ended December 31, 2011 mainly due to an increase in subscriptions revenue partly offset by lower sponsoring revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our other channels and increased by PLN 56,311, or 22.5%, in the twelve months ended December 31, 2011, mainly thanks to premium TV revenue, increasing sales of content to third parties and higher subscription revenue of our thematic channels and revenue from theatrical release of our movie “Listy do M.”.

Our TVN channel’s EBITDA decreased by PLN 36,144, or 7.2%, to PLN 464,247 in the twelve months ended December 31, 2011, from PLN 500,391 in the corresponding period of 2010. TVN channel’s EBITDA margin decreased to 40.7% from 42.0% in the corresponding period of 2010. Our TVN 24 channel’s EBITDA increased by PLN 3,280, or 2.9% to PLN 115,555 in the twelve months ended December 31, 2011 from PLN 112,275 in the corresponding period of 2010, and its EBITDA margin was 49.5%.

EBITDA of television, broadcasting and production segment presented as ‘Other’ mainly consists of EBITDA of our other channels. It decreased by PLN 1,633, or 2.6%. The decrease is mainly due to higher programming and broadcasting expenses of TVN Style.

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, 2011 and 2010.

	Twelve months ended December 31,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
‘n’ post-paid subscribers*	673,869	8,769	1.3	563,572	(63,037)	-
‘n’ pre-paid customers (Telewizja na kartę)	65,174	(8,158)	-	49,574	(7,935)	-
Total segment	**739,043**	**611**	**0.08**	**613,146**	**(70,972)**	**-**

* Includes revenue from other services

‘n’ DTH platform revenue increased by PLN 125,897 or 20.5%, to PLN 739,043 in the twelve months ended December 31, 2011 from PLN 613,146 in corresponding period of 2010. This increase is mainly due to an increase in subscription fee revenue, which increased by PLN 107,347, or 18.7%, to PLN 680,599 in the twelve months ended December 31, 2011.

This increase in revenue is primarily due to a higher average number of subscribers. The ‘n’ DTH platform’s subscribers increased net by 110,301 (not in thousands) to an average of 848,076 (not in thousands) in the twelve month period ended December 31, 2011, from an average of 737,775 (not in thousands) subscribers in the corresponding period of 2010. The ‘n’ DTH platform recorded average ARPU of PLN 60.8 (not in thousands) in the twelve months ended December 31, 2011, compared to the ARPU of PLN 59.1 in the corresponding period of 2010 (not in thousands). The ‘n’ DTH platform recorded 263,039 (not in thousands) post-paid subscriber gross additions during the twelve months ended December 31, 2011, compared to 252,639 (not in thousands) during the twelve months ended December 31, 2010.

TNK active pre-paid net customer decreased by almost 24,000 (not in thousands) during the twelve months ended December 31, 2011. As of December 31, 2011, TNK had a total customer base (active and inactive) of over 345,000 (not in thousands). As of December 31, 2011, TNK HD had over 79,000 active customers. In the twelve months ended December 31, 2011, TNK recorded average ARPU of PLN 12.6 (not in thousands).

The ‘n’ DTH platform recorded a profit at the EBITDA level of PLN 611 in the twelve months ended December 31, 2011, compared to a loss at EBITDA level of PLN 70,972 in the corresponding period of 2010.

Online

The table below sets forth the summarized financial results for our Online segment for the twelve months ended December 31, 2011 and 2010:

	Twelve months ended December 31,							
	2011				2010			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	237,114	95,585	40.3	45.5	208,024	79,477	38.2	42.7
Other	34,347	624	1.8	1.8	32,827	(3,678)	-	-
Total segment	**271,461**	**96,209**	**35.4**	**39.3**	**240,851**	**75,799**	**31.5**	**34.6**

Online revenue increased by PLN 30,610, or 12.7%, to PLN 271,461 in the twelve months ended December 31, 2011, from PLN 240,851 in the corresponding period of 2010. Onet.pl revenue increased by PLN 29,090, or 14.0%, to PLN 237,114 in the twelve months ended December 31, 2011, from PLN 208,024 in the corresponding period of 2010. 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 1,520, or 4.6%, to PLN 34,347 in the twelve months ended December 31, 2011, from PLN 32,827 in the corresponding period of 2010, mainly due to increase in advertising revenue in VOD service.

Segment EBITDA increased by PLN 20,410, or 26.9% to PLN 96,209 in the twelve months ended December 31, 2011. EBITDA margin increased to 35.4% in the twelve months ended December 31, 2011 from 31.5% in the corresponding period of 2010. Onet.pl EBITDA increased by PLN 16,108 or 20.3%. EBITDA of our Internet vortals presented in the table above as ‘Other’ increased by PLN 4,302 to a positive level of 624 PLN in the twelve months ended December 31, 2011, due to an increase of EBITDA of Zumi.pl and improving performance of VOD service.

Teleshopping

The table below sets forth the summarized financial results of our “Teleshopping” segment for the twelve months ended December 31, 2011 and 2010.

	Twelve months ended December 31,					
	2011			2010		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	48,475	(1,153)	-	68,402	(9,518)	-
Total segment	**48,475**	**(1,153)**	**-**	**68,402**	**(9,518)**	**-**

“Teleshopping” revenue decreased by PLN 19,927, or 29.1%, to PLN 48,475 in the twelve months ended December 31, 2011, from PLN 68,402 in the corresponding period of 2010 primarily due to change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA increased by PLN 8,365, to a loss at EBITDA level of PLN 1,153 in the twelve months ended December 31, 2011 from a loss at EBITDA level of PLN 9,518 in the corresponding period of 2010.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. However, the key item for twelve months ended December 31, 2011 was elimination of Digital Satellite Pay Television segment results due to its reclassification as “Discontinued operation”. As a result, other reconciling items had a negative impact on our revenue of PLN 781,236 in the twelve months ended December 31, 2011, compared to a negative impact of PLN 663,807 in the corresponding period of 2010.

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

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 PLN	2009 Euro	2010 PLN	2010 Euro	2009 PLN	2009 Euro	2010 PLN	2010 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	2009	2010	2010	2009	2009	2010	2010
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	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

The consolidated income statement for the year ended December 31, 2010 and for the year ended December 31, 2009 has been not restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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 "Między kuchnią 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.

Liquidity and Capital Resources

Historical Overview

The table below summarizes our consolidated cash flow for the year ended December 31, 2011, 2010 and 2009.

	Year ended December 31,			
	2009	**2010**	**2011**	**2011**
	PLN	**PLN**	**PLN**	**Euro (1)**
Cash generated from operations..............................	599,434	578,865	480,377	116,030
Net cash generated by operating activities...............	479,767	504,060	435,232	105,126
Net cash (used in)/ generated by investing activities....................	(562,270)	(231,081)	48,145	11,629
Net cash generated by/ (used in) financing activities………………………………………………	273,037	(174,391)	(319,429)	(77,155)
Increase in cash and cash equivalents……..	190,534	98,588	163,948	39,600

(1) *For the convenience of the reader, we have converted Złoty amounts for the twelve months ended December 31, 2011 Euro at the rate of PLN 4.1401 per €1. (arithmetic average of the effective NBP exchange rates on January 31, 2011, February 28, 2011, March 31, 2011, April 30, 2011, May 31, 2011, June 30, 2011, July 31, 2011, August 31, 2011, September 30, 2011, October 31, 2011, November 30, 2011 and December 31, 2011). 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, 2011 and 2010

Cash Generated from Operations

Cash generated from operations decreased by PLN 98,488 to PLN 480,377 in the twelve months ended December 31, 2011, from PLN 578,865 in the corresponding period of 2010. The decrease results mainly from negative change in working capital of PLN 119,199 in the twelve months ended December 31, 2011 and from negative change in local production balance of PLN 34,386. These decreases were partly offset by increase in EBITDA level of PLN 49,100.

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 435,232 in the twelve months ended December 31, 2011, compared to PLN 504,060 generated by operating activities for the corresponding period in 2010. The decrease is a result of lower cash generated from operations by PLN 98,488. This decrease was partly offset by tax paid lower by PLN 29,660.

Net Cash Generated by Investing Activities

Net cash generated by investing activities amounted to PLN 48,145 in the twelve months ended December 31, 2011, in comparison to net cash used in investing activities of PLN 231,081 in the corresponding period of 2010. The net cash generated by investing activities is primarily due to transfer of cash from our bank deposits with maturity over three months, which amounts to PLN 245,997, partly offset by payments to acquire property and equipment and intangible assets (of respectively PLN 160,600 and PLN 70,820). We also received PLN 27,514 in interest.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 319,429 in the twelve months ended December 31, 2011, compared to net cash used in financing activities of PLN 174,391 in the corresponding period of 2010. In the twelve months ended December 31, 2011, we recorded a cash outflow related to interest paid on our total debt, including our bonds of PLN 323,990, cash outflow of PLN 144,971 related to repurchase of PLN Bonds, which were partly offset by cash inflow of PLN 111,535 related to a release of the restricted cash balance and cash inflow from settlement of foreign exchange forward contracts of PLN 36,960.

Total cash and cash equivalents, that we held as of December 31, 2011 amounted to PLN 592,126 in comparison to PLN 480,294 as of December 31, 2010. The increase in cash and cash equivalents generated by operations, investing and financing activities was partially offset by PLN 60,819 transferred to disposal group classified as held for sale, related to financing of digital satellite pay television segment. We hold cash and cash equivalents on bank deposit with maturity below three months in Złoty and Euro.

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, 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.

Future Liquidity and Capital Resources

We expect that our principal future cash needs will be dividends, 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. 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, 2011:

	Value	Coupon/ effective interest	Maturity
7.875% Senior Notes (nominal value[(2)])………………	772,940	7.875%	2018
10.75% Senior Notes (nominal value[(1)])………………	2,619,162	10.75%	2017
Accrued interest on long term debt…………………	42,804	-	-
Total debt…………………………	**3,434,906**	**-**	**-**
Cash at bank and in hand……………	652,945	-	-
Bank deposits with maturity over three months	75,000		
Cash and cash equivalents and bank deposits with maturity over three months………	**727,945**	-	-
Net debt ………………………	**2,706,961**	**-**	**-**

(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 4.4168 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2011).

(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 4.4168 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2011).

Financing Activities

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents and bank deposits with maturity over three months, to our consolidated shareholders' equity (including non-controlling interest) was 2.9 as of December 31, 2011 and 2.0 as of December 31, 2010.

Our consolidated net debt to EBITDA ratio increased to 4.1 as of December 31, 2011, from 4.0 as of December 31, 2010. This increase is primarily due to higher level of total debt, driven mainly by depreciation of PLN vs. Euro over the course of 2011.

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, interest income, finance expense, foreign exchange gains and losses, share of result of associate and income tax charges.

Our total liabilities amounted to PLN 710,014 at December 31, 2011, compared with PLN 691,590 at December 31, 2010.

Our borrowed funds excluding accrued interest as of December 31, 2011, consisted of PLN 2,542,479 of indebtedness represented by the 10.75% Senior Notes and of PLN 752,490 of indebtedness represented by 7.875% Senior Notes.

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 two 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 and rating decline. 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 separated the embedded derivatives with respect to these prepayment options, but did not recognize the instrument as at December 31, 2011 as they were assessed to have a negligible value due to the insignificant probability of realization.

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 used 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.

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 and rating decline. 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 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 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 ("PLN Bonds"). 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 PLN Bonds is calculated and paid in cash semi-annually, on the PLN Bond nominal value, at a variable interest rate equal to 6 month WIBOR plus 2.75%.

On December 23, 2010 we acquired and redeemed our PLN Bonds with nominal value of PLN 359,000. In February 2011 we acquired and redeemed PLN Bonds with nominal value of PLN 135,400. On June 14, 2011 we acquired and redeemed PLN Bonds with nominal value of PLN 5,600. After this transaction all our PLN Bonds were redeemed.

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. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement.

The amended agreement is a PLN 400,000 multicurrency facility available in EUR, USD and/or PLN, with a termination date on May 16, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding 36 months or 13 months from issuance respectively, and requires 50% cash collateral for guarantees with tenors greater than 18 months.

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, 2011, the Guarantee Facility had been used for the following bank guarantees and letter of credit issued at 203,943:

- EUR 2,028 and PLN 5,731 in the form of guarantees issued on our behalf;
- EUR 11,900 and USD 40,000 in the form of guarantees and letter of credit issued on behalf of ITI Neovision in relation to Eutelsat contracts for satellite rental, the UEFA agreement for the UEFA Champions League Season 2011/2012 and programming contract.

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, 2011 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,						
	2012	**2013**	**2014**	**2015**	**2016**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	35,396	42,867	42,867	39,958	39,805	75,313	276,206
Other technical leases………	15,031	15,031	15,031	15,031	15,031	-	75,155
Operating leases – other……	39,283	32,919	25,813	23,602	15,369	-	136,986
Programming rights……………	185,388	210,754	94,090	78,302	74,976	74,140	717,650
Total operating leases…….	**275,098**	**301,571**	**177,801**	**156,893**	**145,181**	**149,453**	**1,205,997**
Commitments to purchase equipment and software (2)…	1,226	-	-	-	-	-	1,226
Total cash commitments …	**276,324**	**301,571**	**177,801**	**156,893**	**145,181**	**149,453**	**1,207,223**
Barter commitments (1)……	3,310	-	-	-	-	-	3,310
Total cash commitments and other obligations ……	**279,634**	**301,571**	**177,801**	**156,893**	**145,181**	**149,453**	**1,210,533**

(1) As of December 31, 2011**,** pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 3,310, 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 215,782 in the special economic zone in Kraków by December 31, 2013 and 2017. On December 31, 2011, 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 2011 the Złoty has depreciated against the Euro and 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 2011 was 4.6 compared with 3.7% in December 2010, 3.9% in September 2011, 4.2% in June 2011, 4.3% in March 2011, 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 regulated 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 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 three 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

Our management board consisted of three 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….	51	President Chief Executive Officer	2009	2010	2013
Piotr Walter..............	44	Vice President Television and Broadcasting	1999	2010	2013
John Driscoll………..	51	Member 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 TVN Group's Vice-President of the Management Board and Head of Television Broadcasting since August 2009. Since 1991 has been working within the ITI Group structures. In 1998 became Producer and Vice President of ITI Film Studio's Management Board. In 1999 was appointed Vice President of the Management Board in charge of Marketing and On-air Promotion. Between July 2001 and August 2009 was holding the position of President of the Management Board and General Director of TVN. 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).

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 financial 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 activities and between 1995 and 1997, he was the European Treasurer of Pelikan Hardcopy Group. Mr. Driscoll started his career in Europe with Coopers and Lybrand, Switzerland in both audit and corporate finance. Mr. Driscoll is a graduate of the University of Maryland and is a U.S. Certified Public Accountant.

On December 20, 2011 Łukasz Wejchert has resigned from his position of a member of the Management Board of TVN S.A. Łukasz Wejchert ceased to perform the function of Management Board member of TVN S.A. with immediate effect. His resignation follows the conclusion of the agreement regarding buy-back of ITI Holdings shares owned by companies affiliated to the family of Łukasz Wejchert. Simultaneously he resigned from his positions in the Executive Committee of ITI Group and the Management Board of Onet Group.

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, 2011 (in PLN):

Name	**Salary**	**Bonuses***	**Total**
Markus Tellenbach	4,363	2,982	7,345
Piotr Walter	3,208	1,377	4,585
Łukasz Wejchert**	4,902	2,051	6,953
John Driscoll	2,194	583	2,777
Total	**14,667**	**6,993**	**21,660**

**Bonuses paid for 2010 during 2011.*

***Salary incl. severance; Bonuses incl. also bonus for 2011*

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, 2011:

Name	**Total number of options granted up to December 31, 2011 (not in thousands)**	**Total number of options vested up to December 31, 2011 (not in thousands)**	**Total number of options vested and held as of December 31, 2011 (not in thousands)**
Markus Tellenbach	-	-	-
Piotr Walter	622,600	622,600	373,560
John Driscoll	-	-	-

The table below sets out shares in TVN S.A. held by each management board member as of December 31, 2011:

Name	Number of shares
Markus Tellenbach	-
Piotr Walter	-
John Driscoll	-

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	51	Chairman of the supervisory board Chairman of the related party transactions and remuneration committee	2005	2009
Bruno Valsangiacomo	56	Deputy Chairman of the supervisory board	1999	2009
Arnold Bahlmann	57	Independent member of the supervisory board Member of the related party transactions and remuneration committee	2005	2009
Romano Fanconi	46	Member of the supervisory board Member of the audit committee	2004	2009
Paweł Gricuk	46	Independent member of the supervisory board Member of the audit committee Member of the related party transactions and remuneration committee	2005	2009
Paul Lorenz	51	Member of the supervisory board	2010	2010
Wiesław Rozłucki	63	Independent member of the supervisory board Member of the audit committee	2007	2009
Andrzej Rybicki	63	Chairman of the supervisory board	2006	2009
Aldona Wejchert	42	Member of the supervisory board	2007	2009
Gabriel Wujek	59	Member of the supervisory board	2008	2009
Michał Broniatowski	57	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 Tygodnika Powszechnego SP.z o.o. sinec 2007 and 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 and an active member/participant of the World Economic Forum. 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 S.A. in 1991 as a founding shareholder and holds the position of Executive Chairman of ITI Holdings S.A. and Vice Chairman of the TVN supervisory board. He is an experienced entrepreneur and investor in various industries. He started his career in corporate banking and worked at major institutions in Switzerland 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 also leads the Tectus Group of companies, a Swiss based family owned holding company with worldwide interests in post-tensioning technology (cable stayed bridges), construction materials and electronic hardness measurement equipment for concrete, metal and paper. He is among other Chairman of BBR Holding Ltd, Zoug/Switzerland, BBR VT Ltd., and Proceq S.A., both in Schwerzenbach/Switzerland. He is a graduate of the School of Economics and Administration in Zurich.

Arnold R. Bahlmann PhD. an entrepreneur and independent board member of several companies. Additionally he serves as senior advisor to Permira, one of Europe's largest private equity funds, and sits on its industrial advisory board as well as to TA Associates. 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 chairman of eCircle GmbH, as a board member of 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 as well as YOC AG and Senator Entertainment AG. 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 and the audit committee in 2011. Prior to joining the ITI Group he held various positions at UBS and Credit Suisse. 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 H. Lorenz is a Luxembourg National with a European business background. He is the founder and managing partner of DevelUP S.A., a business-to-business advisory and services firm. Operationally active across Europe since 2000, DevelUP mostly assists ventures active in the media and telecom sectors. Prior to DevelUP, Mr Lorenz joined the RTL Group of Luxembourg as a senior executive in mid 1990. First in charge of the Group's TV Administration, then taking care of developing new markets in central and eastern Europe. He moved to Poland in 1996 to launch RTL7, from which he retired as CEO in late 1999. As Deputy CEO for Lux-Development 1987-1990, Mr Lorenz was active in the not-for-profit development cooperation sector, mainly on the African continent. He has experience from the financial industry from his time with Banque Générale du Luxembourg 1985-1987. Paul H. Lorenz is a graduate of ESCP Europe.

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 earned 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. as of 2005. Since 2011 she was Non-Executive Member of the Board of Directors of the ITI Group and in December 2011 she joined the Executive Committee of the ITI Group consequently becoming its Vice Chairman. She is also 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 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 board 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, an international news and information company operating in Russia, former Soviet Union states and in China. 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 Romano Fanconi. 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 2011 the audit committee met four 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 three times during 2011 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, 2011 (in PLN):

Name	**Remuneration**
Wojciech Kostrzewa	192
Bruno Valsangiacomo	97
Arnold Bahlmann	108
Romano Fanconi	95
Pawel Gricuk	144
Wiesław Rozłucki	132
Andrzej Rybicki	72
Aldona Wejchert	72
Gabriel Wujek	72
Michał Broniatowski	72
Paul Lorenz	72
Total	**1,128**

Share ownership

The table below sets out shares in TVN S.A. held by each supervisory board member as of December 31, 2011:

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, 2011:

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.	500,000	1.25 EUR
Bruno Valsangiacomo affiliated entity	ITI Holdings S.A.	10,039,271	1.25 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, when their contracts are 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 office.

Employees

As of December 31, 2011, we had 3,241 full-time employees. Of that number, 426 were employed in management and administration, 1,074 in production and programming, 113 in the marketing department, 477 in the technical department and 1,151 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, 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.

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.

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 68,775 and is divided into 343,876,421 ordinary shares. The table below sets forth, as of December, 31 2011, 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	52.45%	180,355,430	52.45%
N-Vision B.V. (1)	0	0.00%	0	0.00%
Cadizin Trading&Investment (1)	10,915,781	3.17%	10,915,781	3.17%
ITI Impresario (1)	0	0.00%	0	0.00%
Other shareholders	152,605,210	44,38%	152,605,210	44,38%
TOTAL:	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

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

During the year ended December 31, 2011 1,522,229 shares of C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 16,357 (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.

In the period between April 3, 2009 and June 8, 2009 our direct shareholder Cadizin transferred 1,520,480 (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.

In the period between June 8, 2011 and July 8, 2011 Cadizin transferred 1,178,791 (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 6,952,686 (not in thousands), which represented 2.03% 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 6,113,238 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 16,935,397 (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 13,968,397 (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 10,762,144 (not in thousands), representing 3.16% of our share capital and votes.

In the period between January 5 and February 23, 2010 N-Vision transferred 6,799,052 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 3,963,095 (not in thousands), representing 1.15% of our share capital and votes.

On June 24, 2011 ITI Impresario sold 1,400 (not in thousands) of our shares on the regulated market.

As a result of the above mentioned transaction, ITI Impresario reduced the number of our shares held by it to 0 (not in thousands), representing 0% of our share capital and votes.

On November 1, 2011 N-Vision transferred 3,963,095 of our shares to Cadizin Trading & Investments Limited.

As a result of the above mentioned transaction, N-Vision reduced the number of our shares held by it to 0 (not in thousands), representing 0% of our share capital and votes and Cadizin increased the number of shares held by it to 10,915,781 (not in thousands), representing 3.17% 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 2011, this agreement was amended several times to reflect additional space we occupied and, by the end of December 2011, the total amount of rental space was 10,098 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.

On November 29, 2011 1,989 square meters were separate from TVN S.A agreement and assigned to TVN Media.

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.

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 Indenture 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 13,728 (or PLN 0.04 per share) in 2011, representing 30% of 2010 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 2011 results to our recent forecast.

The table below provides a comparison of our consolidated financial results for the year ended December 31, 2011 and the forecast of post paid subscribers of ‘n’ DTH platform for 2011 published on February 22, 2011 and the updated forecast of our 2011 results published on November 10, 2011.

	Actual results 2011	**Updated 2011 forecast of results**
Post paid subscribers of ‘n’ DTH platform	929,000	900,000
EBITDA	PLN 659,796	PLN 660,000-670,000

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, 2011.

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, 2011, the number of shares in TVN S.A. amounted to 343,876,421 (not in thousands). The share capital of TVN S.A. accounts for PLN 68,775.

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 2011	17.29	15.42
August 2011	16.91	10.53
September 2011	14.94	12.55
October 2011	15.98	12.73
November 2011	12.85	9.00
December 2011	10.58	8.90

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
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
First quarter ended March 31, 2011	18.14	15.96
Second quarter ended June 30, 2011	18.49	15.10
Third quarter ended September 30, 2011	17.29	10.53
Fourth quarter ended December 31, 2011	15.98	8.90

(PLN not in thousands)	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2011
Share price at end of period	25.00	13.46	14.29	17.10	10.30
Average share price during period	24.36	18.55	12.02	16.92	15.02
Highest share price during period	29.28	26.75	16.14	19.43	18.49
Lowest share price during period	19.50	10.60	7.90	13.00	8.90

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 343,876,421 registered and bearer ordinary shares, Series A, B, C1, C2, C3, D, E1, E2, E3, E4 and F with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 163,520,991 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 May 1, 2011 , increase our authorized share capital one or more times, 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 within the three-year period referred to above (see §7 Sections 2 and 3 of the Articles). Pursuant to §7.4 and §21.2.8) 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 our dominating entity, subsidiary and other affiliates belonging to our capital group.

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 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 financial 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 financial 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 financial 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 meeting 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 engaged 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 located outside EEA 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 52,45% 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. 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 May 1, 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 license agreement with satellite and cable television 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 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 two satellite transponders capacity on its satellite Eutelsat HotBird 13C. ITI Neovision Sp. z o.o. entered into similar agreement with Eutelsat to provide them with three satellite transponders capacity on its satellite Eutelsat HotBird 13C and Eutelsat HotBird 13A. Our agreements will expire on April 19, 2018, ITI Neovision's agrrements will expire on December 31, 2014, October 14, 2017 and August 31, 2018.

License agreement with Cyfrowy Polsat S.A. – TVN, TVN HD, TVN HD+1 and TVN 7 channels

On April 29, 2011, we entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a nonexclusive license for the distribution of the TVN, TVN HD, TVN HD+1 and TVN siedem channels in Poland. The agreement is valid until April 30, 2015.

License agreement with Cyfrowy Polsat S.A. - TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC channels

On April 29, 2011, 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, TVN Style and TVN CNBC channels in Poland. The agreement is valid until April 30, 2015.

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. On October 14, 2011 we have signed an annex to the 2005 agreement, by which we have granted a license for distribution of TVN Turbo HD and TVN Style HD – license period commences on April 1, 2012. On October 14, 2011 we have signed an agreement which grants a non-exclusive license for the distribution of the TVN HD and TVN 7 HD channels in Poland. This agreement is valid until December 31, 2013.

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 in cable television of the TVN 24, TVN Meteo, TVN Turbo, TVN Style, and TVN CNBC channels in Poland. The agreement, as amended on March 1, 2011, is valid until December 31, 2013 and provides for automatic extension for further periods of one year unless terminated within the prescribed notice period.

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, using our transmitters. The agreement was concluded for a specified term until the expiry of our licence to broadcast the TVN channel, i.e. until Apil 15, 2014, under the warranty, that each transmitter may be disconnected according to government's scheduls. 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 of TVN and TVN 7 channels through terrestrial network in digital technology MUX2. The term of the agreement is ten years. 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.

Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group

On December 18, 2011 the agreements were concluded to effect the cooperation with Canal+ Group and the combination of ITI Neovision, the 'n' platform operator, and Canal+ Cyfrowy sp. o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction is to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform 'n/C+' owned by Canal+Group and TVN. The combined DTH platform 'n/C+' will benefit from the 2.5 million customer base and the effect of scale, synergies and increased efficiency.

According to the agreements our principal obligation is to procure the direct or indirect contribution of our entire interest in ITI Neovision Group and the principal obligation of Canal+ Group is to procure the direct or indirect contribution of its entire interest in Cyfra+ to the combined entity 'n/C+' where the Company will hold 32% of shares, Canal+ Group will hold 51% of shares and the remaining 17% of the share capital of the 'n/C+' will be held by LGI Ventures B.V. ("LGI"). According to the current estimates of the Management Board, the value of the our 32% stake in the 'n/C+' is around 1.9 billion based on the valuation of the our stake in the value of the combined ‘n’ platform and Cyfra+ platform (‘n/C+’) performed by our investment bank for the purpose of issuing the fairness opinion in connection with the above transaction. As the sales consideration of 1.9 billion exceeds the carrying amount of net assets (approximately 1.2 billion as at December 31, 2011) no impairment was recognized on the reclassification of the group to be disposed to “held for sale”.

Canal+ Group has two call options regarding TVN's 32% stake in the combined entity ‘n/C+’ exercisable in the periods of three months following the third and fourth anniversaries after the completion of the transaction. In both options the price for the option shares will be based on the fair market valuation performed by an investment bank.

Simultaneously, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the “Share Purchase Agreement”) relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (“N-Vision”) (the entity holding an indirect 51% stake in TVN S.A.).

The completion of the transaction is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

If conditions precedent to the combination of the Pay-TV operations of "n" and Cyfra+ are fulfilled, but TVN would not be able to fulfill other conditions and the agreements terminate, TVN is then obliged to pay to Canal+ Group a break-up fee of EUR 75 million (“Break-up Fee”) unless such Break-up Fee is discharged by ITI Holdings under the Share Purchase Agreement. If the Break-up Fee is paid by TVN, ITI Holdings will immediately on demand, reimburse TVN for the full amount of such Break-up Fee.

ITI Holdings and TVN entered into a side letter regarding break-up fees payable under the Share Purchase Agreement in case the transaction is not completed due to either party to that agreement not acting in good faith to procure the fulfillment of the conditions precedent to closing. Under this side letter if the transaction is not completed due to Canal+ Group's failure to act in good faith to procure the fulfillment of the conditions precedent, TVN will be entitled to 50% of the break-up fee payable by Canal+ Group to ITI Holdings under the Share Purchase Agreement which is EUR 25 million. If the transaction is not completed due to ITI Holding not acting in good faith due to reasons for which TVN is responsible, TVN has to reimburse ITI for EUR 25 million, being 50% of the break-up fee payable in such circumstances by ITI Holding to Canal+ Group under the Share Purchase Agreement.

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

On August 9, 2011 we entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim condensed separate financial statements and audit interim consolidated financial statements as at and for the 6 months ended June 30, 2011 and audit separate and consolidated financial statements as of and for the year ended December 31, 2011.

The following table sets out a summary of accountancy fees and services for the twelve months ended December 31, 2010 and 2011:

(in thousands)	**2011**	**2010**
Audit fees [1]	1,636	1,878
Tax fees [2][3]	2,132	120
Other fees[3]	3,906	1,518
Total fees	**7,674**	**3,516**

(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) Tax and other fees in 2011 include mainly additional audit, financial and tax due diligence and tax advisory services relating to the planned transaction with Canal+ Group. Other fees in 2010 include mainly fees for attestation necessary for offering memorandum for the issue of the 10.75% Senior Notes and 7.875% Senior Notes. 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.

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 2011 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/.

The Company hereby informs that it intends to apply the remuneration policies of Management Board members in accordance with 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 controls used;

Defined scope of financial reporting applied by the Company

The Company carries out annual reviews of strategy, long-term business plans and business risk factors. 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 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 Finance Director, taking into consideration other, supplementary data supplied by specified employees from other departments. The prepared interim reports are verified by the Controlling Director of TVN Group 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 principles of independent analysis 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 read by the Company's auditor. Adequacy of financial data and scope of necessary disclosures are scrutinized in particular.

Results of quarterly procedures 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 controls used

The Company operates an internal audit section, which participates in identifying the risks and assesses controls 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 evaluation of controls, analysis of business risks and recommendations for improving the controls.

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, 2011.

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. (1)	180,355,430	52.45%	180,355,430	52.45%
N-Vision B.V. (1)	0	0.00%	0	0.00%
Cadizin Trading&Investment (1)	10,915781	3.17%	10,915781	3.17%
ITI Impresario (1)	0	0.00%	0	0.00%
Other shareholders	152,605,210	44,38%	152,605,210	44,38%
TOTAL:	**343,876,421**	**100.00%**	**343,876,421**	**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 2011 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 is valid for three years, since May 1, 2011 and authorize 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 2011 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 March 30, 2011 and its proceedings were in accordance with Code of Commercial Companies and provisions of the adopted Standing By-laws of the General Meeting of Shareholders of TVN S.A.

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 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.

Shareholders 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 under amended provisions of the Code of Commercial Companies

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, imperative for all public companies, principles simplifying participation of Shareholders in General Meetings of Shareholders and exercising their voting rights.

Shareholders representing no less than 5 percent of Company's share capital have 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 no less than 50 percent of Company's share capital have the right to self-dependently convene General Meetings of Shareholders.

Shareholders representing no less than 5 percent of Company's share capital have 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

Membership in the Management Board and changes in membership during 2011

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 –resigned from his position of a Vice-president of the Management Board on December 20, 2011;
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.

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 and 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 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 also key decisions of material importance for business of the Company, including: strategic partnership with Canal+ Group concerning, after antitrust regulatory approval, merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients as well as conclusion of an agreement with TVN Media Sp. z o.o. regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, our 100% owned subsidiary.

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,
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, member of the Audit Committee,
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.

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 five 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 ten 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 2011 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 March 30, 2011 a concise assessment of the condition of TVN S.A. in 2010 and a report from its activities and activities of the Supervisory Board's committees, containing an evaluation of Supervisory Board work in 2010. 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 2011 the Supervisory Board extended its consent to Management Board for disposal of an organized part of the enterprise and for strategic partnership with Canal+ Group.

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 controls 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 Romano Fanconi. 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 4 meetings in 2011.

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. In 2011 the Committee had acquainted with 5 internal reports regarding television broadcasting and production segment, with 3 internal reports regarding online segment and 2 internal reports regarding pay TV segment.

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 2011 the Committee held three meetings (teleconferences) to analyze salaries of Management Board, including bonuses.

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-85 as follows:

ITEM 19. EXHIBITS

Not applicable.

pwc

Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

Report on the consolidated financial statements

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, 2011 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, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
February 14, 2012

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, 2011, 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, 2011 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 applicable regulations and professional standards.

These consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 14, 2012.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Robert Bednarski Member of the Board	John Driscoll Member of the Board

Warsaw, February 14, 2012

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2011

TVN Group

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TVN Group 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, NTL Radomsko, Telezakupy Mango 24 and ttv. 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
- Paul H. Lorenz
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President (resigned December 20, 2011)
- Robert Bednarski (appointed January 9, 2012)
- John Driscoll

TVN Group Information (CONTINUED)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

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

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Media Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- 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
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warszawa

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Media Entertainment Ventures International Limited in members' voluntary liquidation
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 1436, Malta

Teleshopping

- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia

TVN Group Information (CONTINUED)

8. Subsidiaries (continued)

Corporate

- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- DTH Poland Holding Coöperatief U.A.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation III AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Holding S.A.
  ul. Wiertnicza 166
  02-952 Warszawa

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. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa
- Film Miasto Sp. z o.o.
  ul. Puławska 182
  02-670 Warszawa

TVN S.A.
Consolidated Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Continuing operations			
Revenue	**6**	1,959,843	1,925,130
Cost of revenue	**7**	(1,043,470)	(1,031,439)
Selling expenses	**7**	(176,514)	(154,086)
General and administration expenses	**7**	(188,654)	(161,504)
Other operating (expenses)/ income, net		(1,944)	7,260
Operating profit		**549,261**	**585,361**
Interest income	**8**	26,547	14,274
Finance expense	**8**	(351,484)	(309,979)
Foreign exchange (losses)/ gains, net	**8**	(308,476)	29,224
Share of loss of associates		(280)	(4)
(Loss)/ profit before income tax		**(84,432)**	**318,876**
Income tax credit/ (charge)	**26**	18,556	(59,856)
(Loss)/ profit for the period from continuing operations		**(65,876)**	**259,020**
Discontinued operations			
Loss for the period from discontinued operations	**29**	**(251,489)**	**(213,159)**
(Loss)/ profit for the period		**(317,365)**	**45,861**
(Loss)/ profit attributable to:			
Owners of the parent		(317,365)	42,754
Non-controlling interests		-	3,107
		(317,365)	**45,861**
(Losses)/ earnings per share from continuing and discontinued operations attributable to the owners of TVN S.A. (not in thousands)			
Basic (losses)/ earnings per share			
- from continuing operations		(0.19)	0.76
- from discontinued operations		(0.73)	(0.63)
	9	**(0.92)**	**0.13**
Diluted (losses)/ earnings per share			
- from continuing operations		(0.19)	0.75
- from discontinued operations		(0.73)	(0.63)
	9	**(0.92)**	**0.12**

The consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 has been restated in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The accompanying notes are an integral part of these consolidated financial statements.

TVN S.A.
Consolidated Statement of Comprehensive Income
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
(Loss)/ profit for the period		**(317,365)**	**45,861**
Other comprehensive income:			
Foreign exchange forward contracts	**17**	259	-
Available-for-sale financial assets		-	702
Income tax relating to components of other comprehensive income	**26**	(59)	(133)
Other comprehensive income for the period, net of tax		200	569
Total comprehensive (loss)/ income for the period		**(317,165)**	**46,430**
Total comprehensive (loss)/ income attributable to:			
Owners of the parent		(317,165)	43,323
Non-controlling interests		-	3,107
		(317,165)	**46,430**
Total comprehensive (loss)/ income attributable to owners of the parent:			
- from continuing operations		(65,623)	259,589
- from discontinued operations		(251,542)	(216,266)
		(317,165)	**43,323**

The accompanying notes are an integral part of these consolidated financial statements.

TVN S.A.
Consolidated Balance Sheet
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	As at December 31, 2011	As at December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	340,319	763,030
Goodwill	**11**	952,657	1,677,614
Brands	**12**	693,687	778,625
Other intangible assets	**13**	75,227	112,199
Non-current programming rights	**14**	179,242	155,345
Investments in associates		1,194	1,527
Available-for-sale financial assets	**16**	-	7,588
Deferred tax asset	**26**	43,056	46,505
Non-current restricted cash	**20**	-	84,172
Other non-current assets	**19**	5,507	5,787
		2,290,889	**3,632,392**
Current assets			
Current programming rights	**14**	241,465	247,004
Trade receivables	**18**	376,430	334,705
Derivative financial assets	**17**	1,580	-
Prepayments and other assets	**19**	57,605	135,400
Corporate income tax receivable		13,495	12,603
Current restricted cash	**20**	-	27,363
Bank deposits with maturity over three months	**20**	75,000	321,721
Cash and cash equivalents	**20**	592,126	480,294
		1,357,701	**1,559,090**
Assets of disposal group classified as held for sale	**29**	1,463,368	-
		2,821,069	**1,559,090**
TOTAL ASSETS		**5,111,958**	**5,191,482**
EQUITY			
Shareholders' equity			
Share capital	**21**	68,775	68,471
Share premium		672,931	643,049
8% obligatory reserve		23,301	23,301
Other reserves		(451,785)	(438,036)
Accumulated profit		610,807	941,900
		924,029	**1,238,685**
Non-controlling interests		(558)	-
		923,471	**1,238,685**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**22**	2,542,476	2,263,055
7.875% Senior Notes due 2018	**22**	752,490	671,146
PLN Bonds due 2013	**22**	-	140,739
Deferred tax liability	**26**	158,301	168,255
Non-current trade payables	**23**	15,010	13,186
Other non-current liabilities		10,196	4,826
		3,478,473	**3,261,207**
Current liabilities			
Current trade payables	**23**	163,639	239,550
Accrued interest on borrowings	**22**	42,804	38,377
Other liabilities and accruals	**24**	249,971	413,663
		456,414	**691,590**
Liabilities of disposal group classified as held-for-sale	**29**	253,600	-
		710,014	**691,590**
Total liabilities		**4,188,487**	**3,952,797**
TOTAL EQUITY AND LIABILITIES		**5,111,958**	**5,191,482**

The consolidated balance sheet as at December 31, 2011 has been restated in order to conform with the presentation requirements of IFRS 5. According to the requirements of IFRS 5 the consolidated balance sheet as at December 31, 2010 is presented as previously reported.

The accompanying notes are an integral part of these consolidated financial statements.

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total equity 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 [1]	-	-	-	-	(356,718)	-	(356,718)	356,610	(108)
Cost related to acquisition of non-controlling interest [1]	-	-	-	-	(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)
Credit for the period	-	702	-	702
Deferred tax on credit for the period	-	(133)	-	(133)
Derecognition of non-controlling interest [1]	-	-	(356,718)	(356,718)
Cost related to acquisition of non-controlling interest [1]	-	-	(6,859)	(6,859)
Balance at December 31, 2010	**113,112**	**-**	**(551,148)**	**(438,036)**

The accompanying notes are an integral part of these consolidated financial statements.

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**(438,036)**	**941,900**	**1,238,685**	**-**	**1,238,685**
Total comprehensive income/ (loss) for the period	-	-	-	-	200	(317,365)	(317,165)	-	(317,165)
Issue of shares (2)	1,522,229	304	30,002	-	(13,949)	-	16,357	-	16,357
Share issue cost	-	-	(120)	-	-	-	(120)	-	(120)
Dividend declared and paid (3)	-	-	-	-	-	(13,728)	(13,728)	-	(13,728)
Acquisition of subsidiary (see Note 30)	-	-	-	-	-	-	-	(558)	(558)
Balance at December 31, 2011	**343,876,421**	**68,775**	**672,931**	**23,301**	**(451,785)**	**610,807**	**924,029**	**(558)**	**923,471**

(*) Other reserves

	Employee share option plan reserve	Hedging reserve	Other reserves related to acquisition of non-controlling interest	Total
Balance at January 1, 2011	**113,112**	**-**	**(551,148)**	**(438,036)**
Issue of shares	(13,949)	-	-	(13,949)
Credit for the period	-	259	-	259
Deferred tax on credit for the period	-	(59)	-	(59)
Balance at December 31, 2011	**99,163**	**200**	**(551,148)**	**(451,785)**

(1) On March 10, 2010 the Group completed the acquisition of the remaining shares in Neovision Holding B.V. (currently DTH Poland Holding Coöperatief U.A.) and derecognized non-controlling interest (see Note 28).

(2) During the year ended December 31, 2011 1,522,229 (not in thousands) of 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 (see Note 33). 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 2011 amounted to 0.04 per share (not in thousands). The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of December 31, 2011 is an amount of 2,491,619 being the accumulated profit of TVN S.A. on a standalone 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.

TVN S.A.
Consolidated Cash Flow Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Operating activities			
Cash generated from operations	**25**	480,377	578,865
Tax paid		(45,145)	(74,805)
Net cash generated by operating activities		**435,232**	**504,060**
Investing activities			
Payments to acquire subsidiaries, net of cash		(4,182)	-
Payments to acquire associate		(2)	-
Cost of acquisition of non-controlling interest		-	(6,859)
Payments to acquire property, plant and equipment		(160,600)	(236,431)
Proceeds from sale of property, plant and equipment		2,236	1,790
Payments to acquire intangible assets		(70,820)	(47,964)
Sale of available-for-sale financial assets	**16**	8,002	363,700
Bank deposits with maturity over three months	**20**	245,997	(318,673)
Interest received		27,514	13,356
Net cash generated by/ (used in) investing activities		**48,145**	**(231,081)**
Financing activities			
Issue of shares, net of issue cost		16,237	19,906
Dividend paid		(13,728)	(105,808)
Issue of 7.875% Senior Notes due 2018	**22**	-	689,255
Cost of issue of 7.875% Senior Notes due 2018	**22**	(1,472)	(21,134)
Repurchase of PLN Bonds due 2013	**22**	(144,971)	(366,180)
Cost of issue of 10.75% Senior Notes due 2017	**22**	-	(14,366)
Settlement of foreign exchange forward contracts	**17**	36,960	-
Restricted cash	**20**	111,535	(111,535)
Interest paid		(323,990)	(264,529)
Net cash used in financing activities		**(319,429)**	**(174,391)**
Increase in cash and cash equivalents		**163,948**	**98,588**
Cash and cash equivalents at the start of the period		480,294	381,658
Effects of exchange rate changes		8,703	48
Transferred to disposal group classified as held for sale	**29**	(60,819)	-
Cash and cash equivalents at the end of the period		**592,126**	**480,294**

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2011 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2010 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2011 and the year ended December 31, 2010 are disclosed in Note 29.

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 14, 2012.

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 Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is one of the largest media and entertainment groups in Poland.

The structure of the TVN Group is described in Note 31.

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.

<u>Recent significant transactions</u>

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. In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the Group acquired and redeemed the remaining 5,600 of the PLN Bonds due 2013 (see Note 22).

On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement with Bank Pekao S.A. (see Note 22).

In July 2011 the Group entered into a long term license agreement with Twentieth Century Fox. Under the agreement the Group acquires rights to the content of Twentieth Century Fox. The agreement became effective as of January 1, 2012.

Also in July 2011 the Group entered into a license agreement with Union des Associations Européennes de Football ("UEFA"). Under the agreement the Group acquires rights to broadcast UEFA Champions League and Europa League, as well as to sublicense certain rights to Telewizja Polska S.A. (Polish Television). The agreement covers three football seasons: 2012/2013, 2013/2014 and 2014/2015.

On November 28, 2011, the Company concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) whereby the Company agreed to contribute certain business activities combining an organizationally and functionally separated unit within the business structure, carrying out the sales, marketing and brand management functions in exchange for increased share capital of TVN Media, the Company's 100% owned subsidiary. The assets contributed to TVN Media included, among others, the sales, marketing and brand management departments, as well the brands owned previously by TVN S.A. (including internally generated brands). The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients. The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group's structure, and opening the functions to new independent product implementations. As a result of the above transaction, the Group consists of exactly the same assets and liabilities as before the transaction, except for the possible tax consequences of this transaction which are outlined in Note 4 (vi).

1. TVN (CONTINUED)

On December 18, 2011 the Group along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the cooperation with Groupe Canal+ S.A. (“Canal+ Group”) and the combination of ITI Neovision Sp. z o.o. (“ITI Neovision”), the ‘n’ platform operator, and Canal+ Cyfrowy sp. o.o., the "Cyfra+" platform operator (“Cyfra+”). The purpose of the transaction is to combine the Polish Pay-TV operations of ‘n’ and Cyfra+ creating a digital DTH platform ‘n/C+’ owned by Canal+ Group and TVN (see Note 29).

Also on December 18, 2011, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the “Share Purchase Agreement”) relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (“N-Vision”) (the entity holding an indirect 51% stake in TVN S.A.) .

The completion of both transactions is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. <u>Basis of preparation</u>

These consolidated financial statements are prepared on a going concern basis and in accordance with the 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, 2011 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2010 except for standards, amendments to standards and interpretations which became effective January 1, 2011.

In 2011 the Group adopted:

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment did not affect the Group’s consolidated financial statements.

(ii) IFRS Improvements 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 amendments did not have a significant impact on the Group’s consolidated financial statements.

(iii) Amendment to IAS 32 Classification of Rights Issues

The amendment clarifies the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) when that price is stated in a currency other than the entity's functional currency. The amendment did not affect the Group’s consolidated financial statements.

(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address accounting by the creditor. The interpretation did not affect the Group’s consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revised IAS 24 Related Party Disclosures

The revised standard simplifies the definition of a related party, clarifies its intended meaning, eliminates inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The revised standard did not have a significant impact on the Group's consolidated financial statements, the Group has not identified any new related parties under the new definition of a related party.

(vi) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendment applies in limited circumstances:

- when an entity is subject to minimum funding requirements, and
- makes an early payment of contributions to cover those requirements.

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment 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.

The Group's consolidated financial statements for the year ended December 31, 2010 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 appropriately in other comprehensive income or 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized in other comprehensive income 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 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 assets under construction 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, 2011.

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 ‘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. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.14. 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 2.17).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Changes in the fair value of monetary and non-monetary securities that are classified as available for sale 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.

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 2.17.

2.15. <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 foreign exchange risk of a firm commitment (cash flow hedge) 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 Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings 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.

The Group applies cash flow hedge accounting for hedging foreign exchange risk on firm commitments relating to acquisition of programming rights and fees for broadcasting television channels and content. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. 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 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 estimated net realisable value, taking into account future margin expected from related services.

2.17. 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, 90 or 180 days overdue depending on business segment) 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.

2.18. 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.

2.19. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20. 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.

2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25. 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.

2.26. 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 were 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.

2.27. 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.

2.28. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

2.29. <u>Government grants</u>

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.

2.30. <u>Barter transactions</u>

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31. Advertising costs

The Group expenses advertising costs at the time of the first broadcast or publication.

2.32. 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.

2.33. 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 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.

2.34. 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.

2.35. 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.

2.36. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards, amendments to 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, 2012. The Group's assessment of the impact of these new standards, amendments to standards and IFRIC interpretations on the Group's consolidated financial statements is set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) IFRS 10 Consolidated Financial Statements

The standard was published on May 12, 2011 and it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard requires an entity that is a parent to present consolidated financial statements, a limited exemption is available to some entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(ii) IFRS 11 Joint Arrangements

The standard was published on May 12, 2011 and it establishes principles for financial reporting by parties to a joint arrangement. The standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard classifies joint arrangements into two types – joint operations and joint ventures and establishes different principles for financial reporting for each type of joint arrangement. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities

The standard was published on May 12, 2011 and it applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

(iv) IFRS 13 Fair Value Measurement

The standard was published on May 12, 2011. The standard:

- defines fair value;
- sets out in a single standard a framework for measuring fair value;
- requires disclosures about fair value measurements.

The standard applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Amended IAS 27 Separate Financial Statements

The amended standard was published on May 12, 2011 and it contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended standard applies for annual periods beginning on or after January 1, 2013. The amended standard will not affect the Group's consolidated financial statements.

(vi) Amended IAS 28 Investments in Associates and Joint Ventures

The standard was published on May 12, 2011 and it prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard applies for annual periods beginning on or after January 1, 2013. Along with adoption of this amended standard the Group will have to change its accounting policy on joint ventures, as the proportionate consolidation will no longer be permitted. As the Group is not a party to any significant joint ventures the amended standard will not have significant impact on the Group's consolidated financial statements.

(vii) Amendments to IAS 19 Employee Benefits

The amendments were published on June 16, 2011 and they improve the accounting for pensions and other post-employment benefits. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not affect the Group's consolidated financial statements.

(viii) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments were published on June 16, 2011 and they require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments apply for annual periods beginning on or after July 1, 2012. The amendments will not have significant impact on the Group's consolidated financial statements.

(ix) IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

The interpretation was published on October 19, 2011 and it applies for annual periods beginning on or after January 1, 2013. The interpretation will not affect the Group's consolidated financial statements.

(x) Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures

The amendments were published on December 16, 2011. These amendments require entities to apply IFRS 9 for annual periods beginning on or after January 1, 2015 instead of on or after January 1, 2013. Early application of both continues to be permitted. The Amendments to IFRS 7 Financial Instruments: Disclosures modify the relief from restating prior periods and require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. The Group is currently assessing the impact of the amendments on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011 and they amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the Group's consolidated financial statements.

(xii) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011. The amendments apply for annual periods beginning on or after January 1, 2014 and they will not have significant impact on the Group's consolidated financial statements.

Additionally, the following standards and amendments to standards are applicable in future and were discussed in the Group's consolidated financial statements for the year ended December 31, 2010:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *IFRS 9 Financial Instruments*
- *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*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the date of preparation of these financial statements the following standards, amendments to standards and IFRIC interpretations were not adopted by the EU:

- *IFRS 9 Financial Instruments*
- *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*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *Amended IAS 27 Separate Financial Statements*
- *Amended IAS 28 Investments in Associates and Joint Ventures*
- *Amendments to IAS 19 Employee Benefits*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*
- *IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*
- *Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures*
- *Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities*
- *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

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 effective from cost and cash flow perspective.

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. 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 zloty. 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 an efficient manner, both from a cost and cash flow perspective, 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 (see Note 17). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated (loss)/ profit for the period (post-tax) impact on balances as of December 31, 2011 and December 31, 2010 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant amounts to a loss of 138,929 (a loss of 116,433 as of December 31, 2010) and is presented below:

	Year ended December 31, 2011	**Year ended December 31, 2010**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(107,501)	(96,391)
7.875% Senior Notes due 2018 including accrued interest	(31,612)	(28,327)
Trade payables	(310)	(903)
Other	-	(1,629)
Assets:		
Cash and cash equivalents	382	820
Trade receivables	112	133
Bank deposits with maturity over three months	-	9,864
	(138,929)	**(116,433)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated (loss)/ profit for the period (post-tax) impact on balances as of December 31, 2011 and December 31, 2010 of a reasonably possible USD appreciation of 5% against the 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 3,053 (a loss of 2,449 as of December 31, 2010) and is presented below:

	Year ended December 31, 2011	Year ended December 31, 2010
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(3,352)	(4,082)
Assets:		
Trade receivables	260	326
Cash and cash equivalents	39	1,307
	(3,053)	**(2,449)**

The net (loss)/ profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group. Details of foreign exchange forward contracts which the Group had on December 31, 2011 are discussed in Note 17.

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 and the 7.875% Senior Notes due 2018 (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.

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, 2011.

(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 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.

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 (73% of the total trade receivables as of December 31, 2011) 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 16% and the single largest advertiser accounted for 3% of sales for the year ended December 31, 2011. 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.

The table below analyses the Group's trade receivables by category of customers:

Trade receivables (net)	December 31, 2011	December 31, 2010
Receivables from advertising agencies	73%	64%
Receivables from individual customers	21%	34%
Receivables from related parties	6%	2%
	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 Group's total trade receivables:

Trade receivables (net)	December 31, 2011	December 31, 2010 *
Agency A	13%	7%
Agency B	12%	9%
Agency C	7%	8%
Agency D	6%	7%
Agency E	2%	2%
Sub-total	**40%**	**33%**
Total other counterparties	60%	67%
	100%	**100%**

* 2010 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, 2011	December 31, 2010 *
Agency Group F	22%	20%
Agency Group G	19%	13%
Agency Group H	8%	12%
Agency Group I	5%	4%
Agency Group J	4%	3%
Sub-total	**58%**	**52%**
Total other counterparties	42%	48%
	100%	**100%**

* 2010 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, 2011.

(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 and 7.875% Senior Notes due 2018 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, 2011 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 667,126 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 802,015 at December 31, 2010).

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, 2011			
10.75% Senior Notes due 2017	281,560	281,560	3,745,402
7.875% Senior Notes due 2018	60,870	60,870	1,077,290
Trade payables	163,639	15,010	-
Other liabilities and accruals	120,795	8,317	-
	626,864	**365,757**	**4,822,692**
At December 31, 2010			
10.75% Senior Notes due 2017	252,460	252,460	3,610,758
7.875% Senior Notes due 2018	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**

* On December 23, 2010 the Group redeemed PLN Bonds due 2013 with the total nominal value of 359,000. In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400. On June 14, 2011 the Group acquired and redeemed the remaining PLN Bonds due 2013 with the total nominal value of 5,600 (see Note 22).

(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 less cash and cash equivalents and bank deposits with maturity over three months. 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, interest income, finance expense, 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, 2011	**December 31, 2010**
Net debt	2,706,961	2,418,873
EBITDA	659,796	610,696
Net debt/ EBITDA ratio	4.1	4.0

Subject to changes in EUR/ PLN foreign exchange rate, the Group's goal is to lower its net debt/ EBITDA ratio.

The increase in net debt to EBITDA ratio is due primarily to the increase in EUR/ PLN foreign exchange rate.

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, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

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 which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, which contributes to 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.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 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, 2011 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 2016.

The key financial assumptions used for discounting free cash flows in 2011 and 2010 were as follows:

	2011	**2010**
Terminal growth	4%	4%
Discount rate	9.26%	8.86%

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2012 to 2016,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2012 to 2016,
- share of Onet in the online advertising market in 2012 to 2016,
- growth of free cash flows in 2017 to 2026.

There were no material changes in these other key assumptions during the 2012 business planning process.

The test performed as at December 31, 2011 indicated, that the on-line cash-generating unit, including goodwill and brand, did not suffer any impairment.

The Group believes that the key assumptions made in testing for impairment of the on-line cash generating unit as at December 31, 2011 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.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) 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 fair value less cost to sell (in 2010: value in use). 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 pro rata on the basis of the carrying amount of each asset in the CGU.

As a result of the agreements signed on December 18, 2011 with Canal+ Group the Group classified the digital satellite pay television cash-generating unit, including goodwill, as an asset held for sale (see Note 29).

In the annual impairment test performed by the Group as at December 31, 2011 the fair value less cost to sell, in the absence of an active market for similar cash-generating units, was determined based on the valuation of the Group's stake in the value of the combined 'n' and Cyfra+ platforms ('n/C+') performed by the Group's investment bank for the purpose of issuing the fairness opinion in connection with the transaction.

The key financial assumptions used by the Group's investment bank in the process of valuing of the 'n' digital satellite pay television were as follows:

Terminal growth	3%
Discount rate	11.2%

The test performed as at December 31, 2011 indicated, that the digital satellite pay television cash-generating unit, including goodwill, did not suffer any impairment.

Management believes that any reasonably possible change in the key assumptions on which the valuation was based would not cause an impairment charge to be recognised.

As at December 31, 2011 in the separate financial statements, the Company accounted for the impairment of its investment in ITI Neovision Group combining equity investment in, and loans to DTH Poland Holding Coöperatief and ITI Neovision, in the amount of 1,013,496. The above impairment has no impact on the consolidated financial statements of the Group which results from the fact that the carrying value of the investment in ITI Neovision Group was significantly higher in the separate financial statements than the net assets of fully consolidated ITI Neovision Group presented in the consolidated financial statements due to the consolidation of losses of ITI Neovision since the date of the acquisition.

The previous impairment test was carried out as at December 31, 2010. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations. 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 were as follows:

Terminal growth	3%
Discount rate	8.74%

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.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Estimated impairment of goodwill and brand allocated to teleshopping unit

The Group classifies the Mango brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, have suffered any impairment. 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 Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the teleshopping cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2011 the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows in 2011 and 2010 were as follows:

	December 31, 2011	June 30, 2011	December 31, 2010
Terminal growth	3%	3%	3%
Discount rate	10.05%	9.81%	10.21%

The test performed as at December 31, 2011 indicated, that the teleshopping cash-generating unit, including goodwill and brand, did not suffer any impairment.

The Group believes that the key assumptions made in testing for impairment of the teleshopping cash generating unit as at December 31, 2011 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. In case the actual cash flows generated by teleshopping unit differ from the budgeted due to the unfavourable changes of the key business plans assumptions including the revenue growth rates and operating margin, the teleshopping cash generating unit could suffer impairment.

(iv) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

(v) Estimated useful life of Mango brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Mango 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 teleshopping services,
- expected actions by competitors or potential competitions in the teleshopping 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 Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango 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 Mango 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.

(vi) Deferred tax assets

On November 28, 2011 the brands owned previously by TVN S.A. (including internally generated brands which were not recognized on the consolidated balance sheet) were contributed in kind to its new subsidiary TVN Media (see Note 1). As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. The Group recognized the deferred tax asset on this temporary difference to the extent that, based on the Group's judgment, the realization of the tax benefit is probable i.e. in the amount of 27,514 representing the tax amortization of brands to be realized in 2012. The deferred tax was recognized through the income statement. The Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference is not probable and therefore no deferred tax asset was recognized for subsequent years. As at December 31, 2011 the Group did not recognize a deferred tax asset in the amount of 245,335 (December 31, 2010: nil) related to the tax value of brands recognized by TVN Media.

As at December 31, 2011 the Group did not recognize a deferred tax asset on a temporary difference of 766,535 between the carrying amount of the investment in digital satellite pay television of 1,164,941 and its tax base of 1,931,476. The deferred tax asset in the amount of 145,642 was not recognized on this temporary difference in the consolidated financial statements as the reversal of this temporary difference depends, among other conditions, on the consent of the third party (antitrust regulatory approval) and obtaining this consent is not under the control of the Group (see Note 29). Thus the Group concluded that the criteria for the deferred tax assets recognition are not met.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, digital satellite pay television, on-line and teleshopping.

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. Following the changes in these internal reporting in 2011, the Group has changed the composition of its operating segments. The committee considers the business from a product and service perspective. The committee assesses the performance of TV channels and TV content sales and technical services business units aggregated into single television broadcasting and production segment, digital satellite pay television, on-line operations and teleshopping segment. Following the changes in the composition of operating segments the Group has restated the corresponding items of segment information for comparative periods. The changes in the composition of operating segments related mainly to the separation from "All other" segment the teleshopping segment and reallocation of the remaining part of this segment to Television, broadcasting and production segment.

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For the 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. The teleshopping segment generates revenue mainly from sales of products offered on Telezakupy Mango 24, a dedicated teleshopping channel, on other TVN Group's television channels and on the Mango Media Internet site.

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 (loss)/ profit before income tax:

	Year ended December 31, 2011	Year ended December 31, 2010
EBITDA	**659,796**	**610,696**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	2,251	76,978
Depreciation of property, plant and equipment	(71,582)	(69,633)
Impairment of property, plant and equipment	(17,835)	(5,760)
Amortization of intangible assets	(22,546)	(24,863)
Impairment of intangible assets	(823)	(2,057)
Operating profit	**549,261**	**585,361**
Interest income (see Note 8)	26,547	14,274
Finance expense (see Note 8)	(351,484)	(309,979)
Foreign exchange (losses)/ gains, net (see Note 8)	(308,476)	29,224
Share of loss of associates	(280)	(4)
(Loss)/ profit before income tax	**(84,432)**	**318,876**

(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**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,592,426	610,621	219,251	68,400	(565,568)	*	1,925,130
Inter-segment revenue	74,112	2,525	21,600	2	(98,239)		-
Total revenue	**1,666,538**	**613,146**	**240,851**	**68,402**	**(663,807)**		**1,925,130**
EBITDA	**675,216**	**(70,972)**	**75,799**	**(9,518)**	**(59,829)**	**	**610,696**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	76,978		76,978
Depreciation of property, plant and equipment	(52,613)	(120,130)	(16,716)	(259)	120,085	***	(69,633)
Impairment of property, plant and equipment	(5,760)	-	-	-	-		(5,760)
Amortization of intangible assets	(9,274)	(23,974)	(15,335)	-	23,720	***	(24,863)
Impairment of intangible assets	-	-	(2,914)	-	857		(2,057)
Operating profit/ (loss)	**607,569**	**(215,076)**	**40,834**	**(9,777)**	**161,811**		**585,361**
Additions to property, plant and equipment and other intangible assets	61,487	147,248	34,213	1,075	(708)		243,315
As at December 31, 2010							
Segment assets including:	**1,875,587**	**1,458,435**	**1,785,692**	**76,195**	**(4,427)**	****	**5,191,482**
Investment in associates	-	1,341	186	-	-		1,527

* Other reconciling items on revenue from external customers level include mainly Digital satellite pay television segment's revenue, which is presented within discontinued operations (see Note 29)

** Other reconciling items on EBITDA level include mainly headquarter and other costs

*** Other reconciling items on depreciation of property, plant and equipment and amortization of intangible assets level include mainly Digital satellite pay television segment's depreciation of property, plant and equipment and amortization of intangible assets which are presented within discontinued operations (see Note 29)

**** Other reconciling items on assets level include: deferred tax assets (46,505), restricted cash (3,550) and other assets and consolidation adjustments (deficit of 54,482).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2011	**Television broadcasting and production**	**Digital satellite pay television**	**On-line**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,614,319	736,662	249,573	48,475	(689,186)	*	1,959,843
Inter-segment revenue	67,781	2,381	21,888	-	(92,050)		-
Total revenue	**1,682,100**	**739,043**	**271,461**	**48,475**	**(781,236)**		**1,959,843**
EBITDA	**640,719**	**611**	**96,209**	**(1,153)**	**(76,590)**	**	**659,796**
Impact of presentation of ITI Neovision Group as discontinued operations as required by IFRS 5	-	-	-	-	2,251		2,251
Depreciation of property, plant and equipment	(53,489)	(139,739)	(17,829)	(266)	139,741	***	(71,582)
Impairment of property, plant and equipment	-	-	(17,835)	-	-		(17,835)
Amortization of intangible assets	(9,476)	(30,666)	(12,900)	(46)	30,542	***	(22,546)
Impairment of intangible assets	-	-	(823)	-	-		(823)
Operating profit/ (loss)	**577,754**	**(169,794)**	**46,822**	**(1,465)**	**95,944**		**549,261**
Additions to property, plant and equipment and other intangible assets	89,888	129,899	29,592	254	(368)		249,265
As at December 31, 2011							
Segment assets including:	**1,755,375**	**1,465,263**	**1,838,852**	**76,832**	**(24,364)**	****	**5,111,958**
Investment in associates	2	1,297	308	-	-		1,607

* Other reconciling items on revenue from external customers level include mainly Digital satellite pay television segment's revenue, which is presented within discontinued operations (see Note 29)

** Other reconciling items on EBITDA level include mainly headquarter and other costs

*** Other reconciling items on depreciation of property, plant and equipment and amortization of intangible assets level include mainly Digital satellite pay television segment's depreciation of property, plant and equipment and amortization of intangible assets which are presented within discontinued operations (see Note 29)

**** Other reconciling items on assets level include: deferred tax assets (43,056) and other assets and consolidation adjustments (deficit of 67,420)

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

6. REVENUE

	Year ended December 31, 2011	**Year ended December 31, 2010**
Revenue from advertising spot sales	1,440,275	1,420,729
Subscription fees	221,912	197,304
Revenue from sponsoring	139,219	142,345
Revenue from sales of goods	38,650	57,845
Other revenue	119,787	106,907
	1,959,843	**1,925,130**

Subscription fees include subscriptions receivable by TVN from DTH and cable operators 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, 2011 are revenues from related parties in the amount of 19,572 (the year ended December 31, 2010: 6,723) (see Note 32 (i)).

7. OPERATING EXPENSES

	Year ended December 31, 2011	**Year ended December 31, 2010**
Amortization of locally produced content	500,776	498,782
Amortization of acquired programming rights and co-production	148,389	143,724
Staff expenses	202,942	210,107
Depreciation, amortization and impairment	112,786	102,313
Royalties	63,949	63,659
Marketing and research	62,928	48,963
Broadcasting expenses	55,233	50,684
Rental	52,314	50,158
Cost of services and goods sold	42,055	49,406
Impaired accounts receivable	4,231	3,974
Other	163,035	125,259
	1,408,638	**1,347,029**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2011 of 115,852 (the year ended December 31, 2010: 103,385).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

8. INTEREST INCOME, FINANCE EXPENSE AND FOREIGN EXCHANGE GAINS/ (LOSSES), NET

Interest income	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Interest income from available-for-sale financial assets	-	778
Other interest income	26,547	13,496
	26,547	**14,274**

Finance expense	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Interest expense on 10.75% Senior Notes due 2017 (see Note 22)	(272,295)	(243,646)
Interest expense on 7.875% Senior Notes due 2018 (see Note 22)	(58,871)	(6,516)
Interest expense on Promissory Notes	-	(2,326)
Interest expense on PLN Bonds due 2013 (see Note 22)	(1,389)	(34,132)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 17)	(10,965)	-
Fair value gains on foreign exchange forward contracts – fair value hedges	-	573
Premium on early repayment of PLN Bonds due 2013	(3,971)	(7,180)
Pre-issuance costs written off *	(217)	(664)
Guarantee fees to related party (see Note 32 (vi))	(1,273)	(1,567)
Bank and other charges	(2,503)	(7,504)
Loss on the settlement of liabilities due to the acquisition of non-controlling interest (see Note 28)	-	(3,268)
Unwinding of interest on financial liability related to acquisition of non-controlling interest	-	(1,069)
Unwinding of interest on contingent consideration	-	(2,680)
	(351,484)	**(309,979)**

* The cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

8. INTEREST INCOME, FINANCE EXPENSE AND FOREIGN EXCHANGE GAINS/ (LOSSES), NET (CONTINUED)

Foreign exchange (losses)/ gains, net	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Foreign exchange (losses)/ gains on 10.75% Senior Notes due 2017, including:	(238,979)	49,839
- unrealized foreign exchange (losses)/ gains on 10.75% Senior Notes due 2017	*(270,353)*	*47,151*
- realized foreign exchange (losses)/ gains on 10.75% Senior Notes due 2017	*(4,596)*	*2,688*
- fair value hedge impact (see Note 17)	*35,970*	-
Foreign exchange losses on 7.875% Senior Notes due 2018, including:	(70,230)	(3,746)
- unrealized foreign exchange losses on 7.875% Senior Notes due 2018	*(79,812)*	*(3,746)*
- realized foreign exchange losses on 7.875% Senior Notes due 2018	*(1,033)*	-
- fair value hedge impact (see Note 17)	*10,615*	-
Foreign exchange losses on Promissory Notes	-	(1,357)
Foreign exchange gains on contingent consideration	-	4,315
Foreign exchange gains on financial liability related to acquisition of non-controlling interest	-	7,255
Foreign exchange losses on available-for-sale financial assets	-	(15,293)
Other foreign exchange gains/ (losses), net	733	(11,789)
	(308,476)	**29,224**

9. BASIC AND DILUTED (LOSSES)/ EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic (losses)/ earnings per share is calculated by dividing the net (loss)/ 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, 2011	Year ended December 31, 2010
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands):		
- from continuing operations	(65,876)	259,020
- from discontinued operations	(251,489)	(216,266)
	(317,365)	**42,754**
Weighted average number of ordinary shares in issue	343,336,965	341,292,193
Basic (losses)/ earnings per share		
- from continuing operations	(0.19)	0.76
- from discontinued operations	(0.73)	(0.63)
	(0.92)	**0.13**

Diluted

Diluted (losses)/ 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, 2011	Year ended December 31, 2010
(Loss)/ profit attributable to the owners of TVN S.A. (in thousands)		
- from continuing operations	(65,876)	259,020
- from discontinued operations	(251,489)	(216,266)
	(317,365)	**42,754**
Weighted average number of ordinary shares in issue	343,336,965	341,292,193
Adjustment for share options	-	4,218,911
Weighted average number of potential ordinary shares for diluted earnings per share	343,336,965	345,511,104
Diluted (losses)/ earnings per share		
- from continuing operations	(0.19)	0.75
- from discontinued operations	(0.73)	(0.63)
	(0.92)	**0.12**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2011**	**December 31, 2010**
Freehold land	37,182	35,286
Buildings	26,088	26,749
Leasehold improvements	32,263	33,175
Television, broadcasting and other technical equipment	191,121	181,642
Set top decoders and satellite dishes	-	371,721
Vehicles	33,176	34,414
Furniture and fixtures	7,006	10,022
Assets under construction	13,483	70,021
	340,319	**763,030**

(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 charge	-	-	-	-	-	-	-	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**

(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, 2011	35,286	27,793	91,640	510,625	538,451	60,887	29,462	75,781	1,369,925
Additions	1,896	146	1,458	68,975	-	8,879	1,070	90,212	172,636
Transfers	-	34	7,421	7,097	85,193	394	1,022	(101,161)	-
Disposals	-	(105)	(298)	(38,228)	(12,872)	(6,274)	(1,737)	(738)	(60,252)
Transferred to disposal group classified as held for sale (see Note 29)	-	-	(3,248)	(24,528)	(610,772)	(1,952)	(4,456)	(27,898)	(672,854)
December 31, 2011	**37,182**	**27,868**	**96,973**	**523,941**	**-**	**61,934**	**25,361**	**36,196**	**809,455**
Accumulated depreciation and impairment									
January 1, 2011	-	1,044	58,465	328,983	166,730	26,473	19,440	5,760	606,895
Charge for the period	-	736	7,526	59,620	132,694	7,842	3,378	-	211,796
Impairment charge	-	-	-	-	-	-	-	17,835	17,835
Transfers	-	-	(54)	-	-	-	54	-	-
Disposals	-	-	(146)	(36,756)	(12,747)	(4,464)	(1,649)	-	(55,762)
Transferred to disposal group classified as held for sale (see Note 29)	-	-	(1,081)	(19,027)	(286,677)	(1,093)	(2,868)	(882)	(311,628)
December 31, 2011	**-**	**1,780**	**64,710**	**332,820**	**-**	**28,758**	**18,355**	**22,713**	**469,136**
Net book value at January 1, 2011	**35,286**	**26,749**	**33,175**	**181,642**	**371,721**	**34,414**	**10,022**	**70,021**	**763,030**
Net book value at December 31, 2011	**37,182**	**26,088**	**32,263**	**191,121**	**-**	**33,176**	**7,006**	**13,483**	**340,319**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of 196,360 has been charged in cost of revenue (the year ended December 31, 2010: 176,988), 5,819 in selling expenses (the year ended December 31, 2010: 4,583) and 9,617 in general and administration expenses (the year ended December 31, 2010: 8,723).

An impairment of 17,835 has been charged in general and administration expenses (the year ended December 31, 2010: 5,760 in cost of revenue). The impairment charge in the year ended December 31, 2011 relates to the Group's decision to postpone the uncompleted investment in the special economic zone (see Note 26). As a result of this decision the Group has impaired the assets under construction relating to this investment.

11. GOODWILL

	December 31, 2011	December 31, 2010
Goodwill	952,657	1,677,614
	952,657	**1,677,614**

Changes in goodwill

	Year ended December 31, 2011	Year ended December 31, 2010
As at January 1	1,677,614	1,677,614
Transferred to disposal group classified as held for sale (see Note 29)	(724,957)	-
As at December 31	**952,657**	**1,677,614**

The carrying amount of goodwill is allocated to cash generating units identified by the Group:

On-line	802,205
Thematic television channels	131,704
Television production unit	12,423
Teleshopping unit	6,325
	952,657

12. BRANDS

	December 31, 2011	December 31, 2010
Brands	693,687	778,625
	693,687	**778,625**

Changes in brands

	Year ended December 31, 2011	Year ended December 31, 2010
Net book value as at January 1	778,625	788,988
Amortization of "n" brand	(10,363)	(10,363)
Transferred to disposal group classified as held for sale (see Note 29)	(74,575)	-
Net book value as at December 31	**693,687**	**778,625**

The carrying amount of brands as of December 31, 2011 is allocated to the following brands identified by the Group:

Onet.pl (on-line cash generating unit)	643,427
Mango (teleshopping cash generating unit)	50,260
	693,687

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. OTHER INTANGIBLE ASSETS

	December 31, 2011	December 31, 2010
Broadcasting licenses	17,844	5,712
Customer related intangibles	-	17,402
Internally generated software	17,761	11,660
Software and other	39,622	77,425
	75,227	**112,199**

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
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 charge	-	-	-	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**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. OTHER INTANGIBLE ASSETS (CONTINUED)

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2011	14,220	38,458	23,366	167,337	243,381
Additions	163	-	13,417	63,049	76,629
Transfers	-	-	(826)	826	-
Disposals	-	-	-	(1,109)	(1,109)
Acquired in a business combination (see Note 30)	13,631	-	-	-	13,631
Transferred to disposal group classified as held for sale (see Note 29)	-	(23,666)	-	(99,597)	(123,263)
December 31, 2011	**28,014**	**14,792**	**35,957**	**130,506**	**209,269**
Accumulated amortization and impairment					
January 1, 2011	8,508	21,056	11,706	89,912	131,182
Charge for the period	1,662	3,480	6,490	31,200	42,832
Impairment charge	-	-	-	823	823
Disposals	-	-	-	(2,146)	(2,146)
Transferred to disposal group classified as held for sale (see Note 29)	-	(9,744)	-	(28,905)	(38,649)
December 31, 2011	**10,170**	**14,792**	**18,196**	**90,884**	**134,042**
Net book value at January 1, 2011	**5,712**	**17,402**	**11,660**	**77,425**	**112,199**
Net book value at December 31, 2011	**17,844**	**-**	**17,761**	**39,622**	**75,227**

Amortization of 17,986 has been charged in cost of revenue (the year ended December 31, 2010: 19,852), 17,993 in selling expenses (the year ended December 31, 2010: 12,655) and 6,853 in general and administration expenses (the year ended December 31, 2010: 5,954).

Impairment of 823 has been charged in general and administration expenses (year ended December 31, 2010: 2,057 in cost of revenue).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

14. PROGRAMMING RIGHTS

	December 31, 2011	December 31, 2010
Acquired programming rights	248,673	253,133
News archive	10,640	11,547
Co-productions	13,942	11,353
Productions	147,452	126,316
	420,707	**402,349**
Less current portion of programming rights	(241,465)	(247,004)
Non-current portion of programming rights	**179,242**	**155,345**

Changes in acquired programming rights

	Year ended December 31, 2011	Year ended December 31, 2010
Net book value as at January 1	253,133	219,074
Additions	205,881	224,787
Amortization	(190,141)	(190,728)
Transferred to disposal group classified as held for sale (see Note 29)	(20,200)	-
Net book value as at December 31	**248,673**	**253,133**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

15. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	Derivatives used for hedging	Loans and receivables	Financial assets available-for-sale	Total
December 31, 2011				
Trade receivables	-	376,430	-	376,430
Derivative financial assets	1,580	-	-	1,580
Bank deposits with maturity over three months	-	75,000	-	75,000
Cash and cash equivalents	-	592,126	-	592,126
	1,580	**1,043,556**	**-**	**1,045,136**
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**

Liabilities as per balance sheet	Other financial liabilities	Total
December 31, 2011		
10.75% Senior Notes due 2017	2,542,476	2,542,476
7.875% Senior Notes due 2018	752,490	752,490
Accrued interest on borrowings	42,804	42,804
Non-current trade payables	15,010	15,010
Current trade payables	163,639	163,639
Other liabilities and accruals*	129,112	129,112
	3,645,531	**3,645,531**
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**

* 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, 2011	Year ended December 31, 2010
Beginning of the period	7,588	385,101
Sales	(7,588)	(363,700)
Fair value change through other comprehensive income	-	702
Interest credited to profit or loss (see Note 8)	-	778
Foreign exchange differences (see Note 8)	-	(15,293)
End of the period	**-**	**7,588**
Less: non-current portion	-	(7,588)
Current portion	**-**	**-**

Available for sale financial assets include:

	December 31, 2011	December 31, 2010
Securities not quoted on active markets:		
- Polskie Media S.A.	-	7,588
	-	**7,588**

On October 6, 2011 the Group sold its share in the share capital of Polskie Media S.A. for a consideration of 8,002. The Group recognized a gain on this transaction in the amount of 414.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2011	December 31, 2010
Derivative financial assets		
Foreign exchange forward contracts	1,580	-
	1,580	**-**

On January 12, 2011 the Group entered into EUR foreign exchange forward contract in order to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 balance. The hedging strategy based on EUR foreign exchange forward contract had in total a notional value of EUR 350,000, settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. The Group has designated this EUR foreign exchange forward contract for fair value hedge accounting. The Group recognized a gain on realization of this foreign exchange forward contract in the amount of 46,585 and an interest expense on this foreign exchange forward contract in the amount of 9,625 (see Note 8).

On January 19, 2011 the Group entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, settlement dates between January 31, 2011 and March 30, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Group has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of foreign exchange forward contracts as at December 31, 2011 was based on valuations performed by the Group's banks. When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 8).

Foreign exchange forward contracts were contracted with banks rated as follows (by Standard and Poor's):

	December 31, 2011	December 31, 2010
Derivative financial assets		
Bank rated A+	1,580	-
	1,580	**-**

18. TRADE RECEIVABLES

	December 31, 2011	December 31, 2010
Trade receivables	365,501	349,465
Less: provision for impairment of receivables	(12,957)	(25,681)
Trade receivables – net	352,544	323,784
Accrued revenue - discounts to 'n' customers	-	5,311
Receivables from related parties (Note 32 (iii))	23,886	5,610
	376,430	**334,705**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31, 2011	December 31, 2010
PLN	366,538	322,811
USD	6,409	8,041
EUR	2,757	3,235
GBP	614	498
CAD	92	103
AUD	20	17
	376,430	**334,705**

Provision for impairment of receivables was created individually for non-related trade receivables that were in general overdue more than 60, 90 and 180 days depending on business segment or in relation to individual customers who are in unexpectedly difficult financial situations.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

18. TRADE RECEIVABLES (CONTINUED)

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Beginning of the period	25,681	17,076
Provision for receivables impaired, net change	12,640	11,086
Receivables written off as uncollectible	(3,025)	(2,481)
Transferred to disposal group classified as held for sale (see Note 29)	(22,339)	-
End of the period	**12,957**	**25,681**

The creation and release of provisions for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2011, trade receivables of 172,973 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, 2011	December 31, 2010
Up to 30 days	138,170	136,063
31-60 days	26,102	16,233
Over 60 days	8,701	7,934
	172,973	**160,230**

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, 2011 was 376,430 (December 31, 2010: 334,705).

19. PREPAYMENTS AND OTHER ASSETS

	December 31, 2011	December 31, 2010
Inventory, net of impairment provision	14,372	53,899
Employee settlements	6,123	5,033
Technical support	3,038	5,428
Prepayments for programming	1,136	7,602
VAT and other non-CIT taxes receivables	104	8,694
Other	38,339	60,531
	63,112	**141,187**
Less: current portion of other assets	**(57,605)**	**(135,400)**
Non-current portion of other assets	**5,507**	**5,787**

(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, 2011	December 31, 2010
Cash at bank and in hand	592,126	480,294
	592,126	**480,294**
Bank deposits with maturity over three months	75,000	321,721
	75,000	**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, 2011	December 31, 2010
Bank rated A-	424,859	253,375
Bank rated AA	98,935	200,784
Banks rated BBB and other	68,332	26,135
	592,126	**480,294**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	December 31, 2011	December 31, 2010
Bank rated AA	75,000	47,735
Bank rated A-	-	243,558
Bank rated BBB	-	30,428
	75,000	**321,721**

The carrying amounts of the Group's bank deposits with maturity over three months are denominated in the following currencies:

	December 31, 2011	December 31, 2010
EUR	-	243,558
PLN	75,000	78,163
	75,000	**321,721**

Restricted cash (credit rating – Standard and Poor's)**:**

	December 31, 2011	December 31, 2010
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, 2011 was 343,876,421 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, 2011:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. [(1)] [(2)]	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment [(1)]	10,915,781	3.17%	10,915,781	3.17%
Other shareholders	152,605,210	44.38%	152,605,210	44.38%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

[(1)] Entities controlled by ITI Group.

[(2)] Polish Television Holding B.V. has pledged the majority of the Company's shares.

All shares in issue as at December 31, 2011 are registered by the Court.

During the year ended December 31, 2011 1,522,229 shares of C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 16,357 (in thousands).

22. BORROWINGS

	December 31, 2011	December 31, 2010
10.75% Senior Notes due 2017	2,542,476	2,263,055
Interest accrued on 10.75% Senior Notes due 2017	35,195	31,558
7.875% Senior Notes due 2018	752,490	671,146
Interest accrued on 7.875% Senior Notes due 2018	7,609	6,367
PLN Bonds due 2013	-	140,739
Interest accrued on PLN Bonds due 2013	-	452
	3,337,770	**3,113,317**
Less: current portion of borrowings	(42,804)	(38,377)
Non-current portion of borrowings	**3,294,966**	**3,074,940**

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 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12%.

22. BORROWINGS (CONTINUED)

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 B.V. (currently DTH Poland Holding Coöperatief U.A.). Additional 10.75% Senior Notes due 2017 were issued to ITI Media Group at a purchase price of 100.000%. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.5%.

On April 30, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued to ITI Media Group EUR 40,000 of additional 10.75% Senior Notes due 2017 as the remaining part of the purchase price for the 49% equity interest in Neovision Holding B.V. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.3%.

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 7.875% Senior Notes due 2018 are carried at amortized cost using an effective interest rate of 8.6%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2011 and mature on November 15, 2018.

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. 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, 2011 was estimated to be PLN 2,723,929 or EUR 616,720. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at December 31, 2011 was estimated to be PLN 726,559 or EUR 164,499. 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, 2011. 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%

22. BORROWINGS (CONTINUED)

- 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 and rating decline occur, 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
- 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.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

22. BORROWINGS (CONTINUED)

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 was payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 were due for repayment on June 14, 2013. The PLN Bonds due 2013 were unsecured obligations and were governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 were carried at amortized cost using an effective interest rate of 7.1%.

On December 23, 2010 the Group acquired and redeemed 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.

In February 2011 the Group acquired and redeemed PLN Bonds due 2013 with total nominal value of 135,400. 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 these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

On June 14, 2011 the Group acquired and redeemed the remaining PLN Bonds due 2013 with total nominal value of 5,600. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on 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 a revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Group amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of December 31, 2011 the revolving guarantee facility had been used for the bank guarantees issued at 203,943 (December 31, 2010: 107,285).

23. TRADE PAYABLES

	December 31, 2011	December 31, 2010
Acquired programming rights payables	88,788	88,307
Property, plant, equipment and intangible assets payables	22,406	48,428
Other trade payables	56,706	92,544
Related party payables (see Note 32 (iii))	10,749	23,457
	178,649	**252,736**
Less: current portion of trade payables	**(163,639)**	**(239,550)**
Non-current portion of acquired programming rights payables	**15,010**	**13,186**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

24. OTHER LIABILITIES AND ACCRUALS

	December 31, 2011	December 31, 2010
VAT and other taxes payable	70,199	77,632
Employee benefits	43,284	61,744
Deferred income	15,693	61,397
Accrued production and programming costs	12,038	35,771
Sales and marketing related costs	5,431	23,816
Satellites	4,875	7,071
Other liabilities and accrued costs	98,451	146,232
	249,971	**413,663**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net (loss)/ profit to cash generated from operations

	Note	Year ended December 31, 2011	Year ended December 31, 2010
(Loss)/ profit for the period		(317,365)	45,861
Tax charge		51,714	72,416
Depreciation, amortization and impairment	7	283,649	246,935
Amortization of acquired programming rights and co-production	7	196,116	194,485
Impaired accounts receivable	7	12,640	11,086
Loss on sale of property, plant and equipment		1,081	552
Gain on sale of available-for-sale financial assets		(414)	-
Interest income	8	(27,116)	(14,649)
Finance expense	8	353,946	323,402
Foreign exchange losses/ (gains), net	8	313,564	(62,971)
Share of loss/ (profit) of associates		1,403	(298)
Guarantee fee	8	(1,273)	(1,707)
Payments to acquire programming rights		(224,584)	(226,848)
Change in local production balance		(16,537)	17,849
Changes in working capital:			
Trade receivables		(104,546)	(23,273)
Prepayments and other assets		24,191	(63,244)
Trade payables		(40,723)	(2,256)
Other short term liabilities and accruals		(25,369)	61,525
		(146,447)	(27,248)
Cash generated from operations		**480,377**	**578,865**

Non-cash transactions

Barter revenue, net		5,510	818

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2011 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2010 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2011 and the year ended December 31, 2010 are disclosed in Note 29.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION

	Year ended December 31, 2011	**Year ended December 31, 2010**
Current tax charge	(42,403)	(48,765)
Deferred tax credit/ (charge)	60,959	(11,091)
	18,556	**(59,856)**
Reconciliation of accounting (loss)/ profit to tax charge		
(Loss)/ profit before income tax	**(84,432)**	**318,876**
Income tax credit/ (charge) at the enacted statutory rate of 19%	16,042	(60,586)
Impact of tax deduction claimed and deferred and other adjustments in relation to operations in special economic zone	3,820	7,312
Impact of provision created for deferred tax asset relating to operations in special economic zone	(22,075)	-
Impact of deferred tax assets recognized on tax value of brands recognized by TVN Media (see Note 4 (vi))	27,514	-
Impact of settlement of contingent consideration	-	(1,832)
Impact of non-taxable gains and losses related to acquisition of non-controlling interest, net	-	248
Net tax impact of other expenses and losses not deductible for tax purposes and revenue not taxable	(6,745)	(4,998)
Tax for the period	**18,556**	**(59,856)**

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 Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

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, 2011 the remaining committed investment amounted to 111,645 (December 31, 2010: 111,645) and should be fulfilled by December 31, 2013. As at December 31, 2011 following the Group's decision to postpone the uncompleted investment in the special economic zone, the Group provided for the deferred tax asset relating to the unused tax credits in the amount of 22,075. Simultaneously the Group has impaired the assets under construction relating to this investment (see Note 10). In the year ended December 31, 2011 the Group claimed tax reductions in the amount of 9,714 with respect to its costs incurred in the special economic zone (the year ended December 31, 2010: 13,714). The balance of 1,363 with respect to this tax credit is deferred for future tax reduction.

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, 2011.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

26. TAXATION (CONTINUED)

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.

Deferred tax assets not recognized are disclosed in Note 4 (vi).

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2011	December 31, 2010
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(53,289)	(181,143)
- Deferred tax (liability)/ asset, net to be recovered within 12 months	(61,956)	59,393
	(115,245)	**(121,750)**

	Year ended December 31, 2011	Year ended December 31, 2010
Movements in deferred tax asset		
Balance at beginning of period	46,505	58,111
Credit/ (charge) to the income statement	2,542	(11,606)
Transferred to disposal group classified as held for sale (see Note 29)	(5,991)	-
Balance at end of period	**43,056**	**46,505**
Movements in deferred tax liability		
Balance at beginning of period	(168,255)	(156,506)
Deferred tax charged to other comprehensive income, net	(59)	(133)
Charge to the income statement	(9,874)	(11,616)
Transferred to disposal group classified as held for sale (see Note 29)	19,887	-
Balance at end of period	**(158,301)**	**(168,255)**

(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	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax (liability)/ asset at January 1, 2010	(964)	33,163	(1,480)	(2,404)	-	(7,941)	1,331	(156,396)	36,296	-	(98,395)
Credited/ (charged) to net profit	3,269	15,479	(15,276)	(3,896)	-	(21,678)	-	4,543	(6,402)	739	(23,222)
Charged 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)

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	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax asset/ (liability) at January 1, 2011	2,305	48,642	(16,756)	(6,300)	-	(29,619)	1,198	(151,853)	29,894	739	(121,750)
Credited/ (charged) to net profit	6,857	(7,604)	1,641	24,833	(241)	(35,281)	(1,198)	31,438	(28,531) *	754	(7,332)
Charged to other comprehensive income	-	-	-	-	(59)	-	-	-	-	-	(59)
Transferred to disposal group classified as held for sale (see Note 29)	402	(5,461)	-	-	-	-	-	19,492	-	(537)	13,896
Deferred tax asset/ (liability) at December 31, 2011	**9,564**	**35,577**	**(15,115)**	**18,533**	**(300)**	**(64,900)**	**-**	**(100,923)**	**1,363**	**956**	**(115,245)**

* As at December 31, 2011 following the Group's decision to postpone the uncompleted investment in the special economic zone the Group provided for the deferred tax asset relating to the unused tax credits in the amount of 22,075.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

27. 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, 2011. These commitments are scheduled to be paid as follows:

Due in 2012	185,388
Due in 2013	210,754
Due in 2014	94,090
Due in 2015	78,302
Due in 2016	74,976
Due in 2017 and thereafter	74,140
	717,650

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2011:

	Related parties	Non-related parties	Total
Due in 2012	15,351	23,932	39,283
Due in 2013	14,605	18,314	32,919
Due in 2014	14,605	11,208	25,813
Due in 2015	14,605	8,997	23,602
Due in 2016	9,750	5,619	15,369
	68,916	**68,070**	**136,986**

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 MBC Real Estate Sp. z o.o. Spółka komandytowo-akcyjna ("MBC Real Estate", previously Diverti Sp. z o.o.). MBC Real Estate is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2011.

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 use of satellite capacity. Under these agreements the Group is obliged to pay annual fees as follows:

Due in 2012	35,396
Due in 2013	42,867
Due in 2014	42,867
Due in 2015	39,958
Due in 2016	39,805
Due in 2017 and thereafter	75,313
	276,206

27. COMMITMENTS (CONTINUED)

Additionally, the Group leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Group has an outstanding service commitment to broadcast advertising of 3,310 to settle sundry amounts payable recorded as of December 31, 2011 (2,401 at December 31, 2010). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2011, the Group assumed contractual commitments of 1,226 to acquire property, plant and equipment and intangible assets (39,610 at December 31, 2010).

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, 2011 the remaining commitment amounted to 111,645 and should be fulfilled by December 31, 2013.

28. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

In 2008 the Group acquired 25% of the share capital plus 1 share of Neovision Holding (currently DTH Poland Holding Coöperatief U.A.) from ITI Media Group, an entity under common control.

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.

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 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.

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.

On December 18, 2011, the Group concluded agreements with the ITI Media Group Limited and Canal+ Group, the results of which will result in the Group's control over the ITI Neovision Group being exchanged for a 32% interest in a merged entity encompassing the ITI Neovision Group and Cyfra+. The operations of ITI Neovision Group are presented as discontinued (see Note 29).

29. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities related to ITI Neovision Group (included in the Digital satellite pay television segment) are presented as held for sale as at December 31, 2011, following conclusion of agreements between the Group, ITI Media Group Limited and Canal+ Group (see Note 1) as the result of which the TVN's control over the ITI Neovision Group will be exchanged for a 32% interest in a merged entity encompassing the ITI Neovision Group and Cyfra+. The operations of ITI Neovision Group are presented as discontinued.

On December 18, 2011 the agreements were concluded to effect the cooperation with Canal+ Group and the combination of ITI Neovision, the 'n' platform operator, and Canal+ Cyfrowy sp. o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction is to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform 'n/C+' owned by Canal+Group and TVN. The combined DTH platform 'n/C+' will benefit from the 2.5 million customer base and the effect of scale, synergies and increased efficiency.

According to the agreements the principal obligation of the Group is to procure the direct or indirect contribution of its entire interest in ITI Neovision Group and the principal obligation of Canal+ Group is to procure the direct or indirect contribution of its entire interest in Cyfra+ to the combined entity 'n/C+' where the Group will hold 32% of shares, Canal+ Group will hold 51% of shares and the remaining 17% of the share capital of the 'n/C+' will be held by LGI Ventures B.V. ("UPC"). According to the current estimates of the Management Board, the value of the Group's 32% stake in the 'n/C+' is around 1.9 billion based on the valuation of the Group's stake in the value of combined 'n' platform and Cyfra+ platform ('n/C+') performed by the Group's investment bank for the purpose of issuing the fairness opinion in connection with the above transaction. As the sales consideration of 1.9 billion exceeds the carrying amount of net assets (approximately 1.2 billion as at December 31, 2011) no impairment was recognized on the reclassification of the group to be disposed to "held for sale".

Canal+ Group has two call options regarding TVN's 32% stake in the combined entity 'n/C+' exercisable in the periods of three months following the third and fourth anniversaries after the completion of the transaction. In both options the price for the option shares will be based on the fair market valuation performed by an investment bank. In case Canal+ Group does not exercise its option, TVN has been granted liquidity rights in the form of an initial public offering, exercisable starting four years after closing of the transaction.

Simultaneously, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the "Share Purchase Agreement") relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding an indirect 51% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

The completion of the transaction is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

If conditions precedent to the combination of the Pay-TV operations of "n" and Cyfra+ are fulfilled, but TVN would not be able to fulfill other conditions and the agreements terminate, TVN is then obliged to pay to Canal+ Group a break-up fee of EUR 75 million ("Break-up Fee") unless such Break-up Fee is discharged by ITI Holdings under the Share Purchase Agreement. If the Break-up Fee is paid by TVN, ITI Holdings will immediately on demand, reimburse TVN for the full amount of such Break-up Fee.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

ITI Holdings and TVN entered into a side letter regarding break-up fees payable under the Share Purchase Agreement in case the transaction is not completed due to either party to that agreement not acting in good faith to procure the fulfillment of the conditions precedent to closing. Under this side letter if the transaction is not completed due to Canal+ Group's failure to act in good faith to procure the fulfillment of the conditions precedent, TVN will be entitled to 50% of the break-up fee payable by Canal+ Group to ITI Holdings under the Share Purchase Agreement which is EUR 25 million. If the transaction is not completed due to ITI Holding not acting in good faith due to reasons for which TVN is responsible, TVN has to reimburse ITI for EUR 25 million, being 50% of the break-up fee payable in such circumstances by ITI Holding to Canal+ Group under the Share Purchase Agreement.

Assets of disposal group classified as held for sale

	December 31, 2011
Non-current assets	
Property, plant and equipment	361,226
Goodwill	724,957
Brand	74,575
Other intangible assets	84,614
Investment in associate	413
Deferred tax asset	5,991
	1,251,776
Current assets	
Current programming rights	20,200
Trade receivables	50,181
Derivative financial assets	656
Prepayments and other assets	78,805
Corporate income tax receivable	931
Cash and cash equivalents	60,819
	211,592
	1,463,368

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Liabilities of disposal group classified as held for sale

	December 31, 2011
Non-current liabilities	
Deferred tax liability	19,887
Other non-current liabilities	2,261
	22,148
Current liabilities	
Current trade payables	90,262
Other liabilities and accruals	141,190
	231,452
	253,600

Commitments of disposal group classified as held for sale

Commitments to acquire programming:

Due in 2012	195,534
Due in 2013	161,417
Due in 2014	142,953
Due in 2015	82,420
Due in 2016 and thereafter	63,912
	646,236

Total future minimum payments relating to operating lease agreements signed as at December 31, 2011:

	Related parties	Non-related parties	Total
Due in 2012	2,832	451	3,283
Due in 2013	2,832	451	3,283
Due in 2014	2,832	-	2,832
Due in 2015	2,832	-	2,832
	11,328	**902**	**12,230**

Satellite capacity commitments:

Due in 2012	50,343
Due in 2013	50,343
Due in 2014	50,343
Due in 2015	33,568
Due in 2016 and thereafter	56,645
	241,242

As at December 31, 2011, the ITI Neovision Group assumed contractual commitments of 14,007 to acquire property, plant and equipment and intangible assets.

Commitments in foreign currencies were calculated using exchange rates as at December 31, 2011.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. NON-CURRENTS ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Prior to December 31, 2011 ZAIKS, a collective rights management organization representing the rights of authors and composers being members of this association, filed two court claims against ITI Neovision in the total amount of 50,075 covering the period from October 12, 2006 until December 31, 2010. Following the conclusions from both external legal opinions as well as internal analysis ITI Neovision believes that it is adequately provided for with regard to these claims.

Analysis of the result of discontinued operations

	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	689,188	565,567
Cost of revenue	(648,426)	(584,712)
Selling expenses	(175,000)	(163,211)
General and administration expenses	(39,563)	(29,192)
Other operating income/ (expenses), net	687	(10,052)
Operating loss	**(173,114)**	**(221,600)**
Interest income	569	375
Finance expense	(2,463)	(13,423)
Foreign exchange (losses)/ gains, net	(5,088)	33,747
Share of (loss)/ profit of associate	(1,123)	302
Loss before income tax	**(181,219)**	**(200,599)**
Income tax benefit	(70,270)	(12,560)
Loss for the period from discontinued operations	**(251,489)**	**(213,159)**

Cash flows of discontinued operations

	Year ended December 31, 2011	Year ended December 31, 2010
Net cash used in operating activities	(22,032)	(113,529)
Net cash used in investing activities	(118,081)	(192,694)
Net cash used in financing activities	(884)	(1,926)
	(140,997)	**(308,149)**

30. INVESTMENT IN ‘TTV’

On August 29, 2011 the Group and Stavka Sp. z o.o. (“Stavka”), holder of the license for terrestrial broadcasting of the ‘ttv’ channel (previously ‘U-TV’), entered into a cooperation agreement covering the areas of technology, advertising and programming. The ‘ttv’ is one of the channels included in the first DTT multiplex.

According to the agreement the Company will provide know-how in the production and broadcast operations of the ‘ttv’ channel, the ‘ttv’ channel will be added to the Premium TV offer, which advertising sales are handled through the TVN Group, while at the same time the ‘ttv’ channel will gain access to the Group’s broad program archive and news and information productions. As part of the agreement, the Group acquired 25% of the Stavka Sp. z o.o. shares, for a total consideration of 1,095.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

30. INVESTMENT IN 'TTV' (CONTINUED)

On December 21, 2011 the Group acquired additional 25.55% of the Stavka shares. As a result, the Group obtained control over Stavka on December 21, 2011.

The Group has accounted for the acquisition of Stavka using the purchase accounting method.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized:

	Book value December 31, 2011	Fair value December 31, 2011
Broadcasting license	8,987	13,631
Prepayments and other assets	276	276
Cash and cash equivalents	409	409
Other non-current liabilities	(7,998)	(7,998)
Loans from related parties and non-controlling interest	(1,370)	(1,370)
Current trade payables	(204)	(204)
Other liabilities and accruals	(1,227)	(1,227)
	(1,127)	**3,517**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. GROUP COMPANIES

These consolidated financial statements as at December 31, 2011 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	December 31, 2011 Ownership %	December 31, 2010 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	100
TVN Finance Corporation plc in members' voluntary liquidation *	UK	-	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd in members' voluntary liquidation	Malta	100	100
DTH Poland Holding Coöperatief U.A.	The Netherlands	100	100
ITI Neovision Sp. z o.o.	Poland	100	100
Cyfrowy Dom Sp. z o.o.	Poland	100	100
Neovision UK Ltd	UK	100	100
TVN Holding S.A. **	Poland	100	-
TVN Media Sp. z o.o. (previously Highgate Capital Investments Sp. z o.o.) ***	Poland	100	-
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture)	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	-
Stavka Sp. z o.o.	Poland	51	-
Polskie Badania Internetu Sp. z o.o.	Poland	16	20

* Dissolved on December 5, 2011.

** On July 1, 2011 the Group paid in the share capital of TVN Holding S.A. in the amount of 100.

*** On October 3, 2011 the Group acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of 110.

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)

32. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2011	Year ended December 31, 2010
ITI Group	19,564	6,708
Poland Media Properties	8	15
	19,572	**6,723**

Revenue from the ITI Group 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, 2011	Year ended December 31, 2010
ITI Group	45,539	42,953
Poland Media Properties	2,115	2,037
Sieger & Sieger Ltd	2,832	2,744
	50,486	**47,734**

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.

Operating expenses from Sieger & Sieger Ltd comprise direct consulting services provided to the Group by an ITI Group Director.

(iii) Outstanding balances arising from sale/ purchase of goods and services:

	December 31, 2011	December 31, 2010
Receivables:		
ITI Group	23,883	2,491
Poland Media Properties	3	-
MGM Channel Poland	-	3,119
	23,886	**5,610**

	December 31, 2011	December 31, 2010
Payables:		
ITI Group	9,826	21,380
Sieger & Sieger Ltd	920	931
Poland Media Properties	3	191
MGM Channel Poland	-	1,886
	10,749	**24,388**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Other non-current assets

Other non-current assets include a rental deposit paid to ITI Group by the Company and Grupa Onet.pl in the amount of 2,131.

(v) Lease commitments with related parties

See Note 27 for further details.

(vi) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution and USD 17,301 to Universal Studios International in respect of programming rights purchased and broadcasted by the Group. During the year ended December 31, 2011, the Group recorded finance costs related to ITI Holdings guarantees of 1,273 (the year ended December 31, 2010: 1,567).

(vii) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2011 amounted to 21,660 (year ended December 31, 2010: 12,810).

	Year ended December 31, 2011		**Year ended December 31, 2010**	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Markus Tellenbach	4,363	2,982	4,035	661
Piotr Walter	3,208	1,377	3,101	-
Jan Łukasz Wejchert ***	4,902	2,051	2,655	333
John Driscoll	2,194	583	1,207	-
Rafał Wyszomierski	-	-	618	200
	14,667	**6,993**	**11,616**	**1,194**

*Bonuses paid for 2010

**Bonuses paid for 2009

*** Base salary for 2011 includes severance payment of 2,121, bonus paid in 2011 includes bonus paid for 2010 and bonus paid for 2011

32. 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 33) with the 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 33.

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2011*	Cumulative fair value recognized up to December 31, 2010*
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.

(viii) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2011 amounted to 1,128 (year ended December 31, 2010: 1,188).

	Year ended December 31, 2011	Year ended December 31, 2010
Wojciech Kostrzewa	192	192
Bruno Valsangiacomo	97	120
Arnold Bahlmann	108	168
Michał Broniatowski	72	72
Romano Fanconi	95	72
Paweł Gricuk	144	144
Paweł Kosmala	-	54
Paul H. Lorenz	72	18
Wiesław Rozłucki	132	132
Andrzej Rybicki	72	72
Aldona Wejchert	72	72
Gabriel Wujek	72	72
	1,128	**1,188**

33. 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, 2011		Year ended December 31, 2010	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**
Exercised	PLN 10.75	(1,522,229)	PLN 10.49	(1,913,664)
At 31 December	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**

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	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

Series	Number of options	Exercise price	Service vesting period
E1	210,180	PLN 8.66	Vested
E2	260,500	PLN 9.58	Vested
E3	1,150,698	PLN 10.58	Vested
E4	4,326,989	PLN 11.68	Vested
	5,948,367		

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2012 and the date when these financial statements were prepared no options were exercised.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

34. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
December 31, 2011	3.4174	4.4168
December 31, 2010	2.9641	3.9603

The movement in the consumer price index for the year ended December 31, 2011 amounted to 4.6% (the year ended December 31, 2010: 3.1%).

pwc

Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

Report on the financial statements

We have audited the accompanying financial statements of TVN S.A. (the "Company"), which comprise the balance sheet as at December 31, 2011 and the income statement, the 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
February 14, 2012

MANAGEMENT REPRESENTATIONS

These separate financial statements of TVN S.A. (the "Company") as of and for the year ended December 31, 2011, 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, 2011 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 applicable regulations and professional standards.

These separate financial statements were authorized for issuance by the Management Board of TVN S.A. on February 14, 2012.

Markus Tellenbach President of the Board	Piotr Walter Vice-President of the Board
Robert Bednarski Member of the Board	John Driscoll Member of the Board

Warsaw, February 14, 2012

TVN S.A.

Separate Financial Statements
As of and for the year ended December 31, 2011

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 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, NTL Radomsko, Telezakupy Mango 24 and TTV. 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
- Paul H. Lorenz
- Wiesław Rozłucki
- Andrzej Rybicki
- Aldona Wejchert
- Gabriel Wujek
-

4. Management Board

- Markus Tellenbach, President
- Piotr Walter, Vice-President
- Jan Łukasz Wejchert, Vice-President (resigned December 20, 2011)
- Robert Bednarski (appointed January 9, 2012)
- John Driscoll

TVN Information (CONTINUED)

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

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

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Media Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- 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
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warszawa

Digital satellite pay television

- ITI Neovision Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa
- Neovision UK Ltd.
  5 New Street Square
  London EC4A 3TW, UK
- Cyfrowy Dom Sp. z o.o.
  ul. Kłobucka 23
  02-699 Warszawa

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- DreamLab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Media Entertainment Ventures International Limited in members' voluntary liquidation
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 1436, Malta

Teleshopping

- Mango Media Sp. z o.o.
  ul. Hutnicza 59
  81-061 Gdynia

TVN Information (CONTINUED)

8. Subsidiaries (continued)

Corporate

- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- DTH Poland Holding Coöperatief U.A.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- TVN Finance Corporation II AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Finance Corporation III AB
  Stureplan 4 c 4 tr
  114 35 Stockholm, Sweden
- TVN Holding S.A.
  ul. Wiertnicza 166
  02-952 Warszawa

2. 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

3. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 65/79
  00-697 Warszawa
- Film Miasto Sp. z o.o.
  ul. Puławska 182
  02-670 Warszawa

TVN S.A.
Separate Income Statement
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	**5**	1,670,938	1,665,723
Cost of revenue	**6**	(919,973)	(884,289)
Selling expenses	**6**	(112,420)	(101,552)
General and administration expenses	**6**	(143,195)	(132,760)
Other operating income /(expense), net		1,320	2,451
Gain on contribution of sales & marketing segments to the subsidiary TVN Media	**4, 14**	2,124,790	-
Impairment on investment in ITI Neovison	**4, 15**	(1,013,496)	-
Operating profit		**1,607,964**	**549,573**
Interest income	**7**	189,789	120,772
Finance expense	**7**	(368,091)	(321,793)
Foreign exchange (losses)/ gains, net	**7**	(47,996)	5,154
Profit before income tax		**1,381,666**	**353,706**
Income tax charge	**29**	(50,483)	(76,832)
Profit for the period		**1,331,183**	**276,874**
Earnings per share (not in thousands)			
- basic	**8**	3.88	0.81
- diluted	**8**	3.85	0.80

The accompanying notes are an integral part of these separate financial statements.

TVN S.A.
Separate Statement of Comprehensive Income
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Profit for the period		**1,331,183**	**276,874**
Other comprehensive income:			
Foreign exchange forward contracts		312	-
Available-for-sale financial assets	**19**	-	702
Income tax relating to components of other comprehensive income	**29**	(59)	(133)
Other comprehensive income for the period, net of tax		253	569
Total comprehensive income for the period		**1,331,436**	**277,443**

The accompanying notes are an integral part of these separate financial statements.

TVN S.A.
Separate Balance Sheet
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	As at December 31, 2011	As at December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	227,198	212,434
Goodwill	**10**	144,127	144,127
Other intangible assets	**11**	29,044	23,974
Non-current programming rights	**12**	179,243	155,214
Investments in subsidiaries, associates and joint	**13, 14**	3,830,720	2,086,883
Non-current restricted cash	**23**	-	84,172
Available-for-sale financial assets	**19**	-	7,255
Non-current related party loans	**14, 31 (v)**	111,257	1,559,903
Other non-current assets	**22**	5,070	5,280
		4,526,659	**4,279,242**
Current assets			
Current programming rights	**12**	241,098	230,783
Current restricted cash	**23**	-	23,814
Trade receivables	**20**	235,996	294,266
Derivative financial assets	**21**	1,580	-
Prepayments and other assets	**22**	31,547	26,344
Corporate income tax receivable		19,677	12,610
Bank deposits with maturity over three months	**23**	75,000	243,558
Cash and cash equivalents	**23**	218,935	425,653
		823,833	**1,257,028**
Non-current assets classified as held for sale	**4,16**	1,707,074	-
		2,530,907	**1,257,028**
TOTAL ASSETS		**7,057,566**	**5,536,270**
EQUITY			
Shareholders' equity			
Share capital	**24**	68,775	68,471
Share premium		672,931	643,049
8% obligatory reserve		23,301	23,301
Other reserves		97,971	111,667
Accumulated profit		2,493,449	1,175,994
		3,356,427	**2,022,482**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**25, 31 (iii)**	3,295,692	2,941,131
PLN Bonds due 2013	**25**	-	140,739
Non-current trade payables	**26**	15,010	13,186
Deferred tax liability	**29**	39,208	16,427
Other non-current liabilities		1,894	1,979
		3,351,804	**3,113,462**
Current liabilities			
Current trade payables	**26**	165,502	131,668
Accrued interest on borrowings	**25, 31 (iii)**	47,680	42,787
Other liabilities and accruals	**27**	136,153	225,871
		349,335	**400,326**
Total liability		**3,701,139**	**3,513,788**
TOTAL EQUITY AND LIABILITIES		**7,057,566**	**5,536,270**

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**

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, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**111,667**	**-**	**1,175,994**	**2,022,482**
Total comprehensive income for the period	-	-	-	-	-	253	1,331,183	1,331,436
Issue of shares (2)	1,522,229	304	30,002	-	(13,949)	-	-	16,357
Share issue cost	-	-	(120)	-	-	-	-	(120)
Dividend declared and paid (3)	-	-	-	-	-	-	**(13,728)**	(13,728)
Dividend cost	-	-	-	-	-	-	**-**	**-**
Balance at December 31, 2011	**343,876,421**	**68,775**	**672,931**	**23,301**	**97,718**	**253**	**2,493,449**	**3,356,427**

(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 32)

(2) During the year ended December 31, 2011 1,522,229 (not in thousands) of 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. 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 2011 amounted to 0.04 per share (not in thousands). The dividend declared and paid in 2010 amounted to 0.31 per share (not in thousands).

Included in accumulated profit as of December 31, 2011 is an amount of 2,491,619 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, 2011	Year ended December 31, 2010
Operating activities			
Cash generated from operations	28	243,586	617,167
Tax paid		(41,328)	(71,191)
Net cash generated from operating activities		**202,258**	**545,976**
Investing activities			
Investment in subsidiaries	13	(7,104)	(5,228)
Proceed from liquidation of the subsidiary	13	3,470	-
Cost of acquisition of non-controlling interest		-	(6,859)
Payments to acquire property, plant and equipment		(61,953)	(48,923)
Proceeds from sale of property, plant and equipment		1,689	7,178
Payments to acquire intangible assets		(14,163)	(10,345)
Sale of available for sales financial assets	19	7,782	363,700
Bank deposits with maturity over three months	23	167,834	(241,073)
Loans granted to subsidiary	15, 31 (v)	(192,606)	(313,945)
Repayment of loans		-	12,730
Interest received		20,055	11,440
Net cash generated from /(used in) investing activities		**(74,996)**	**(231,325)**
Financing activities			
Issue of shares, net of issue cost		16,237	19,906
Dividend paid, including costs		(13,728)	(105,808)
TVN Finance Corporation II AB loan	31 (iii)	-	689,255
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans	31 (iii)	(1,472)	(34,102)
Settlement of foreign exchange forward contracts	7	36,960	-
Repurchase of PLN Bonds due 2013	25	(144,971)	(366,180)
Early settlement of options			-
Restricted cash	23	107,986	(107,986)
Interest paid		(343,694)	(276,576)
Net cash (used in)/generated from financing activities		**(342,682)**	**(181,491)**
(Decrease)/ increase in cash and cash equivalents		**(215,420)**	**133,160**
Cash and cash equivalents at the start of the period		425,653	290,585
Effects of exchange rates changes		8,702	1,908
Cash and cash equivalents at the end of the period		**218,935**	**425,653**

The accompanying notes are an integral part of these separate financial statements.

1. TVN

These separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 14, 2012.

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”). The ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is the one of 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 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., TVN Holding S.A., TVN Media Sp. z o.o., Stavka 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 investments in subsidiaries were recognized as non-current assets. The Company also held 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 investment in Polskie Media was recognized as an available-for-sale investment under non-current assets. On October 6, 2011 the Company sold its share in the share capital of Polskie Media S.A.

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.

<u>Recent significant transactions</u>

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 25). In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400 (see Note 25). On June 14, 2011 the Company acquired and redeemed the remaining 5,600 of the PLN Bonds due 2013 (see Note 25).

On May 17, 2011 and on July 26, 2011 and on September 30, 2011 the Company amended the revolving guarantee facility agreement with Bank Pekao S.A. (see Note 25).

On November 28, 2011, the Company concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) whereby the Company agreed to contribute certain business activities combining an organizationally and functionally separated unit within the business structure, carrying out the sales, marketing and brand management functions in exchange for increased share capital of TVN Media, the Company’s 100% owned subsidiary. The assets contributed to TVN Media included, among others, the sales, marketing and brand management departments, as well as the brands owned previously by TVN S.A. (including internally generated TVN brand). The fair value of net assets contributed amounts to 2,393,000 (see Note 4 and Note 14) and covered 2,393,000 (not in thousands) newly issued shares of the nominal value of 1 each. The reorganization represents a strategic repositioning of the sales and marketing functions to provide services both to TVN and third party clients.

1. TVN (CONTINUED)

The spin-off of the functions target third party client focus, increasing the efficiency and flexibility of the Group's structure, and opening the functions to new independent product implementations.

As a result of the above the Company recognized a gain in the income statement in the amount of 2,124,790, being the difference between the fair value of the contribution in the amount of 2,393,000 and the carrying value of net assets transferred to TVN Media in the amount of 268,210 (see Note 14).

On 13 December 2011 the Company signed with TVN Media an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on behalf of the Company. The agreement is valid from November 29, 2011 until December 31, 2012. Based on this agreement, TVN Media on its behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship, product placement and classifieds. TVN Media will be rewarded by the Company for provided services in line with market conditions.

On December 18, 2011 the Company along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the cooperation with Groupe Canal+ S.A. ("Canal+ Group") and the combination of ITI Neovision Sp. z o.o. ("ITI Neovision") the 'n' platform operator, and Canal+ Cyfrowy sp. z o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction is to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform 'n/C+' owned by Canal+ Group and TVN (see Note 16).

Also on December 18, 2011 ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the "Share Purchase Agreement") relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (N-Vision) (the entity holding an indirect 51% stake in TVN S.A.) .

The completion of both transactions is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

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, 2011 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2010 except for standards, amendments to standards and interpretations which became effective January 1, 2011.

In 2011 the Company adopted:

(i) Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment did not affect the Company's separate financial statements.

(ii) IFRS Improvements 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 amendments did not have a significant impact on the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Amendment to IAS 32 Classification of Rights Issues

The amendment clarifies the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) when that price is stated in a currency other than the entity's functional currency. The amendments did not have a significant impact on the Company's separate financial statements.

(iv) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address accounting by the creditor. The interpretation did not affect the Company's separate financial statements.

(v) Revised IAS 24 Related Party Disclosures

The revised standard simplifies the definition of a related party, clarifies its intended meaning, eliminates inconsistencies from the definition and provides a partial exemption from the disclosure requirements for government-related entities. The revised standard did not have a significant impact on the Company's separate financial statements, the Company has not identified any new related parties under the new definition of a related party.

(vi) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendment applies in limited circumstances:

- when an entity is subject to minimum funding requirements, and
- makes an early payment of contributions to cover those requirements.

The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment 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.

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, 2011 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, 2010 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. Subsidiaries, joint ventures and Associates

Investments in subsidiaries, joint ventures and associates are classified as non-current assets. The Company values investments in subsidiaries, jointly controlled entities and associates at cost less 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 recognized in other comprehensive income 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 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, 2011.

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. This transaction was accounted for using the amounts from the consolidated financial statements in respect of this 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. Impairment of non - financial assets

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. Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.10. Financial assets

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 2.12).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

2.11. <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 foreign exchange risk of a firm commitment (cash flow hedge) 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 Company applies cash flow hedge accounting for hedging foreign exchange risk on firm commitments relating to acquisition of programming rights. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. 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

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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17. 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.

2.18. 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.

2.19. 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.

2.20. 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 were 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25. Advertising costs

The Company expenses advertising costs at the time of the first broadcast or publication.

2.26. 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.

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.

2.27. 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.

2.28. 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.

2.29. 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.

2.30. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) IFRS 10 Consolidated Financial Statements

The standard was published on May 12, 2011 and it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard requires an entity that is a parent to present consolidated financial statements, a limited exemption is available to some entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

(ii) IFRS 11 Joint Arrangements

The standard was published on May 12, 2011 and it establishes principles for financial reporting by parties to a joint arrangement. The standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard classifies joint arrangements into two types – joint operations and joint ventures and establishes different principles for financial reporting for each type of joint arrangement. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities

The standard was published on May 12, 2011 and it applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The standard applies for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the standard on the Company's separate financial statements.

(iv) IFRS 13 Fair Value Measurement

The standard was published on May 12, 2011. The standard:

- defines fair value;
- sets out in a single standard a framework for measuring fair value;
- requires disclosures about fair value measurements.

The standard applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The standard applies for annual periods beginning on or after January 1, 2013. The standard will not have significant impact on the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Amended IAS 27 Separate Financial Statements

The amended standard was published on May 12, 2011 and it contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended standard applies for annual periods beginning on or after January 1, 2013. The amended standard will not significantly affect the Company's separate financial statements.

(vi) Amended IAS 28 Investments in Associates and Joint Ventures

The standard was published on May 12, 2011 and it prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard applies for annual periods beginning on or after January 1, 2013. As the Company is not a party to any significant joint ventures the amended standard will not have significant impact on the Company's separate financial statements.

(vii) Amendments to IAS 19 Employee Benefits

The amendments were published on June 16, 2011 and they improve the accounting for pensions and other post-employment benefits. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not affect the Company's separate financial statements.

(viii) Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments were published on June 16, 2011 and they require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments apply for annual periods beginning on or after July 1, 2012. The amendments will not have significant impact on the Company's separate financial statements.

(ix) IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

The interpretation was published on October 19, 2011 and it applies for annual periods beginning on or after January 1, 2013. The interpretation will not affect the Company's separate financial statements.

(x) Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures

The amendments were published on December 16, 2011. These amendments require entities to apply IFRS 9 for annual periods beginning on or after January 1, 2015 instead of on or after January 1, 2013. Early application of both continues to be permitted. The Amendments to IFRS 7 Financial Instruments: Disclosures modify the relief from restating prior periods and require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. The Company is currently assessing the impact of the amendments on the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011 and they amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the Company's separate financial statements.

(xii) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments were published in December 2011. The amendments apply for annual periods beginning on or after January 1, 2014 and they will not have significant impact on the Company's separate financial statements.

Additionally, the following standards and amendments to standards are applicable in future and were discussed in the Company's separate financial statements for the year ended December 31, 2010:

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*
- *IFRS 9 Financial Instruments*
- *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*

At the date of preparation of these financial statements the following standards, amendments to standards and IFRIC interpretations were not adopted by the EU:

- *IFRS 9 Financial Instruments*
- *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*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *Amended IAS 27 Separate Financial Statements*
- *Amended IAS 28 Investments in Associates and Joint Ventures*
- *Amendments to IAS 19 Employee Benefits*
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*
- *IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures*
- *Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities*
- *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

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 effective from cost and cash flow perspective.

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 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 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 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 by the Company's subsidiary

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. The cash proceeds obtained from the issuance of Senior Notes by the Company's subsidiaries were transferred to the Company through the related party loans (see Note 31). 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, bank deposits with maturity over three months, 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. 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 an cost efficient manner both from a cost and cash flow perspective, 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 (see Note 21). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated net profit for the period (post-tax) impact on balances as of December 31, 2011 and December 31, 2010 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant amounts to a loss of 135,314 (a loss of 48,846 as of December 31, 2010) and is presented below:

	Year ended December 31, 2011	**Year ended December 31, 2010**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(107,654)	(96,527)
9.025% loan from subsidiary due 2018 including accrued interest	(31,657)	(28,367)
Trade payables	(293)	(92)
Other	(248)	(858)
Assets:		
Loans to subsidiaries	4,451	66,303
Bank deposits with maturity over three months	-	9,864
Cash and cash equivalents	34	763
Trade receivables	53	68
	(135,314)	**(48,846)**

(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, 2011 and December 31, 2010 of a reasonably possible USD appreciation of 5% against the 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 3,071 (a loss of 1,809 as of December 31, 2009) and is presented below:

	Year ended December 31, 2011	**Year ended December 31, 2010**
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(3,348)	(3,268)
Assets:		
Cash and cash equivalents	20	1,281
Trade receivables	257	178
	(3,071)	**(1,809)**

The net profit impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Company. Details of foreign exchange forward contracts which the Company had on December 31, 2011 are discussed in Note 21.

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, and the 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 a direct impact on valuation of 9.025% loan from related party due 2018 in the balance sheet.

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 a direct impact on valuation of the instruments in the balance sheet (see also Note 16).

The Company did not consider cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of December 31, 2011.

(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 and restricted cash with financial institutions that the Company believes are credit worthy based on current credit ratings (see Note 23). 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.

Following the contribution of sales & marketing segments (including trade receivables from advertising agencies) to the subsidiary TVN Media, the Company signed with TVN Media an agreement on cooperation based on which TVN Media on its behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship, product placement and classifieds. Since November 29, 2011 the majority of the Company's sales are made through TVN Media (57% of the total trade receivables as of December 31, 2011) and relate to sales made through advertising agencies who manage advertising campaigns for advertisers and pay TVN Media once payment has been received from the customer. Therefore these separate financial statements should be read together with the consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables. 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 and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate 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, 2011	December 31, 2010
Receivables from advertising agencies	-	65%
Receivables from other customers	13%	17%
Receivables from related parties	87%	18%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the analysis of the Group's trade receivables.

(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, 2011	December 31, 2010
Agency A	-	9%
Agency B	-	9%
Agency C	-	8%
Agency D	-	7%
Agency E	-	5%
Receivables from related parties	57%	-
Sub-total	**57%**	**38%**
Total other counterparties	43%	62%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables.

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, 2011	December 31, 2010
Agency Group F	-	21%
Agency Group G	-	13%
Agency Group H	-	13%
Agency Group I	-	4%
Agency Group J	-	3%
Receivables from related parties	57%	
Sub-total	**57%**	**54%**
Total other counterparties	43%	46%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables.

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, 2011.

(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 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. 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.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2011 the Company had cash and cash equivalents totaling 293,935 at its disposal (cash and cash equivalents, easily marketable available-for-sale financial assets and unutilized credit facility of 669,211 as at December 31, 2010).

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, 2011			
11.90% loans from subsidiary due 2017	311,680	311,680	3,865,882
9.025% loan from subsidiary due 2018	69,758	69,758	1,121,730
Trade payables	165,502	15,010	-
Other liabilities and accruals	50,397	192	-
Guarantees	72,060	137,696	193,235
	669,397	**534,336**	**5,180,847**
At December 31, 2010			
11.90% loan 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 due 2013 *	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**

* On December 23, 2010 the Company redeemed PLN Bonds due 2013 with the total nominal value of 359,000. In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with the total nominal value of 135,400.On June 14, 2011 the Company acquired and redeemed the remaining PLN Bonds due 2013 with the total nominal value of 5,600 (see Note 25).

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 25) payable at the reporting date including accrued interest less cash and cash equivalents and bank deposits with maturity over three months. EBITDA is calculated for the last twelve months and is defined as net profit/(loss), before depreciation

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, interest income, finance expense, foreign exchange gains and losses and income tax charge. 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, 2011	**December 31, 2010**
Net debt	3,145,847	2,561,884
EBITDA *	1,670,438	616,905
Net debt/EBITDA ratio	1.9	4.2

* EBITDA for the year ended December 31, 2011 includes significant items: gain on contribution of sales & marketing segment to the subsidiary TVN Media of 2,124,790 and impairment on investment in ITI Neovison of 1,013,496.

Subject to changes in EUR/ PLN foreign exchange rate, the Company's goal is to lower its net debt/ EBITDA ratio.

The decrease in net debt/EBITDA ratio is due primarily to significant one-off items included in EBITDA in 2011.

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").

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Level 1	Level 2	Level 3	Total
At December 31, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

The Company did not have any financial instruments measured at fair value as of December 31, 2011.

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 which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, contribute to 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 the investment in on-line subsidiaries

The Company tests annually whether the investment in subsidiaries has suffered any impairment. The Company tests the total aggregate carrying amount of the investment in Grupa Onet Poland Holding and Grupa Onet.pl. The recoverable amount of the investment in on-line subsidiaries is determined based on value-in-use calculations.
In the annual impairment test performed by the Company as at December 31, 2011 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 2016.

(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 2011 and 2010 were as follows:

	2011	**2010**
Terminal growth	4%	4%
Discount rate	9.26%	8.86%

Other key assumptions included:

- annual growth rate of the Polish advertising market in 2012 to 2016,
- increase in the online advertising market as a percentage of the total Polish advertising market in 2012 to 2016,
- share of Onet in the online advertising market in 2012 to 2016,
- growth of free cash flows in 2017 to 2026.

There were no material changes in these other key assumptions during the 2012 business planning process.

The test performed as at December 31, 2011 indicated, that the investment in on-line subsidiaries did not suffer any impairment.

The Company believes that the key assumptions made in testing for impairment of the investment in on-line subsidiaries as at December 31, 2011 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 the investment in digital satellite pay television

The Company tests annually whether the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, has suffered any impairment. The recoverable amount of the investment is determined based on fair value less cost to sell in the current year test (in 2010: value in use).

As a result of the agreements signed on December 18, 2011 with Canal+ Group the Company classified the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, as an asset held for sale (see Note16).

In the annual impairment test performed by the Company as at December 31, 2011 the fair value less cost to sell of the investment, in the absence of an active market for similar investments, was determined based on the valuation of the Company’s stake in the value of the combined ‘n’ and Cyfra+ platforms (‘n/C+’), performed by the Company’s investment bank for the purpose of issuing the fairness opinion in connection with the transaction. The fair value of 32% stake in the ‘n/C+’ is estimated at 1.9 billion assuming that transaction will be closed according to the signed agreements.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

As the valuation of combined entity n/C+ was based on an assumed level of financing to be contributed until closing of the transaction, the valuation of 32% of interest in combined entity was adjusted for the cash that TVN S.A. has to contribute until the estimated closing of the transaction during the third quarter of 2012

The key financial assumptions used by the company's investment bank in the process of valuing the 'n' digital satellite pay television were as follows:

Terminal growth	3%
Discount rate	11.2%
Realisation of certain synergies in combined entity	

The test performed as at December 31, 2011 indicated, that the investment in DTH Poland Holding Coöperatief, including loans granted to DTH Poland Holding Coöperatief and ITI Neovision, as at December 31, 2011 suffered an impairment. As a result an impairment charge of 1,013,496 was recognized in the income statement and presented in the separate line item on the income statement.

The impairment loss first reduces the carrying amount of the equity instruments in the amount of 555,764 and the residual value in the amount of 457,732 is allocated to loans i.e. the allocation is made in the reverse order of their seniority (priority in liquidation).

As a result of the recognition of the above impairment loss, a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax asset in the amount of 42,636 (December 31, 2010: nil). The deferred tax was not recognized as the reversal of this temporary difference depends, among other conditions, on the consent of the third party (antitrust regulatory approval) and obtaining this consent is not under the control of the Company (see Note 16). Thus the Company concluded that the criteria for the deferred tax assets recognition are not met.

The Company believes that the key assumptions made in testing for impairment of the investment in the combined platform as at December 31, 2011 are conservative and reasonable. However, if any of the key assumptions used in the valuation were to change unfavorably, the impairment charge recognized would be higher. If the terminal growth rate was 2.5%, the impairment charge would amount to 1,083 million. If the discount rate applied to the discounted cash flows was 11.7% the impairment charge would amount to 1,126 million.

The previous impairment test was carried out as at December 31, 2010. The recoverable amount of the investment in digital satellite pay television was 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 were as follows:

Terminal growth	3%
Discount rate	8.74%

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

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

The Company believes that the key assumptions made in testing for impairment of the investment in digital satellite pay television as at December 31, 2010 were reasonable and were 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 the investment's recoverable amount was based would not cause the impairment charge to be recognized as at December 31, 2010.

(iii) Estimated impairment of the investment in Mango Media

The Company tests annually whether the investment in Mango Media has suffered any impairment. In the annual impairment test performed by the Company as at December 31, 2011 the recoverable amount of the investment in Mango Media was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows in 2011 and 2010 were as follows:

	December 31, 2011	June 30, 2011	December 31, 2010
Terminal growth	3%	3%	3%
Discount rate	10.05%	9.81%	10.21%

The test performed as at December 31, 2011 indicated, that the investment in Mango Media did not suffer any impairment.
The Company believes that the key assumptions made in testing for impairment of the investment in Mango Media as at December 31, 2011 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts.

In case the actual cash flows generated by Mango Media differ from the budgeted due to the unfavourable changes of the key business plans assumptions including the revenue growth rates and operating margin, the investment in Mango Media could suffer impairment.

(iv) Recognition of a gain on the contribution to the subsidiary

On November 28, 2011, with the effect as of November 29, 2011, the Company contributed to TVN Media, the entirety of the tangible and intangible components of the Sales and Marketing Segment (including also internally generated TVN brands and employees) - being an organizationally and functionally separated unit within the business structure of the Company responsible for carrying out the sales, marketing and brand management functions - as a contribution in kind of an organized part of the enterprise in exchange for the acquisition of the increased share capital in TVN Media (see Note 14).

As a result of the above the Company recognized a gain in the income statement in the amount of 2,124,790, being the difference between the fair value of the contribution in the amount of 2,393,000 and the carrying value of net assets transferred to TVN Media in the amount of 268,210 (see Note 14).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The reorganization was executed to align the Group's structure with the Company's strategy of separating and focusing the sales and marketing functions on the provision of services to both external customers as well as the Company, in an effort to further increase the quality and volume of services provided to external customers. In addition, the reorganization will improve the management of the portfolio of TV channels and, accompanied by certain promotional activities, broaden the recognition of the Groups trademarks. The Company assessed that as a result of the reorganization the post-tax cash flows expected from the sales and marketing functions will change significantly as compared to the fair value of the business contributed mainly due to expected increase in revenue from services provided to external customers and expected selling expenses savings and certain tax benefits resulting in additional positive margin generated by the Group. Based on the above the Company concluded that the transaction has economic substance in accordance with IAS 16 par. 25 and therefore the gain on the contribution was recognized.
As a result of the reorganization, a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax liability in the amount of 403,710 (December 31, 2010: nil) as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The fair value of the contribution amounts to 2,393,000 and was recognized by the Company as an increase of the investment in TVN Media.

The valuation of the contribution was determined based on the discounted cash flow method and involved the use of estimates related to cash flow projections based on actual financial forecasts covering the period until 2015.

The key financial assumptions used for discounting cash flows were as follows:

Terminal growth	2.5%
Discount rate	10.0%

The Company believes that the key assumptions used in the valuation are reasonable. However, if any of the key assumptions used in the valuation were to change, the fair value of the contribution would also change. If the terminal growth rate was 3.0%, the fair value of the contribution would amount to 2,459,000, if the terminal growth rate was 2.0%, the fair value of the contribution would amount to 2,335,000. If the discount rate applied to the discounted cash flows was 9.5% the fair value of the contribution would amount to 2,562,000, if the discount rate applied to the discounted cash flows was 10.5% the fair value of the contribution would amount to 2,245,000.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

5. REVENUE

	Year ended December 31, 2011	Year ended December 31, 2010
Revenue from advertising spot sales	1,214,442	1,236,744
Subscription fees	201,221	179,592
Revenue from sponsoring	138,428	142,909
Revenue from sales of goods and services	40,536	35,431
Other revenue	76,311	71,047
	1,670,938	**1,665,723**

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, 2011 are revenues from related parties in the amount of 187,396 (year ended December 31, 2010: 69,595) (see Note 31 (i)).

6. OPERATING EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
Amortization of locally produced content	441,320	444,262
Amortization of acquired programming rights and co-production	148,389	143,724
Staff expenses	149,639	158,091
Depreciation, amortization and impairment charges on property, plant and equipment and intangible assets	62,474	67,332
Marketing and research	55,069	53,468
Royalties	69,598	63,595
Broadcasting expenses	50,371	43,784
Cost of services and goods sold	21,406	17,614
Rental	38,527	36,647
Impaired accounts receivable	908	1,346
Other	137,887	88,738
	1,175,588	**1,118,601**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2011 of 109,717 (year ended December 31, 2010: 96,506). Amortization of locally produced content for the year ended December 31, 2011 has been reduced by grants received in the total amount of 36 (year ended December 31, 2010: 467).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

7. INVESTMENT INCOME AND FINANCE EXPENSE

Interest income	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Interest income on loans to related parties	170,673	110,905
Interest income from available for sale financial assets	-	778
Other interest income	19,116	9,089
	189,789	**120,772**

Finance expense		
Interest expense on 11.90% loans from related party (see Note 31 (iii))	(299,745)	(268,655)
Interest expense on 9.95% loan from related party (see Note 31(iii))	(202)	(577)
Interest expense on 9.025% loan from related party (see Note 31(iii))	(66,983)	(7,519)
Interest expense on Promissory Notes (see Note 31 (iii))	-	(2,326)
Interest expense on PLN Bonds due 2013 (see Note 25)	(1,389)	(34,132)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 21)	(10,965)	-
Fair value gains on foreign exchange forward contracts – fair value hedges	-	573
Premium on early repayment of PLN Bonds due 2013 (see Note 25)	(3,971)	(7,180)
Pre-issuance costs written off *	(217)	(664)
Income from guarantee fees from related parties (see Note 31 (viii))	18,344	13,367
Guarantee fees to related parties (see Note 31 (viii))	(1,273)	(5,528)
Unwinding of interest on contingent consideration	-	(1,069)
Bank and other charges	(1,690)	(8,083)
	(368,091)	**(321,793)**

* The cost includes the amount of the unamortized debt issuance costs of PLN Bonds due 2013 written off on early repayment.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

7. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Foreign exchange (losses)/gains, net	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Foreign exchange (losses)/gains on 11.90% loan from related party, including:	(239,985)	49,937
- unrealized foreign exchange (losses)/gains *on 11.90% loan from related party*	*(270,315)*	*46,891*
- realized foreign exchange (losses)/ gains on 11.90% loan from related party	*(5,640)*	*3,046*
- fair value hedge impact (see Note 21)	*35,970*	*-*
Foreign exchange losses on 9.025% loan from related party, including:	(70,828)	(3,737)
-unrealized foreign exchange losses on 9.025% loan from related party	*(79,800)*	*(3,737)*
- realized foreign exchange losses on 9.025% loan from related party	*(1,643)*	*-*
- fair value hedge impact (see Note 21)	*10,615*	*-*
Foreign exchange losses on Promissory Notes	-	(1,357)
Foreign exchange gains on contingent consideration	-	4,315
Other foreign exchange gains /(losses), net	262,817	(44,004)
	(47,996)	**5,154**

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, 2011	Year ended December 31, 2010
Profit for the period (in thousands)	1,331,183	276,874
Weighted average number of ordinary shares in issue	343,336,965	341,292,193
Basic earnings per share	**3.88**	**0.81**

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, 2011	Year ended December 31, 2010
Profit for the period (in thousands)	1,331,183	276,874
Weighted average number of ordinary shares in issue	343,336,965	341,292,193
Adjustment for share options	2,675,733	4,218,911
Weighted average number of potential ordinary shares for diluted earnings per share	346,012,698	345,511,104
Diluted earnings per share	**3.85**	**0.80**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2011**	**December 31, 2010**
Freehold land	14,143	12,247
Leasehold improvements	28,500	27,914
Television, broadcasting and other technical equipment	142,694	128,758
Vehicles	24,286	25,308
Furniture and fixtures	4,702	5,371
Assets under construction	12,873	12,836
	227,198	**212,434**

(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 charge	-	-	-	-	-	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**

(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, 2011	**12,247**	**76,794**	**349,515**	**45,220**	**17,420**	**18,596**	**519,792**
Additions	1,896	7,302	56,025	8,025	1,157	37	74,442
Disposals	-	(274)	(34,893)	(4,481)	(1,629)	-	(41,277)
Transferred to TVN Media (Note 14)	-	-	(4,350)	(3,579)	(1,143)	-	(9,072)
December 31, 2011	**14,143**	**83,822**	**366,297**	**45,185**	**15,805**	**18,633**	**543,885**
Accumulated depreciation and impairment							
January 1, 2011	**-**	**48,880**	**220,757**	**19,912**	**12,049**	**5,760**	**307,358**
Charge for the year	-	6,642	39,207	5,784	1,675	-	53,308
Disposals	-	(200)	(33,417)	(3,382)	(1,501)	-	(38,500)
Transferred to TVN Media (Note 14)	-	-	(2,944)	(1,415)	(1,120)	-	(5,479)
December 31, 2011	**-**	**55,322**	**223,603**	**20,899**	**11,103**	**5,760**	**316,687**
Net book value at January 1, 2011	**12,247**	**27,914**	**128,758**	**25,308**	**5,371**	**12,836**	**212,434**
Net book value at December 31, 2011	**14,143**	**28,500**	**142,694**	**24,286**	**4,702**	**12,873**	**227,198**

Depreciation expense of 46,038 has been charged in cost of revenue (year ended December 31, 2010: 45,557), 607 in selling expenses (year ended December 31, 2010: 651) and 6,663 in general and administration expenses (year ended December 31, 2010: 6,359).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

10. GOODWILL

January 1, 2010	144,127
December 31, 2010	**144,127**
January 1, 2011	144,127
December 31, 2011	**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, 2011	December 31, 2010
Broadcasting licenses	3,382	4,610
Software and other	25,662	19,364
	29,044	**23,974**

(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, 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**

Changes in other intangible assets

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2011	11,755	76,010	87,765
Additions	163	15,230	15,393
Disposals	-	(243)	(243)
Transferred to TVN Media	-	(5,119)	(5,119)
December 31, 2011	**11,918**	**85,878**	**97,796**
Accumulated amortization and impairment			
January 1, 2011	7,145	56,646	63,791
Charge for the year	1,391	7,774	9,165
Disposals	-	(64)	(64)
Transferred to TVN Media	-	(4,140)	(4,140)
December 31, 2011	**8,536**	**60,216**	**68,752**
Net book value at January 1, 2011	**4,610**	**19,364**	**23,974**
Net book value at December 31, 2011	**3,382**	**25,662**	**29,044**

Amortization of 4,702 has been charged in cost of revenue (year ended December 31, 2010: 5,789), 31 in selling expenses (year ended December 31, 2010: 154) and 4,433 in general and administration expenses (year ended December 31, 2010: 3,062).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

12. PROGRAMMING RIGHTS

	December 31, 2011	December 31, 2010
Acquired programming rights	248,673	236,729
News archive	10,640	11,547
Co-productions	13,942	11,353
Productions	147,086	126,368
	420,341	**385,997**
Less current portion of programming rights	(241,098)	(230,783)
Non-current portion of programming rights	**179,243**	**155,214**

Changes in acquired programming rights

	Year ended December 31, 2011	Year ended December 31, 2010
Net book value as at January 1	236,729	**196,138**
Additions	154,358	180,558
Amortization	(142,414)	(139,967)
Net book value as at December 31	**248,673**	**236,729**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	December 31, 2011	December 31, 2010
TVN Media Sp. z o.o. (Note 4, Note 14) (7)	2,393,110	-
Grupa Onet Poland Holding B.V.	1,102,500	1,102,500
DTH Poland Holding Coöperatief U.A. (6) (Note 15 and 16)	-	647,184
Grupa Onet.pl S.A.	271,874	271,874
Mango Media Sp. z o.o.	54,861	54,861
Other investment in subsidiaries, joint ventures and associates	8,375	10,464
Total	**3,830,720**	**2,086,883**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

	Country of incorporation	December 31, 2011 Ownership %	December 31, 2010 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(2)	UK	-	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	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	100
Media Entertainment Ventures Int Ltd (3)	Malta	100	100
DreamLab Onet.pl Sp. z o.o. (3)	Poland	100	100
SunWeb Sp. z o.o. (3)	Poland	100	100
DTH Poland Holding Coöperatief U.A. (6) – Classified as held for sale as at 31.12.2011	The Netherlands	100	100
ITI Neovision Sp. z o.o. (4)	Poland	100	100
Cyfrowy Dom Sp. z o.o. (4)	Poland	100	100
Neovision UK Ltd (4)	UK	100	100
TVN Holding S.A.	Poland	100	-
TVN Media Sp. z o.o. (previously Highgate Capital Investments Sp. z o.o.)	Poland	100	-
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (5)	UK	45	45
Film Miasto Sp. z o.o.	Poland	34	-
Stavka Sp. z o.o.	Poland	51	-
Polskie Badania Internetu Sp. z o.o. (3)	Poland	16	16

(1) Owned directly by the Company and indirectly through GOPH B.V.
(2) Dissolved on December 5, 2011.
(3) Owned indirectly through Grupa Onet.pl S.A.
(4) Owned indirectly through DTH Poland Holding Coöperatief U.A.
(5) Joint venture through DTH Poland Holding Coöperatief U.A.
(6) 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.
(7) Formerly Highgate Capital Investments Sp. z o.o. On October 3, 2011 the Company acquired 100% of the share capital of Highgate Capital Investments Sp. z o.o. for a consideration of 110.
(8) On July 1, 2011 the Company paid in the share capital of TVN Holding S.A. in the amount of 100.

14. TRANSFER OF THE CONTRIBUTION TO THE SUBSIDIARY

On November 28, 2011, with the effect as of November 29, 2011, the Company concluded an agreement with TVN Media Sp. z o.o. ("TVN Media", previously Highgate Capital Investments Sp. z o.o.) regarding the disposal of an organized part of the enterprise as a contribution in kind in exchange for acquisition of increased share capital in TVN Media, the Company's 100% owned subsidiary. The agreement concerns a contribution to TVN Media of an organized part of the Company, an organizationally and functionally separated unit within the business structure, carrying out the sales and marketing and brand management functions, in order to cover 2,393,000 (not in thousands) newly issued shares of the nominal value of 1 each, acquired by the Company in the increased share capital of TVN Media. The fair value of the contribution amounts to 2,393,000, details of the valuation are disclosed in Note 4.

The following table summarizes book values and fair values of assets and liabilities transferred to TVN Media as at November 28, 2011:

	Book value	Fair value
Non-current assets		
Other intangible assets	979	5,078
Goodwill	-	670,623
Brand	-	1,448,115
Property, plant and equipment	3,592	5,545
Deferred tax asset	8,194	8,194
Non-current trade receivable	353	353
	13,118	2,137,908
Current assets		
Trade receivables	309,762	309,762
Prepayments and other assets	14,765	14,765
Cash and cash equivalents	2,511	2,511
	327,038	327,038
Total assets	**340,156**	**2,464,946**

	Book value	Fair value
Non-current liabilities		
Other non-current liabilities	1,913	1,913
	1,913	1,913
Current liabilities		
Current trade payables	27,046	27,046
Other liabilities and accruals	42,987	42,987
	70,033	70,033
Total liabilities	**71,946**	**71,946**
Total net assets transferred	**268,210**	**2,393,000**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

14. TRANSFER OF THE CONTRIBUTION TO THE SUBSIDIARY (CONTINUED)

The commercial reason for the transaction is a reorganization aimed at increasing efficiency of sales and marketing functions of the Company through their spin-off, increasing efficiency and flexibility of the Company's structure, opening to new product implementations and introducing the offer to new external entities, potentially interested in TVN Media's services (see Note 4).
As a result of the above the Company recognized a gain in the income statement in the amount of 2,124,790, being the difference between the fair value of the contribution in the amount of 2,393,000 and the carrying value of net assets transferred to TVN Media in the amount of 268,210. On 13 December 2011 the Company signed with TVN Media an agreement on cooperation in selling the advertisement time, in particular concluding contracts for advertising, sponsorship and product placement by TVN Media on its own behalf for the benefit of the Company. The agreement is valid from November 29, 2011 until December 31, 2012. Based on this agreement, TVN Media on its own behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship and product placement. TVN Media will be rewarded by the Company for provided services in line with market conditions.

15. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N"

Investment in subsidiary	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Beginning of the period	647,184	494,558
Investment in Neovision Holding *	-	151,044
Other direct costs	-	1,582
Cumulative catch-up of fair value adjustement of loans	(91,420)	-
Impairment of investment in subsidiary (Note 4)	(555,764)	-
End of the period	**-**	**647,184**

* 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, 2011**	**Year ended December 31, 2010**
Beginning of the period	1,466,551	560,541
Loans extended during the period	191,777	817,886
Repayment of loans	-	(8,548)
Other direct costs	-	5,278
Cumulative catch-up of fair value adjustement of loans	91,420	
Interest accrued	164,238	105,461
Foreign exchange gains / (losses)	250,820	(14,067)
Impairment of loans receivable (Note 4)	(457,732)	-
Transfer to asset held for sale (Note 16)	(1,707,074)	-
End of the period	**-**	**1,466,551**

15. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

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.

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).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.

15. INVESTMENT IN POLISH DIGITAL SATELLITE PAY TELEVISION "N" (CONTINUED)

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.

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.

As at 31 December 2011, this investment is classified as held for sale (Note 16).

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The equity investment in DTH Poland Holding Coöperatief and loans granted to DTH Poland Holding Coöperatief and ITI Neovision have been presented as held for sale following conclusion of agreements between the Company, ITI Media Group Limited and Canal+ Group.

The impairment test performed by the Company as at December 31, 2011 indicated, that the investment in DTH Poland Holding Coöperatief and loans granted to DTH Poland Holding Coöperatief and ITI Neovision suffered an impairment (see Note 4).

The agreements between the Company, ITI Media Group Limited and Canal+ Group were concluded on December 18, 2011 to effect the cooperation with Canal+ Group and the combination of ITI Neovision, the 'n' platform operator, and Canal+ Cyfrowy sp. o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction is to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform 'n/C+' owned by TVN SA and Canal+ Group. The combined DTH platform "n/C+" will benefit from the 2.5 million customer base and the effect of scale, synergies and increased efficiency.

According to the agreements the principal obligation of the Company is to procure the direct or indirect contribution of its entire interest in ITI Neovision Group and the principal obligation of Canal+ Group is to procure the direct or indirect contribution of its entire interest in Cyfra+ to the combined entity 'n/C+' where the Company will hold 32% of shares, Canal+ Group will hold 51% of shares and the remaining 17% of the share capital of the 'n/C+' will be held by LGI Ventures B.V. ("UPC"). According to the current estimates of the Management Board, the value of the Company's 32% stake in the 'n/C+' is around 1.9 billion.

Canal+ Group has two call options regarding the Companys's 32% stake in the combined entity "n/C+" exercisable in the periods of three months following the third and fourth anniversaries after the completion of the transaction. In both options the price for the option shares will be based on the fair market valuation performed by an investment bank. In case Canal+ Group does not exercise its option, the Company has been granted liquidity rights in the form of an IPO, exercisable starting four years after closing of the transaction

Simultaneously, ITI Media Group Limited as a seller, Canal+ Group as a purchaser and ITI Holdings as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement (the "Share Purchase Agreement") relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands (N-Vision) (the entity holding an indirect 51% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

The completion of the transaction is contingent on fulfillment of a number of conditions, including, but not limited to, antitrust regulatory approval of the transaction.

If conditions precedent to the combination of the Pay-TV operations of "n" and Cyfra+ are fulfilled, but the Company would not be able to fulfill other conditions and the agreements terminate, TVN is then obliged to pay to Canal+ Group a break-up fee of EUR 75 million ("Break-up Fee") unless such Break-up Fee is discharged by ITI Holdings under the Share Purchase Agreement. If the Break-up Fee is paid by the Company, ITI Holdings will immediately on demand, reimburse the Company for the full amount of such Break-up Fee.

ITI Holdings and the Company entered into a side letter regarding break-up fees payable under the Share Purchase Agreement in case the transaction is not completed due to either party to that agreement not acting in good faith to procure the fulfillment of the conditions

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

precedent to closing. Under this side letter if the transaction is not completed due to Canal+ Group's failure to act in good faith to procure the fulfillment of the conditions precedent, the Company will be entitled to 50% of the break-up fee payable by Canal+ Group to ITI Holdings under the Share Purchase Agreement which is EUR 25 million. If the transaction is not completed due to ITI Holding not acting in good faith due to reasons for which the Company is responsible, the Company has to reimburse ITI for EUR 25 million, being 50% of the break-up fee payable in such circumstances by ITI Holding to Canal+ Group under the Share Purchase Agreement.

Based on the agreements signed on December 18, 2011 with Canal+ Group, the loans provided to DTH Poland Holding Coöperatief and ITI Neovision will be converted to equity upon closing, and therefore from that point, the loans granted to DTH Poland Holding Coöperatief and ITI Neovision no longer have the nature of a monetary asset (i.e it will not be received in fixed or determinable number of units of currency).

As a consequence, starting from the date of the agreement the carrying amount of loans is fixed in the functional currency (PLN) constitutes the cost of the investment in ITI Neovision and starting from this point neither interest is accrued nor foreign exchange translations made .

The same treatment will occur for loans granted in 2012 which will be added to the carrying amount of the investment in ITI Neovision.

17. INVESTMENT IN STAVKA SP. Z O.O.

On August 29, 2011 the Company and Stavka Sp. z o.o. ("Stavka"), holder of the license for terrestrial broadcasting of the 'ttv' channel (previously 'U-TV'), entered into a cooperation agreement covering the areas of technology, advertising and programming. The 'ttv' is one of the channels included in the first DTT multiplex.

According to the agreement the Company will provide know-how in the production and broadcast operations of the 'ttv' channel, the 'ttv' channel will be added to the Premium TV offer, which advertising sales are handled through the TVN Group, while at the same time the 'ttv' channel will gain access to the Company's broad program archive and news and information productions. As part of the agreement, the Company acquired 25% of the Stavka Sp. z o.o. shares, for a total cash consideration of 1,095.
On December 21, 2011 the Company acquired additional 25.55% of the Stavka shares. As a result, the Company obtained control over Stavka on December 21, 2011.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

18. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Derivatives used for hedging**	**Loans and receivables**	**Financial assets available-for-sale**	**Total**
December 31, 2011				
Non-current related party loans	-	111,257	-	111,257
Trade receivables	-	235,996	-	235,996
Derivative financial assets	1,580	-	-	1,580
Bank deposits with maturity over three months	-	75,000	-	75,000
Cash and cash equivalents	-	218,935	-	218,935
	1,580	**641,188**	**-**	**642,768**
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**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

18. 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, 2011				
Loans from related parties	-	-	3,295,692	3,295,692
Accrued interest on borrowings	-	-	47,680	47,680
Non-current trade payables	-	-	15,010	15,010
Current trade payables	-	-	165,502	165,502
Other liabilities and accruals*	-	-	50,589	50,589
	-	**-**	**3,574,473**	**3,574,473**
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**

* 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)

19. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2011	**Year ended December 31, 2010**
Beginning of the period	7,255	384,768
Sales	(7,255)	(363,700)
Fair value change through other comprehensive income	-	702
Interest credited to profit or loss (see Note 7)	-	778
Foreign exchange differences	-	(15,293)
End of the period	**-**	**7,255**
Less: non-current portion	-	(7,255)
Current portion	**-**	**-**

Available for sale financial assets include:

	December 31, 2011	**December 31, 2010**
Securities not quoted on active markets:		
- Polskie Media S.A.	-	7,255
Total	**-**	**7,255**

On October 6, 2011 the Company sold its share in the share capital of Polskie Media S.A. for a consideration of 7,782. The Company recognized a gain on this transaction in the amount of 528.

20. TRADE RECEIVABLES

	December 31, 2011	**December 31, 2010**
Trade receivables	32,421	246,243
Less: provision for impairment of receivables	(1,651)	(6,140)
Trade receivables – net	30,770	240,103
Receivables from related parties (Note 31 (iv))	205,226	54,163
	235,996	**294,266**

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)

20. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	December 31, 2011	December 31, 2010
PLN	228,638	288,255
EUR	1,262	1,500
USD	5,984	4,391
CAD	92	103
AUD	20	17
	235,996	**294,266**

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, 2011	Year ended December 31, 2010
Beginning of the period	6,140	7,177
Provision for receivables impaired, net change	908	1,346
Receivables written off as uncollectible	(2,916)	(2,383)
Provision transferred to TVN Media	(2,481)	-
End of the period	**1,651**	**6,140**

The creation and release of provision for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2011, trade receivables of 61,146 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, 2011	December 31, 2010
Up to 30 days	34,874	96,908
31-60 days	13,052	18,501
Over 60 days	13,220	28,474
	61,146	**143,883**

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, 2011 was 235,996 (December 31, 2010: 294,266).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

21. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2011	December 31, 2010
Derivative financial assets		
Foreign exchange forward contracts	1,580	-
	1,580	**-**

On January 12, 2011 the Company entered into EUR foreign exchange forward contract in order to limit the impact on the Company's net results of PLN/EUR exchange rate movements in relation to the 11.90% loans from related party due 2017 and 9.025% loan from related party due 2018 balance. The hedging strategy based on EUR foreign exchange forward contract had in total a notional value of EUR 350,000, settlement date on March 31, 2011 and PLN/EUR foreign exchange forward rate of 3.89. The Company has designated this EUR foreign exchange forward contract for fair value hedge accounting. The Company recognized a gain on realization of this foreign exchange forward contract in the total amount of 46,585 and an interest expense on the foreign exchange forward contract in the amount of 9,625.(see Note 7).

On January 19, 2011 the Company entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 18,536, settlement dates between January 31, 2011 and March 30, 2012 and PLN/USD foreign exchange forward rates between 2.87 and 2.98. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Company has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

The fair value of foreign exchange forward contracts as at December 31, 2011 was based on valuations performed by the Company's banks. When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 7).

Foreign exchange forward contracts were contracted with banks rated as follows (by Standard and Poor's):

	December 31, 2011	December 31, 2010
Derivative financial assets		
Bank rated A+	1,580	-
	1,580	**-**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

22. PREPAYMENTS AND OTHER ASSETS

	December 31, 2011	December 31, 2010
Employee settlements	5,390	4,785
Technical support	2,922	2,788
Prepayments for programming	2,272	4,710
Inventory, net of impairment provision	455	669
Other	25,578	18,672
	36,617	**31,624**
Less: current portion of other assets	**(31,547)**	**(26,344)**
Non-current portion of other assets	**5,070**	**5,280**

23. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2011	December 31, 2010
Cash at bank and in hand	218,935	425,653
	218,935	**425,653**
Bank deposits with maturity over three months	75,000	243,558
	75,000	**243,558**
Restricted cash	**-**	**107,986**
Less: current portion of restricted cash	-	**(23,814)**
Non-current portion of restricted cash	-	**84,172**

23. 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, 2011	December 31, 2010
Bank rated A-	160,382	245,049
Bank rated AA	58,133	180,128
Banks rated BBB and other	420	476
	218,935	**425,653**

Bank deposits with maturity over three months (credit rating – Standard and Poor's)**:**

	December 31, 2011	December 31, 2010
Bank rated A-	75,000	243,558
	75,000	**243,558**

The carrying amounts of the Company's bank deposits with maturity over three months are denominated in the following currencies:

	December 31, 2011	December 31, 2010
EUR	-	243,558
PLN	75,000	-
	75,000	**243,558**

Restricted cash (credit rating – Standard and Poor's):

	December 31, 2011	December 31, 2010
Bank rated A-*		107,986
	-	**107,986**

24. 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, 2011 was 343,876,421 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, 2011:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V [1] [2]	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment [1]	10,915,781	3.17%	10,915,781	3.17%
Other shareholders	152,605,210	44.38%	152,605,210	44.38%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

[1] Entities controlled by ITI Group.

[2] Polish Television Holding B.V. has pledged the majority of the Company's shares.

24. SHARE CAPITAL (NOT IN THOUSANDS) (CONTINUED)

All shares in issue as at December 31, 2011 are registered by the Court

During the year ended December 31, 2011 1,522,229 shares of C2, C3, E1, E2, E3 and E4 series were issued under the stock option plan for an amount of 16,357 (in thousands).

25. BORROWINGS

	December 31, 2011	December 31, 2010
Loans from related parties (see Note 31 (iii))	3,295,692	2,941,131
Interest accrued on loans from related parties (see Note 31 (iii))	47,680	42,335
PLN Bonds due 2013	-	140,739
Interest accrued on PLN Bonds due 2013	-	452
	3,343,372	**3,124,657**
Less: current portion of borrowings	(47,680)	(42,787)
Non-current portion of borrowings	**3,295,692**	**3,081,870**

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 was payable semi-annually starting December 14, 2008. The PLN Bonds due 2013 were due for repayment on June 14, 2013. The PLN Bonds due 2013 were unsecured obligations and were governed by a number of covenants including restrictions on disposal or inadequate use of assets. The PLN Bonds due 2013 were carried at amortized cost using an effective interest rate of 7.1%.

On December 23, 2010 the Company acquired and redeemed 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.

In February 2011 the Company acquired and redeemed PLN Bonds due 2013 with total nominal value of 135,400. 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 these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

On June 14, 2011 the Company acquired and redeemed the remaining PLN Bonds due 2013 with total nominal value of 5,600. These PLN Bonds due 2013 were purchased at a price of 102% of the principal amount plus the aggregate amount of accrued interest on these PLN Bonds due 2013 between December 15, 2010 up to the redemption date.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

25. BORROWINGS (CONTINUED)

Revolving guarantee facility

On December 17, 2010 the Company entered into revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011 and on September 30, 2011 the Company amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2012 with an extension option for another year. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of December 31, 2011 the revolving guarantee facility had been used for the bank guarantees issued at 203,943 (total amount of loan facility used as of December 31, 2010: 107,285).

26. TRADE PAYABLES

	December 31, 2011	December 31, 2010
Acquired programming rights payables	88,994	85,004
Property, plant, equipment and intangible assets payables	20,379	5,779
Other trade payables	35,410	27,183
Related party payables (see note 31 (iv))	35,729	26,888
	180,512	**144,854**
Less: current portion of trade payables	**(165,502)**	**(131,668)**
Non-current portion of acquired programming rights payables	**15,010**	**13,186**

27. OTHER LIABILITIES AND ACCRUALS

	December 31, 2011	December 31, 2010
Employee benefits	30,980	46,353
VAT and other taxes payable	54,549	65,341
Deferred income	227	7,531
Accrued production costs	7,687	9,246
Satellites	4,875	3,258
Sales and marketing related costs	3,690	4,111
Other liabilities and accrued costs	34,145	90,031
	136,153	**225,871**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

28. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Profit for the period		1,331,183	276,874
Tax charge	29	50,483	76,832
In-kind contribution to TVN Media	4	(2,124,790)	-
Impairment	4	1,013,496	-
Depreciation, amortization and impairment	6	62,474	67,332
Amortization of acquired program rights and co-production	6	148,389	143,724
Payments to acquire programming rights		(189,072)	(183,467)
Impaired accounts receivable	6	908	1,346
Loss/ (gain) on sale of property, plant and equipment		1,244	(185)
Gain on sale of available-for-sale financial assets		(527)	-
Gain on liquidation of the subsidiary		(2,921)	-
Interest income	7	(189,789)	(120,772)
Finance expense	7	368,091	321,793
Foreign exchange losses/ (gains), net	7	47,966	(5,154)
Guarantee fee		(1,273)	(1,566)
Change in local production balance		(16,170)	17,848
Changes in working capital:			
Trade receivables		(252,957)	6,576
Prepayments and other assets		(5,876)	(4,574)
Trade payables		47,567	2,585
Other short term liabilities and accruals		(44,840)	17,975
		(256,106)	22,562
Cash generated from operations		**243,586**	**617,167**

Non-cash transactions

Barter revenue, net		6,210	1,315

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. TAXATION

	Year ended December 31, 2011	Year ended December 31, 2010
Current tax charge	(35,955)	(44,426)
Deferred tax charge	(14,528)	(32,406)
	(50,483)	**(76,832)**

Reconciliation of accounting profit to tax charge

Profit before income tax	**1,381,666**	**353,706**
Income tax charge at the enacted statutory rate of 19%	(262,517)	(67,204)
Impact of settlement of contingent consideration	-	(1,832)
Impact of gain on transfer of Sales & marketing operation to TVN Media *	403,710	-
Impact of impairment of Investment in ITI Neovision *	(192,564)	-
Net tax impact of other net expenses and losses not deductible for tax purposes and revenue not taxable	888	(7,796)
Tax for the period	**(50,483)**	**(76,832)**

(*)The deferred tax assets was not recognized on the impairment of the investment in ITI Neovision (192,564) and deferred tax liability was not recognized on the gain on the transfer of sales & marketing operation to TVN Media (403,710) due to reason disclosed in Note 4.

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 apart from deferred tax assets described above*. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2011.

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2011	December 31, 2010
Deferred tax liability, net		
- Deferred tax asset/ (liability), net to be realized after more than 12 months	58,289	(61,314)
- Deferred tax (liability)/ asset, net to be recovered within 12 months	(97,497)	44,887
	(39,208)	**(16,427)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. TAXATION (CONTINUED)

Movements in deferred tax (liability) /asset, net	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Balance at beginning of period	(16,427)	16,112
Deferred tax debited to other comprehensive income, net	(59)	(133)
Transfer of opening balance to TVN Media	(8,194)	-
Charge to income statement for the period	(14,528)	(32,406)
Balance at end of period	**(39,208)**	**(16,427)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

29. 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, 2010	1,188	25,388	(1,480)	(2,390)	-	(7,926)	1,332	16,112
Credited/(charged)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)**
Deferred tax asset/(liability) at January 1, 2011	3,686	31,240	(16,756)	(6,320)	-	(29,476)	1,199	(16,427)
Credited/(charged)to net profit	3,082	(7,308)	1,641	24,866	(241)	(35,369)	(1,199)	(14,528)
Transfer of opening balance to TVN Media	355	(8,553)	-	4	-	-	-	(8,194)
Charged to other comprehensive income	-	-	-	-	(59)	-	-	(59)
Deferred tax asset/(liability) at December 31, 2011	**7,123**	**15,379**	**(15,115)**	**18,550**	**(300)**	**(64,845)**	**-**	**(39,208)**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

30. 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, 2011. These commitments are scheduled to be paid as follows:

Due in 2012	185,388
Due in 2013	210,754
Due in 2014	94,090
Due in 2015	78,302
Due in 2016 and thereafter	149,116
	717,650

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2011:

	Related parties	Non-related parties	Total
Due in 2012	12,992	19,264	32,256
Due in 2013	12,246	13,695	25,941
Due in 2014	12,193	8,902	21,095
Due in 2015	12,140	7,110	19,250
Due in 2016 and thereafter	8,211	5,235	13,446
	57,782	**54,206**	**111,988**

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

30. 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, 2011.

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 use of satellite capacity. Under these agreements the Company is obliged to pay annual fees as follows:

Due in 2012	31,528
Due in 2013	36,630
Due in 2014	36,630
Due in 2015	33,721
Due in 2016	33,568
Due in 2017 and thereafter	49,326
	221,403

Additionally, the Company leases transmission sites and related services for an annual amount of 15,031.

(iii) Barter commitments

The Company has an outstanding service commitment to broadcast advertising of 526 to settle sundry amounts payable recorded as of December 31, 2011 (781 at December 31, 2010). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2011, the Company assumed contractual commitments of 1,226 to acquire property, plant and equipment and intangible assets (5,215 at December 31, 2010).

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2011	Year ended December 31, 2010
TVN Media Sp. z o.o.	109,136	-
ITI Neovision	45,652	43,550
ITI Group	17,115	4,611
Grupa Onet Poland Holding and subsidiaries	9,680	12,017
Mango Media	5,578	9,234
El-Trade	122	122
Tivien	47	46
NTL Radomsko	31	-
Film Miasto Sp. z o.o.	14	-
Stavka Sp. z o.o.	13	-
Poland Media Properties	8	15
	187,396	**69,595**

Revenue from TVN Media Sp. z o.o. includes mainly revenue from sale of airtime, sponsorship, product placement.

Revenue from ITI Neovision includes mainly revenue from license fees, production and technical services.

Additionally the Company recognized revenue of 6,632 for the year ended December 31, 2011 (year ended December 31, 2010: 8,997) from advertising services rendered for ITI Neovision through advertising agencies.

Revenue from Grupa Onet Poland Holding and its subsidiaries 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)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Year ended December 31, 2011	Year ended December 31, 2010
ITI Group	40,168	38,754
Tivien	16,295	15,452
Grupa Onet Poland Holding	14,209	17,405
TVN Media Sp. z o.o.	11,690	-
Sieger & Sieger Ltd	2,832	2,744
Poland Media Properties	2,109	2,045
ITI Neovision *	1,930	1,978
NTL Radomsko	1,460	1,397
El-Trade	467	439
Mango Media	(31)	(49)
	91,129	**80,165**

* ITI Neovision was an associate of the Company from June 25, 2008 and a subsidiary of the Company from March 11, 2009 (see Note 15).

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 TVN Media Sp. z o.o. include mainly marketing services and license fees.

Operating expenses from ITI Neovision include mainly technical and production services.

Operating expenses from Poland Media Properties comprise rent of office premises

Operating expenses from Sieger & Sieger Ltd comprise direct consulting services provided to the Company by an ITI Group Director.

(iii) Loans from related parties

	December 31, 2011	December 31, 2010
Loans from TVN Finance Corporation II AB	2,543,025	2,247,026
Loan from TVN Finance Corporation plc in members' voluntary liquidation	-	5,798
Loans from TVN Finance Corporation III AB	752,667	688,307
Interest accrued	47,680	42,335
	3,343,372	**2,983,466**

31. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2009 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.

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 15), 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 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 15) 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 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 loan is carried at amortized cost using an effective interest rate of 9.85%.

(Expressed in PLN, all amounts in thousands, except as otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Outstanding balances arising from sale/ purchase of goods and services:

	December 31, 2011	December 31, 2010
Receivables:		
TVN Media Sp. z o.o.	134,242	-
ITI Neovision Group	50,491	46,789
ITI Group	18,069	1,480
Mango Media	1,708	4,191
Grupa Onet Poland Holding	680	1,665
El-Trade	25	-
Stavka Sp. z o.o.	4	-
Tivien	4	-
Poland Media Properties	3	-
TVN Finance Corporation III AB	-	38
	205,226	**54,163**

	December 31, 2011	December 31, 2010
Payables:		
ITI Group	8,789	18,514
ITI Neovision Group	5,217	-
TVN Media Sp. z o.o.	14,357	-
Grupa Onet Poland Holding	5,976	7,740
Sieger & Sieger Ltd	920	931
Tivien	285	386
NTL-Radomsko	145	49
El-Trade	37	11
Poland Media Properties	3	188
	35,729	**27,819**

(v) Related party loans

	December 31, 2011	December 31, 2010
ITI Neovision (see Note 15)	-	1,306,200
DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) (see Note 15)	-	160,351
Grupa Onet Poland Holding	110,130	92,847
Thema Film	528	505
Stavka Sp. z o.o.	599	-
Non-current portion	**111,257**	**1,559,903**

	December 31, 2011	December 31, 2010
Non-current assets classified as held for sale		
Loans for ITI Neovision and DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.) (see Note 15)	1,707,074	-

31. 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 1,732.

(vii) Lease commitments with related parties

See Note 30 (ii) for further details.

(viii) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution 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, 2011, the Company recorded finance costs relating to ITI Holdings guarantees of 1,273 (during the year ended December 31, 2010: 1,568).

As of December 31, 2011 the Company issued guarantees in the total amount of 401,991 on the Company's behalf relating to the liabilities of ITI Neovision.

As of December 31, 2011 the Company has provided guarantee in the amount of 1,000 to IBM in respect of services provided to ITI Neovision.

During the year ended December 31, 2011 the Company recorded the revenue of 12,457 from TVN Finance Corporation II AB, 3,668 from TVN Finance Corporation III AB and 2,219 from ITI Neovision relating to the guarantees provided.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(ix) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2011 amounted to 19,365 (year ended December 31, 2010: 11,439).

	Year ended December 31, 2011		Year ended December 31, 2010	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Markus Tellenbach	4,327	2,982	3,999	661
Piotr Walter	3,172	1,377	3,065	-
Jan Łukasz Wejchert***	3,507	1,258	1,393	333
John Driscoll	2,159	583	1,187	-
Rafał Wyszomierski	-	-	601	200
	13,165	**6,200**	**10,245**	**1,194**

*Bonuses paid for 2010

**Bonuses paid for 2009

*** Base salary for 2011 includes severance payment of 2,121, bonus paid in 2011 includes bonus paid for 2010 and bonus paid for 2011

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.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2011*	Cumulative fair value recognized up to December 31, 2010*
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, 2011 amounted to 1,092 (year ended December 31, 2010: 1,092).

	Year ended December 31, 2011	Year ended December 31, 2010
Wojciech Kostrzewa	156	156
Bruno Valsangiacomo	97	120
Arnold Bahlmann	108	108
Michał Broniatowski	72	72
Romano Fanconi	95	72
Paweł Gricuk	144	144
Paweł Kosmala	-	54
Paul H. Lorenz	72	18
Wiesław Rozłucki	132	132
Andrzej Rybicki	72	72
Marcus Tellenbach	-	-
Aldona Wejchert	72	72
Gabriel Wujek	72	72
	1,092	**1,092**

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 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, 2011		Year ended December 31, 2010	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.86	**10,648,831**	PLN 10.80	**12,562,495**
Exercised	PLN 10.75	(1,522,229)	PLN 10.49	(1,913,664)
At 31 December	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**

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	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

Series	Number of options	Exercise price	Service vesting period
E1	210,180	PLN 8.66	Vested
E2	260,500	PLN 9.58	Vested
E3	1,150,698	PLN 10.58	Vested
E4	4,326,989	PLN 11.68	Vested
	5,948,367		

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2012 and the date when these financial statements were prepared no options were exercised.

(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, 2011	3.4174	4.4168
December 31, 2010	2.9641	3.9603

The movement in the consumer price index for the year ended December 31, 2011 amounted to 4.6% (year ended December 31, 2010: 3.1%).