INTERIM REPORT OF TVN CAPITAL GROUP FOR THE THREE MONTHS ENDED MARCH 31, 2014

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This Interim Report of TVN Group was authorized by the Management Board of TVN S.A. on May 13, 2014.

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Warsaw, May 13, 2014

DEFINITIONS

We have prepared this interim report as required by Section 4.16 of the Indentures for our 7.875% Senior Notes and the 7.375% Senior Notes, dated November 19, 2010 and September 16, 2013 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 interim report "**we**", "**us**", "**our**", the "**TVN Group**", **"TVN Capital 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 and continue to indirectly hold 25% stake following its sale to Ringier Axel Springer Media AG in November 2012; "**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 controlled since March 11, 2009 till its contribution on November 30, 2012 to a merged DTH platform combining 'n' and Cyfra+ in which we hold 32% stake, "**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 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; "**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. (currently DTH Poland Holding Coöperatief U.A.), a company registered in Amsterdam, the Netherlands and the sole shareholder of ITI Neovision; **"Onet Holding**" refers to Onet Holding Sp. z o.o. (up to April 2, 2013 r. Vidalia Investments Sp. z o.o.), the company holding 100% stake in Grupa Onet.pl; "**TVN Online Investments Holding B.V.**" (up to November 21, 2012 refers to Grupa Onet Poland Holding B.V.) refers to our subsidiary holding 25% stake in Onet Holding; "**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 operated in cooperation with CNBC Europe (TVN CNBC was replaced by TVN24 BiŚ in January 2014); "**TVN24 BiŚ**" refers to our business and international news channel; "**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; "**TTV**" refers to an interactive social-intervention channel co-owned and co-produced by TVN which was launched on January 2, 2012; "**Player**" refers to our video on demand platform launched in August 2011; "**TVN24.pl**" refers to our Internet news vortal launched in March 2007; "**Onet.pl**" refers to the Internet portal Onet.pl; "**VoD.pl**" refers to video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**nC+"** refers to Poland's leading Premium Pay-TV platform being a result of the merger of 'n' platform owned by TVN Group and Cyfra+ DTH platform owned by Groupe Canal+, where TVN holds 32% stake in the combined operation; "**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; "**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 and finally redeemed on October 16, 2013; "**7.875% Senior Notes**" refer to the 7.875% Senior Notes that TVN Finance Corporation III AB issued on November 19, 2010; ; "**7.375% Senior Notes**" refer to the 7.375% Senior Notes that TVN Finance Corporation II AB issued on September 16, 2013; "**Indentures**" refers to the indenture dated November 19, 2009 governing the 10.75% Senior Notes, the indenture dated November 19, 2010 governing the 7.875% Senior Notes and the indenture dated September 16, 2013 governing the 7.375% 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; "**Revolving guarantee facility**" refers to a PLN 250,000 revolving guarantee facility agreement with Bank Pekao S.A. which expired on May 16, 2013, "**Revolving credit facility and cash loan**" refers collectively to a PLN 300,000 revolving credit and EUR 25,000 cash loan facilities signed with Bank Pekao S.A. on June 10, 2013, "**guarantors**" refers collectively to the Company, TVN Media, Mango Media, TVN Finance Corporation III AB (in relation to our 10.75% Senior Notes), the Company, TVN Online Investments Holding B.V. (up to November 21, 2012 Grupa Onet Poland Holding B.V.) and TVN Media (in relation to our 7.375% Senior Notes) and "**guarantor**" refers to each of them individually and "**Shares**" refers to our existing ordinary shares traded on the Warsaw Stock Exchange; "**EBITDA**" is defined as a profit /(loss) for the period, 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 and income taxes, "**adjusted EBITDA**" is defined as EBITDA excluding impairment, share of profits/ losses of associates and one-off transactions but including dividends received from associates, "**adjusted rolling EBITDA**" used for calculation of consolidated net debt to adjusted rolling EBITDA ratio, is defined as EBITDA calculated for the last twelve months and excludes one-off transaction results and share of net results of associates but includes dividends from associates.

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 Poland's leading private commercial television broadcaster. We own some of the most recognized and most respected brands in the Polish market. We are also the most valuable media brand in Poland and the most opinion-forming broadcaster on the Polish media market. We currently have and operate ten television channels and one teleshopping channel. TVN, our principal free-to-air channel, is the most successful commercial television station in Poland in terms of audience share and advertising revenue. Our thematic channels include our 24 hour news channel, TVN24, the most viewed thematic news channel in Poland, and TVN Style, the most viewed thematic women's lifestyle channel. In an increasingly fragmented Polish television broadcasting market, we have managed to sustain overall audience share over the last few years due to our diversified and high-quality programming content.

Three of our channels, TVN, TVN 7 and TTV, are present on DTT and have been benefitting from the process of the digitalization of the terrestrial signal. TVN 7 and TTV have gained significant audience share. TVN 7 was previously only available on cable networks and all DTH platforms. TTV is our newly-launched DTT channel that commenced its operations in January 2012.

Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. As a direct result of our high quality and innovative programming, for the first three months of the year 2014, our channels had approximately 21.8% of the all-day commercial target audience share, and received approximately 32.3% of total gross television advertising expenditure, net of discounts or rebates ("total net television advertising expenditure", airtime and sponsoring).

We have successfully diversified our revenues by adding subscription revenues from subscription license fees from our thematic channels, which are distributed through cable and DTH operators.

Moreover, in August 2011, we launched an innovative product, Player, our ad-supported internet VOD, which allows viewing of both video content produced by us as well as other movies or series previously aired on our channels.

We are the owner of TVN Media, which is the largest advertising sales house on the Polish market. Our ownership of TVN Media allows us to offer to advertisers advertising airtime of both the TVN Group as well as of other broadcasters through television and over the Internet. Given the importance of advertising on thematic channels, we have separated our operations related to such channels, which are referred to as "Premium TV". Premium TV is a well-recognized brand used in connection with our sales activities.

We have concluded two strategic transactions over last couple of years. On December 18, 2011, ITI signed a strategic cooperation agreement with Groupe Canal+ as a result of which Groupe Canal+ became a minority owner of TVN. Simultaneously, our satellite platform 'n' was contributed to the Cyfra+ platform with the objectives of creating the leading premium pay TV operator in Poland, called nC+, and providing significant synergies and opportunities for growth over next few years of operation. We own a 32% stake in the combined nC+.

On June 4, 2012 we entered into a strategic partnership with Ringier Axel Springer, which involved the sale of all of our shares in Grupa Onet.pl for cash consideration of PLN 956.0 million and 25% of the shares in Onet Holding. Such structure allows us to further participate in Onet's development and resulting benefits.

FORWARD-LOOKING STATEMENTS

This interim 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 interim 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 apply only as of the date of this interim 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 quarterly report.

All references to euro or €, U.S. dollar or $ and złoty or PLN are in thousands, except share and per share data, or unless otherwise stated.

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information concerning our results of operations and financial condition. You should read such discussion and analysis of financial condition and results of operations in conjunction with our accompanying interim condensed consolidated financial statements, including the notes thereto. The following discussion focuses on material trends, risks and uncertainties affecting our results of operations and financial condition.

IMPACT OF CHANGES IN OUR STRUCTURE ON THE REPORTED RESULTS

On December 18, 2011 we signed an agreement with Groupe Canal+ concerning the merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in the creation of the second largest DTH operator in Poland, serving approximately 2.5 million clients. On November 30, 2012 we completed a strategic partnership transaction with Groupe Canal Plus resulting in the combination of the Cyfra+ and 'n' platforms in nC+ platform. As a result we exchanged our 100% stake in 'n' for a 32% stake in the combined operation.

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG, with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. To form the partnership we contributed our 100% stake in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (currently Onet Holding Sp. z o.o., "Onet Holding") for consideration consisting of cash for 75% of the shares in Grupa Onet.pl and 25% of shares in Onet Holding in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we completed the sale of Grupa Onet.pl S.A.'s shares.

THE PRINCIPAL EVENTS OF THE THREE MONTHS ENDED MARCH 31, 2014

OPERATIONAL RESULTS:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended March 31, 2014 increased by 4.8% compared to the corresponding period of 2013.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, decreased to 32.3% from 33.0% in the corresponding period of 2013.

- Overall audience share of our channels in all-day basic commercial target group decreased to 21.8% from 22.3% as a result of 2014 Winter Olympics Games in Sochi broadcasted in February by Polish Television. However, our overall audience share in all-day basic commercial target group increased to 23.5% from 23.3% on the opening of spring season in March, mainly thanks to stronger results of our thematic channels including TVN24 BiŚ which audience share amounted to 0.3%.

- Our TTV channel increased its audience share in all categories. All-day nationwide audience share increased to 1.3%, from 0.8%, all-day basic commercial target group audience share increased to 1.4%, from 0.8%, all-day key target group audience share increased to 1.4%, from 0.6%, *prime time* nationwide audience share increased to 0.9%, from 0.7%, *prime time* basic commercial target group audience share increased to 1.1%, from 0.6%, *prime time* key target group audience share increased to 1.0%, from 0.5%, *peak time* nationwide audience share increased to 0.9%, from 0.7%, *peak time* basic commercial target group audience share increased to 1.1%, from 0.6% and *peak time* key target group audience share increased to 1.0%, from 0.5% in the corresponding period of 2013 according to NAM.

- Our Internet video on demand platform player.pl had 1,221 thousands real users and 29.0 million page views in February 2014. Average monthly time spent per real user on player.pl in February 2014 was ca. 7:13 hours, according to Megapanel PBI/Gemius.

PRINCIPAL EVENTS:

- On March 10, 2014, we signed with TVN Media Sp. z o. o., our subsidiary, an agreement on cooperation in the acquisition of advertising, in particular concluding contracts for advertising, sponsorship, product placement and classifieds by TVN Media on our behalf. The agreement is valid from January 1, 2014 until December 31, 2014. Based on the Agreement, TVN Media on its behalf and for the benefit of TVN S.A. contracts broadcasting of advertising, sponsorship, product placement and classifieds. TVN Media will be rewarded by TVN S.A for provided services in line with market conditions.

- On March 20, 2014 TVN Finance Corporation III AB (publ), a subsidiary of the TVN, has repurchased before their maturity date part of the 7.875% Senior Notes in the aggregate principal amount of EUR 33,020, which were issued by the Issuer on 19 November 2010. The repurchase of the Notes was effectuated pursuant to the terms of issue of the Notes, which granted the Issuer the right to repurchase the Notes prior to the maturity date. As a result of the repurchase, on March 20, 2013, the Notes were redeemed. The aggregate amount paid for the Notes, including the accrued interest, amounted to EUR 35,873. The Notes were repurchased using our accumulated cash. The Notes were repurchased in order to further reduce the long-term debt of the TVN Group.

FINANCIAL RESULTS:

- Our Group revenue increased by PLN 8,649, or 2.5% to PLN 351,795, from PLN 343,146 in the corresponding period of 2013.

- TV segment increased its revenue by PLN 8,115, or 2.4% to PLN 344,110 from PLN 335,995 in the corresponding period of 2013.

- Our operating profit increased by PLN 2,082, or 2.7% to PLN 78,690, from PLN 76,608 in the corresponding period of 2013.

- Our reported EBITDA decreased by PLN 2,215 to PLN 95,781, from PLN 97,996 in the corresponding period of 2013. Our EBITDA margin decreased to 27.2% from 28.6% in the in the corresponding period of 2013.

- Our adjusted EBITDA increased by PLN 1,837 to PLN 86,942, from PLN 85,106 in the corresponding period of 2013. Our adjusted EBITDA margin decreased to 24.7% from 24.8% in the in the corresponding period of 2013.

- We recorded a profit for the period of PLN 9,564 compared to a loss for the period of PLN 45,911 in the corresponding period of 2013. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 11,136, compared to a loss attributable to the owners of TVN S.A. of PLN 43,818 in the corresponding period of 2013.

- Our consolidated net debt to adjusted EBITDA ratio as of March 31, 2014 was 4.3x. As of March 31, 2014 we held in total PLN 304,666 of cash and cash equivalents.

SUMMARY HISTORICAL FINANCIAL DATA

The following table sets out our unaudited consolidated financial information as of and for the three months ended March 31, 2014, for the three months ended March 31, 2013 and our audited consolidated financial information as of December 31, 2013. You should read the information in conjunction with the interim condensed consolidated financial statements and Operating and Financial Review presented in this interim report.

For your convenience we have converted presented positions of our results of operations set in following tables into euro in accordance with rules enumerated below:

- złoty amounts as of March 31, 2014 have been converted into euro at a rate of PLN 4.1713 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on March 31, 2014).
- złoty amounts for the three months ended March 31, 2014 have been converted into euro at a rate of PLN 4.1894 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2014, February 28, 2014 and March 31, 2014).

- złoty amounts as of March 31, 2013 have been converted into euro at a rate of PLN 4.1774 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on March 31, 2013).
- złoty amounts for the three months ended March 31, 2013 have been converted into euro at a rate of PLN 4.1738 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2013, February 28, 2013 and March 31, 2013).
- złoty amounts as of December 31, 2013 have been converted into Euro at a rate of PLN 4.1472 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2013).

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.

Unaudited consolidated financial information as of and for the three months ended March 31, 2014 and 2013.

Income statement data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Revenue	343,146	82,214	351,795	83,973
Operating profit	76,608	18,354	78,690	18,783
(Loss) / profit before income tax	(66,028)	(15,820)	2,280	544
(Loss)/ profit attributable to the owners of TVN S.A.	**(43,818)**	**(10,498)**	**11,136**	**2,658**

Cash flow data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Net cash generated by operating activities	115,850	27,756	70,840	16,909
Net cash used in investing activities	(967)	(232)	(23,726)	(5,663)
Net cash used in financing activities	(6,273)	(1,503)	(140,870)	(33,625)
Increase / (Decrease) in cash and cash equivalents	**108,610**	**26,022**	**(93,756)**	**(22,379)**

Earnings per share data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,876,421	343,876,421	347,156,244	347,156,244
Weighted average number of potential ordinary shares in issue (not in thousands)	343,919,333	343,919,333	348,923,809	348,923,809
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	(0.13)	(0.03)	0.03	0.01
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	(0.13)	(0.03)	0.03	0.01
Dividend paid or declared per share (not in thousands)	0.64	0.15	-	-

Other data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
EBITDA*	**97,996**	**23,479**	**95,781**	**22,863**
EBITDA margin	28.6%	28.6%	27.2%	27.2%
Operating margin	22.3%	22.3%	22.4%	22.4%

Balance sheet data

	As at December 31, 2013** PLN	As at December 31, 2013** EUR	As at March 31, 2014 PLN	As at March 31, 2014 EUR
Total assets	3,899,259	940,215	3,848,770	922,679
Current assets	1,058,477	255,227	1,002,973	240,446
Non-current liabilities	2,520,141	607,673	2,400,832	575,560
Current liabilities	421,829	101,714	459,565	110,173
Shareholders' equity	982,797	236,978	1,015,453	243,438
Share capital	69,299	16,710	69,641	16,695
Non-controlling interest	(25,508)	(6,151)	(27,080)	(6,492)

*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/ (loss) 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

** Audited consolidated financial information as of December 31, 2013.

FINANCIAL REPORTING AND ACCOUNTING

Commencing January 1, 2005, public companies in Poland are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). As of March 31, 2014, there were no differences between IFRS as adopted by the European Union and IFRS as promulgated by the International Accounting Standards Board as applied to the TVN Group's consolidated financial statements.

We prepare our financial statements in złoty or "PLN".

Our interests in TVN Media, Tivien Sp. z o.o., El-Trade Sp. z o.o., NTL Radomsko Sp. z o.o., Mango Media Sp. z o.o., Thema Film Sp. z o.o., TVN Finance Corporation II, TVN Finance Corporation III, TVN Holding S.A., Stavka Sp. z o.o. and TVN Online Investments Holding BV are fully consolidated in accordance with IFRS.

Our interest in Onet Holding Sp. z o.o. Group (including Onet Holding Sp. z o.o. and its subsidiaries - Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., OnetMarketing Sp. z o.o. (up to July 11, 2013 SunWeb Sp. z o.o), Canal+ Cyfrowy S.A. Group (including Canal+ Cyfrowy S.A. and its subsidiaries – ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), Cyfrowy Dom Sp. z o.o., Neovision UK Ltd. and DTH Poland Holding B.V. and a joint venture MGM Chanel Poland Ltd.) are accounted for under equity method.

Our fiscal year ends on December 31.

TELEVISION BROADCASTING AND PRODUCTION

Revenue

This segment primarily derives revenue from commercial advertising. During the three months ended March 31 2014, we derived 67.7%, of our total Group revenue from commercial television advertising, compared to 68.6% in the corresponding period of 2013 of our total revenue.

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 March 31,		
	2012	**2013**	**2014**
Our Rate-card pricing	41%	43%	57%
Our Cost per GRP pricing	59%	57%	43%

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 months ended March 31, 2014, we tended to sell over 98.0%, of peak time advertising spots on our TVN channel and over 80.2% 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 months ended March 31, 2014, 15.0% of our total Group revenue came from such fees compared with 16.1% in the corresponding period of 2013. 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 brokerage revenue, online advertising revenue, rental revenue, revenue generated from sponsorship, revenue generated from technical services, 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.

Expenses

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 51.1%, of our Group operating expenses in the three months ended March 31, 2014, compared with 47.3% of our costs in the corresponding period of 2013. 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 months ended March 31, 2014, we commissioned and produced locally through third parties 80.4% of broadcasted programming content on our TVN channel, compared with 79.0% in the corresponding period of 2013. During the three months ended March 31, 2014, we acquired 19.6% of our broadcasted programming content from third parties, compared with 21.0% in the corresponding period of 2013. 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.

TELESHOPPING

Revenue

Revenue in teleshopping, which primarily includes the sale of goods/teleshopping, accounted for approximately 2.5% of our Group revenue in the three months ended March 31, 2014, compared with 2.4% of revenue in the corresponding period of 2013. We generate revenue from sales of products offered in a particular show on Telezakupy Mango 24, our dedicated teleshopping channel or on other television channels as well as on the Mango Media Internet site.

Expenses

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.

According to the most recent view of the World Bank expressed in December 2013 the Polish economy is likely to experience GDP growth of 2.8% in 2014, accelerating to 3.3% in 2015 and 4% in 2016. We estimate that net television advertising expenditure in Poland was down by 2.7% in 2013 with 1.6% GDP growth estimate by Polish Central Statistical Office (preliminary GDP estimate published on January 30, 2014).

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 behaviour 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, 2013, we generated approximately 21.5% of our television segment total advertising revenue in the first quarter, 29.0% in the second quarter, 19.1% 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 appeal to our target audience. According to NAM, our channels captured an average of 20.7% of Poland's nationwide all-day audience in the three and twelve months ended March 31, 2014, and our TVN channel achieved 17.5% of our key target audience during peak time in the three and twelve months ended March 31, 2014. 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 we launched TTV an interactive social-intervention channel co-owned and co-produced by TVN. In doing so 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. On January 1, 2014 TVN24 Biznes i Świat channel replaced the existing TVN CNBC.

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 loss (post-tax) impact on the major euro and U.S. dollar denominated balance sheet items as of March 31, 2014 of 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 102,271 loss.

Acquisitions and disposals

Combination of Polish Pay-TV businesses

On December 18, 2011 TVN Group along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the strategic co-operation with Groupe Canal+ S.A. ("Canal+ Group") and the merger of the business of ITI Neovision Sp. z o.o. ("ITI Neovision"), the 'n' platform operator, with Canal+ Cyfrowy S.A., 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 nC+ owned by Canal+ Group and TVN. On November 30, 2012 the transaction was finalized and the Group's control over ITI Neovision has been exchanged for an investment in 32% of shares in nC+.

In addition on December 18, 2011, ITI Media Group Limited as a seller, Groupe Canal+ as a purchaser and International Trading and Investments Holdings S.A. as the guarantor of ITI Media Group Limited's obligations concluded 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 52.05% stake in TVN S.A.).

Onet.pl sale

On June 4, 2012 the Group concluded a share purchase agreement with Ringier Axel Springer Media AG ("RAS") relating to Grupa Onet.pl S.A. ("Grupa Onet.pl"). The Agreement provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (currently Onet Holding Sp. z o.o., "Onet Holding"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Onet Holding in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012, following the antitrust regulatory approval of the transaction, the Group and RAS finalized the transaction.

Upon the closing of the transactions our investments in 32% shares of nC+ and 25% shares in Onet Holding have been consolidated using the equity method.

Acquisition of the MBC Building

In December 2012 we acquired from MBC Real Estate, an affiliated subsidiary of the ITI Group, land and a building located in Warsaw at 166 Wiertnicza Street (the "MBC Building") for a total consideration of PLN 183,139. We repaid the Mortgage Loan in full on May 31, 2013. Prior to the acquisition, we had rented the building under a long term operating lease agreement for PLN 20,752 per year.

Taxation

We are subject to corporate taxation in Poland. The corporate tax rate in Poland is 19% on our taxable income, which can and does differ significantly from our reported profit before tax due to, for example, the treatment of certain costs under the Polish tax laws versus the treatment of those costs for financial reporting purposes. Taxable items that enter our tax return either before or after they are accounted for in our IFRS financial reporting are treated as deferred tax assets or liabilities. Deferred tax assets represent those costs that, for tax purposes, we have not been able to deduct on our local tax return to date, however they will be deductible in the future. Deferred tax liabilities generally represent costs that have been deducted for tax purposes but are still deferred on our IFRS balance sheet, therefore as the tax deduction has been taken the Company will have financial reporting expense in the future but no additional tax deductions. Therefore 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 mainly relate to tax deductible losses, the tax value of brands recognized by TVN Media, unrealized foreign exchange differences and currently non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of 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 8,024 or 2.0% to PLN 385,023 as of March 31, 2014, from PLN 393,047 as of December 31, 2013 resulting mainly from its depreciation higher than new investments.

Our goodwill maintained the level of PLN 144,127 as of March 31, 2014. Our brands maintained the level of PLN 30,612 as of March 31, 2014.

Our other intangible assets decreased by PLN 2,403, or 3.6%, to PLN 64,725 as of March 31, 2014, from PLN 67,128 as of December 31, 2013 resulting mainly from amortisation of broadcasting licences.

Our current and non-current programming rights inventory decreased by PLN 4,509, or 1.1%, to PLN 395,557 as of March 31, 2014, from PLN 400,066 as of December 31, 2013. The decrease is mainly due to amortisation of existing programming rights higher than acquisition of new programming rights.

Our share capital increased to the level of PLN 69,641 as of March 31, 2014 compared to PLN 69,299 as of December 31, 2013. Our share premium increased to the level of PLN 763,923 as of March 31, 2014 compared to PLN 726,853 as of December 31, 2013. These increases result from shares issued under our stock option plan.

Our non-current borrowings decreased by PLN 123,656 or by 5.0% to PLN 2,364,945 as of March 31, 2014, from PLN 2,488,601 as of December 31, 2013. This decrease results mainly from the partial repurchase of our 7.875% Senior Notes during three months ended March 31, 2014, partially offset by higher EUR/PLN rate.

Our 7.875% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 586,922 as of March 31, 2014, compared to the principal amount of PLN 728,255 as of December 31, 2013. These decreases result from a repurchase of a part of our Senior Notes in March 2014. Our 7.375% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 1,972,576 as of March 31, 2014, compared to the principal amount of PLN 1,925,960 as of December 31, 2013.

Our current borrowings increased by PLN 42,880 to PLN 76,323 as of March 31, 2014, from PLN 33,443 as of December 31, 2013. This increase results mainly from an increase of interest accrued on our Senior Notes.

Our other liabilities and accruals increased by PLN 1,674 to PLN 253,700 as of March 31, 2014, from PLN 252,026 as of December 31, 2013. The increase results mainly from increase of sales and marketing related costs of PLN 23,041 partly offset by decrease of VAT and other taxes payable by PLN 16,458 and decrease in employee benefits by PLN 3,772.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenue. Our revenue increased by PLN 8,649, or 2.5%, to PLN 351,795 in the three months ended March 31, 2014, from PLN 343,146 in the corresponding period of 2013.

Our advertising revenue increased by PLN 1,954, or 0.8%, to PLN 238,045 during the three months ended March 31, 2014, from PLN 236,091 in the corresponding period of 2013. This increase results mainly from higher advertising in our thematic channels mainly TVN7, TVN24 and TVN24BiŚ. Increase was partly offset by lower advertising revenue of our main channel – TVN.

Our sponsoring revenue increased by PLN 6,125, or 21.5% to PLN 34,676 in the three months ended March 31, 2014 from PLN 28,551 in the corresponding period 2013. This increase results mainly from higher sponsoring revenue coming from TVN main channel and TVN24 news channel.

Our sales of goods revenue increased by PLN 416, or 6.1% to PLN 7,227 in the three months ended March 31, 2014 from PLN 6,811 in the corresponding period 2013. This increase results mainly from higher sales volumes generated by Mango Media.

Our other revenue increased by PLN 2,580, or 15.6% to PLN 19,161 in the three months ended March 31, 2014 from PLN 16,581 in the corresponding period of 2013. This increase results mainly from strong Premium TV performance.

Our carriage fees revenue decreased by PLN 2,426, or 4.4% to PLN 52,686 in the three months ended March 31, 2014 from PLN 55,112 in the corresponding period 2013. This decrease results mainly from a year-on-year appreciation of Zloty in 2014.

Cost of revenue. Cost of revenue increased by PLN 2,541, or 1.2%, to PLN 216,506 in the three months ended March 31, 2014, from PLN 213,965 in the corresponding period of 2013. This increase results partly from an increase of amortisation of locally produced content by PLN 7,985 and partly from an increase of amortisation of acqiured programming right by PLN 3,729. These increases were partly offset by lower depreciation and amortisation of PLN 4,297, lower broadcasting expenses of PLN 2,466 and decrease in rental costs by PLN 1,818.

As a percentage of revenue, our cost of revenue decreased in the three months ended March 31, 2014, to 61.5%, compared to 62.4% in the corresponding period of 2013.

Selling expenses. Our selling expenses decreased by PLN 2,376, or 7.9%, to PLN 27,653 for the three months ended March 31, 2014, from PLN 30,029 in the corresponding period of 2013. The decrease results manly from lower other selling expenses of PLN 5,561, partly offset by higher marketing and research expenses of PLN 2,808.

As a percentage of revenue, our selling expenses decreased to 7.9% in the three months ended March 31, 2014, from 8.8% in the corresponding period of 2013.

General and administration expenses. Our general and administration expenses increased by PLN 2,435, or 7.1%, to PLN 36,796 in the three months ended March 31, 2014, compared with PLN 34,361 in the corresponding period of 2013. This increase reflects mainly an increase of consulting costs by 2,118.

As a percentage of revenue, our general and administration expenses increased to 10.5% in the three months ended March 31, 2014 from 10.0% in the corresponding period of 2013.

Share of profit of associates. The share of profit of associates amounted to PLN 8,839 in the three months ended March 31, 2014 compared to PLN 12,890 in the corresponding period of 2013.

Operating profit. Operating profit increased by PLN 2,082 or 2.7% to PLN 78,690 in the three months ended March 31, 2014, from an operating profit of PLN 76,608 in the corresponding period of 2013. Our operating margin increased to 22.4% from 22.3% in the corresponding period of 2013.

Interest income. We recorded interest income of PLN 2,667 for the three months ended March 31, 2014, compared to interest income of PLN 4,854 in the corresponding period of 2013.

Finance expense. We recorded finance expense of PLN 63,210 for the three months ended March 31, 2014, compared to finance expense of PLN 93,900 in the corresponding period of 2013, due to lower interest expense as a result of repurchase of 7.875% Senior Notes.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 15,867 for the three months ended March 31, 2014 compared to foreign exchange losses, net of PLN 53,590 in the corresponding period of 2013. These losses consist mainly of unrealized foreign exchange losses on our Senior Notes of PLN 7,520 in the three months ended March 31, 2014, compared to unrealized foreign exchange losses on our Senior Notes of PLN 69,193 in the corresponding period of 2013 as well as the realized foreign exchange losses on the Senior Notes of PLN 8,775 in the three months ended March 31, 2014, compared to nil in the corresponding period of 2013.

Profit before income tax. Our profit before income tax for the three months ended March 31, 2014 was PLN 2,280 compared to a loss before income tax of PLN 66,028, in the corresponding period of 2013. This increase was partly due to lower finance expense resulting from repurchase of our 7.875% Senior Notes and 10.75% Senior Notes during second half of year 2013 and partly due to lower foreign exchange losses, net that we recognized in the three months ended March 31, 2014, as compared with foreign exchange losses, net recognized in the three months ended March 31, 2013.

Income tax credit. For the three months ended March 31, 2014, we recorded a total income tax credit of PLN 7,284, compared to an income tax credit of PLN 20,117 in the corresponding period of 2013. This decrease is mostly due to the lower impact of deferred tax credit recognized in the three months ended March 31, 2014 as compared with deferred tax credit recognized in in the corresponding of 2013

Profit for the period. Our profit for the period amounted to PLN 9,564 in the three months ended March 31, 2014, compared to a loss of PLN 45,911 in the corresponding period of 2013.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 11,136 in the three months ended March 31, 2014, compared to a loss of PLN 43,818 in the corresponding period of 2013.

RESULTS BY BUSINESS SEGMENT

Our business comprises two business segments: television broadcasting and production 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 and reconciliation of each segment result to EBITDA for the three months ended March 31, 2014 and 2013:

	Television Broadcasting & Production		Teleshopping		Other reconciling items*		Total	
	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue from external customers	343,128	334,996	8,667	8,150	-	-	351,795	343,146
Inter-segment revenue	982	999	0	13	(982)	(1,012)	-	-
Total revenue	**344,110**	**335,995**	**8,667**	**8,163**	**(982)**	**(1,012)**	**351,795**	**343,146**
Operating profit/(loss)	70,930	65,389	(862)	(1,278)	8,622	12,497	78,690	76,608
EBITDA**	**87,950**	**86,723**	**(789)**	**(1,224)**	**8,620**	**12,497**	**95,781**	**97,996**
EBITDA margin**	**25,6%**	**25.8%**	**-**	**-**	**-**	**-**	**27.2%**	**28.6%**

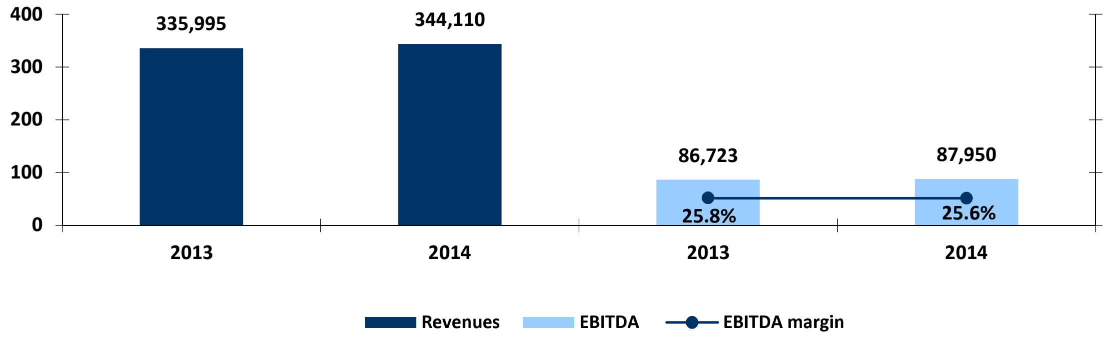
Operating profit/(loss)	70,930	65,389	(862)	(1,278)	8,622	12,497	78,690	76,608
Depreciation, amortization and impairment charges	(17,020)	(21,334)	(73)	(54)	2	-	(17,091)	(21,388)
EBITDA**	**87,950**	**86,723**	**(789)**	**(1,224)**	**8,620**	**12,497**	**95,781**	**97,996**

* Other reconciling items on EBITDA level for the three months ended March 31, 2014 include mainly the share of profit of associates (PLN 8,839) and other costs. Other reconciling items on EBITDA level for the three months ended March 31, 2013 include mainly the share of profit of associates (PLN 12,890)

** 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.

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 March 31, 2014 and 2013:



	Three months ended March 31,					
		2014			2013	
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	320,839	97,872	30.5%	315,633	99,191	31.4%
Other	23,271	(9,922)	-	20,362	(12,468)	-
Total segment	**344,110**	**87,950**	**25.6%**	**335,995**	**86,723**	**25.8%**

Television broadcasting and production revenue in the three months ended March 31, 2014, increased by PLN 8,115 or 2.4% to PLN 344,110, compared to PLN 335,995 in the corresponding period of 2013.

Our TVN channels revenue increased by PLN 5,206, or 1.6%, in the three months ended March 31, 2014. This increase results mainly from higher sponsoring revenue coming from TVN main channel and TVN24 news channel.

Our other revenue in the television, broadcasting and production segment increased by PLN 2,909, or 14.3%, in the three months ended March 31, 2014, mainly due to Player performance.

Our TVN channels' EBITDA decreased by PLN 1,319, or 1.3%, to PLN 97,872 in the three months ended March 31, 2014, from PLN 99,191 in the corresponding period of 2013. TVN channels' EBITDA margin decreased to 30.5% from 31.4% in the corresponding period of 2013.

EBITDA of television, broadcasting and production segment presented as 'Other' increased by PLN 2,546, or 20.4% mainly due to good performance of Player and Premium TV.

Teleshopping

The table below sets forth the summarized financial results of our Teleshopping segment for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,					
	2014			2013		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	8,667	(789)	-	8,163	(1,224)	-
Total segment	**8,667**	**(789)**	**-**	**8,163**	**(1,224)**	**-**

Teleshopping revenue increased by PLN 504, or 5.5%, to PLN 8,667 in the three months ended March 31, 2014, from PLN 8,163 in the corresponding period of 2013 primarily due to higher sales volumes generated by Mango Media.

Segment EBITDA increased by PLN 435, to a loss at EBITDA level of PLN 789 in the three months ended March 31, 2014 from a loss at EBITDA level of PLN 1,224 in the corresponding period of 2013.

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. Other reconciling items had a negative impact on our revenue of PLN 982 in the three months ended March 31, 2014, compared to a negative impact of PLN 1,012 in the corresponding period of 2013. Other reconciling items on EBITDA level in the three months ended March 31, 2014 and in the corresponding period of 2013 include mainly share of profits of associates.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL OVERVIEW

The table below summarizes our consolidated cash flow for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,		
	2013	2014	2014
	PLN	PLN	EUR (1)
Cash generated from operations....................................	120,607	73,408	17,522
Net cash generated by operating activities.....................	115,850	70,840	16,909
Net cash used in investing activities.......	(967)	(23,726)	(5,663)
Net cash used in financing activities……………………..	(6,273)	(140,870)	(33,625)
(Decrease)/ increase in cash and cash equivalents……	108,610	(93,756)	(22,379)

(1) *For the convenience of the reader, we have converted złoty amounts for the three months ended March 31, 2014 into euro at the rate of PLN 4.1894 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2014, February 28, 2014 and March 31, 2014). 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 THREE MONTHS ENDED MARCH 31, 2014 AND 2013

Cash Generated from Operations

Cash generated from operations decreased by PLN 47,199 to PLN 73,408 in the three months ended March 31, 2014, from PLN 120,607 in the corresponding period of 2013. The decrease results partly from negative impact of working capital, which amounted to negative PLN 35,812 in the three months ended March 31, 2014 compared to positive PLN 37,107 in the corresponding period in 2013. Working capital change was driven in the three months ended March 31, 2014 by increases of trade receivables by PLN 33,310 and prepayments and other assets by PLN 1,829, compared to an increase by PLN 3,897 and decrease by PLN 27,299, respectively, in the corresponding period in 2013. Negative impact of working capital was partly offset by lower payments to acquire programming rights, which amounted to PLN 17,914 in the three months ended March 31, 2014 compared to 35,738 in the corresponding period in 2013.

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 70,840 in the three months ended March 31, 2014, compared to PLN 115,850 generated by operating activities for the corresponding period in 2013. The decrease is a result of cash generated from operations lower by PLN 47,199.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 23,726 in the three months ended March 31, 2014, in comparison to net cash used in investing activities of PLN 967 in the corresponding period of 2013. The increase in net cash used in investing activities in the three months ended March 31, 2014 is primarily due to proceeds from the sale of subsidiaries of PLN 38,005 recognized in the three months ended March 31, 2013 compared to nil in the three months ended March 31, 2014. This difference was partly offset by lower payments to acquire property, plant and equipment recognized in the three months ended

March 31, 2014 of PLN 23,407 compared to PLN 40,497 in the three months ended March 31, 2013.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 140,870 in the three months ended March 31, 2014, compared to net cash used in financing activities of PLN 6,273 in the corresponding period of 2013. The increase is predominantly related to early partial repurchase and redemption of our 7.875% Senior Notes resulting in cash used of EUR 35,873 (including accrued interest). The 7.875% Senior Notes were repurchased using our accumulated cash and were repurchased in order to further reduce our long-term debt.

Sources of our cash flows

We do not rely on our subsidiaries as sources of cash flow, except for our subsidiary, TVN Media, which is expected to transfer cash to the Company in the form of dividends or through their participation in our cash pooling arrangement. Therefore, possible repayment of outstanding loans or dividend distributions by our subsidiaries, apart from TVN Media, 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 to fund dividends and other distributions to shareholders, capital expenditure relating to television and broadcasting facilities, the launch or acquisition of new channels and debt service of the 7.875% Senior Notes and the 7.375% Senior Notes, Cash Loan and Revolving Credit Facility. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs. We may from time to time seek to purchase our outstanding debt through one or more cash purchases, in open market transactions, privately negotiated or otherwise, either directly or indirectly through one or more agents. The amounts involved may be material.

FINANCING ACTIVITIES

The table below sets forth the components of our gross debt, cash and cash equivalents, of March 31, 2014:

	Value	Coupon/ effective interest	Maturity
7.375% Senior Notes (nominal value[1])………………………	1,793,659	7.375%	2020
7.875% Senior Notes (nominal value[2])………………………	552,397	7.875%	2018
Cash loan [3]………………………………………………………	93,854	3.9%	2017
Accrued interest on long term debt……………………………	55,466	-	-
Total debt………………………………………………………	**2,495,376**	**-**	**-**
Cash at bank and in hand………………………………………	304,666	-	-
Net debt ………………………………………………………	**2,190,710**	**-**	**-**

(1) This value represents outstanding nominal value of our 7.375% Senior Notes, which amounts to EUR 430,000 issued in September 2013 multiplied by the rate of PLN 4.1713 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2014).

(2) This value represents outstanding nominal value of our 7.875% Senior Notes, which amounts to EUR 132,428 issued in November 2010 multiplied by the rate of PLN 4.1713 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2014).

(3) This value represents outstanding nominal value of our Cash Loan opened in June 2013 and used in August 2013, which amounts to EUR 22,500 multiplied by the rate of PLN 4.1713 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2014).

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents, to our consolidated shareholders' equity (including non-controlling interest) was 2.2x as of March 31, 2014 and 2.3x as of December 31, 2013.

Our consolidated net debt (defined as above) to adjusted rolling EBITDA ratio amounted to 4.3x as of March 31, 2014.

Adjusted rolling EBITDA (excluding impacts of: impairment of Onet goodwill, loss on disposal of Onet Group, gain on exchange of Pay TV assets, impairment of our investment in Mango Media and impairment of investment in associates and share of loss of associates, including dividends from associates) is calculated for the last twelve months and is defined as profit/(loss) for the period as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property plant and equipment, intangible assets, investments in associates and the teleshopping segment, interest income, finance expense, foreign exchange gains and losses and income taxes.

Our total current liabilities amounted to PLN 459,565 at March 31, 2014, compared to PLN 421,829 at December 31, 2013.

Our borrowed funds excluding accrued interest as of March 31, 2014, consisted of the fair value amount of PLN 1,972,576 of indebtedness represented by the 7.375% Senior Notes, the fair value amount of PLN 586,922 of indebtedness represented by 7.875% Senior Notes and the amount of PLN 92,590 representing our total cash loan consideration.

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 in the amount of PLN 136,873 or EUR 32,696 was invested in the German government treasury securities and in the 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, have 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.

During the twelve months ended December 31, 2013 the Group repurchased in the market 10.75% Senior Notes due 2017 with a nominal value of EUR 35,347 for an amount of EUR 38,628 (including accrued interest). The Group has accounted for the repurchases as a de-recognition of the corresponding part of the Notes liability. On September 16, 2013 we transferred the whole redemption price to the paying agent in order to repay the remaining 10.75% Senior Notes due 2017 with a nominal value of EUR 557,653 for an amount of EUR 617,348 (including accrued interest and premium for early repayment). As of December 31, 2013 all 10.75% Senior Notes due 2017 were repaid and discharged and the respective Notes liability was derecognized. On October 16, 2013 10.75% Senior Notes due 2017 were redeemed.

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 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.

During the three months ended March 31, 2014 the Group repurchased in the market 7.875% Senior Notes due 2018 with a nominal value of EUR 33,020 for an amount of EUR 35,873 (including accrued interest). The nominal value of the remaining 7.875% Senior Notes due 2018 is EUR 132,428 (December 31, 2013: EUR 165,448).

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.

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.

7.375% Senior Notes

On September 16, 2013 TVN Finance Corporation III AB, our wholly-owned subsidiary, issued 7.375% Senior Notes with a total nominal value of EUR 430,000. 7.375% Senior Notes bear fixed interest of 7.375% per annum, with the interest payable semi-annually (on 15 June and 15 December) payable for the first time on 15 December 2013, and will mature on 15 December 2020. 7.375% Senior Notes were issued for a price equal to 100% of their principal amount for a total consideration of EUR 430,000.

The proceeds received by TVN Finance Corporation III AB (publ) from the issuance of 7.375% Senior Notes were first transferred by way of a loan to TVN Media, which subsequently granted a loan to the Company. The involvement of TVN Media in the process enabled the utilization of the positive cash flow generated by TVN Media for the purposes of servicing the repayment of the interest accrued on 7.375% Senior Notes.

The TVN Group used the proceeds from the issuance of 7.375% Senior Notes to repurchase all of the outstanding 10.75% Senior Notes due in 2017 issued by TVN Finance Corporation II AB (publ) in the aggregate principal outstanding amount of EUR 557,653 and to pay the "make-whole" premium, accrued and unpaid interest, as well as certain fees and expenses associated with the offering of 7.375% Senior Notes. The remainder of the purchase price for the above-mentioned 10.75% Senior Notes was financed from the proceeds from the sale of shares in Grupa Onet.pl S.A. The transaction contributed to the reduction of the gross debt of the TVN Group and prolonged the maturity of the refinanced portion of its debt from 2017 to 2020.

Change of Control

The 7.375% Senior Notes have a put option, which may be exercised by the registered holders of the 7.375% Senior Notes at a purchase price in cash equal to 101% of the principal amount of the 7.375% Senior Notes plus accrued and unpaid interest, if any, if a change of control event takes place. A change of control event is defined in the Indenture as the occurrence of one of the following events:

- any person or group of related persons, other than one or more Permitted Holders, as defined in the Indenture, become the beneficial owner, directly or indirectly, of more than 35% of the total voting power of the voting stock of the Company, and the occurrence of the Rating Decline, as defined in the Indenture;
- the Company and its Restricted Subsidiaries, as defined in the Indenture, taken as a whole dispose of all or substantially all of assets held thereby to a person other than a Restricted Subsidiary or one or more Permitted Holders and the occurrence of the Rating Decline, as defined in the Indenture;
- a plan is adopted relating to the liquidation or dissolution of the Company; or
- the Company, or the Company and one or more of its Restricted Subsidiaries, as defined in the Indenture, cease to directly own 100% of the shares of TVN Finance Corporation III AB.

Optional redemption

The following early repayment options are included in the 7.375% Senior Notes:

- prior to December 15, 2016 we may redeem up to 40% of the original principal amount of the 7.375% Senior Notes with the Net Cash Proceeds, as defined in the Indenture, of one or more Equity Offerings, as defined in the Indenture, at a redemption price of 107.375% of the principal amount of the notes, plus accrued and unpaid interest thereon, if any, to the redemption date, provided that at least 60% of the original principal amount of the notes remains outstanding after each such redemption and the redemption occurs within 180 days after the closing of such Equity Offering;
- prior to December 15, 2016 we may at any time during each 12-month period commencing on September 16, 2013 redeem up to 10% of the original principal amount of the 7.375% Senior Notes at a redemption price equal to 103% of the aggregate principal amount of the notes redeemed, plus accrued and unpaid interest thereon, if any, to the date of redemption;
- on or after December 15, 2016 we may redeem all or part of the 7.375% Senior Notes at a redemption price ranging from 100.000% to 103.688% plus accrued and unpaid interest thereon, if any, to the applicable redemption date;
- the 7.375% 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 if due to certain defined changes in tax laws or official interpretations regarding such laws TVN Finance Corporation III AB (publ) with respect to the 7.375% Senior Notes, or a Guarantor, with respect to its Notes Guarantee, (as such terms are defined in the Indenture) is or on the next interest payment date in respect of the 7.375% Senior Notes, would be, required to pay additional amounts on account of taxes in respect of any 7.375% Senior Notes.

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 7.375% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

In addition, at any time prior to December 15, 2016, we also have an option to redeem the 7.375% Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount of the notes plus the applicable premium and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means, with respect to any 7.375% Senior Note on any redemption date, the greater of: (1) 1% of the principal amount of the note, or (2) the excess of (i) the present value at such redemption date of (a) the redemption price of the 7.375% Senior Notes at December 15, 2016, plus (b) interest due through December 15, 2016 (excluding accrued and unpaid interest to the redemption date) computed using a discount rate equal to the Bund Rate as of such redemption date 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 December 15, 2016 - but not shorter than a period of one year) and (ii) the principal amount of the note.

We do not account for early prepayment options embedded in the 7.375% 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, inter alia, the following actions:

- incur or guarantee additional indebtedness;
- make certain restricted investments or payments;
- create liens;
- enter into sale and leaseback transactions;
- 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 aggregate principal amount of the 7.375% Senior Notes may declare all the outstanding 7.375% 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 7.375% Senior Notes will become due and payable without any declaration or other act by the holders of the 7.375% Senior Notes.

Revolving Credit Facility and Cash Loan

On June 10, 2013 the Group entered into an agreement with Bank Pekao S.A. pursuant to which the bank provided the Group with a Revolving Credit Facility in the amount of PLN 300,000 and granted a Cash Loan in the amount of EUR 25,000.

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank's margin and is carried at amortized cost using an effective interest rate of 3.9%. The Cash Loan and interest are repaid in quarterly installments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of March 31, 2014 the Revolving Credit Facility was used only for the bank guarantees issued at PLN 8,030.

The Revolving Credit Facility and the Cash Loan are secured by a mortgage on MBC Building and on the set of all receivables of the Company and TVN Media with registered and financial pledge and with assignment on collateral. The Revolving Credit Facility and the Cash Loan are also secured by the assignment of insurance policies of MBC Building and of insurance of receivables of the Company and TVN Media. The Revolving Credit Facility and the Cash Loan are also fully guaranteed by Group's subsidiaries that are guarantors of the 7.375% and 7.875% Senior Notes.

The Revolving Credit Facility and the Cash Loan mature within four years starting from the date of conclusion of the agreement.

Revolving Guarantee Facility

On December 17, 2010 the Group entered into a Revolving Guarantee Facility agreement with Bank Pekao S.A. The last guarantee issued under this agreement expired on March 21, 2014 and agreement has been terminated.

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 March 31, 2014 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 March 31,						
	2014	**2015**	**2016**	**2017**	**2018**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	25,632	38,603	38,458	38,114	21,263	13,825	175,895
Other technical leases………	9,604	12,805	12,805	12,805	12,805	-	60,824
Operating leases – other……	9,349	7,880	5,008	-	-	-	22,237
Programming rights………….	41,312	79,170	77,425	43,666	8,125	736	250,434
Total cash commitments ….	**85,897**	**138,458**	**133,696**	**94,585**	**42,193**	**14,561**	**509,390**

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 in the medium term 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 7.875% Senior Notes and 7.375% Senior Notes are denominated in euro, and a large proportion of our programming costs are denominated in U.S. dollar. During twelve months of 2013 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 inflation rate in Poland in March 2014 was 0.6% compared with 1.0% in March 2013, 0.9% in December 2013, 1.0% in September 2012 and 0.2% in June 2013. 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.

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.

The General Shareholders Meeting of TVN held on April 11, 2014 authorized the Management Board to acquire the TVN's own shares for the purpose of their redemption. Realization of the share buyback program in the magnitude of PLN 500 million (not in thousands) was granted for the maximum period until December 31, 2015, with approximately PLN 200 to PLN 250 million (not in thousands) foreseen for 2014. In the result of this decision there will be no dividend pay for the year ended December 31, 2013.

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

We did not publish any forecasts.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of March 31, 2014:

Entity	Country of incorporation and residence	March 31, 2014 Ownership (%)	March 31, 2013 Ownership (%)
TVN S.A	Poland	n/a	n/a
Subsidiaries			
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
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
TVN Online Investments Holding B.V.	The Netherlands	100	100
TVN Holding S.A.	Poland	100	100
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
Associates			
Canal+ Cyfrowy S.A. Group (1)	Poland	32	32
Onet Holding Sp. z o.o. Group (2)	Poland	25	25

(1) Canal+ Cyfrowy S.A. Group includes Canal+ Cyfrowy S.A., its subsidiaries (ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), Cyfrowy Dom Sp. z o.o., Neovision UK Ltd, DTH Poland Holding B.V.) and a joint venture (MGM Chanel Poland Ltd)

(2) Onet Holding Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., OnetMarketing Sp. z o.o. (up to July 11, 2013 SunWeb Sp. z o.o.), OnetMarketing Spółka z o. o. S.K.A. GoBrands Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

3. CHANGES IN THE STRUCTURE OF THE TVN GROUP

Changes in the TVN Group's structure are described in details in Part I - Management's discussion and analysis of financial condition and results of operations – Other factors affecting our results of operations – Acquisitions and disposals.

4. SHAREHOLDERS OWNING AT LEAST 5% OF OUR SHARES AS OF THE DATE OF THIS INTERIM REPORT

The following table and graph presents shareholders that to our best knowledge own at least 5% of our shares as of May 14, 2014 - the date of this interim report.

The information included in the table is based on current reports filed with the Warsaw Stock Exchange, which reflect information received from shareholders pursuant to Art. 69, sec. 1, point 2 the Act on Public Offering, Conditions Governing the Introductions of Financial Instruments to Organized Trading and Public Companies and on the list of shareholders entitled to participate in the General Shareholders Meeting of TVN held on April 11, 2014 provided by Central Securities Depository Office.

Shareholder	Number of shares in issue	% of Share Capital	Number of Votes	% of votes
ITI Group (1)	185,771,211	53.31%	185,771,211	53.31%
ITI Holdings S.A. Luxembourg (1)	5,415,781	1.56%	5,415,781	1.56%
Polish Television Holding B.V. (2) (3)	180,355,430	51.75%	180,355,430	51.75%
ING OFE. (4)	26,687,221	7.66%	26,687,221	7.66%
Aviva OFE (4)	25,000,000	7.17%	25,000,000	7.17%
OFE PZU "Złota Jesień" (4)	21,700,000	6.23%	21,700,000	6.23%
Other shareholders	89,331,052	25.63%	89,331,052	25.63%
TOTAL:	**348,489,484**	**100.00%**	**348,489,484**	**100.00%**

(1) *As of March 31, 2014, 53.31% of our registered shares were held by entities that are ultimately controlled by ITI Group. Our principal direct majority shareholder is PTH, in which ITI Group indirectly owns 51% and Groupe Canal+ indirectly owns 49%. ITI Group holds directly 1.56% of the shares in TVN S.A. through ITI Holdings S.A. Luxembourg. The percentage of share capital held by ITI Group may decline as a result of the exercise of warrants by our employees.*
(2) *Polish Television Holding B.V. has pledged the majority of the Company's shares.*
(3) *Entities controlled by ITI Group.*
(4) *Based on the list of shareholders holding at least 5% of votes at the General Shareholders Meeting of TVN held on April 11, 2014, as published by TVN in a form of current report on April 11, 2014.*

5. CHANGES IN THE NUMBER OF SHARES OR SHARE OPTIONS OWNED BY SUPERVISORY AND MANAGEMENT BOARD MEMBERS

5.1 MANAGEMENT BOARD MEMBERS

The following table presents share options (not in thousands) allocated to members of our Management Board, under the Stock Option Plans we introduced in December 2005 and July 2006, as of May 14, 2014.

Name	Total number of options granted up to May 14, 2014 (not in thousands)	Total number of options vested up to May 14, 2014 (not in thousands)	Total number of options vested and held as of May 14, 2014 (not in thousands)
Markus Tellenbach	-	-	-
John Driscoll	-	-	-
Piotr Korycki	187,945	187,945	0
Maciej Maciejowski	78,570	78,570	38,520
Edward Miszczak	526,290	526,290	148,735
Adam Pieczyński	314,115	314,115	94,965
Piotr Tyborowicz	336,030	336,030	262,980

The following table presents TVN S.A. shares (not in thousands) owned directly or indirectly by our Management Board as of May 14, 2014 and changes in their holdings since the date of publication of our previous quarterly report on February 13, 2014. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160, sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 13, 2014	Increases	Decreases	Balances as of May 14, 2014
Markus Tellenbach	-	-	-	-
John Driscoll	-	-	-	-
Piotr Korycki	-	51,550	51,550	-
Maciej Maciejowski	-	-	-	-
Edward Miszczak	184,011	-	63,673	120,338
Adam Pieczyński	-	-	-	-
Piotr Tyborowicz	-	-	-	-

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of May 14, 2014, and changes in their holdings since the date of publication of our previous quarterly report on February 13, 2014. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 13, 2014	Increases	Decreases	Balances as of May 14, 2014
Wojciech Kostrzewa	120,000	-	-	120,000
Bertrand Meheut	-	-	-	-
Arnold Bahlmann	-	-	-	-
Rodolphe Belmer	-	-	-	-
Michał Broniatowski		-	-	
Paweł Gricuk	-	-	-	-
Sophie Guieysse	-	-	-	-
Wiesław Rozłucki	-	-	-	-
Bruno Valsangiacomo	1,597,325	-	-	1,597,325
Piotr Walter	-	-	-	-
Aldona Wejchert	591,634	-	-	591,634
Total:	**2,308,959**	-	-	**2,308,959**

6. Legal Proceedings

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

7. Related Party Transactions Concluded During the Three Months Ended March 31, 2014

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. During the three months ended March 31, 2014, we did not enter into any material transactions with related parties that are not on regular market conditions.

8. Discussion on Guarantees Granted to Third Parties by TVN Group During the Three Months Ended March 31, 2014

Neither the Company nor any of its subsidiaries granted any guarantees or secured any third party credits, either individually or in the aggregate, for an amount exceeding 10% of the Company's equity.

INTRA-GROUP GUARANTEES

TVN Media granted guarantees for TVN's liabilities in the total amount of PLN 260,706 as of March 31, 2014.

Additionally, the Company and TVN Media granted guarantees to each other of up to PLN 90,000 for obligations resulting from daily clearings between the parties of the cash pooling system.

TVN Online Investments Holding, TVN Finance III AB and Mango Media granted guarantees for the liabilities of TVN and TVN Media under the Revolving Credit Facility in the total amount of PLN 600,000 (subject to certain limitations related to applicable local law restrictions).

The guarantees are granted on market conditions.

Additionally, the guarantees related to the 7.875% Senior Notes and the 7.375% Notes were granted by TVN, TVN Online Investments Holding, Mango Media, TVN Media.

PART III

FINANCIAL INFORMATION

The financial information of TVN S.A. presented as a part of this report is included as follows:

Interim Condensed Consolidated Financial Statements
for the three months ended March 31, 2014

We present below TVN S.A.'s separate financial statements, which we are required to disclose as a public company in Poland, in order to ensure consistent disclosure to both bondholders and shareholders.

Interim Condensed Separate Financial Statements
as of and for the three months ended March 31, 2014

MANAGEMENT REPRESENTATIONS

These interim condensed consolidated financial statements of TVN S.A. and its subsidiaries (the “TVN Group”) as of and for the three months ended March 31, 2014 have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial statements of TVN Group as of and for the three months ended March 31, 2014 include: interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in shareholders’ equity, interim condensed consolidated cash flow statement and notes to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on May 13, 2014.

Markus Tellenbach President of the Board	John Driscoll Vice-President of the Board	Piotr Korycki Member of the Board
Maciej Maciejowski Member of the Board	Edward Miszczak Member of the Board	Adam Pieczyński Member of the Board
Piotr Tyborowicz Member of the Board		

Warsaw, May 13, 2014

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the three months ended March 31, 2014

TVN Group

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

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue	**5**	351,795	343,146
Cost of revenue	**6**	(216,506)	(213,965)
Selling expenses	**6**	(27,653)	(30,029)
General and administration expenses	**6**	(36,796)	(34,361)
Share of profits of associates	**14**	8,839	12,890
Other operating expenses, net		(989)	(1,073)
Operating profit		**78,690**	**76,608**
Interest income	**7**	2,667	4,854
Finance expense	**7**	(63,210)	(93,900)
Foreign exchange losses, net	**7**	(15,867)	(53,590)
Profit/ (loss) before income tax		**2,280**	**(66,028)**
Income tax credit	**12**	7,284	20,117
Profit/ (loss) for the period		**9,564**	**(45,911)**
Profit/ (loss) attributable to:			
Owners of the parent		11,136	(43,818)
Non-controlling interest		(1,572)	(2,093)
		9,564	**(45,911)**
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)			
- basic		0.03	(0.13)
- diluted		0.03	(0.13)

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

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

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Profit/ (loss) for the period		**9,564**	**(45,911)**
Other comprehensive income reclassifiable to income statement when specific conditions are met:			
Cash flow hedge – foreign exchange forward contracts		1,542	922
Income tax relating to components of other comprehensive income	**12**	(282)	(175)
Share of other comprehensive income of associates	**14**	1,367	3,003
Other comprehensive income for the period, net of tax		2,627	3,750
Total comprehensive income/ (loss) for the period		**12,191**	**(42,161)**
Total comprehensive income/ (loss) attributable to:			
Owners of the parent		13,763	(40,068)
Non-controlling interest		(1,572)	(2,093)
		12,191	**(42,161)**

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

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

	Note	As at March 31, 2014	As at December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment		385,023	393,047
Goodwill		144,127	144,127
Brand		30,612	30,612
Other intangible assets		64,725	67,128
Non-current programming rights		147,472	155,124
Investments in associates	**14**	1,740,698	1,730,492
Deferred tax asset	**12**	331,130	319,130
Other non-current assets		2,010	1,122
		2,845,797	**2,840,782**
Current assets			
Current programming rights		248,085	244,942
Trade receivables		375,975	341,872
Prepayments and other assets		72,932	73,179
Derivative financial assets		1,315	-
Cash and cash equivalents		304,666	398,484
		1,002,973	**1,058,477**
TOTAL ASSETS		**3,848,770**	**3,899,259**
EQUITY			
Shareholders' equity			
Share capital	**8**	69,641	69,299
Share premium		763,923	726,853
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(497,194)	(481,302)
Accumulated profit		655,782	644,646
		1,015,453	**982,797**
Non-controlling interest		(27,080)	(25,508)
		988,373	**957,289**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	**9**	2,364,945	2,488,601
Deferred tax liability	**12**	5,823	5,822
Non-current trade payables		11,334	4,292
Other non-current liabilities		18,730	21,426
		2,400,832	**2,520,141**
Current liabilities			
Current trade payables		122,974	133,224
Current borrowings	**9**	76,323	33,443
Derivative financial liabilities		1,077	1,510
Corporate income tax payable		5,491	1,626
Other liabilities and accruals	**10**	253,700	252,026
		459,565	**421,829**
Total liabilities		**2,860,397**	**2,941,970**
TOTAL EQUITY AND LIABILITIES		**3,848,770**	**3,899,259**

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

TVN S.A.
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**23,301**	**(481,302)**	**644,646**	**982,797**	**(25,508)**	**957,289**
Total comprehensive income/ (loss) for the period	-	-	-	-	2,627	11,136	13,763	(1,572)	12,191
Issue of shares (1)	1,710,981	342	37,100	-	(18,519)	-	18,923	-	18,923
Share issue cost (2)	-	-	(30)	-	-	-	(30)	-	(30)
Balance at March 31, 2014	**348,205,131**	**69,641**	**763,923**	**23,301**	**(497,194)**	**655,782**	**1,015,453**	**(27,080)**	**988,373**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedging	Effect of acquisition of non-controlling interest	Total
Balance at January 1, 2014	**72,343**	**(2,497)**	**(551,148)**	**(481,302)**
Issue of shares	(18,519)	-	-	(18,519)
Credit for the period	-	1,542	-	1,542
Deferred tax on credit for the period	-	(282)	-	(282)
Share of other comprehensive income of associates	-	1,367	-	1,367
Balance at March 31, 2014	**53,824**	**130**	**(551,148)**	**(497,194)**

(1) During the three months ended March 31, 2014 1,710,981 (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 (the three months ended March 31, 2013: nil, see Note 18).

(2) Costs related to service of share options plan.

Included in accumulated profit as of March 31, 2014 is an amount of 2,036,112 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes (see Note 9) impose certain restrictions on payment of dividends.

TVN S.A.
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**(451,985)**	**1,062,490**	**1,375,457**	**(16,390)**	**1,359,067**
Total comprehensive income/ (loss) for the period	-	-	-	-	3,750	(43,818)	(40,068)	(2,093)	(42,161)
Balance at March 31, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**(448,235)**	**1,018,672**	**1,335,389**	**(18,483)**	**1,316,906**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedging	Effect of acquisition of non-controlling interest	Total
Balance at January 1, 2013	**99,163**	**-**	**(551,148)**	**(451,985)**
Credit for the period	-	922	-	922
Deferred tax on credit for the period	-	(175)	-	(175)
Share of other comprehensive income of associates	-	3,003	-	3,003
Balance at March 31, 2013	**99,163**	**3,750**	**(551,148)**	**(448,235)**

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

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

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Operating activities			
Cash generated from operations	**11**	73,408	120,607
Tax paid, net		(2,568)	(4,757)
Net cash generated by operating activities		**70,840**	**115,850**
Investing activities			
Proceeds from sale of subsidiaries		-	38,005
Payments to acquire property, plant and equipment		(23,407)	(40,497)
Proceeds from sale of property, plant and equipment		906	105
Payments to acquire intangible assets		(3,174)	(1,588)
Interest received		1,949	3,008
Net cash used in investing activities		**(23,726)**	**(967)**
Financing activities			
Issue of shares, net of issue cost	**8**	18,893	-
Acquisition and repayment of the Notes	**9**	(147,888)	(77,451)
Repayment of the Cash Loan	**9**	(5,268)	-
Repayment of the Mortgage Loan		-	(2,172)
Bank charges		(1,941)	-
Settlement of foreign exchange forward contracts		110	-
Restricted cash		-	74,264
Interest paid		(4,776)	(914)
Net cash used in financing activities		**(140,870)**	**(6,273)**
(Decrease)/ increase in cash and cash equivalents		**(93,756)**	**108,610**
Cash and cash equivalents at the start of the period		398,484	308,564
Effects of exchange rate changes		(62)	2,040
Cash and cash equivalents at the end of the period		**304,666**	**419,214**

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

1. GENERAL INFORMATION

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 13, 2014.

TVN S.A. (the "Company", 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 has its registered office at 166 Wiertnicza Street, 02-952 Warsaw, Poland.

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 Group (the Company and its subsidiaries) is the leading integrated Polish media group, active in television broadcasting and production, as well as teleshopping. The Group operates or jointly operates ten television channels and one teleshopping channel in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN 24 Biznes i Świat, NTL Radomsko, TTV and Telezakupy Mango 24. The Group's channels broadcast news, information and entertainment shows, series, movies and teleshopping. The Group together with Groupe Canal+ S.A. ("Canal+ Group") operate a Polish leading premium direct-to-home ("DTH") digital satellite platform nC+, which offers technologically advanced pay television services. The Group in its online activities is a partner to Ringier Axel Springer Media AG ("RAS"), which through Grupa Onet.pl S.A. operates Onet.pl, the leading internet portal in Poland.

Advertising and sponsoring sales in Poland tend to be lowest during the third quarter of each calendar year, which includes the summer holiday period, and highest during the fourth quarter of each calendar year. Revenue from subscription fees tends to be evenly spread between the quarters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements as of and for the three months ended March 31, 2014 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2013 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2014.

In 2014 the Group adopted:

(i) IFRS 12 Disclosure of Interests in Other Entities

The standard replaced the disclosure requirements in IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. It applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests and detailed disclosures of interests in unconsolidated structured entities.

The disclosures required by IFRS 12 enable 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 disclosures required by IFRS 12 will be presented in the consolidated financial statements for the year ended December 31, 2014.

Other standards, amendments to standards or IFRIC interpretations effective from January 1, 2014 and not listed above either are not relevant for the Group or do not have significant impact on the Group's consolidated financial statements.

These interim condensed 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 income statement.

The Group's consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

3. 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.

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 investments in associates

Investments in associates 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. Investments in associates are separate cash generating units.

As of March 31, 2014 the Group did not identify any indicators for impairment of its investments in associates.

As of December 31, 2013 the Group recognized an impairment of the investment in associate Onet in the amount of 80,000. The impairment loss reduced the carrying amount of the investment as of December 31, 2013 and was presented in a separate line in the consolidated income statement for the year ended December 31, 2013.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) 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. As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. As at March 31, 2014 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 (December 31, 2013: 27,514) representing the tax amortization of brands to be realized within the next twelve months. The Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference was not probable and therefore no deferred tax asset was recognized for subsequent years. As at March 31, 2014 the Group did not recognize a deferred tax asset in the amount of 183,428 (December 31, 2013: 190,307) related to the tax value of brands recognized by TVN Media.

As at March 31, 2014 the Group also did not recognize a deferred tax asset on tax loss carry-forwards of 426,037 (December 31, 2013: 426,037). Tax loss carry-forwards expire within five tax years. The related deferred tax asset in the amount of 80,947 (December 31, 2013: 80,947) was not recognized as the Group concluded that as at March 31, 2014 the realization of the related tax benefit is not probable.

4. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production 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 Vice-President of the Management Board responsible for the Group's financial reporting and heads of the teams within the Group's financial department, reviews regularly the Group's internal reporting. Management has determined the operating segments based on these reports. The committee considers the business from a product and service perspective. The committee assesses the performance of TV channels and TV content sales and technical services business units aggregated into single television broadcasting and production segment and teleshopping 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 19.1. 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.

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

4. SEGMENT REPORTING (CONTINUED)

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 sale of advertising, sponsoring and subscription fees. The teleshopping segment generates revenue mainly from sale of goods offered on Telezakupy Mango 24, a dedicated teleshopping channel, on other 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.

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.

Reconciliation of EBITDA to profit/ (loss) before income tax:

	Three months ended March 31, 2014	Three months ended March 31, 2013
EBITDA	**95,781**	**97,996**
Depreciation of property, plant and equipment	(13,726)	(17,736)
Amortization of intangible assets	(3,365)	(3,652)
Operating profit	**78,690**	**76,608**
Interest income (see Note 7)	2,667	4,854
Finance expense (see Note 7)	(63,210)	(93,900)
Foreign exchange losses, net (see Note 7)	(15,867)	(53,590)
Profit/ (loss) before income tax	**2,280**	**(66,028)**

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2014	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	343,128	8,667	-		351,795
Inter-segment revenue	982	-	(982)		-
Revenue	**344,110**	**8,667**	**(982)**		**351,795**
EBITDA	**87,950**	**(789)**	**8,620**	*	**95,781**
Depreciation of property, plant and equipment	(13,659)	(69)	2		(13,726)
Amortization of intangible assets	(3,361)	(4)	-		(3,365)
Operating profit/ (loss)	**70,930**	**(862)**	**8,622**		**78,690**
Additions to property, plant and equipment and other intangible assets	7,640	33	(5)		7,668
As at March 31, 2014					
Segment assets including:	**1,738,262**	**39,938**	**2,070,570**	**	**3,848,770**
Investment in associates	-	-	1,740,698		1,740,698

* Other reconciling items on EBITDA level include mainly share of profits of associates (8,839) and other costs

** Other reconciling items to segment assets include: investments in associates (1,740,698), deferred tax assets (331,130) and other assets and consolidation adjustments (deficit of 1,258)

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2013	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	334,996	8,150	-		343,146
Inter-segment revenue	999	13	(1,012)		-
Revenue	**335,995**	**8,163**	**(1,012)**		**343,146**
EBITDA	**86,723**	**(1,224)**	**12,497**	*	**97,996**
Depreciation of property, plant and equipment	(17,691)	(45)	-		(17,736)
Amortization of intangible assets	(3,643)	(9)	-		(3,652)
Operating profit/ (loss)	**65,389**	**(1,278)**	**12,497**		**76,608**
Additions to property, plant and equipment and other intangible assets	2,397	10	-		2,407
As at December 31, 2013					
Segment assets including:	**1,805,327**	**40,595**	**2,053,337**	**	**3,899,259**
Investment in associates	-	-	1,730,492		1,730,492

* Other reconciling items on EBITDA level include mainly share of profits of associates (12,890) and other costs

** Other reconciling items to segment assets include: investments in associates (1,730,492), deferred tax assets (319,130) and other assets and consolidation adjustments (3,715)

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

5. REVENUE

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue from advertising	238,045	236,091
Subscription fees	52,686	55,112
Revenue from sponsoring	34,676	28,551
Revenue from sale of goods	7,227	6,811
Other revenue	19,161	16,581
	351,795	**343,146**

Subscription fees include mainly subscriptions receivable from DTH and cable operators.

Other revenue includes mainly brokerage revenue, rental revenue and revenue generated from technical services, call television, text messages and sales of rights to programming content.

6. OPERATING EXPENSES

	Three months ended March 31, 2014	Three months ended March 31, 2013
Amortization of locally produced content	102,719	94,734
Staff expenses	44,853	41,673
Amortization of acquired programming rights and co-productions	40,709	36,980
Depreciation and amortization	17,091	21,388
Broadcasting expenses	15,298	17,764
Marketing and research	11,485	8,677
Royalties	11,157	11,035
Cost of services and goods sold	6,612	6,941
Rental	5,817	7,635
Impaired accounts receivable	(793)	574
Other	26,007	30,954
	280,955	**278,355**

Included in the above operating expenses for the three months ended March 31, 2014 are operating lease expenses of 21,697 (the three months ended March 31, 2013: 25,641).

Included in the above staff expenses for the three months ended March 31, 2014 is a Long Term Incentive Plan expense of 1,445 (the three months ended March 31, 2013: nil, see Note 17).

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

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Interest income		
Guarantee fees from a related party (see Note 16 (v))	258	961
Interest income on foreign exchange forward contracts – cash flow hedges	297	-
Other interest income	2,112	3,893
	2,667	**4,854**
Finance expense		
Interest expense on the Notes (see Note 9)	(48,253)	(83,338)
Interest expense on the Cash Loan (see Note 9)	(857)	-
Interest expense on the Mortgage Loan	-	(789)
Interest expense on foreign exchange forward contracts – cash flow hedges	(834)	(261)
Premium on early repayment of the Notes (see Note 9)	(8,251)	(5,441)
Unamortized debt issuance costs of the Notes written off on early repayment (see Note 9)	(2,834)	(1,939)
Guarantee fees to a related party (see Note 16 (v))	(61)	(201)
Bank and other charges	(2,120)	(1,931)
	(63,210)	**(93,900)**
Foreign exchange losses, net		
Foreign exchange losses on the Notes, including:	(16,295)	(69,193)
- unrealized foreign exchange losses on the Notes	*(7,520)*	*(69,193)*
- realized foreign exchange losses on the Notes	*(8,775)*	-
Other foreign exchange gains, net	428	15,603
	(15,867)	**(53,590)**

Finance expense and foreign exchange losses, net for the three months ended March 31, 2014 include costs of early repayment of the Notes being premium on early repayment of 8,251, write-off of the unamortized balance of debt issuance costs of 2,834 and realized foreign exchange loss of 8,775 (the three months ended March 31, 2013: premium on early repayment of 5,441 and write-off of the unamortized balance of debt issuance costs of 1,939).

8. 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 March 31, 2014 was 348,205,131 (December 31, 2013: 346,494,150) 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:

	March 31, 2014		**December 31, 2013**	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. (1) (2)	180,355,430	51.80%	180,355,430	52.05%
ITI Holdings	5,415,781	1.56%	-	-
Cadizin Trading&Investment (1)	-	-	5,415,781	1.56%
Other shareholders	162,433,920	46.64%	160,722,939	46.39%
Total	**348,205,131**	**100.00%**	**346,494,150**	**100.00%**

(1) Entities controlled by ITI Group.

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

Included in the total number of shares in issue as at March 31, 2014 held by other shareholders are 649,923 shares of C1, C2, C3, E1, E2, E3 and E4 series not registered by the Court (December 31, 2013: 718,848 shares of C2, C3, E1, E2, E3 and E4 series). Number of shares held by each shareholder is the same as the number of votes.

9. BORROWINGS

	March 31, 2014	**December 31, 2013**
The Notes	2,293,212	2,412,202
Interest accrued on the Notes	55,023	12,234
The Cash Loan	92,590	97,135
Interest accrued on the Cash Loan	443	473
	2,441,268	**2,522,044**
Less: current portion of borrowings	(76,323)	(33,443)
Non-current portion of borrowings	**2,364,945**	**2,488,601**

The Notes

In 2010 the Group 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 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.

During the year ended December 31, 2013 the Group repurchased 7.875% Senior Notes due 2018 with a nominal value of EUR 9,552 for an amount of EUR 10,334 (including accrued interest). The Group has accounted for the repurchases as a de-recognition of the corresponding part of the Notes liability.

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

9. BORROWINGS (CONTINUED)

On March 20, 2014 the Group exercised early repayment option and redeemed 7.875% Senior Notes due 2018 with a nominal value of EUR 33,020 for an amount of EUR 35,873 (including accrued interest). The difference between the consideration paid and the carrying amount corresponding to the Notes repurchased ("Premium on early repayment of the Notes") was recognized in the income statement within finance expense (see Note 7). After above transactions the nominal value of the remaining 7.875% Senior Notes due 2018 is EUR 132,428 (December 31, 2013: EUR 165,448).

On September 16, 2013 the Group issued EUR 430,000 Senior Notes with an annual interest rate of 7.375% ("7.375% Senior Notes due 2020"). The 7.375% Senior Notes due 2020 are carried at amortized cost using an effective interest rate of 8%, they pay interest semi-annually (on June 15 and December 15) beginning December 15, 2013 and mature on December 15, 2020.

7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 (collectively referred to as the "Notes") 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 fair value of the Notes, excluding accrued interest, was estimated to be:

	March 31, 2014		December 31, 2013	
	PLN	**EUR**	**PLN**	**EUR**
7.375% Senior Notes due 2020	1,972,576	472,893	1,925,960	464,400
7.875% Senior Notes due 2018	586,922	140,705	728,255	175,602
	2,559,498	**613,598**	**2,654,215**	**640,002**

Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on March 31, 2014 and December 31, 2013 respectively. The Notes are quoted on the Luxembourg Stock Exchange.

The following early repayment options are included in the Notes:

- the Group may redeem all or part of 7.875% Senior Notes due 2018 on or after November 15, 2013 at a redemption price ranging from 105.906% to 100.000% and all or part of 7.375% Senior Notes due 2020 on or after December 15, 2016 at a redemption price ranging from 103.688% to 100.000%;
- the Notes 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 both a change of control over the Company and a rating decline occur, each registered holder of the Notes 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 December 15, 2016 the Group may on any one or more occasions redeem up to 40% of the original principal amount of 7.375% Senior Notes due 2020 with the net cash proceeds of one or more equity offerings at a redemption price of 107.375% of the principal amount plus accrued and unpaid interest, if any, to the redemption date;
- prior to December 15, 2016, the Group may at any time and from time to time during each 12-month period commencing with September 16, 2013 redeem up to 10% of the original principal amount of 7.375% Senior Notes due 2020 at a redemption price equal to 103% of the aggregate principal amount plus accrued and unpaid interest, if any, to the redemption date;

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

9. BORROWINGS (CONTINUED)

- at any time prior to December 16, 2016 the Group may redeem 7.375% Senior Notes due 2020, in whole but not in part, at a price equal to 100% of the principal amount plus the applicable 'make-whole' premium and accrued and unpaid interest, if any, up to the redemption date.

The Group does not account for early repayment options embedded in the Notes 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 Revolving Credit Facility and the Cash Loan

On June 10, 2013 the Group entered into an agreement with Bank Pekao S.A. pursuant to which the bank provided the Group with a Revolving Credit Facility in the amount of 300,000 and granted a Cash Loan in the amount of EUR 25,000.

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of March 31, 2014 the Revolving Credit Facility was used only for the bank guarantees issued at 8,030 (December 31, 2013: 7,984).

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank's margin and is carried at amortized cost using an effective interest rate of 3.9%. The Cash Loan and interest are repaid in quarterly instalments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

The Revolving Credit Facility and the Cash Loan are secured by a mortgage on MBC Building and on the set of all receivables of the Company and TVN Media with registered and financial pledge and with assignment on collateral. The Revolving Credit Facility and the Cash Loan are also secured by the assignment of insurance policies of MBC Building and of insurance of receivables of the Company and TVN Media. The Revolving Credit Facility and the Cash Loan are also fully guaranteed by Group's subsidiaries that are guarantors of the Notes.

The Revolving Credit Facility and the Cash Loan mature within four years starting from the date of conclusion of the agreement.

10. OTHER LIABILITIES AND ACCRUALS

	March 31, 2014	December 31, 2013
Sales and marketing related costs	40,056	17,015
Employee benefits	30,234	34,006
VAT and other taxes payable	26,923	43,381
Accrued production and programming costs	16,947	25,332
Deferred income	10,718	11,078
Satellites	7,058	5,058
Other liabilities and accrued costs	121,764	116,156
	253,700	**252,026**

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

11. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit/ (loss) for the period to cash generated from operations

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Profit/ (loss) for the period		9,564	(45,911)
Income tax credit	**12**	(7,284)	(20,117)
Depreciation and amortization	**6**	17,091	21,388
Amortization of acquired programming rights and co-productions	**6**	40,709	36,980
Impaired accounts receivable	**6**	(793)	574
Loss on sale of property, plant and equipment		102	220
Interest income	**7**	(2,667)	(4,854)
Finance expense	**7**	63,210	93,900
Foreign exchange losses, net	**7**	15,867	53,590
Share of profits of associates	**14**	(8,839)	(12,890)
Guarantee fee paid		(242)	(802)
Payments to acquire programming rights		(17,914)	(35,738)
Change in local production balance		416	(2,840)
Changes in working capital:			
Trade receivables		(33,310)	(3,897)
Prepayments and other assets		(1,829)	27,299
Trade payables		464	1,955
Other short term liabilities and accruals		(1,137)	11,750
		(35,812)	37,107
Cash generated from operations		**73,408**	**120,607**

Non-cash transactions

Barter revenue/ (costs), net		115	(200)

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

12. TAXATION

	Three months ended March 31, 2014	Three months ended March 31, 2013
Current tax charge	(4,997)	(2,935)
Deferred tax credit	12,281	23,052
	7,284	**20,117**

Reconciliation of accounting profit/ (loss) to income tax credit

	Three months ended March 31, 2014	Three months ended March 31, 2013
Profit/ (loss) before income tax	**2,280**	**(66,028)**
Income tax (charge)/ credit at the enacted statutory rate of 19%	(433)	12,545
Impact of deferred tax asset recognized on tax value of brands recognized by TVN Media (see Note 3 (ii))	6,879	6,879
Impact of share of profits of associates	1,679	2,449
Impact of previous years' tax returns corrections	2,180	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(3,021)	(1,756)
Income tax credit	**7,284**	**20,117**

Movements in deferred tax asset

	Three months ended March 31, 2014	Three months ended March 31, 2013
Balance at the beginning of the period	319,130	259,690
Credit to the income statement	12,282	19,085
Charge to other comprehensive income	(282)	-
Balance at the end of the period	**331,130**	**278,775**

Movements in deferred tax liability

	Three months ended March 31, 2014	Three months ended March 31, 2013
Balance at the beginning of the period	(5,822)	(15,200)
(Charge)/ credit to the income statement	(1)	3,967
Charge to other comprehensive income	-	(175)
Balance at the end of the period	**(5,823)**	**(11,408)**

The tax authorities may at any time inspect the books and records within five 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.

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.

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

12. TAXATION (CONTINUED)

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences and tax loss carry-forwards can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of deductible temporary differences and tax losses. The deferred tax amounts were calculated using the enacted tax rate of 19% as at March 31, 2014.

Deferred tax assets not recognized are disclosed in Note 3 (ii).

13. 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. These commitments are scheduled to be paid as follows:

	March 31, 2014	December 31, 2013
Due in one year	41,312	81,497
Due in two years	79,170	62,992
Due in three years	77,425	46,920
Due in four years	43,666	16,978
Due in five years	8,125	-
Due in six years	736	-
	250,434	**208,387**

(ii) Total future minimum payments relating to operating lease agreements

Total future minimum payments relating to operating lease agreements signed as at March 31, 2014 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in one year	689	8,660	9,349
Due in two years	-	7,880	7,880
Due in three years	-	5,008	5,008
	689	**21,548**	**22,237**

Total future minimum payments relating to operating lease agreements signed as at December 31, 2013 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in one year	394	11,811	12,205
Due in two years	-	7,813	7,813
Due in three years	-	4,652	4,652
	394	**24,276**	**24,670**

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

13. 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") and Grupa Onet.pl. Poland Media Properties is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at March 31, 2014 and December 31, 2013 respectively.

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:

	March 31, 2014	**December 31, 2013**
Due in one year	25,632	35,595
Due in two years	38,603	38,388
Due in three years	38,458	38,244
Due in four years	38,114	37,902
Due in five years	21,263	21,149
Due in six years and thereafter	13,825	13,763
	175,895	**185,041**

Additionally, the Group leases transmission sites and related services for an annual amount of 12,805 (December 31, 2013: 12,805).

14. INVESTMENTS IN ASSOCIATES

	nC+	**Onet**	**Total**
Balance at January 1, 2014	1,479,929	250,563	1,730,492
Share of profits	7,473	1,366	8,839
Share of other comprehensive income	1,367	-	1,367
Balance at March 31, 2014	**1,488,769**	**251,929**	**1,740,698**

	nC+	**Onet**	**Total**
Balance at January 1, 2013	1,543,836	321,808	1,865,644
Share of profits	11,162	1,728	12,890
Share of other comprehensive income	3,003	-	3,003
Balance at March 31, 2013	**1,558,001**	**323,536**	**1,881,537**

14. INVESTMENTS IN ASSOCIATES (CONTINUED)

nC+

The Group holds a 32% interest in Canal+ Cyfrowy Group ("nC+", Canal+ Cyfrowy S.A. and its subsidiaries), Groupe Canal+ S.A. ("Canal+ Group") holds the 51% interest in nC+ and LGI Ventures B.V. ("UPC") holds the remaining 17% interest in nC+. The Group treats the investment in nC+ as a long-term investment. As the Group has significant influence on, but not control over, nC+, the investment is classified as investment in associate and accounted for using the equity method.

The Group's investment in nC+ is held subject to the terms of a shareholders' agreement, which includes provisions regarding the composition of the management and supervisory boards and the appointment of their members, an exit strategy and a list of matters which require the consent of TVN. Canal+ Group has a call option to acquire TVN's 32% of nC+ at market value, which is exercisable during the three month periods beginning November 30, 2015 and November 30, 2016. Additionally, TVN and Canal+ Group each has the right following the call option periods to sell its interest in nC+ (with Canal+ Group having the right to require TVN to sell its shares in nC+ on the same terms) and if not exercised, TVN has the right to require nC+ to undertake an initial public offering.

Onet

The Group, through TVN Online Investments Holding, holds a 25% interest in Onet Holding Group (Onet Holding Sp. z o.o. and its subsidiaries, "Onet"), Ringier Axel Springer Media AG ("RAS") holds the remaining 75% interest in Onet. The Group treats the investment in Onet as a long-term investment. As the Group has significant influence on, but not control over, Onet, the investment is classified as investment in associate and accounted for using the equity method.

The shareholders agreement, which regulates the cooperation between TVN and RAS with respect to Onet Holding and, indirectly, Onet Group (Grupa Onet.pl S.A. and its subsidiaries), contains in particular a swap option for TVN to exchange a number of TVN's (its subsidiaries') shares in the Onet Holding for the shares in RAS (option valid if RAS conducts an initial public offering). Furthermore, under the shareholders agreement the following options are granted:

- the first put option for TVN (or its subsidiary) to sell all its shares in Onet Holding to RAS at any time during (i) the 90-day period commencing on January 1, 2016 or (ii) the 20 business day period commencing after Onet Holding's shareholders meeting has approved its financial statements for the most recently concluded financial year, whichever period ends later; and
- the call option for RAS to acquire the shares in Onet Holding's share capital from TVN (or its subsidiary) at any time during (i) the 90-day period commencing on January 1, 2017 or (ii) the 20 business day period commencing after Onet Holding's shareholders meeting has approved its financial statements for the most recently concluded financial year, whichever period ends later; and
- the second put option for TVN (or its subsidiary) to sell all its shares in Onet Holding to RAS at any time within 60 days following the expiry date of the call option period.

The shareholders agreement contains also the standard "joint-exit" clauses allowing TVN and RAS to sell jointly all their shares in Grupa Onet.pl held directly or indirectly (drag-along and tag-along rights). The shareholders agreement contains also a call option for RAS in the event that TVN no longer controls, directly or indirectly, its stake in Onet Holding.

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

15. GROUP COMPANIES, JOINT VENTURES AND ASSOCIATES

These interim condensed consolidated financial statements as at March 31, 2014 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	March 31, 2014 Ownership %	December 31, 2013 Ownership %
Subsidiaries			
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
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
TVN Online Investments Holding B.V.	The Netherlands	100	100
TVN Holding S.A.	Poland	100	100
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Associates			
Canal+ Cyfrowy Group (1)	Poland	32	32
Onet Holding Group (2)	Poland	25	25

(1) Canal+ Cyfrowy Group includes Canal+ Cyfrowy S.A., its subsidiaries (ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), Cyfrowy Dom Sp. z o.o., Neovision UK Ltd, DTH Poland Holding B.V.) and a joint venture (MGM Chanel Poland Ltd)

(2) Onet Holding Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., OnetMarketing Sp. z o.o. (up to July 11, 2013 SunWeb Sp. z o.o.), OnetMarketing Spółka z o. o. S.K.A. GoBrands Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

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)

16. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Canal+ Cyfrowy Group	10,591	20,201
ITI Group	591	1,656
Onet Holding Group	159	151
Wydawnictwo Pascal	58	1
	11,399	**22,009**

Revenue from Canal+ Cyfrowy Group includes mainly subscription fees and revenue from technical services rendered, net of commissions.

Multikino Group ceased to be a related party of the Group on September 30, 2013. Transactions with Multikino Group are included within transactions with ITI Group up to September 30, 2013.

(ii) Operating expenses:

	Three months ended March 31, 2014	Three months ended March 31, 2013
ITI Group	8,140	6,041
Onet Holding Group	2,002	705
Canal+ Cyfrowy Group	364	599
Directors of ITI Group	-	1,023
	10,506	**8,368**

Operating expenses from ITI Group comprise the provision of certain management, sales and financial advisory services, rent of office premises and other services.

Directors of ITI Group provided consulting services to the Group.

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

	March 31, 2014	December 31, 2013
Trade receivables		
Canal+ Cyfrowy Group	15,371	10,040
Wydawnictwo Pascal	754	813
ITI Group	504	389
Onet Holding Group	251	1,657
	16,880	**12,899**

	March 31, 2014	December 31, 2013
Trade payables		
ITI Group	13,619	13,819
Canal+ Cyfrowy Group	5,005	5,956
Onet Holding Group	1,551	1,608
Wydawnictwo Pascal	11	41
	20,186	**21,424**

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Lease commitments with related parties

See Note 13 for further details.

(v) Other

As of December 31, 2013 the Group issued guarantees in the total amount of 215,207 on the Group's behalf relating to the liabilities of Canal+ Cyfrowy Group, all these guarantees have been cancelled by March 31, 2014. During the three months ended March 31, 2014 the Group recorded finance income related to these guarantees of 258 (the three months ended March 31, 2013: 961).

As of March 31, 2014 ITI Holdings has provided guarantees in the total amount of USD 3,559 (December 31, 2013: USD 3,559) in respect of programming rights purchased and broadcasted by the Group. During the three months ended March 31, 2014 the Group recorded finance costs related to ITI Holdings guarantees of 61 (the three months ended March 31, 2013: 201).

17. LONG TERM INCENTIVE PLAN

On November 7, 2013 the Supervisory Board of the Company approved a five year management incentive and retention plan effective January 1, 2014 ("Long Term Incentive Plan", "LTIP", the "Plan"). The Plan has been designed to incentivize management to create short and mid-term value in excess of management expectations and as part of any change of control transaction which may occur, and to retain the present management board over the term of the Plan. The Plan is divided into three components:

- Retention component,
- Performance component and
- Transaction component

The management is entitled to a minimum payment of 21,000 up to a theoretical maximum of 63,000 under the first two components of the Plan. The actual amount paid will depend on continuous employment in the period 2014 – 2018, and exceeding certain short and mid-term performance targets as defined by the Supervisory Board. Any payments under the plan have been limited to the earlier of statutory retirement or death or disability, change of control date, or the end of the Plan term. At the end of each reporting period the liability related to the Plan will be estimated based on current expectations towards meeting the performance criteria and the respective portion attributable to a particular period will be expensed. Staff expenses for the three months ended March 31, 2014 include an expense related to the first two components of the Plan in the total amount of 1,445 (the three months ended March 31, 2013: nil, see Note 6).

Under the transaction component of the Plan, the management is entitled to an excess transaction value payment in the event of a change of control over the Company within 2014 - 2018. The payment will amount to 5% of any excess Company value over the anticipated Company value with any payment capped at 42,000. This component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component will be measured at each balance sheet date at fair value. The change in fair value of this liability will be reflected in the consolidated income statement for the period. As of March 31, 2014 the fair value of the liability was estimated at nil (December 31, 2013: nil).

18. SHARE-BASED PAYMENTS

Share options were granted to certain Management Board members, employees and co-workers who are of key importance to the Group. Share options were granted under two share option plans:

(i) TVN Incentive Scheme I introduced on December 27, 2005,

(ii) TVN Incentive Scheme II introduced on July 31, 2006 as part of the acquisition of Grupa Onet.pl.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The stock option plan was service related.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows (not in thousands)

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 11.00	**6,508,873**	PLN 10.88	**9,126,602**
Exercised	PLN 11.06	(1,710,981)	-	-
At 31 March	PLN 10.97	**4,797,892**	PLN 10.88	**9,126,602**

The remaining options are exercisable at the prices indicated below (not in thousands):

Series	**Number of options**	**Exercise price**	**Service vesting period**
C1	140,815	PLN 8.66	Vested
C2	496,870	PLN 9.58	Vested
C3	1,076,321	PLN 10.58	Vested
E1	32,590	PLN 8.66	Vested
E2	64,650	PLN 9.58	Vested
E3	457,730	PLN 10.58	Vested
E4	2,528,916	PLN 11.68	Vested
	4,797,892		

The TVN Incentive Schemes expire on December 31, 2014.

Between April 1, 2014 and the date when these interim condensed consolidated financial statements were prepared 984,816 (not in thousands) of C1, C2, C3, E2, E3 and E4 series options were exercised and as a result 984,816 (not in thousands) new ordinary shares were issued.

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

19. FINANCIAL RISK MANAGEMENT

19.1. 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 Adjusted EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 9) payable at the reporting date including accrued interest less cash and cash equivalents and bank deposits with maturity over three months. Adjusted EBITDA is calculated for the last twelve months.

The Group defines EBITDA as profit/ (loss) for the period, 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 and income taxes. 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 profit/ (loss) for the period, 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.

The Group defines Adjusted EBITDA as EBITDA excluding impairment, share of profits/ (losses) of associates and one-off transactions but including dividends received from associates.

	Twelve months ended March 31, 2014	**Twelve months ended December 31, 2013**
Net debt	2,190,710	2,182,161
EBITDA	370,141	372,355
Share of losses of associates	49,762	45,711
Impairment of the investment in an associate	80,000	80,000
Dividends received from associates	7,439	7,439
Adjusted EBITDA	507,342	505,505
Net debt to Adjusted EBITDA ratio	4.3	4.3

This reported net debt to Adjusted EBITDA ratio is a key financial management ratio, irrespective of whether existing or future contractual leverage ratios vary. This ratio is used as a benchmark for external comparative purposes, and is an important criteria, factored in by management, when taking almost any decision related to both present and future investing and financing decisions, in particular when assessing the Group's ability to acquire, dispose or exchange assets, and when raising, repaying or refinancing external debt.

Subject to changes in EUR/ PLN foreign exchange rate and the impact of any possible strategic investment or financing opportunities, the Group's goal is to lower both its gross and net debt to Adjusted EBITDA ratios.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.2. 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 Vice-President of the Management Board also 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.

There were no changes in the risk management policies since December 31, 2013.

(i) Market risk

Market risk related to the Notes

The Notes are listed on the Luxembourg Stock Exchange. The price of the Notes 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 repayment options embedded in the Notes 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 Notes are carried at amortized cost. The Group is therefore not exposed to changes in the market price of the Notes.

Foreign currency risk

The Group's revenue is primarily denominated in Polish zloty ("PLN"). Foreign exchange risk arises mainly from the Group's liabilities in respect of the Notes, the Cash Loan 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. Other assets, liabilities and costs are predominantly denominated in PLN.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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. Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit/ loss for the period (post-tax) impact on balances as of March 31, 2014 and March 31, 2013 of a reasonably possible EUR appreciation of 5% against PLN, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 102,271 (a loss of 102,546 as of March 31, 2013) and is presented below:

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
The Notes including accrued interest	(97,239)	(131,896)
The Cash Loan	(3,819)	-
The Mortgage Loan	-	(4,311)
Trade payables	(240)	(748)
Other	(1,421)	(2,447)
Assets:		
Cash and cash equivalents	386	1,989
Trade receivables	62	31
Restricted cash	-	34,836
	(102,271)	**(102,546)**

The estimated profit/ loss for the period (post-tax) impact on balances as of March 31, 2014 and March 31, 2013 of a reasonably possible USD appreciation of 5% against PLN, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 1,529 (a loss of 2,511 as of March 31, 2013).

The profit/ loss for the period impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group.

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 Notes and the Cash Loan (see Note 9).

As the Notes are at a fixed interest rate, the Group is exposed to fair value interest rate risk in this respect if interest rates decline. Since the Notes are carried at amortized cost, the changes in fair values of these instruments do not have a direct impact on valuation of the Notes in the balance sheet.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Cash Loan bears interest at a variable rate linked to EURIBOR and therefore exposes the Group to interest rate risk if interest rates increase. As at March 31, 2014, if EURIBOR interest rates had been 50 b.p. higher/ lower with all other variables held constant, the post-tax profit for the period would have been 56 lower/ higher (December 31, 2013: the post-tax loss for the period would have been 61 higher/ lower).

The Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate risk as of March 31, 2014 and as of December 31, 2013.

(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 with financial institutions that the Group believes are credit worthy based on current credit ratings. 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. Customers 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 (84% of the total trade receivables as of March 31, 2014 and 82% of the total trade receivables as of December 31, 2013) 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 18% and the single largest advertiser accounted for 3% of sales for the three months ended March 31, 2014 (15% and 2%, respectively, of sales for the three months ended March 31, 2013). 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)	**March 31, 2014**	**December 31, 2013**
Receivables from advertising agencies	84%	82%
Receivables from individual customers	12%	14%
Receivables from related parties	4%	4%
	100%	**100%**

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

19. 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)	**March 31, 2014**	**December 31, 2013 ***
Agency A	14%	10%
Agency B	10%	10%
Agency C	9%	9%
Agency D	7%	5%
Agency E	6%	2%
Sub-total	**46%**	**36%**
Total other counterparties	54%	64%
	100%	**100%**

* 2013 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)	**March 31, 2014**	**December 31, 2013 ***
Agency Group F	32%	23%
Agency Group G	19%	19%
Agency Group H	13%	12%
Agency Group I	6%	9%
Agency Group J	4%	6%
Sub-total	**74%**	**69%**
Total other counterparties	26%	31%
	100%	**100%**

* 2013 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 March 31, 2014 and December 31, 2013.

(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 and share buyback, capital investment in television and broadcasting facilities and equipment, debt service on the Notes and the Cash Loan 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 March 31, 2014 the Group had cash and cash equivalents totalling 304,666 at its disposal (December 31, 2013: cash and cash equivalents totalling 398,484).

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's non-derivative * 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 repayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	Above 2 years
At March 31, 2014			
The Notes	175,784	175,784	3,137,972
The Cash Loan	23,602	22,936	53,885
Trade payables	122,974	11,334	-
Other liabilities and accruals	185,825	4,349	20,045
	508,185	**214,403**	**3,211,902**
At December 31, 2013			
The Notes	185,552	185,552	3,289,134
The Cash Loan	23,574	22,925	59,172
Trade payables	133,224	4,292	-
Other liabilities and accruals	163,561	7,307	20,417
Guarantees **	215,207	-	-
	721,118	**220,076**	**3,368,723**

* The Group's derivative financial instruments are in hedge relationships and are due to settle within one year of the balance sheet date. These contracts require undiscounted contractual cash outflows of 217,570 and undiscounted contractual cash inflows of 217,747 (December 31, 2013: undiscounted contractual cash outflows of 142,026 and undiscounted contractual cash inflows of 139,072).

** Guarantees issued on the Group's behalf relating to the liabilities of Canal+ Cyfrowy Group (see Note 16 (v)).

19.3. Fair value estimation

The fair value of foreign exchange forward contracts is determined based on valuations performed by the banks that hold the instruments.

The carrying value less impairment provision of trade receivables and trade payables is assumed to approximate their fair value due to the short-term nature of trade receivables and trade payables.

20. EVENTS AFTER THE REPORTING PERIOD

On April 11, 2014 the Annual General Shareholders' Meeting of the Company approved a share buyback program up to the amount of 500,000. Under the program the Company may acquire up to 34,000,000 (not in thousands) of the Company's shares constituting no more than 10% of the Company's share capital, the shares may be acquired up to December 31, 2015 and the minimum and maximum share acquisition price set in the program is 0.01 (not in thousands) and 30 (not in thousands) respectively. All shares acquired under the program will be redeemed.

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the “Company”) as of and for three months ended March 31, 2014, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed separate financial statements of TVN S.A. as of and for three months ended March 31, 2014 include: interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate balance sheet, interim condensed separate statement of changes in shareholders’ equity, interim condensed separate cash flow statement and notes to the interim condensed separate financial statements.

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. on May 13, 2013.

Markus Tellenbach President of the Board	John Driscoll Vice-President of the Board	Piotr Korycki Member of the Board
Maciej Maciejowski Member of the Board	Edward Miszczak Member of the Board	Adam Pieczyński Member of the Board
Piotr Tyborowicz Member of the Board		

Warsaw, May 13, 2014

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three months ended March 31, 2014

TVN S.A.

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

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue	**4**	304,855	309,058
Cost of revenue	**5**	(220,870)	(219,402)
Selling expenses	**5**	(14,947)	(11,704)
General and administration expenses	**5**	(31,795)	(31,326)
Other operating expenses, net		(422)	(748)
Operating profit		**36,821**	**45,878**
Interest income	**6**	4,919	5,303
Finance expense	**6**	(70,609)	(96,020)
Foreign exchange losses, net	**6**	(15,951)	(54,313)
Loss before income tax		**(44,820)**	**(99,152)**
Income tax credit	**13**	9,974	19,349
Loss for the period		**(34,846)**	**(79,803)**
Losses per share (not in thousands)			
- basic		(0,10)	(0.23)
- diluted		(0,10)	(0.23)

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

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

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Loss for the period		**(34,846)**	**(79,803)**
Other comprehensive income reclassifiable to income statement when specific conditions are met:			
Cash flow hedge - foreign exchange forward contracts		1,440	922
Available for sale financial assets		52	454
Income tax relating to components of other comprehensive loss	**13**	(283)	(261)
Other comprehensive income for the period, net of tax		1,209	1,115
Total comprehensive loss for the period		**(33,637)**	**(78,688)**

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

	Note	As at March 31, 2014	As at December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment		378,545	386,850
Goodwill		144,127	144,127
Other intangible assets		49,933	51,919
Non-current programming rights		147,473	155,124
Investments in subsidiaries, associates and joint ventures	**7**	4,227,358	4,227,358
Non-current related party loans	**15 (v)**	68,169	68,343
Deferred tax asset	**13**	284,910	277,399
Other non-current assets		1,951	1,064
		5,302,466	**5,312,184**
Current assets			
Current programming rights		246,660	244,250
Trade receivables		178,080	152,742
Current related party loans	**15 (v)**	6,895	5,090
Available-for-sale financial assets	**8**	34,492	42,435
Derivative financial assets		1,315	-
Prepayments and other assets		27,860	37,479
Corporate income tax receivable		508	1,942
Cash and cash equivalents		101,120	99,177
		596,930	**583,115**
TOTAL ASSETS		**5,899,396**	**5,895,299**
EQUITY			
Shareholders' equity			
Share capital	**9**	69,641	69,299
Share premium		763,923	726,853
8% obligatory reserve		23,301	23,301
Other reserves		53,344	70,654
Accumulated profit		2,037,942	2,072,788
		2,948,151	**2,962,895**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**10, 15 (iii)**	2,293,469	2,421,008
Non-current Cash Loan and Mortgage Loan	**10**	72,366	77,079
Non-current trade payables		11,335	4,292
Other non-current liabilities		11,972	14,516
		2,389,142	**2,516,895**
Current liabilities			
Current trade payables		120,837	131,469
Derivative financial liabilities		999	1,445
Current Cash Loan and Mortgage Loan	**10**	20,857	20,736
Accrued interest on borrowings	**10, 15 (iii)**	99,659	50,963
Cash pooling liabilities	**15 (vii)**	213,408	75,149
Other liabilities and accruals	**11**	106,343	135,747
		562,103	**415,509**
Total liabilities		**2,951,245**	**2,932,404**
TOTAL EQUITY AND LIABILITIES		**5,899,396**	**5,895,299**

The accompanying notes are an integral part of these interim condensed 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, 2014	**346,494,150**	**69,299**	**726,853**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**
Total comprehensive income/ (loss) for the period	-	-		-	-	1,209	(34,846)	(33,637)
Issue of shares (1)	1,710,981	342	37,100	-	(18,519)	-	-	18,923
Share issue cost (2)	-	-	(30)	-	-	-	-	(30)
Balance at March 31, 2014	**348,205,131**	**69,641**	**763,923**	**23,301**	**52,379**	**965**	**2,037,942**	**2,948,151**

(1) During the three months ended March 31, 2014 1,710,981 (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 (the three months ended March 31, 2013: nil, see Note 17)

(2) Costs related to service of share options plan.

Included in accumulated profit as of March 31, 2014 is an amount of 2,036,112 which is distributable. The 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (See the consolidated 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, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**-**	**2,462,103**	**3,324,773**
Total comprehensive (loss)/ income for the period	-	-	-	-	-	1,115	(79,803)	(78,688)
Balance at March 31, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**1,115**	**2,382,300**	**3,246,085**

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

TVN S.A.
Interim Condensed Separate Cash Flow Statements
(Expressed in PLN, all amounts in thousands, except as otherwise stated)

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Operating activities			
Cash generated from operations	**12**	27,314	37,370
Tax received / (paid)	**13**	2,180	(4,567)
Net cash generated from operating activities		**29,494**	**32,803**
Investing activities			
Proceeds from sale of subsidiaries		-	38,005
Payments to acquire property, plant and equipment		(23,999)	(41,718)
Proceeds from sale of property, plant and equipment		909	490
Payments to acquire intangible assets		(2,335)	(3,413)
Purchase of available-for-sale financial assets			(78,150)
Proceeds from the Available-for-sale financial assets	**8**	8,778	-
Loans granted to subsidiary	**15 (v)**	(150)	(5,760)
Interest received		806	1,690
Net cash used in investing activities		**(15,991)**	**(88,856)**
Financing activities			
Issue of shares, net of issue cost		18,893	
Mortgage Loan		-	(2,172)
Cash pooling with TVN Media		138,259	18,230
Repayment of the Cash Loan	**10**	(5,268)	-
Bank charges		(1,628)	-
Repayment of the loan from subsidiary	**15(iii)**	(155,349)	-
Restricted cash		-	74,264
Interest paid		(6,591)	-
Net cash (used in)/generated from financing activities		**(11,684)**	**90,322**
(Decrease)/ increase in cash and cash equivalents		**1,819**	**34,269**
Cash and cash equivalents at the start of the period		99,177	163,671
Effects of exchange rates changes		124	2,690
Cash and cash equivalents at the end of the period		**101,120**	**200,630**

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

1. GENERAL INFORMATION

These interim condensed separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 13, 2014.

TVN S.A. (the "Company", 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 has its registered office at 166 Wiertnicza Street, 02-952 Warsaw, Poland.

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 the largest media and entertainment group in Poland.

The Company and its subsidiaries (the Group) are the leading integrated Polish media group, active in television broadcasting and production, as well as teleshopping. The Company operates eight television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN 24 Biznes i Świat, the Company's subsidiaries operate two television channels and one teleshopping channel in Poland: NTL Radomsko, TTV and Telezakupy Mango 24. The Group's channels broadcast news, information and entertainment shows, series, movies and teleshopping. The Company together with Groupe Canal+ S.A. ("Canal+ Group") operate a Polish leading premium direct-to-home ("DTH") digital satellite platform nC+, which offers technologically advanced pay television services. The Company (through its subsidiary TVN Online Investments Holding) in its online activities is a partner to Ringier Axel Springer Media AG ("RAS"), which through Grupa Onet.pl S.A. operates Onet.pl, the leading internet portal in Poland.

Advertising and sponsoring sales in Poland tend to be lowest during the third quarter of each calendar year, which includes the summer holiday period, and highest during the fourth quarter of each calendar year. Revenue from subscription fees tends to be evenly spread between the quarters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed separate financial statements as of and for the three months ended March 31, 2014 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2013 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards, amendments to standards or IFRIC interpretations effective from January 1, 2014 are not relevant for the Company or do not have significant impact on the Company's separate financial statements.

These interim condensed 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 interim condensed separate financial statements should be read together with the interim condensed 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 interim condensed consolidated financial statements for period ended March 31, 2014 are published together with these interim condensed separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

3. 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.

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 associate nC+

Investment in associate nC+ is 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. Investment in associate nC+ is a separate cash generating unit.

As of March 31,2014 and December 31, 2013 the Company did not identify any indicators for impairment of its investment in associate nC+.

(ii) Deferred tax assets and liabilities

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.

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, 2013: 403,710) 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.

As at March 31, 2014 the Company also did not recognize a deferred tax asset on tax loss carry-forwards of 426,037 (December 31, 2013: 426,037). Tax loss carry-forwards expire within five tax years. The related deferred tax asset in the amount of 80,947 (December 31, 2013: 80,947) was not recognized as the Company concluded that as at March 31, 2014 the realization of the related tax benefit is not probable.

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

4. REVENUE

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue from advertising	205,274	212,702
Subscription fees	52,615	54,952
Revenue from sponsoring	31,292	25,185
Revenue from sales of services	5,797	7,572
Other revenue	9,877	8,647
	304,855	**309,058**

Subscription fees include mainly subscriptions receivable from DTH and cable operators. Other revenue includes mainly audiotele revenues, rental revenues and sales of licenses.

5. OPERATING EXPENSES

	Three months ended March 31, 2014	Three months ended March 31, 2013
Amortization of locally produced content	98,893	92,748
Amortization of acquired programming rights and co-production	40,709	36,845
Staff expenses	29,837	29,262
Royalties	25,529	25,443
Depreciation and amortization	15,975	20,493
Marketing and research	13,880	10,810
Broadcasting expenses	12,040	14,946
Cost of services sold	6,020	5,557
Rental	4,851	6,724
Impaired accounts receivable	70	169
Other	19,808	19,435
	267,612	**262,432**

Included in the above operating expenses are operating lease expenses for the three months ended March 31, 2014 of 18,845 (three months ended March 31,2013: 23,189).

Included in the above staff expenses for the three months ended March 31, 2014 is a Long Term Incentive Plan expense of 1,445 (the three months ended March 31, 2013: nil, see Note 16).

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

6. INTEREST INCOME, FINANCE EXPENSE AND FOREIGN EXCHANGE LOSSES, NET

Interest income	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Interest income on loans to related parties (see Note 15 (v))	1,481	705
Interest income on foreign exchange forward contracts – cash flow hedges	297	-
Interest income on available for sale financial assets	746	-
Income from guarantee fees from related parties (see Note 15 (viii))	1,878	3,019
Other interest income	517	1,579
	4,919	**5,303**

Finance expense		
Interest expense on loans from related parties (see Note 15 (iii))	(53,325)	(90,064)
Interest expense on cash pooling transactions (see Note 15 (vii))	(2,451)	(2,222)
Interest expense on the Mortgage Loan (see Note 10)	-	(756)
Interest expense on the Cash Loan (see Note 10)	(760)	-
Interest expense on foreign exchange forward contracts – cash flow hedges	(720)	(261)
Premium on early repayment of the loan from the related party (see Note 10)	(8,660)	-
Unamortized debt issuance costs of the Loans from related parties written off on early repayment (see Note 10)	(3,004)	-
Guarantee fees to related parties (see Note 15 (viii))	(61)	(201)
Bank and other charges	(1,628)	(2,516)
	(70,609)	**(96,020)**

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

6. INTEREST INCOME, FINANCE EXPENSE AND FOREIGN EXCHANGE LOSSES, NET (CONTINUED)

Foreign exchange (losses)/gains, net	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Foreign exchange losses on loans from related parties, including:	(16,646)	(69,447)
- unrealized foreign exchange losses on loans from related parties	*(7,848)*	*(69,447)*
- realized foreign exchange losses on loans from related parties	*(8,798)*	-
Other foreign exchange gains, net	695	15,134
	(15,951)	**(54,313)**

Finance expense and foreign exchange losses, net for the three months ended March 31, 2014 include costs of early repayment of the loans being premium on early repayment of 8,660, write-off of the unamortized balance of debt issuance costs of the loans from related parties of 3,004 and realized foreign exchange loss of 8,798.

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

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	March 31, 2014	December 31, 2013
TVN Media Sp. z o.o.	2,393,111	2,393,111
Canal+ Cyfrowy S.A.	1,556,160	1,556,160
TVN Online Investments Holding B.V.	250,563	250,563
Mango Media Sp. z o.o.	18,862	18,862
Other investment in subsidiaries and joint ventures	8,662	8,662
Total	**4,227,358**	**4,227,358**

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

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Country of incorporation	March 31, 2014 Ownership %	December 31, 2013 Ownership %
Subsidiaries			
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
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
TVN Online Investments Holding B.V.	The Netherlands	100	100
TVN Holding S.A.	Poland	100	100
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	51	51
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Associates			
Canal+ Cyfrowy Group (1)	Poland	32	32
Onet Holding Group (2)	Poland	25	25

(1) Canal+ Cyfrowy Group includes Canal+ Cyfrowy S.A., its subsidiaries (ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), Cyfrowy Dom Sp. z o.o., Neovision UK Ltd, DTH Poland Holding B.V.) and a joint venture (MGM Chanel Poland Ltd)

(2) Investment in Onet Holding Group held by TVN Online Investments Holding B.V., Onet Holding Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., OnetMarketing Sp. z o.o. (up to July 11, 2013 SunWeb Sp. z o.o.), OnetMarketing Spółka z o. o. S.K.A. GoBrands Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

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

8. AVAILABLE FOR SALE FINANCIAL ASSETS

	March 31, 2014	December 31, 2013
Balance at the beginning of the period	42,435	-
Acquisition of the Notes	-	206,922
Interest income accrued	746	5,313
Interest income received	(230)	(4,783)
Foreign exchange differences	267	(213)
Cost of acquisitions of the Notes	-	845
Redemption of the Notes	(8,778)	(165,890)
Fair value change credited/ (charged) to other comprehensive income	52	241
Balance at the end of the period	**34,492**	**42,435**

On March 20, 2014 7.875% Senior Notes due 2018 with a nominal value of EUR 1,980 were repaid for an amount of EUR 2,152 (including accrued interest) and redeemed.

Fair values of the remaining Notes reflect their market price quoted by Reuters based on the last value date on March 31, 2014 and December 31,2013 (quoted price in active market - Level 1 in fair value hierarchy). The difference between the amortised cost and the fair value of the Notes purchased by the Company was recognized in other comprehensive income.

9. 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 March 31, 2014 was 348,205,131 (December 31, 2013: 346,494,150) 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:

	March 31, 2014		December 31, 2013	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. [(1)] [(2)]	180,355,430	51.80%	180,355,430	52.05%
ITI Holdings	5,415,781	1.56%	-	-
Cadizin Trading&Investment [(1)]	-	-	5,415,781	1.56%
Other shareholders	162,433,920	46.64%	160,722,939	46.39%
Total	**348,205,131**	**100.00%**	**346,494,150**	**100.00%**

[(1)] Entities controlled by ITI Group.

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

Included in the total number of shares in issue as at March 31, 2014 held by other shareholders are 649,923 shares of C1, C2, C3, E1, E2, E3 and E4 series not registered by the Court (December 31, 2013: 718,848 shares of C2, C3, E1, E2, E3 and E4 series). Number of shares held by each shareholder is the same as the number of votes.

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

10. BORROWINGS

	March 31, 2014	December 31, 2013
Loans from related parties (see Note 15 (iii))	2,293,469	2,421,008
Interest accrued on loans from related parties (see Note 15 (iii))	99,215	50,490
The Cash Loan	93,223	97,815
Interest accrued on the Cash Loan	444	473
	2,486,351	**2,569,786**
Less: current portion of borrowings	(120,516)	(71,699)
Non-current portion of borrowings	**2,365,835**	**2,498,087**

The Revolving Credit Facility and the Cash Loan

On June 10, 2013 the Company entered into an agreement with Bank Pekao S.A. pursuant to which the bank provided the Company with a Revolving Credit Facility in the amount of 300,000 and granted a Cash Loan in the amount of EUR 25,000.

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of March 31, 2014 the Revolving Credit Facility was used by the Company only for the bank guarantees issued at 7,925 (December 31, 2013: 7,984).

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank’s margin and is carried at amortized cost using an effective interest rate of 3.9%. The Cash Loan and interest are repaid in quarterly instalments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

The Revolving Credit Facility and the Cash Loan are secured by a mortgage on MBC Building and on the set of all receivables of the Company and TVN Media with registered and financial pledge and with assignment on collateral. The Revolving Credit Facility and the Cash Loan are also secured by the assignment of insurance policies of MBC Building and of insurance of receivables of the Company and TVN Media. The Revolving Credit Facility and the Cash Loan are also fully guaranteed by Group’s subsidiaries that are guarantors of the Notes.

The Revolving Credit Facility and the Cash Loan mature within four years starting from the date of conclusion of the agreement.

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

11. OTHER LIABILITIES AND ACCRUALS

	March 31, 2014	**December 31, 2013**
VAT and other taxes payable	25,676	44,414
Employee benefits	25,456	26,783
Accrued production costs	12,131	20,703
Satellites	6,526	4,529
Sales and marketing related costs	754	715
Deferred income	283	546
Other liabilities and accrued costs	35,517	38,057
	106,343	**135,747**

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

12. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Three months ended March 31, 2014	Three months ended March 31, 2013
Loss for the period		(34,846)	(79,803)
Tax benefit	**13**	(9,974)	(19,349)
Depreciation and amortization	**5**	15,975	20,493
Amortization of acquired program rights and co-production	**5**	40,709	36,845
Payments to acquire programming rights		(17,914)	(35,738)
Impaired accounts receivable	**5**	70	169
Loss on sale of property, plant and equipment		96	179
Interest income	**6**	(4,919)	(2,284)
Finance expense	**6**	70,609	93,001
Foreign exchange losses, net	**6**	15,951	54,313
Guarantee fee		(61)	(201)
Change in local production balance		416	(2,595)
Changes in working capital:			
Trade receivables		(25,408)	(29,715)
Prepayments and other assets		7,361	1,469
Trade payables		1,339	13,747
Other short term liabilities and accruals		(32,090)	(13,161)
		48,798	(27,660)
Cash generated from operations		**27,314**	**37,370**

Non-cash transactions

Barter revenue, net		74	257

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

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

13. TAXATION

	Three months ended March 31, 2014	Three months ended March 31, 2013
Current tax credit	2,180	-
Deferred tax credit	7,794	19,349
	9,974	**19,349**

Reconciliation of accounting loss to tax benefit

Loss before income tax	**(44,820)**	**(99,152)**
Income tax charge at the enacted statutory rate of 19%	8,516	18,839
Impact of previous years' tax returns corrections	2,180	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(722)	510
Tax for the period	**9,974**	**19,349**

The tax authorities may at any time inspect the books and records within five 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.

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.
Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences and tax loss carry-forwards can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of deductible temporary differences and tax losses. The deferred tax amounts were calculated using the enacted tax rate of 19% as at March 31, 2014.
Deferred tax assets not recognized are disclosed in Note 3 (ii).

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

14. 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 March 31, 2014. These commitments are scheduled to be paid as follows:

	March 31, 2014	December 31, 2013
Due in one year	39,424	79,917
Due in two years	79,170	62,992
Due in three years	77,425	46,920
Due in four years	43,666	16,978
Due in five years	8,861	-
	248,546	**206,807**

(ii) Total future minimum payments relating to operating lease agreements signed as at March 31, 2014:

Total future minimum payments relating to operating lease agreements signed as at March 31, 2014 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in one year	666	7,912	8,578
Due in two years	-	7,007	7,007
Due in three years	-	4,337	4,337
	666	**19,256**	**19,922**

Total future minimum payments relating to operating lease agreements signed as at December 31, 2013 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in one year	371	10,853	11,224
Due in two years	-	6,943	6,943
Due in three years	-	4,297	4,297
	371	**22,093**	**22,464**

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

14. 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") and Grupa Onet.pl. Poland Media Properties is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at March 31, 2014 and December 31, 2013 respectively.

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 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:

	March 31, 2014	December 31, 2013
Due in one year	20,846	29,243
Due in two years	32,222	32,036
Due in three years	32,077	31,892
Due in four years	31,733	31,550
Due in five years	14,882	14,796
	131,760	**139,517**

Additionally, the Company leases transmission sites and related services for an annual amount of 12,805 (the year ended December 31, 2013: 12,805).

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

15. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2014	Three months ended March 31, 2013
TVN Media Sp. z o.o.	243,018	243,514
Canal+ Cyfrowy	15,182	21,692
Stavka Sp. z o.o.	3,017	2,233
ITI Group	619	736
Mango Media	322	334
Onet Holding Group	74	734
El-Trade	32	31
NTL Radomsko	20	-
Tivien	12	12
	262,296	**269,286**

Revenue from TVN Media Sp. z o.o. includes mainly revenue from sale of airtime, sponsorship, product placement.

Revenue from Canal+ Cyfrowy Group includes mainly subscription fees and revenue from technical services rendered.

Multikino Group ceased to be a related party of the Company on September 30, 2013. Transactions with Multikino Group are included within transactions with ITI Group up to September 30, 2013.

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

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Three months ended March 31, 2014	Three months ended March 31, 2013
TVN Media Sp. z o.o.	27,609	24,616
ITI Group	8,126	5,588
Tivien	2,870	2,934
Onet Holding Group	834	778
Canal+ Cyfrowy Group	364	422
El-Trade	82	86
Stavka Sp. z o.o.	25	7
NTL Radomsko	1	349
Directors of ITI Group	-	1,023
	39,911	**35,803**

Operating expenses from TVN Media Sp. z o.o. include mainly marketing services and license fees.

Operating expenses from ITI Group comprise the provision of certain management, sales, financial advisory, rent of office premises and other services.

Directors of ITI Group provided consulting services to the Company.

(iii) Loans from related parties

	March 31, 2014	December 31, 2013
Loans from TVN Finance Corporation III AB	571,966	710,099
TVN Media Sp. z o.o.	1,721,503	1,710,908
Interest accrued	99,215	50,490
	2,392,684	**2,471,497**

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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 9.9%.On March 10, 2014 EUR 35,000 of the principal amount of the loan has been repaid together with accrued interest and premium to early repayment.

On September 16, 2013 TVN Finance Corporation III AB, the Company's subsidiary, issued 7.375% Senior Notes due 2020 in the aggregate principal amount of EUR 430,000. Following the issue of 7.375% Senior Notes due 2020, TVN Finance Corporation III AB granted to TVN Media, the Company's subsidiary, a loan with the nominal of EUR 430,000 and TVN Media granted to the Company a loan with the nominal of EUR 430,000, bearing base interest at 8.275% p.a. and due for repayment on December 15, 2030. According to the agreement the Company may postpone interest payments, in such cases the interest rate will be increased accordingly. The loan is carried at amortized cost using an effective interest rate of 8.7%.

During the year ended December 31, 2013 EUR 7,000 of the principal amount of the loan has been repaid and nominal interest has been increased to 8.447% p.a.

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

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	March 31, 2014	December 31, 2013
Trade receivables:		
TVN Media Sp. z o.o.	133,889	112,467
Canal+ Cyfrowy Group	15,328	9,896
Stavka Sp. z o.o.	3,410	1,776
ITI Group	533	419
Mango Media	115	157
NTL-Radomsko	67	-
Onet Holding Group	63	49
El-Trade	13	13
Tivien	4	4
	153,422	**124,781**
Trade payables:		
TVN Media Sp. z o.o.	26,179	23,479
ITI Group	13,217	13,456
Canal+ Cyfrowy Group	1,902	2,034
Onet Holding Group	349	580
Tivien	1,102	744
El-Trade	39	43
NTL-Radomsko	1	-
Stavka Sp. z o.o.	1	7
Mango Media	-	30
	42,790	**40,373**

(v) Related party loans

	March 31, 2014	December 31, 2013
Stavka Sp. z o.o.	59,458	58,258
TVN Online Investments Holding B.V.	52	51
Mango Media	15,301	15,024
NTL-Radomsko	253	100
	75,064	**73,433**

Loans granted to Stavka Sp. z o.o. have total nominal value of 53,456 (December 31, 2013: 53,456), bear interest between 7.5% and 9.1% and mature between September 22, 2014 and July 30, 2017.
Loan granted to Mango Media has nominal value of 15,000 (December 31, 2013: 15,000), bears interest between 7.47% and mature on December 31, 2016.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Lease commitments with related parties

See Note 14 (ii) for further details.

(vii) Cash pooling liabilities

During the three months ended March 31, 2014 the Company recorded finance cost from cash pooling transactions with TVN Media of 2,451 (the three months ended March 31, 2013: 2,222). Cash pooling liabilities amount to 213,408 (75,149 at December 31, 2013).

(viii) Other

As of December 31, 2013 the Company issued guarantees in amount of 215,207 on the Company's behalf relating to the liabilities of Canal+ Cyfrowy Group, all these guarantees have been cancelled by March 31, 2014.

As of March 31, 2014 the Company issued guarantees in amount of 90,000 relating to the liabilities of TVN Media (December 31, 2013: 90,000). During three months ended March 31, 2014 the Company recorded finance income related to these guarantees of 1,878 (during three months ended March 31, 2013: 3,019).

As of March 31, 2014 ITI Holdings has provided guarantees in the total amount of USD 3,559 (December 31, 2013: USD 3,559) in respect of programming rights purchased and broadcasted by the Company. During the three months ended March 31, 2014 the Company recorded finance costs related to ITI Holdings guarantees of 61 (the three months ended March 31, 2013: 201).

16. LONG TERM INCENTIVE PLAN

On November 7, 2013 the Supervisory Board of the Company approved a five year management incentive and retention plan effective January 1, 2014 ("Long Term Incentive Plan", "LTIP", the "Plan"). The Plan has been designed to incentivize management to create short and mid-term value in excess of management expectations and as part of any change of control transaction which may occur, and to retain the present management board over the term of the Plan. The Plan is divided into three components:

- Retention component,
- Performance component and
- Transaction component

The management is entitled to a minimum payment of 21,000 up to a theoretical maximum of 63,000 under the first two components of the Plan. The actual amount paid will depend on continuous employment in the period 2014 – 2018, and exceeding certain short and mid-term performance targets as defined by the Supervisory Board. Any payments under the plan have been limited to the earlier of statutory retirement or death or disability, change of control date, or the end of the Plan term. At the end of each reporting period the liability related to the Plan will be estimated based on current expectations towards meeting the performance criteria and the respective portion attributable to a particular period will be expensed. Staff expenses for the three months ended March 31, 2014 include an expense related to the first two components of the Plan in the total amount of 1,445 (the three months ended March 31, 2013: nil, see Note 5).

Under the transaction component of the Plan, the management is entitled to an excess transaction value payment in the event of a change of control over the Company within 2014 - 2018. The payment will amount to 5% of any excess Company value over the anticipated Company value with any payment capped at 42,000. This component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component will be measured at each balance sheet date at fair value. The change in fair value of this liability will be reflected in the income statement for the period. As of March 31, 2014 the fair value of the liability was estimated at nil (December 31, 2013: nil).

17. SHARE-BASED PAYMENTS

Share options were granted to certain Management Board members, employees and co-workers who are of key importance to the Group. Share options were granted under two share option plans:

(i) TVN Incentive Scheme I introduced on December 27, 2005,

(ii) TVN Incentive Scheme II introduced on July 31, 2006 as part of the acquisition of Grupa Onet.pl.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The stock option plan was service related.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows (not in thousands):

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 11.00	**6,508,873**	PLN 10.88	**9,126,602**
Exercised	PLN 11.06	(1,710,981)	-	-
At 31 March	PLN 10.97	**4,797,892**	PLN 10.88	**9,126,602**

The remaining options are exercisable at the prices indicated below (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	140.815	PLN 8.66	Vested
C2	496.870	PLN 9.58	Vested
C3	1.076.321	PLN 10.58	Vested
E1	32.590	PLN 8.66	Vested
E2	64.650	PLN 9.58	Vested
E3	457.730	PLN 10.58	Vested
E4	2.528.916	PLN 11.68	Vested
	4,797,892		

The TVN Incentive Schemes expire on December 31, 2014.

Between April 1, 2014 and the date when these interim condensed separate financial statements were prepared 984,816 (not in thousands) of C1, C2, C3, E2, E3 and E4 series options were exercised and as a result 984,816 (not in thousands) new ordinary shares were issued.

18. FINANCIAL RISK MANAGEMENT

18.1 Capital risk management

The Company's objectives when managing capital risk 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 Adjusted EBITDA ratio at consolidated level. For the calculation and analysis of the net debt to Adjusted EBITDA ratio please refer to the consolidated financial statements.

18.2 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 Vice-President of the Management Board also 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

There were no changes in the risk management policies since December 31, 2013.

(i) Market risk

Market risk related to bonds issued by the Company's subsidiary

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.

On September 16, 2013 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 430,000 Senior Notes with an annual interest rate of 7.375% ("7.375% Senior Notes") which are listed on the Luxembourg Stock Exchange.

The cash proceeds obtained from the issuance of the Notes by the Company's subsidiary were transferred to the Company through the loans from related parties (see Note 15 (iii)). The Company does not account for the early prepayment options embedded in the Notes and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

Foreign currency risk

The Company's revenue is primarily denominated in Polish zloty ("PLN"). Foreign exchange risk arises mainly from the Company's liabilities in respect of the loans from related parties and Cash Loan and the Company's assets in respect of loans to subsidiaries, cash and cash equivalents and available-for-sale financial assets, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner 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. Regular and frequent reporting to management is required for all transactions and exposures.

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated result for the period (post-tax) impact on balances as of March 31, 2014 and March 31, 2013 of a reasonably possible EUR appreciation of 5% against the Polish zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 103,063 (a loss of 105,682 as of March 31, 2013) and is presented below:

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
Loans from subsidiaries including accrued interest	(99,130)	(135,226)
Mortgage Loan	-	(4,311)
Cash Loan	(3,819)	-
Trade payables	(234)	(622)
Other	(1,421)	(1,600)
Assets:		
Available-for-sale financial assets	1,397	3
Restricted cash	-	34,836
Cash and cash equivalents	118	1,213
Trade receivables	26	25
	(103,063)	**(105,682)**

The estimated result for the period (post-tax) impact on balances as of March 31, 2014 and March 31, 2013 of a reasonably possible USD appreciation of 5% against the Polish zloty, with all other variables held constant, and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 1,596 (a loss of 2,599 as of March 31, 2013).

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 loans from related parties, the loans to subsidiaries (see Note 15 (v)), the available-for-sale monetary financial assets and the Cash Loan.

As loans from related parties are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect if interest rates decline. Since loans from related parties are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of loans from related parties in the balance sheet.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

As of March 31, 2014 the Company had available-for-sale monetary financial assets at carrying value of 34,492 (December 31, 2013: 42,435) which are exposed to fair value interest rate risk. The carrying value of these instruments is based on a price quoted by Reuters. If the price as at March 31, 2014 had been 50 b.p. higher/ lower, the other comprehensive income would have been 128 higher/lower (December 31, 2013: the other comprehensive loss would have been 160 lower/ higher). Details of available-for-sale financial assets held by the Company are disclosed in Note 8.

The Cash Loan bears interest at a variable rate linked to EURIBOR and therefore exposes the Company to interest rate risk if interest rates increase. As at March 31, 2014, if EURIBOR interest rates had been 50 b.p. higher/ lower with all other variables held constant, the post-tax profit for the period would have been 56 lower/ higher (December 31, 2013: the post-tax loss for the period would have been 61 higher/ lower).

The Company did not consider it cost effective to hedge or otherwise seek to reduce interest rate risk as of March 31, 2014 and as of December 31, 2013.

(ii) Credit risk

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of trade receivables, related party receivables, loans granted to subsidiaries and available-for-sale financial assets. The Company places its cash and cash equivalents with financial institutions that the Company believes are credit worthy based on current credit ratings. The Company does not consider its current concentration of credit risk as significant.

The available-for-sale financial assets are issued by the Company's subsidiary and guaranteed by the Company, thus in effect the credit risk resulting from those assets is the Company's own credit risk.

The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Customers 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 is made through TVN Media (75% of the total trade receivables as of March 31, 2014) and relate to sales made through advertising agencies that manage advertising campaigns for advertisers and pay TVN Media once payment has been received from the customer. Therefore these interim condensed separate financial statements should be read together with the interim condensed 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.

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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)	**March 31, 2014**	**March 31, 2013**
Receivables from other customers	15%	13%
Receivables from related parties	85%	87%
- TVN Media Sp. z o.o	75%	76%
- Canal+ Cyfrowy Group	8%	7%
- Other related parties	2%	4%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the analysis 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 March 31, 2014.

(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 and share buyback, capital investment in television and broadcasting facilities and equipment, debt service through its subsidiaries of 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018, the launch of new thematic channels and internet services and investment in its subsidiaries. The Company 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 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 March 31, 2014 the Company had cash and cash equivalents totaling 101,120 at its disposal (December 31, 2013: 99,177).

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Company's non-derivative * 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 March 31, 2014			
Loans from subsidiaries	198,714	198,714	2,859,239
The Cash Loan	23,602	22,936	53,885
Trade payables	120,837	11,335	-
Cash pooling liabilities	213,408	-	-
Other liabilities and accruals	110,008	3,135	11,706
Guarantees	97,925	-	-
	764,494	**236,120**	**2,924,830**
At December 31, 2013			
Loans from subsidiaries	210,237	210,237	4,836,802
The Cash Loan	23,574	22,925	59,172
Trade payables	131,469	4,292	-
Cash pooling liabilities	75,149	-	-
Other liabilities and accruals	108,418	6,112	11,706
Guarantees**	313,086	-	-
	861,933	**243,566**	**4,907,680**

* The Company's derivative financial instruments are in hedge relationships and are due to settle within one year of the balance sheet date. These contracts require undiscounted contractual cash outflows of 196,557 and undiscounted contractual cash inflows of 196,890 (December 31, 2013: undiscounted contractual cash outflows of 121,013 and undiscounted contractual cash inflows of 118,336).

** Guarantees include guarantees issued on the Company's behalf relating to the liabilities of Canal+ Cyfrowy Group (see Note 15 (viii)).

18.3 Fair value estimation

The fair value of foreign exchange forward contracts is determined based on valuations performed by the banks that hold the instruments.

The carrying value less impairment provision of trade receivables and trade payables is assumed to approximate their fair value due to the short-term nature of trade receivables and trade payables.

19. EVENTS AFTER THE REPORTING PERIOD

On April 11, 2014 the Annual General Shareholders' Meeting of the Company approved a share buyback program up to the amount of 500,000. Under the program the Company may acquire up to 34,000,000 (not in thousands) of the Company's shares constituting no more than 10% of the Company's share capital, the shares may be acquired up to December 31, 2015 and the minimum and maximum share acquisition price set in the program is 0.01 (not in thousands) and 30 (not in thousands) respectively. All shares acquired under the program will be redeemed.