ANNUAL REPORT OF TVN CAPITAL GROUP FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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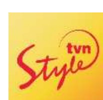

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

Presenting the annual report of the TVN Group for the year 2012 I would like to summarize the most important events, that affected our business and financial results. Last year was a period of tough challenges for the whole media market. In the face of weakening advertising market TVN Group once again demonstrated its ability to adapt to difficult conditions, preserving profitability by implementing decisive actions resulting in effective cost reductions. Meanwhile, we successfully conducted two strategic transactions, vital to the short-term perspective for the stable operation of our Group in such weakened economic environment and for the medium-term benefits that we expect in turn.

One of the key factors affecting media companies in Poland in 2012 was the weakening of the advertising market observed starting from the second quarter. General economic slowdown resulted in ca. 7 percent decline in television advertising spending throughout the year. This situation reflected on the financial results of our Group for the first half of the year. With swift and efficient optimization measures, implemented already in the third quarter, TVN Group minimized impact of the weakened market, achieving better than expected financial results and with further cost savings achieved in the fourth quarter, we exceeded our goal, which was to reduce by half the full year impact of the lower revenues on EBITDA through reduction of operating cost base. It is important to note that despite the cost savings TVN increased audience share of its channel: our autumn schedule was the best programming offer in the Polish market, all major TVN programs in this period were market leaders in their broadcasting hours, making TVN main channel the most preferred television channel in Poland in the commercial target group. At the same time, once again we confirmed the effectiveness of our strategy for development of our own thematic channels, as proved by the fact that all these channels increased their audience shares in the commercial target group.

Our own video on demand platform, TVN Player, has become a significant success gaining new users and developing at a higher growth rate than expected, with more than 240 million of full episodes of our series and entertainment programs watched by its users last year. It convincingly demonstrates the success of our strategy for presence in the online market as a complement to the core TV business and preparation of the Group for further changes in the video content consumption patterns.

In the fourth quarter of 2012 TVN Group has concluded two strategic transactions ensuring our long-term cooperation with some of the most powerful media groups in Poland and Europe. On November 6, we entered into a strategic partnership with Ringier Axel Springer Media AG, part of which was sale of our shares in Onet Group for PLN 956 million and 25 percent of the shares in the joint venture which now owns Onet. Such structure allows TVN Group to further participate in Onet's development and resulting benefits. According to the declaration of the Management Board, majority of the revenue from this transaction will be used to reduce the company's indebtedness no later than by November 2013.

On November 30, ITI, TVN and Canal + Groups announced strategic cooperation within which Canal + Group in partnership with the ITI Group has become a co-owner of TVN S.A. Simultaneously, our satellite platform 'n' was contributed to Canal+ platform with the objective to create the leading premium Pay TV operator in Poland, called nC+, and to provide significant synergies and growth over next few years of operation. TVN Group owns 32 percent stake in nC+.

2012 was one of the key years in the history of the TVN Group, which demonstrated its ability to efficiently and flexibly operate in difficult market conditions, quickly and effectively adapting to the multiple changes of our business environment. The strategic cooperation with our new partners allows us to focus on the television production and broadcasting business, therefore to continue delivering the highest quality content, while the new composition of the Management and Supervisory Board perfectly reflects the current needs and prepares the company to face new challenges and opportunities in the coming years.

I believe that in 2013 low visibility and fragile market conditions will lead to estimate decline of television advertising market at mid-single digit, while key objectives for the Management are to maintain market shares and profitability in the TV segment and to further develop TVN's online business. We consistently create value for our shareholders by continuously strengthening the TVN brand and our position as the leading television broadcaster in Poland.

Best regards,

Markus Tellenbach

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DEFINITIONS

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

In this annual report "**we**", "**us**", "**our**", the "**TVN Group**", **"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**" refers to our subsidiary, TVN Finance Corporation plc in members' voluntary liquidation, dissolved on December 5, 2011; "**TVN Finance II**" refers to our subsidiary, TVN Finance Corporation II AB, a limited liability company under the laws of Sweden; "**TVN Finance III**" refers to our subsidiary, TVN Finance Corporation III AB, a limited liability company under the laws of Sweden; "**PTH**" refers to Polish Television Holding, previously Strateurop International B.V.; **"TVN 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; "**TVN**" refers to our free-to-air broadcast channel; "**TVN 7**" refers to our free satellite and cable entertainment channel; "**TVN 24**" refers to our news and current affairs channel; "**TVN Turbo**" refers to our thematic channel aimed at male viewers; "**TVN Meteo**" refers to our weather channel; "**TVN Style**" refers to our thematic channel focused on life styles, health and beauty, aimed at female viewers; "**iTVN**" refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; "**Telezakupy Mango 24**" refers to our teleshopping channel and "**NTL Radomsko**" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "**TVN CNBC**" refers to our business channel which we operate in cooperation with CNBC Europe; "**TVN Warszawa**" refers to our television channel targeted at Warsaw inhabitants, which we decided to cease broadcasting and to transfer its content to online presence only on March 25, 2011; "**TTV**" refers to an interactive social-intervention channel co-owned and co-produced by TVN which was launched on January 2, 2012; "**TVN 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; "**Onet VOD**" refers to video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**Zumi.pl**" refers to our interactive yellow pages portal, launched in April 2007; "**Plejada.pl**" refers to multimedia Internet vortal being a joint project of TVN and Onet.pl., launched in March 2008; **"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; “**7.875% Senior Notes**” refer to the 7.875% Senior Notes that TVN Finance Corporation III AB issued on November 19, 2010; “**Indentures**” refers to the indenture dated November 19, 2009 governing the 10.75% Senior Notes and the indenture dated November 19, 2010 governing the 7.875% Senior Notes; “**Promissory Notes**” refers to the two promissory notes in the aggregate principal amount of EUR 40,000 we issued on March 10, 2010. On April 30, 2010, these Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes and cancelled; “**PLN Bonds**” refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008 and fully redeemed by June 14, 2011;”**Guarantee Facility**” refers to a PLN 400,000 revolving guarantee facility agreement with Bank Pekao S.A. “**guarantors**” refers collectively to the Company, TVN Media, Mango Media and TVN Online Investments Holding B.V. (up to November 21, 2012 Grupa Onet Poland Holding B.V.) and “**guarantor**” refers to each of them individually and “**Shares**” refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

FORWARD-LOOKING STATEMENTS

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

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

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

INDUSTRY AND MARKET DATA

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

- Nielsen Audience Measurement (“NAM”), which is a primary third party source of market share and industry data relating to the Polish television broadcasting industry. NAM is the principal supplier of audience survey and advertising data in Poland. NAM

records and analyzes audience preferences with the help of "people meters," which are electronic devices attached to television sets that measure the viewing habits of people. Consistent with market research conducted for the television industry in other countries, NAM monitors the viewing habits of people who are considered to be representative of Polish television in general;

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

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

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISCTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

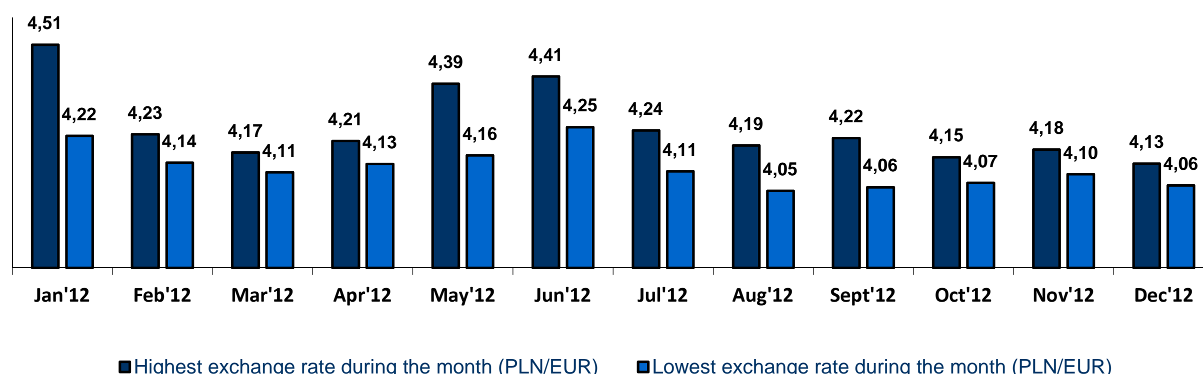
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

The following tables set out, for the periods indicated, certain information regarding the average buying/selling rates of the dealer banks as published by the National Bank of Poland, or "NBP", for the Złoty, the "effective NBP exchange rate", expressed in Złoty per Dollar and Złoty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Please note, that the fact of presenting the exchange rates of Złoty against Dollar or Euro does not mean that the Złoty amounts presented in this report represent exact Dollar or Euro amounts converted at the rates indicated or at any other rate.

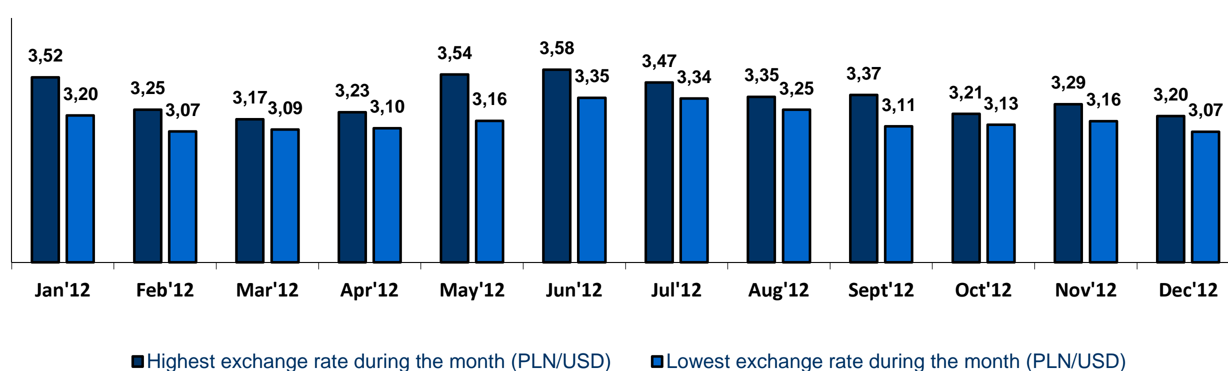
	Year ended December 31,				
Year (Złoty per Euro)	**2008**	**2009**	**2010**	**2011**	**2012**
Exchange rate at end of period	4.17	4.11	3.96	4.42	4.09
Average exchange rate during period(1)	3.53	4.34	4.00	4.14	4.17
Highest exchange rate during period	4.18	4.90	4.18	4.56	4.51
Lowest exchange rate during period	3.20	3.92	3.84	3.84	4.05

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



Year (Złoty per Dollar)	Year ended December 31, 2008	2009	2010	2011	2012
Exchange rate at end of period	2.96	2.85	2.96	3.42	3.10
Average exchange rate during period(1)	2.41	3.12	3.04	2.97	3.23
Highest exchange rate during period	3.13	3.90	3.49	3.51	3.58
Lowest exchange rate during period	2.02	2.71	2.74	2.65	3.07

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



SELECTED FINANCIAL DATA

The following tables set forth our selected historical financial data for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 and should be read in conjunction with Item 5 “Operating and Financial Review and Prospects”, and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements. We changed the classification of certain items in our consolidated income statement, consolidated balance sheet and cash flow statement for the year ended December 31, 2008 and December 31, 2009 as compared to our previous financial statements to ensure comparability of information. No amendments have resulted in changes to previous presented net results or shareholders’ equity.

For your convenience 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 December 31, 2012 have been converted into Euro at a rate of PLN 4.0882 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2012).
- Złoty amounts for the year ended December 31, 2012 have been converted into Euro at a rate of PLN 4.1736 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2012, February 29, 2012, March 31, 2012, April 30, 2012, May 31, 2012, June 30, 2012, July 31, 2012, August 31, 2012, September 30, 2012, October 31, 2012, November 30, 2012 and December 31, 2012).

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

On December 18, 2011 we signed an agreement with Groupe Canal+ concerning the merger of the 'n' platform and the Canal+ DTH platform "Cyfra+", and we have closed this transaction on November 30, 2012 resulting in the creation of the second largest DTH operator in Poland, serving ca. 2.5 million clients. As a result we exchanged our 100% stake in 'n' for a 32% stake in the combined operation. See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Groupe Canal+". The operations of ITI Neovision Group are presented as discontinued for the full year 2011 and 2010 and for period from January 1, 2012 through November 30, 2012 while the assets and liabilities related to ITI Neovision Group are presented as held for sale as at December 31, 2011.

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG ("RAS"), with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. 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. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we closed this agreement with Ringier Axel Springer. See "Material contracts" for "Closing the sale of Grupa Onet.pl S.A.'s shares to Ringier Axel Springer". The operations of Grupa Onet.pl are presented as discontinued for the full year 2011 and for period from January 1 till October 31, 2012 while the assets and liabilities related to Grupa Onet.pl are not presented as held for sale as at December 31, 2011.

The consolidated balance sheet as at December 31, 2011 and the consolidated income statement for the years ended December 31, 2012 and 2011 and 2010 reflect requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' with respect to results of ITI Neovision Group and Grupa Onet.pl.

The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

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

As a result the comparability of the balance sheet and income statement items as of and for the periods ended December 31, 2012 and 2011, and 2010 as compared to the corresponding periods ended December 31, 2009 and 2008 is limited.

Income statement data

(in thousands)	2008 PLN	2009 PLN	2010 PLN	2011 PLN	2012 PLN	2012 EUR
Revenue	1,897,309	2,115,123	1,925,130	1,718,163	1,584,263	379,591
Operating profit	631,875	612,090	585,361	502,603	374,268	89,675
(Loss) / profit before income tax	447,552	380,793	318,876	(137,858)	267,752	64,154
(Loss) / profit from continuing operations	-	-	259,020	(89,891)	520,077	124,611
(Loss)/ profit attributable to the owners of TVN S.A.	363,676	420,821	42,754	(317,365)	486,071	116,463

Cash flow data

(in thousands)	2008 PLN	2009 PLN	2010 PLN	2011 PLN	2012 PLN	2012 EUR
Net cash generated by operating activities	615,354	479,767	504,060	435,232	325,246	77,929
Net cash (used in) / generated by investing activities	(813,388)	(562,270)	(231,081)	48,145	530,114	127,016
Net cash generated by / (used in) financing activities	271,513	273,037	(174,391)	(319,429)	(1,207,519)	(289,323)
Increase / (Decrease) in cash and cash equivalents	**73,479**	**190,534**	**98,588**	**163,948**	**(352,159)**	**(84,378)**

Earnings per share data

(in thousands)	2008 PLN	2009 PLN	2010 PLN	2011 PLN	2012 PLN	2012 EUR
Weighted average number of ordinary shares in issue (not in thousands)	348,585,264	341,262,586	341,292,193	343,336,965	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	353,066,178	342,546,189	345,511,104	343,336,965	343,884,522	343,884,522
(Losses) / earnings per share from continuing operations (not in thousands)	-	-	0.76	(0.26)	1.51	0.36
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	1.04	1.23	0.13	(0.92)	1.41	0.34
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	1.03	1.23	0.12	(0.92)	1.41	0.34
Dividend paid or declared per share (not in thousands)	0.49	0.57	0.31	0.04	0.10	0.02

Other data

(in thousands)	2008 PLN	2009 PLN	2010 PLN	2011 PLN	2012 PLN	2012 EUR
EBITDA*	711,378	794,770	610,696	565,880	456,037	109,267
EBITDA margin	37.5%	37.6%	31.7%	32.9%	28.8%	28.8%
Operating margin	33.3%	28.9%	30.4%	29.3%	23.6%	23.6%

Balance sheet data

(in thousands)	December 31, 2008 PLN	December 31, 2009 PLN	December 31, 2010 PLN	December 31, 2011 PLN	December 31, 2012 PLN	December 31, 2012 EUR
Total assets	3,753,174	4,983,496	5,191,482	5,111,958	4,966,287	1,214,786
Current assets	1,201,394	1,262,767	1,559,090	1,357,701	2,020,466	494,219
Non-current liabilities	1,637,872	3,022,865	3,261,207	3,478,473	3,203,936	783,703
Current liabilities	468,348	675,477	691,590	456,414	403,284	98,646
Shareholders equity**	1,646,954	1,644,871	1,238,685	924,029	1,375,457	336,446
Share capital	69,903	68,088	68,471	68,775	68,775	16,823
Non-controlling interest	-	(359,717)	-	(558)	(16,390)	(4,009)

*We define 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 reversal on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of 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. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

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

The following table provides a reconciliation of our operating profit to EBITDA for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

	Year ended December 31,					
	2008 PLN	2009 PLN	2010* PLN	2011* PLN	2012* PLN	2012* EUR
Operating profit	631,875	612,090	585,361	502,603	374,268	89,675
Depreciation, amortization and impairment charges	79,503	182,680	102,313	63,227	81,769	19,592
EBITDA	711,378	794,770	610,696	565,880	456,037	109,267

* The consolidated income statement for the year ended December 31, 2012 and 2011 and 2010 have been restated with respect to results of ITI Neovision Group in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The consolidated income statements for years ended December 31, 2012 and 2011 have been restated with respect to results of Grupa Onet.pl in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

RISK FACTORS

This section describes the significant risks and uncertainties affecting us and our business, both continuing and discontinued operations, as the latter will continue to impact our financial results through the TVN share in profit or loss of the related associates. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties not presently known to us or that we currently deem immaterial. Any of these risks could adversely affect our business, financial condition, our results of operations or our liquidity.

RISKS RELATED TO OUR BUSINESS

Our operating results depend on general economic conditions

The financial turmoil affecting the global financial markets and banking system has resulted in a tightening of credit, a low level of liquidity and a widespread withdrawal of investment funding in Poland's neighbouring countries across Central and Eastern Europe, which has had an adverse impact on economic growth and caused many of these countries to fall into recession. Additionally, significant fluctuation of currency exchange rates and reduced availability of funding may, from time to time, adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. The results of our operations depend to a large degree on advertising revenue, and demand for advertising is affected by general and regional economic conditions. In particular, current adverse economic conditions in Europe generally may negatively impact the Polish advertising industry, which has had, and would have an adverse impact on our revenue and results of operations. Even if the Polish economy does not suffer similar declines to those experienced in neighbouring countries, our customers, many of whom are global companies, could nevertheless reduce global or regional advertising budgets or perceive there to be local weakness and, in such an event, demand for local advertising could be adversely affected, which would have an adverse impact on our revenue and results of operations.

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

We generate the majority of our revenue from the sale of advertising airtime and sponsoring slots on television channels in Poland. For the twelve months ended December 31, 2012 we derived 70.6% of our total revenue from commercial television advertising. In the advertising market, television competes with various other advertising media, such as Internet, newspapers, magazines, radio and outdoor advertising (such as billboard advertising, logo signs and transit advertising). According to Starlink, net expenditures on television advertising in Poland accounted for approximately 52% of total net advertising spending in the twelve months ended December 31, 2012. However, there can be no assurances that the television advertising market will maintain its current positions in the Polish advertising market or that changes in the regulatory environment will not favour other advertising media or other television broadcasters. A further increase in competition among advertising media arising from the development of new forms of advertising media could have an adverse effect on the maintenance and development of our advertising revenue and, consequently, on our business, financial condition, results of operations and cash flow.

Our ability to generate advertising revenue depends on our technical reach, the pricing of advertising time, demand for advertising time, our audience share, audience profile, changes in audience preferences, shifts in population and other demographics within Poland, technological developments relating to media, levels of competition from other media operators and cyclical and seasonal trends in the Polish advertising market. There can be no assurances that we will be able to respond successfully to such developments. Since 2005, Polish television broadcasters with a double-digit share of the viewing market have all experienced a cumulative decline in their respective share of viewers. Any decline in the appeal of television or Internet generally, or our channels and portals specifically, whether as a result of an increase in the acceptance of other forms of entertainment or a decline in the appeal of television and Internet as advertising mediums could have an adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to intense competition

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

Our competitors may be companies that have substantially greater financial, marketing and other resources than we do, and there can be no assurances that they will not in the future engage in more extensive development efforts, launch successful promotional

campaigns for their program offerings, adopt more aggressive pricing policies to our detriment or make more attractive offers to our existing and potential advertising or our associate's DTH customers. We cannot assure you that we will continue to be able to compete effectively or that we will be capable of maintaining or further increasing our current market share. In addition, the market power of our advertising customers relative to advertising broadcasters may increase, which could have a negative effect on prices in the industry and potentially our results. Our failure to compete successfully in the television broadcasting, or our associates in Internet and pay TV markets could adversely affect our business, financial condition, results of operations and cash flow.

Our programming and Internet content is subject to potential cost inflation and audience preferences

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

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

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

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

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

Media piracy occurs in many parts of the world, including Poland, and is made easier by technological advances and the conversion of media content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set-top boxes and through unlicensed broadcasts on free-to-air TV and the Internet. Content we source from external content

suppliers, particularly U.S. studios, may be subject to piracy either through us or through a third party, which may have an adverse effect on our business and financial performance by diminishing our reputation in the market and impairing our ability to contract on favourable terms with those and other external content suppliers.

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

We do not have guaranteed access to television programs and are dependent on our relationships and cooperation with program providers

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

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

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

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

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

Our interest-bearing liabilities constitute an important component of our financing. As of December 31, 2012, we had total outstanding net debt of PLN 2,046,485. Our leverage may limit our ability to contract new debt on more favourable terms and may restrict our ability to finance potential acquisitions or new developments, which could have an adverse effect on our liquidity, business and financial condition.

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

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

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

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

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

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

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

The 'nC+' merged entity combines the Canal+ and 'n' DTH platforms into a single DTH service provider. Realization of the benefits of the combination will require the

integration of some or all of the sales and marketing, information technology systems and administrative operations of the two DTH platforms. If the two DTH platforms cannot be successfully integrated within a reasonable time, we may not be able to realize the potential benefits anticipated from the merged entity. Failure in the successful integration of the two DTH platforms and the diversion of management attention from existing operations could have a material adverse effect on our business, financial condition and results of operations.

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

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

Following the completion of the merger we do not control 'nC+', and actions taken by our partners in respect of 'nC+' could materially adversely affect our business

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

Following the completion of the sale of Onet Group, we do not control 'Onet.pl', and actions taken by our partner in respect of Onet Group could materially adversely affect our business

We have successfully closed our transaction with Ringier Axel Springer concerning the sale of Onet Group. We are not the majority shareholder in Onet Group and are therefore dependent on our respective joint venture partner to cooperate with us in making decisions regarding the business of Onet.pl and the day-to-day operation of the online business operated by Onet Group. This means that we may be unable to prevent actions that we believe are not in the best interests of Onet Group or our Group as a whole. Any such actions could materially adversely affect our business, results of operations, financial condition and cash flows.

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

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

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

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

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

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

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

TVN Player, our online video on demand platform and our thematic portals, i.e. TVN24.pl, construct their market position through operations in the premium segment, putting them in competition with other major on demand video platform and thematic vortals. Our other thematic vortals compete for visitors most directly with other thematic vortals, and for advertisers with advertising networks that usually sell advertising space on these competing thematic websites. In addition, we derived the vast majority of our revenues generated by online video and thematic vortals from display advertising. However, the online advertising business consists of display advertising, search engine marketing and directory services of which display advertising represents close to 59% of the total net online advertising expenditure.

There can be no assurance that our content will continue to be attractive to our key target audiences or that new or existing competitors will not develop more attractive content

or that the display advertising market will maintain its share of the total online advertising expenditure in Poland, which may adversely affect our market share. While we use several pricing models, it is likely that our revenue from online advertising would decrease if we were to suffer a decrease in market share or traffic to our sites. We may be required to use significant operational or financial resources to address these issues and to try to maintain the competitiveness of our business, which could adversely affect our financial performance.

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

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

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

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

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, our Polish licenses have been issued for a fixed term. Our terrestrial analogue television license for the TVN channel was converted into a digital terrestrial license in June 2010, and will expire in 2014, while our satellite licenses will between 2013 and 2023. The Polish Law on Radio and Television Broadcasting dated December 29, 1992, as amended (the "Broadcasting Law"), provides for the procedure and requirements for renewal of licenses after they expire. The loss of any of our licenses or other authorizations or a material modification of the terms of any renewed licenses may have a material adverse effect on our business, financial conditions, results of operations and cash flow.

In June 2010, the National Broadcasting Council, which we refer to as "KRRiT" amended the TVN channel license, granting TVN new frequencies available on the Second Terrestrial Digital Multiplex ("MUX2"). TVN channel is located on the MUX2 together with the following free-to-air commercial television channels: Polsat, TV4 and TV Puls. On July 7, 2010, the Office of Electronic Communications reserved frequencies for us on the Second Terrestrial Digital Multiplex until July 2025. Furthermore on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2.

However, we cannot assure you that the process of converting from analogue to digital terrestrial television will be completed in a timely manner. Any delay in conversion could adversely affected our business .

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

Like other Polish television broadcasters, we must comply with the Broadcasting Law, regulations established by KRRiT, and the terms and conditions of our licenses in order to maintain our licenses. If we are held to be in material breach of such laws or the terms and conditions of our licenses, our licenses may be revoked. In addition, if our activity under our licenses is carried out in a manner that is deemed to conflict with such laws or the terms and conditions of our licenses, and we fail to remedy such conflict within the applicable grace period, our licenses may be revoked. Any revocation of our licenses could adversely affect our business, financial conditions, results of operations and cash flow.

The Broadcasting Law limits the ownership of Polish television broadcasters

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

Broadcasting regulations affect the content of our programming and advertising

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

Impairment of investment in associates may have an adverse impact on our financial results

As a result of the merger of the Canal+ and 'n' DTH platforms and the sale of Grupa Onet, we carry on our balance sheet significant amounts of investments in associates. We assess annually whether there are any indicator those investments suffered any impairment. In such case we perform impairment test by estimating the recoverable amount of the investment in associates based on value in use. If any of the key assumptions we use for impairment testing were to change unfavourably, this may result in impairment write-offs and consequently have an adverse impact on our financial results.

We are subject to risks relating to fluctuations in exchange rates

A substantial portion of our operating expenses, finance expenses and capital expenditures is, and will be, subject to exchange rate fluctuations. A large proportion of our liabilities and expenses are denominated in foreign currencies, mainly in Euro and Dollars. Since our revenue is generated primarily in Złoty, we are exposed to foreign exchange rate risk with respect to any current or future debt or other liability or expense denominated in any currency other than Złoty. If the Złoty decreases in value against the currencies in which we have to make payments, our operating and finance expenses and capital expenditures may increase as a percentage of net sales, thereby decreasing our net margins and net profit. Between December 2011 and December 2012, the zloty appreciated by approximately 8% against the Euro, the currency in which most of our long-term debt is denominated. The effect of the currency appreciation is to decrease the value of our indebtedness in relation to our ability to make payments on our indebtedness. While we may seek to hedge our foreign currency exposure, we may be unable to enter into such hedging arrangements or may be unable to enter into them at a cost effective rate. Furthermore, in 2012 attention in global financial markets was further focused on the ability of several members of the group of countries using the Euro to continue using the Euro as their national currency. The consequent uncertainty about these countries and even determining what remaining group of countries may use the Euro has caused a higher degree of uncertainty in foreign exchange markets as to expectations about the value of the Euro. In light of the developing situation, it is possible that hedging foreign exchange exposure could become even more expensive or difficult at a time when it is most needed. Furthermore, banks across much of Europe continue to be risk averse and reluctant to lend as a consequence of the continuing financial turmoil, which may affect our ability to obtain financing or refinancing if foreign exchange fluctuations affect our ability to remain in compliance with our current debt obligations.

Our success depends on attracting and retaining key personnel

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

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

The Polish tax system is Stable, however tax laws may need to be amended in order to implement potential new EU legislations. The changes in regulations governing the taxation of business activities can be unfavourable to the Company and may consequently

have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

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

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

We are party to a number of related party transactions

We currently depend on ITI Holdings for a number of services and therefore engage in a range of related party transactions. In the twelve months ended December 31, 2012 we entered into related party transactions for which we incurred costs from ITI Group and its related parties of PLN 45,752, inclusive of an annual advisory fee of EUR 5,000. These expenses comprise rent of office premises and the provision of certain management, sales, financial advisory and other services. In exchange for these payments, we received the benefit of general advisory services, the guarantee of certain of our contractual obligations, leases of office space, rental of equipment, purchases and sales of programming and the services of individuals who are affiliates of ITI Holdings.

Following the conclusion of the agreement to effect the strategic cooperation with Groupe Canal+ and the merger of our 'n' platform with Cyfra+ digital platform (See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Groupe Canal+") as well as following the closing of the sale of Grupa Onet shares to Ringier Axel Springer (See "Material contracts" for "Closing the sale of Grupa Onet.pl S.A.'s shares to Ringier Axel Springer) we have lost control over our online business operated by Onet and our pay-tv unit – 'n' platform. However as a result of the transactions we have entered into related party relationship with Canal+ Cyfrowy Group (operator of nC+ DTH platform) and Vidalia Investment Group (owner of Grupa Onet.pl).

Both transactions are seen by TVN Group as a long term investment aiming to develop the combined nC+ platform and Onet as well as to expand the online and digital platforms market in Poland benefiting from the effects of scale and synergies resulting from the partnership with our strategic co-operators. Both investments are classified as investment in associate and accounted for using the equity method.

All transactions concluded between TVN Group entities and ITI Group entities require the consent of the Supervisory Board.

Transactions entered into by the TVN Group companies with related parties other than the ITI Group entities with a value of more than EUR 5 million (not in thousands) or crucial to the entity's operations (excluding transactions with entities in which TVN owns 100% of shares) require the consent of the Supervisory Board, unless they have been approved by the Supervisory Board in the budget of the TVN Group.

Ventures involving investments or their disposals, establishing of a company, and other joint ventures including purchases of programming licenses, with value exceeding PLN 100 million made between the entities of the TVN Group require the approval of the Supervisory Board, unless they were included in the approved annual budget or are required under the terms governing TVN Group Senior Notes.

Moreover, any related party transaction with value in excess of EUR 10 million requires a fairness opinion, pursuant to the indentures governing our Senior Notes.

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

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

RISKS RELATED TO THE 10.75% SENIOR NOTES AND THE 7.875% SENIOR NOTES

Our debt service obligations under the 10.75% Senior Notes and the 7.875% Senior Notes may restrict our ability to fund our operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 10.75% Senior Notes and the 7.875% Senior Notes have been issued by the issuers and guaranteed by the guarantors. The issuers are incorporated under the laws of Sweden. The guarantors are organized under the laws of Poland and The Netherlands. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in Sweden, in Poland and in The Netherlands. Your rights under the 10.75% Senior Notes and

the 7.875% Senior Notes and the guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

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

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

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

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

The 10.75% Senior Notes and the 7.875% Senior Notes are obligations of the issuers and are effectively subordinated to all debt and other obligations, including trade payables, of our subsidiaries which are not guarantors of the 10.75% Senior Notes and the 7.875% Senior Notes. As of December 31, 2012, our subsidiaries which are not guarantors of the 10.75% Senior Notes or 7.875% Senior Notes had PLN 10,843 of total outstanding liabilities. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving a subsidiary which is not a guarantor of the 10.75% Senior Notes or 7.875% Senior Notes, the assets of the affected entity could not be used to pay you until after all other claims against that subsidiary, including trade payables, have been fully paid.

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

The indentures governing the 10.75% Senior Notes and the 7.875% Senior Notes contain covenants that restrict our ability to finance future operations or capital needs or to

take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

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

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

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

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

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

Polish Television Holding, our direct majority shareholder and a subsidiary of ITI Holdings, has substantial indebtedness, secured by a pledge over the Company's shares. Polish Television Holding is dependent on dividends and other proceeds from the Company in order to service interest payments on its indebtedness. Accordingly, if TVN for any reason reduces, delays, fails or is otherwise unable to pay dividends or other payments to Polish Television Holding, including pursuant to the terms of the 10.75% Senior Notes and the 7.875% Senior Notes, Polish Television Holding could default on its obligations. Any increase in Polish Television Holding's indebtedness could also adversely affect perceptions of TVN's credit ratings. Any default by Polish Television Holding under the agreements governing its indebtedness could ultimately trigger a change of control under the 10.75% Senior Notes and the 7.875% Senior Notes as a result of the exercise of enforcement rights by Polish Television Holding's creditors against shares pledged as collateral and could also cause the rating agencies to consider the downgrading, suspension or withdrawal of any rating assigned to the 10.75% Senior Notes and the 7.875% Senior Notes. Any such change of control and related downgrade, suspension or withdrawal of their rating would entitle the

investors in the Notes to require us to repurchase the 10.75% Senior Notes and the 7.875% Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase and could result in us breaching our broadcasting license. We may not be able to repurchase the Notes upon a change of control and rating decline.

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

ITI Holdings, through other entities that directly or indirectly controls (together, the "ITI Group"), together with Groupe Canal+, owned, as of February 28, 2013, 52.45% of our issued voting share capital. In addition several members of our supervisory board are also executives of ITI Holdings or of other companies in the ITI Group or of Groupe Canal+. As a result, ITI Holdings, Groupe Canal+ and these individuals, through their shareholdings or their positions on our supervisory board, have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders. Their interests in certain circumstances may conflict with your interests as holders of the 10.75% Senior Notes and the 7.875% Senior Notes.

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

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

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

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

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

The 10.75% Senior Notes and the 7.875% Senior Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to affect any exchange offer for the 10.75% Senior Notes and the 7.875% Senior Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The 10.75% Senior Notes and the 7.875% Senior Notes and the indentures

governing those notes contain provisions that restrict the 10.75% Senior Notes and the 7.875% Senior Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the 10.75% Senior Notes and the 7.875% Senior Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the 10.75% Senior Notes and the 7.875% Senior Notes within the United States and other countries comply with applicable securities laws.

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF TVN GROUP AND BUSINESS OVERVIEW

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

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

We are the leading broadcaster in Poland. We currently own and operate ten television channels that have different forms of distribution. We broadcast three free to air (FTA) channels: TVN, TVN 7 and TTV and seven thematic pay channels: TVN 24, TVN Style, TVN Turbo, TVN CNBC, TVN Meteo, ITVN and local NTL Radomsko distributed via cable and satellite operators. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment as well as comprehensive independent news and current affairs programs. TVN 7 is an entertainment channel that complements TVN by broadcasting feature films, television series and game shows. TTV is our youngest channel focused on an interactive social-intervention content, co-owned and co-produced by TVN. TVN 24 is the first 24-hour news and current affairs television channel in Poland. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. TVN Turbo is a genre thematic channel aimed at male viewers. TVN CNBC is our business news channel, launched in cooperation with CNBC Europe. TVN Meteo is Poland's first dedicated weather channel. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, North America and Australia. NTL Radomsko is a local television channel addressed to residents of Radomsko and the surrounding areas. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how.

Additionally we launched TVN Player which is our ad-supported internet VOD service, which allows viewing of both video content produced by our company (or in our name), and other movies or series that were shown previously in our TV channels. TVN Player is the answer for changing way of television content consumption. Even if Poland is still at the beginning of growth in non-linear content exploitation, TVN Player is an excellent vehicle to cover this segment of the market in the upcoming future.

We are the owner of TVN Media - the largest advertising sales house on the Polish market. Premium TV is a part of TVN Media and specializes in offering commercial representation to other broadcasters.

We operate also in teleshopping segment through Telezakupy Mango 24, which is the only all-day teleshopping channel in Poland.

The Group together with Groupe Canal+ S.A. jointly operate a Polish leading premium direct-to-home ("DTH") digital satellite platform nC+, which offers technologically advanced pay television services. The Group holds 32% interest in nC+ platform.

The TVN Group in its online activities is a partner to Ringier Axel Springer Media AG ("RAS"), which through Grupa Onet.pl S.A. operate Onet.pl - Poland's leading portal

operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt. The Group holds 25% interest in Grupa Onet.pl S.A.

We believe that we have distinguished ourselves among television broadcasters by the quality and innovative character of our programming and Internet content. Through our principal channel, TVN, we select and schedule programming to attract and retain audiences between the ages of 16 and 49 living in cities with a population in excess of 100,000, which audience we refer to as our key target audience for TVN, in particular during peak – television viewing – time, from 6:00 p.m. to 11:00 p.m. TVN 7 is complementary to TVN and gives us the ability to meet our advertising customers' need to have advertising messages displayed with a certain frequency. In addition, in order to meet the specific communication needs of our advertising customers, we introduced thematic channels directed at those sections of the audience who might be expected to have a particular interest in products offered by our advertising customers. According to NAM, for the year ended December 31, 2012, all of our channels obtained a nationwide all-day audience share of 21.0%, and our TVN channel achieved a peak-time audience share in its key target group of 19.8%. This high market share of our key target audience makes us attractive to advertisers. According to NAM, TVN Group had a 35.7 % share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2012.

Our ability to successfully convert audience share into advertising revenue, combined with our focus on cost management, has resulted in a strong financial performance. For the twelve months ended December 31, 2012, we generated revenue from continuing operations of PLN 1,584,263 and EBITDA from continuing operations of PLN 456,037 with an EBITDA margin of 28.8%.

TELEVISION BROADCASTING AND PRODUCTION SEGMENT

For the year ended December 31, 2012, this segment accounted for 61.7% of our total revenues, including both continuing and discontinued revenues.

INDUSTRY OVERVIEW

Polish television broadcasting industry

Poland has the largest population in Central Europe, with approximately 38 million residents. According to NAM, in 2012 almost 100% of the country's 14.0 million households had at least one television set, and approximately 24.7% of households had at least a second television set.

The Polish television broadcasting market consists of state-owned and private commercial broadcasting sectors. As of December 31, 2012, satellite operators served with premium DTH services 5.3 million households, representing a penetration rate of 37,9%, while cable networks reached 4.5 million households and had a total cable penetration rate of 32,0%. Based on Nielsen Audience Measurement research in 2012, we estimate that 29.5% of Polish households receive only terrestrial television signal. Poland has started digitalization process in 2010 and is still in transition period. The process of switching off the analogue signal is scheduled to be completed by July 31st, 2013 at the latest. Currently terrestrial viewers receive up to 18 (depending on the region and kind of signal received) free-to-air Polish language channels through digital terrestrial television (DTT), whereas cable and satellite viewers can receive over 200 Polish language channels.

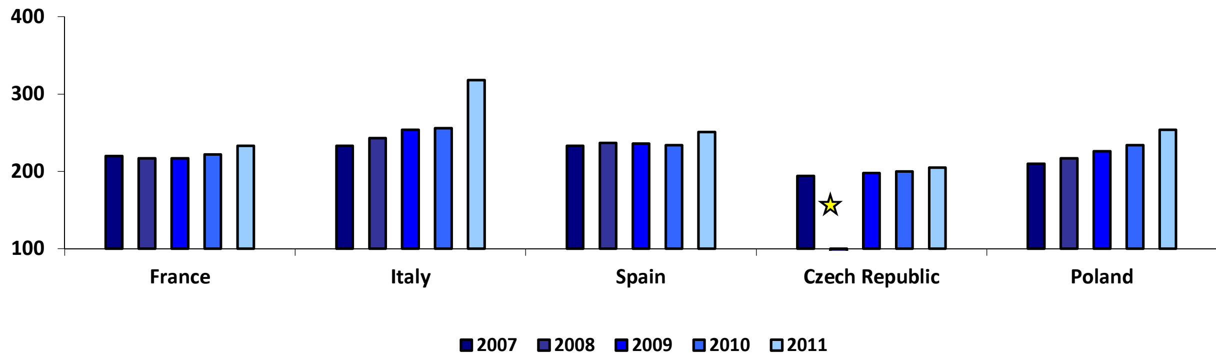
Television broadcasting in Poland was started in the 1950s by the state-owned television broadcaster Telewizja Polska S.A., commonly known as "TVP". TVP broadcasts eight national channels. TVP1 and TVP2 focus on broadcasting Polish entertainment shows, films, series, sports programs, current affairs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

Until 1992, TVP was the sole Polish television broadcaster. Since then, with the opening of the Polish television market to private commercial broadcasters, the number of television channels has increased substantially. Today, the Polish television broadcasting sector is comprised of four national broadcasters, a number of smaller regional broadcasters, locally available through satellite and cable, and foreign broadcasters that distribute foreign language (predominantly German and English) channels. For the year ended December 31, 2011, TVP derived approximately 12.0% of its revenue from mandatory license fees that are levied on all households with a television set, with the remainder generated primarily from advertising. The remaining channels are mainly financed through advertising and cable and satellite subscription fees.

According to Egta, watching television is a popular leisure activity in Poland with the average viewer watching approximately 254 minutes of television per day in 2011. The

following table sets out the average daily television watching time, measured in minutes per person per day, for Poland and for four comparable countries in Europe since 2007 to 2011. Indicated data shows that consumption of a television content is still growing across Europe and the attitude of Polish viewers rest in line with the majority of the biggest European countries.

Average daily television watching time (in minutes) across Europe



Source: Egta, audience 15+
☆*data for Czech Republic for year 2008 not available in Egta database*

We are aware of evolving television content consumption. Growing number and speed of internet connections influenced by uptake in smartphones, tablets and connected TV sets will be the main driver for online video usage. Even if in Poland online video content exploitation is just a fraction of a total video consumption we are convinced that this trend will boom over the next few years. Our answer to this incoming trend is a creation of TVN Player, our own video online platform, that is an excellent vehicle to address this market segment in the upcoming future.

TV digitalization process in Poland

Poland has started digitalization process with the launch of the first multiplex (MUX) in 2010. Since then, up to 18 (depending on the region) Polish TV channels have become available through digital terrestrial television (DTT). The process of switching off the analogue signal is scheduled to be completed by July 31st, 2013 at the latest.

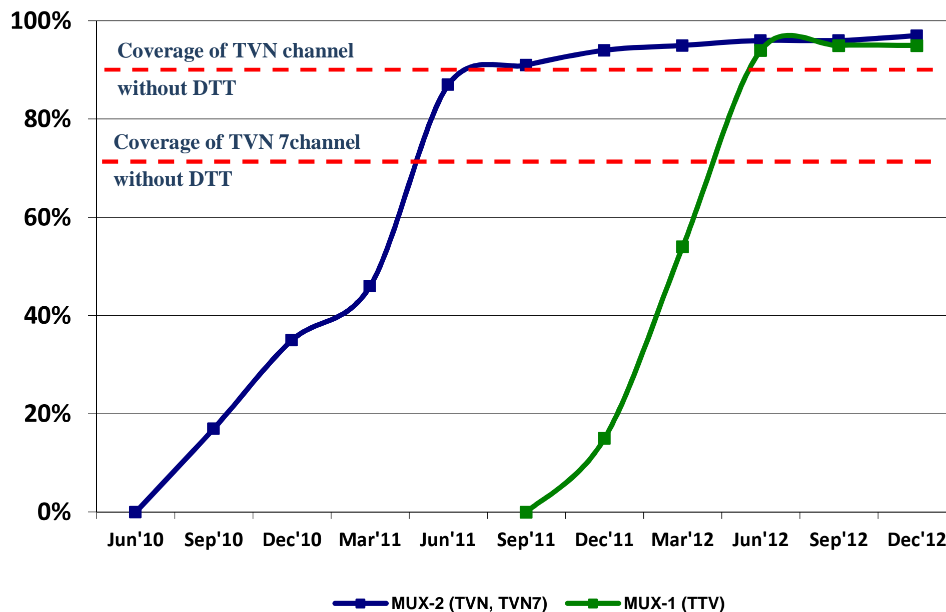
Polish digital terrestrial television is divided into 6 multiplexes. MUX1 and MUX2 have reached their goal technical coverage of 95% of the Polish population. TVN channels are available through MUX1 including our TTV channel and through MUX2 including our TVN main channel and TVN7. MUX3 in accordance with the act on the implementation of digital terrestrial television dated on June 30, 2011 is wholly dedicated to channels controlled by the public broadcaster (TVP). At the end of the year 2012 the technical coverage of MUX3 was 58% of the population. Three public channels (TVP1 HD, TVP2 and TVP Info) are available temporarily on MUX1 which is dedicated to new broadcasters and will be moved to MUX3. This is scheduled to take place not later than in April 2014 and at that time the technical reach of MUX 3 should cover 95% of population. The repositioning of TVP channels will allow to launch new channels on MUX1. Polish TV regulator (Krajowa Rada Radiofonii i Telewizji - KRRiT) at the end of 2012 has announced a public tender for four DTT broadcast licenses on MUX1. KRRiT would like to grant one license for a social-religious channel, one license for a children’s channel, one license for a movie channel and one license for an educational one. Below is the current plan for utilization of MUX’es in Poland.

Plan for usage of digital terrestrial TV multiplexes (MUX'es) in Poland

MUX 1	MUX 2	MUX 3	MUX 4	MUX 5	MUX 6
TVP1 HD TVP2 TVP Info Polo TV ESKA TV ATM Rozrywka TV TTV	Polsat Polsat Sport News TVN TVN 7 TV Puls TV Puls 2 TV 4 TV 6	TVP1 TVP2 HD TVP Info TVP Kultura TVP Historia TVP Polonia	operated by INFO TV FM, subsidiary of Cyfrowy Polsat, reserved for mobile pay TV project	no specific Decision Revealed by now	no specific Decision Revealed by now

Source: http://cyfryzacja.gov.pl, Cyfrowy Polsat

With the end of the year 2012 MUX1 including our TTV channel and MUX2 including our two channels – TVN and TVN7 have reached 95% coverage of Polish population. With our three channels available through digital signal we have improved the distribution of our content.



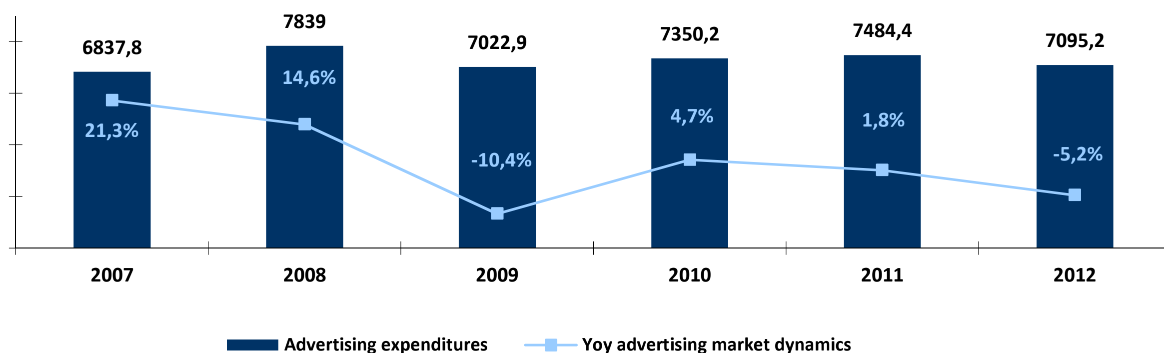
We believe that better distribution of TVN's content will consecutively translate into audience share gains, particularly in relation to TVN's thematic available via DTT. This gains will accelerate in 2013 and will be fully visible upon analogue switch off in mid 2013.

Polish cable and satellite market

The cable television market is undergoing continued consolidation, but it still consists of over 500 operators (including IPTV operators, affiliated companies are counted as one operator). UPC, Vectra and Multimedia Polska are Poland's largest cable operators with an aggregate 65% share of the Polish cable market as of December 31, 2012. The Polish pay digital satellite market is split between three digital platform operators: (1) nC+ formed by the merger of Canal+ Cyfrowy S.A. and ITI Neovision Sp. z o.o. platforms, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) Telekomunikacja Polska S.A. ("TP"), operating the TP DTH platform.

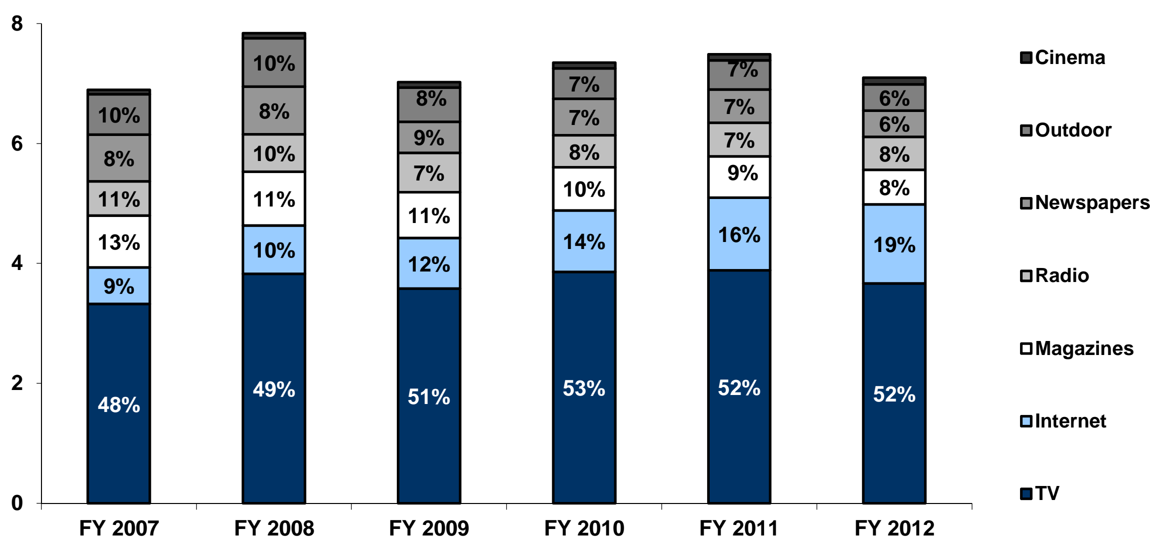
Polish television advertising market

Poland is one of the largest advertising markets in Central and Eastern Europe with a total net advertising expenditure (which is calculated based on net prices for advertising airtime quoted by broadcasters and advertising agencies, after discounts or rebates) of approximately PLN 7,095 million in 2012 (according to Starlink). Data compiled by Starlink indicates that total net advertising expenditures for all Polish media decreased by 5.2% in 2012. Total television advertising market in 2012 was 5.6% lower than in 2011.



Source: Starlink

Television advertising maintains its dominant share among advertising mediums in Poland despite Internet advertising growth that is realized on expense of traditional, mainly printed media. According to Starlink, in 2012 it accounted for approximately 52% of the total net advertising expenditures.



Source: Starlink

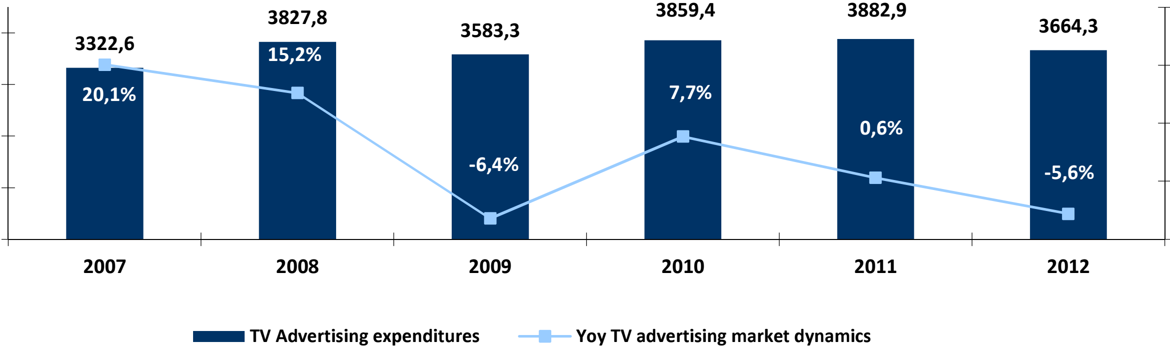
Television in Poland remains still a key media providing the advertisers with the highest reach. Following Starlink data net advertising expenditures in TV segment amounted to approximately PLN 3,664 million.

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

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

Polish television advertising market performance in 2012

Overall advertising market in Poland has experienced the strong underperformance in 2012 and TV segment did not constitute any exemption of this situation.



Source: Starlink

All main Polish TV broadcasters – TVN, commercial Polsat and public television were under pressure of lower demand coming from advertisers on the other hand we observe the growing demand for thematic channels. First three months of 2012 already showed softening of advertising market. According to Starlink data, advertising revenue defined as only airtime sold declined in the first quarter of 2012 by 2.3% comparing to the first quarter of 2011. It was the first signal of both: (1) lowering budgets of multinational corporations that decided to partially shift their advertising expenditures from Central and Eastern Europe to their core developed and emerging markets, as well as (2) lower spending of local advertisers. The downward trend in the advertising market accelerated in the second quarter of 2012 despite expected positive impact of UEFA Euro Championship organized in Poland in June 2012. The main driver of this decline was overpriced inventory of public television which discouraged advertisers from overall media purchases and expectations of high clutter of European sponsors of UEFA. Starlink data for the second quarter of 2012 showed a decline of 11.4% of the whole spot advertising market vs. comparable period of 2011. The decline continued in the third and fourth quarter, although at a slower pace. Our own analysis of spot advertising market in the third quarter of 2012 pointed at further adverse TV advertising market performance of -7.0% comparing to the third quarter of 2011. Fourth quarter did not bring significant changes to prevailing tendencies on Polish advertising market. According to our own data/Starlink data the overall advertising TV spots sales declined by 7.1% vs. comparing period of 2011 bringing the whole year 2012 TV spots advertising market decrease at 7.2%.

Long-term market outlook for television advertising in Poland

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

- expected GDP growth for Poland;
- commercial airtime prices on TV that are significantly lower than in Western European countries and even somewhat cheaper than in some other Central and Eastern European countries; and
- the effectiveness of the television medium in terms of price, reach and impact.

Our television channels

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

Other significant successes for the TVN channel include the broadcast of internationally successful program formats such as *Strictly Come Dancing*, *You Can Dance*, *Got Talent!*, *X-Factor, Poland's Next TOP Model, Masterchef,* locally developed series such as *Na Wspólnej*, *Przepis na życie and Lekarze.*

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

We currently operate ten channels. The table below identifies features of each our channels. Our biggest and best known channels as TVN, TVN 24 and TVN 7, are described in greater detail below. We also described deeper our new free to air channel TTV due to its fast growing audience share.

Channel	Launch date	Focus	Signal distribution	Availability	Household coverage [1]
TVN	1997	Entertainment and news	Free-to-air (FTA) terrestrial, MUX channel, encrypted digital satellite, cable and DSL	free-to-air	96%
TVN 7	2002	Entertainment	Free-to-air (FTA), MUX channel and encrypted digital satellite platforms, cable and DSL	free-to- air	97%
TTV [2]............	2011	News and social-intervention	Free-to-air (FTA), MUX channel, Encrypted digital satellite platforms, cable and DSL	free-to-air	97%
TVN 24	2001	News	Encrypted digital satellite platforms, cable and DSL, Internet	license fee based	64%
TVN Style	2004	Lifestyle	Encrypted digital satellite platforms, cable and DSL	license fee based	63%
TVN Turbo	2003	Male oriented	Encrypted digital satellite platforms, cable and DSL	license fee based	63%
TVN Meteo	2003	Weather	Encrypted digital satellite platforms, cable and DSL	license fee based	61%
TVN CNBC............	2007	Business	Encrypted digital satellite platforms, cable and DSL, Internet	license fee based	58%
ITVN	2004	Entertainment	Satellite transmitters abroad cable networks abroad	subscription based	n/a[3]
NTL Radomsko[4]......	1995	Regional	Local channel, cable	free-to-air	n/a

(1) Household coverage represents the percentage of households in Poland that are able to receive the relevant channel.
(2) We launched TTV channel in cooperation with Stavka Sp. z o.o. where we are a major shareholder (50.55% shares in Stavka Sp. z o.o. is owned by TVN Group). TTV channel has started to be broadcasted on January 2, 2012
(3)Statistics reflecting household coverage in the countries in which TVN International is broadcast are not available
(4) Acquired by us in 2005

TVN

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

The following table sets out the highest nationwide audience share of what we believe were some of TVN's most successful programs broadcast during 2012, demonstrating the strength of both our locally produced and acquired programming content:

Top Ten programs by Nationwide Audience Share in 2012

Date	Title	Description	Nationwide audience share (%)
May 21,	Fakty	Main news bulletin	36.4
October 13,	Mam talent (Got Talent!)	Entertainment	29.9
May 10,	Uwaga!	Current affairs	28.0
November 25,	Masterchef	Reality show	27.2
May 16,	W-11 Wydział śledczy	Docu-crimes series	27.0
September 17,	Lekarze (Medics)	Medical drama series	25.4
February 24,	Ukryta prawda (Family Stories)	Docusoap	25.1
March 29,	Rozmowy w toku	Talkshow	25.0
March 24,	X Factor	Entertainment	24.9
May 10,	Na Wspólnej	Soap opera	24.7

Source: NAM

Scheduling in TVN

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

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

TVN's programming schedule is designed to maintain viewer loyalty and promote audience flow from program to program, from day to day and from "access prime time" to "prime time". For example, "access prime time", from 4:00 p.m. to 7:00 p.m., is "strip programmed," meaning that a particular program is shown at the same time on each weekday, with a view to securing day-to-day loyalty and increasing audience flow from access prime time to "prime time", the most commercially attractive programming period. Daily programming includes talkshows, drama and scripted-docu programs, followed by news and current affairs magazine. These daily slots are being re-arranged from season to season to follow the programming trends and audience tastes.

Additionally, early prime time, from 8:00 p.m. to 9:30 p.m., is also based on stripped programming, with daily drama and docu-crime series broadcast Monday through Thursday.

These stripped programs help to build long-term loyalty of our viewers and an increasingly stable audience share.

We reserve prime time for our highest quality programming, including entertainment shows, drama series and feature films. As watching TV shows on the internet and mobile devices becomes more and more popular, we adjust the programming to make it attractive to online users as well as regular television viewers.

TVN 7

We launched TVN 7 in 2002. The channel is available on cable networks on all digital platforms as well as on terrestrial digital television (DTT). TVN 7 benefits from our content, infrastructure and know-how, allowing it to operate on a relatively low-cost basis and allowing us to recover programming costs via incremental advertising revenue.

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

TVN 24

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

TVN 24 is available to well over 8.9 million subscribers on digital satellite platforms operating in Poland and over 500 cable and DSL operators. The major cable operators offering the TVN 24 channel include UPC, Multimedia Polska and Vectra.

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

TTV

We launched TTV channel in cooperation with Stavka Sp. z o.o. where we are a major shareholder (50.55% shares in Stavka Sp. z o.o. is owned by TVN Group). TTV is a free-to-air (FTA) channel focusing on current affairs, news and social interest documentaries.

The idea of TTV channel is to explore subjects of contemporary life and matters of importance for local communities across Poland. The channel was established for the audience and reacts to its signals. TTV team often works in field, taking intervention programs where viewers are in need of support. The aim of TTV team is to be sensitive to human affairs and act with passion for discovering the world that surrounds us. TTV is the only public television channel of this nature.

The channel is available via the biggest cable networks (including VECTRA, UPC, INEA), on all digital platforms as well as on terrestrial digital television (DTT).

TTV channel has started to be broadcasted on January 2, 2012 and during a year has already gained a great number of loyal viewers. In the fourth quarter of 2012 TTV has already reached a nationwide all day audience share 0.6%.

Audience market share

During the year ended December 31, 2012 we derived approximately 70.6% of our total revenue from television advertising. We have been able to diversify our advertising revenue stream by developing additional revenue sources, including subscription revenues from the pay-TV platforms, licensing fees, call TV, teleshopping, e-commerce and hosting services.

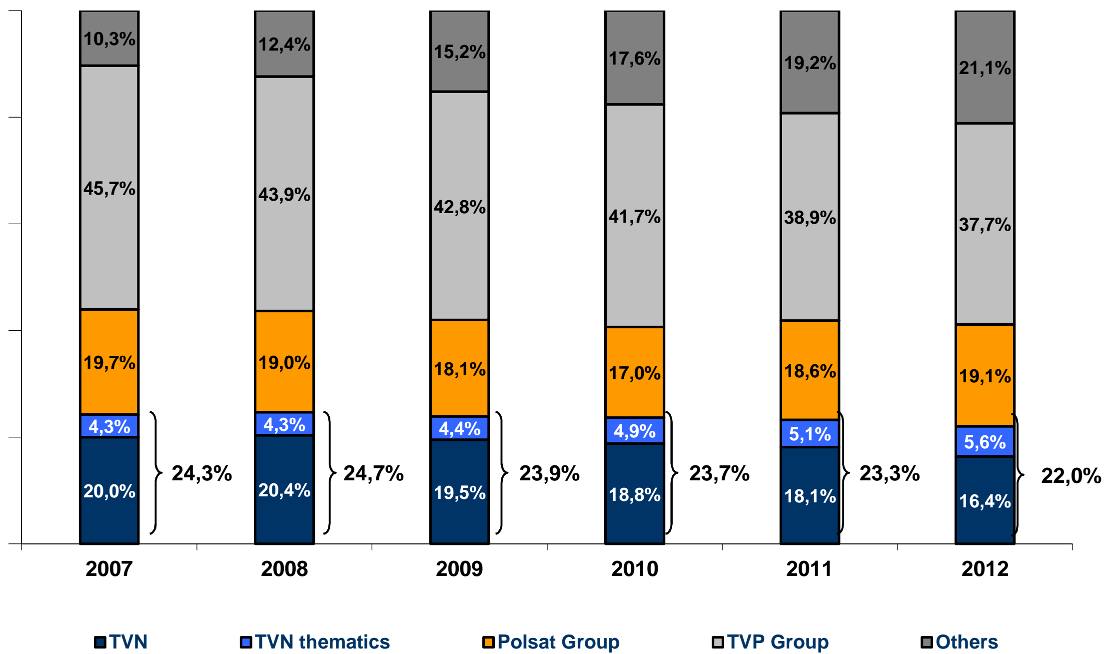
In the current television advertising market environment in Poland, advertisers generally allocate their expenditure among channels based on each channel's targeted audience market share, the demographic audience profile and pricing. In order to maximize our advertising revenue, we seek to increase our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

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

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

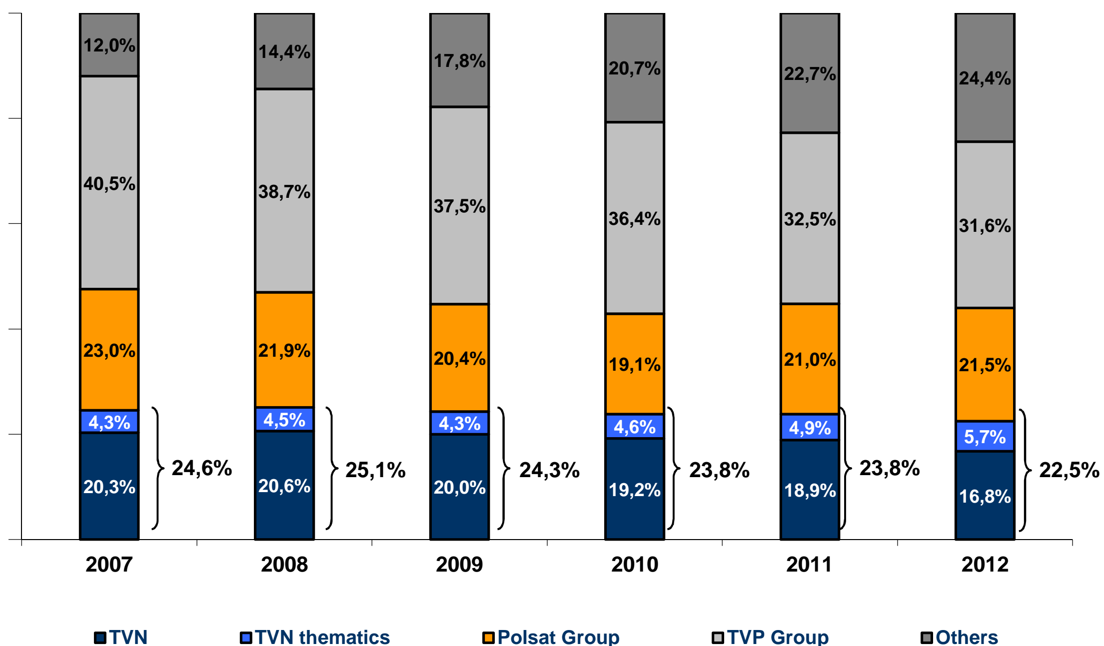
Following graphs show our audience share performance of TVN main channel and our thematics for nationwide population (defined as viewers aged four and older) during peak time and our audience share for mentioned groups of channels during peak time among viewers aged 16-49 compared to the audience share results of our major competitors groups for each year since 2007:

Nationwide peak time audience share



Source: NAM

16-49 peak time audience share

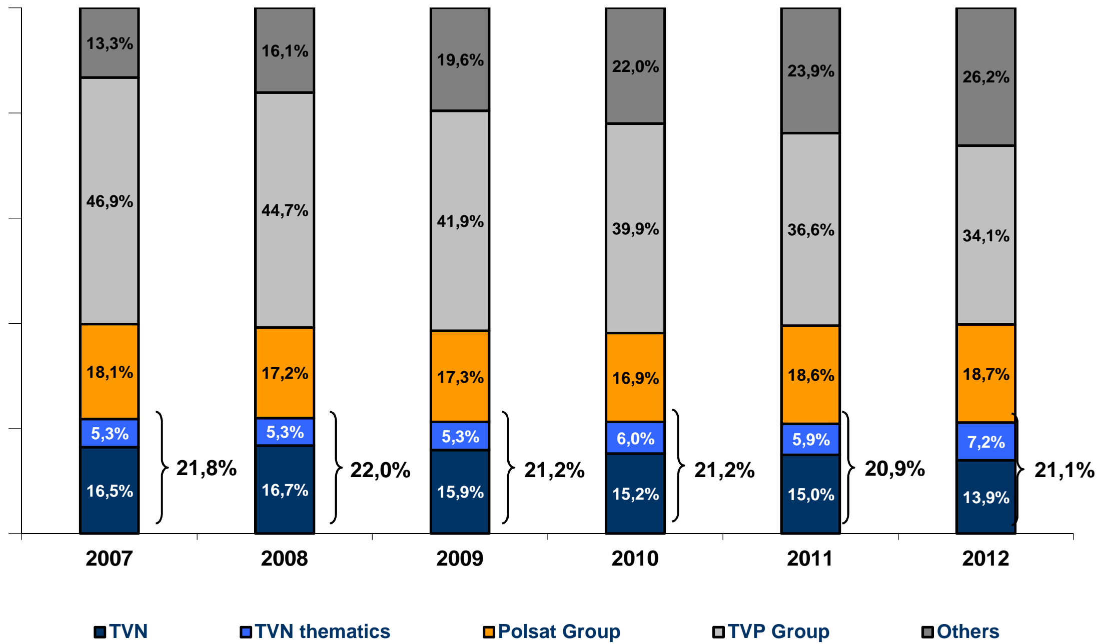


Source: NAM

According to NAM, in 2012, our channels captured an aggregate average of 21.0% of Poland's nationwide all-day television audience.

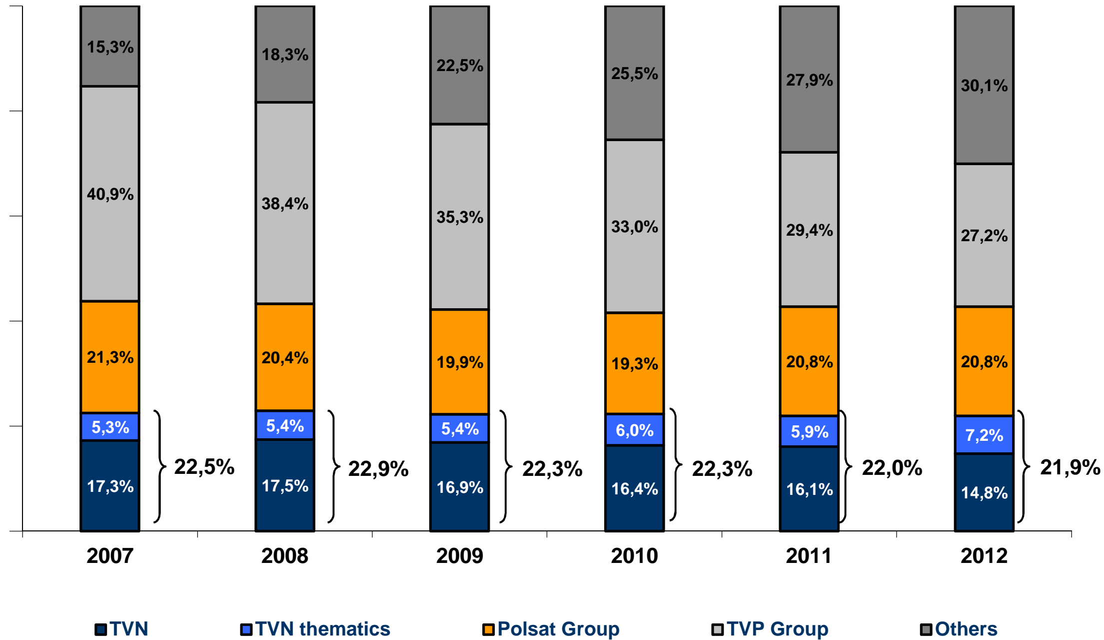
Following graphs show our all-day audience share performance of TVN main channel and our thematics for nationwide population (defined as viewers aged four and older) and our all-day audience share for mentioned groups of channels among viewers aged 16-49 compared to the audience share results of our major competitors groups for each year since 2007:

Nationwide all day audience share



Source: NAM

16-49 all day audience share



Source: NAM

TVN's group of channels maintains its leadership position among commercial broadcasters despite further fragmentation process. Our TVN main channel shows high degree of resilience to doubled audience share of 'other' channels in all mentioned breakdowns. Ongoing growth of thematic channels across all audience share categories successfully offsets pressure on our main channel. The biggest growth of our thematic audience share is visible in all day basic commercial target group where since 2007 our

channels increased its audience share by almost 40%. The compilation of both tendencies shows the long term broadly stable audience share of TVN's channel's as a total.

Television advertising sales

We sell advertising airtime to a broad and diverse group of advertisers that includes multinational and national companies. The majority of our advertising revenue generated in 2012 came from media houses representing multiple advertisers, with the balance generated directly pursuant to agreements with individual advertisers. For the year ended December 31, 2012, our ten largest individual advertisers collectively accounted for approximately 21.3% of our net advertising revenue with no single advertiser accounting for more than 4.0% of our net advertising revenue.

In order to provide flexibility to our advertising customers, we offer advertising priced on (i) cost per GRP, and (ii) rate-card basis. In 2012, almost 61% of our advertising sales on our TVN channel were package sales priced on the basis of cost per GRP compared to 52% in 2011.

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

Premium TV – TVN's sales consolidation concept

Premium TV is a part of TVN Media, the largest advertising sales house in the Polish market in terms of represented audience share of channels available for a Polish viewer. TVN Media was transformed in the end of 2011 from TVN's sales and marketing department into an independent company existing within TVN Group as a part of a reorganization process aimed at increasing efficiency of sales and marketing functions of the TVN Group, increasing efficiency and flexibility of TVN's structure, opening to new product implementations and introducing the offer to new external entities, potentially interested in TVN Media's services.

Premium TV is focused on external companies interested in building a successful advertising campaign through experienced media house that in 2012 besides TVN's own channels was an exclusive representative of DTT channels TV Puls and Puls2 which with our own MUX's channels (in particular TVN7 and TTV) constitutes a high potential growth portfolio. Premium TV in 2012 represented also numerous thematic channels of 4fun Media: 4fun.tv, rbl.tv, Disco.tv. In 2012 TVN Group has entered into agreements with Viacom and CANAL+ Cyfrowy. Following these agreements TVN Premium will be responsible for the sale of advertising time on the stations from Viacom's portfolio: MTV, Comedy Central, Comedy Central Family, Viva, VH1, ViacomBlink, Nickelodeon, as well as all original channels of the CANAL+ family and CANAL+ Cyfrowy's thematic channels starting from January 2013.

Television advertising sales team

Our television advertising sales team consists of approximately 170 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly,

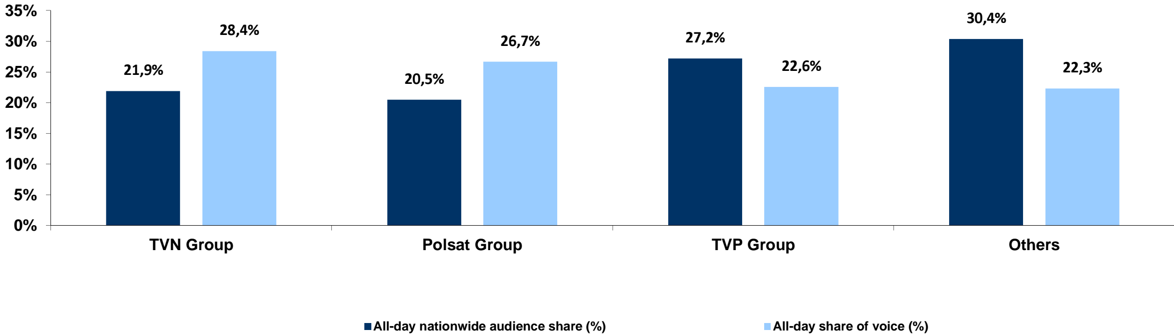
enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, our sales teams works closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross- promotional opportunities.

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

Development of our television advertising market share

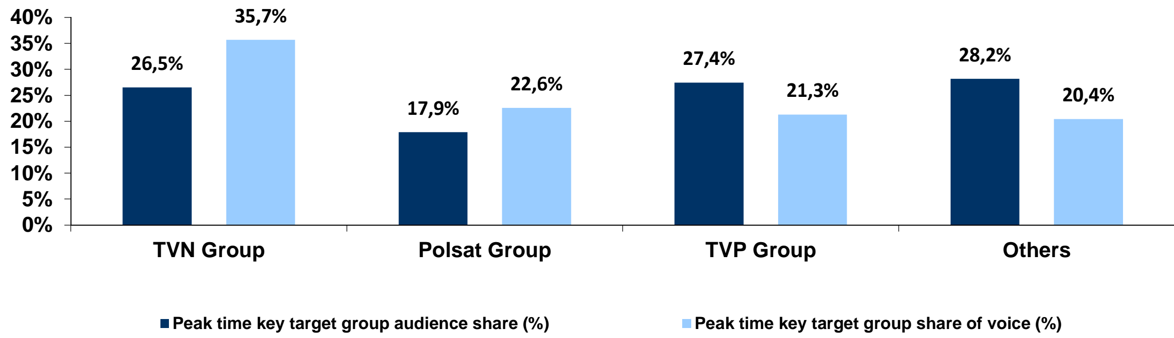
As evidenced by our peak time key target audience market share, we attempt to schedule our programming to attract and retain that group of viewers. Our market share of net television advertising expenditure in Poland reflects our ability to consistently attract key target audiences. According to NAM, TVN Group achieved a 35.7% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2012. During the same period, we had a peak time key target audience share of 26.5%. We believe that this success is due to the combined strength of our peak time key target audience share and our in-house advertising sales and marketing efforts. With the introduction of thematic channels we are able to deliver specific viewers within the key target audience to our advertising customers, which we believe makes their advertising messages more efficient.

The table below compares our nationwide all-day audience share and our share of total GRP delivery ("share of voice") to that of our main competitors in 2012:



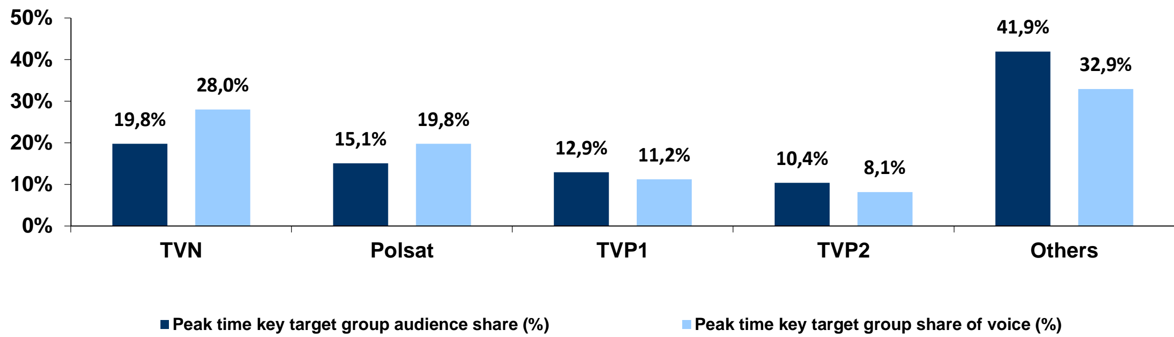
Source: NAM, target 4+

The table below compares our peak time key target group audience share and our peak time key target group share of total GRP delivery (share of voice) to that of our main competitors in 2012:



Source: NAM, target 16-49, cities 100.000+

The table below compares peak time key target group audience share and peak time key target group share of total GRP delivery (share of voice) of the TVN channel to that of its main competitors in 2012:



Source: NAM, target 16-49, cities 100.000+

Programming sources

Programming produced by TVN Group

We produce a wide variety of television content, including news and current affairs programs, documentaries, reality shows, talk and game shows, soap operas, movies and drama series. In 2012, we produced and broadcasted approximately 2,739 hours of our own programming for TVN channel. To the extent possible, we use our own employees for the production of our programs, but we also hire temporary staff (including screen writers, actors, producers and directors) on a project-by-project basis. Sub-contracting to third party production companies provides us with additional production capacity when needed, thereby reducing overhead costs related to production facilities and equipment. We outsource the production of certain entertainment shows, reality shows and drama series. We tend to work closely with the Polish subsidiaries of internationally recognized programming content producers such as Fremantle Polska Sp. z o.o., Golden Media Polska (previously Mastiff Media Polska Sp. z o.o.), Constantin Entertainment, Rochstar Sp. z o.o. as well as a wide range of Polish independent programming content producers.

In addition to our main news studio in Warsaw, we operate nine regional news offices and provide comprehensive news coverage of Poland. Each regional office can send its reporting crews to any location in Poland and is equipped with the latest transmission facilities. This enables the prompt transfer of video and live coverage of newsworthy events. For the coverage of international events outside Poland, we have entered into agreements with international news agencies such as Reuters, APTN and we have also entered into an agreement with European News Exchange, a non-profit organization for the exchange of news footage and transmission services between television broadcasters. We deployed our own news team to cover key events such as US Presidential Elections, Breivik trial, Newton school shooting, Smolensk plane crash anniversary, Aurora shooting and various key European summits. TVN 24 also has permanent foreign correspondents in Moscow, Brussels, London and Washington, D.C.

Acquired foreign programming

Broadcasting rights are generally acquired under one of three types of contractual arrangements: (1) output, (2) volume or (3) spot contracts. Output contracts involve the acquisition of the right to broadcast all current and future releases of a particular film studio. Volume contracts involve the acquisition of a specified volume of television programming content. Spot contracts involve the acquisition of the right to broadcast individual series or films. We have contracts concluded with the major Hollywood studios, including Warner Brothers and Paramount Pictures. We are not dependent on any particular distributor, and none of our suppliers accounts for 4.3% or more of our operating costs of continuing operations.

Competition

Our main channel, TVN, competes for audiences and, consequently, advertisers with the nationwide channels TVP1, TVP2 and Polsat. Our other channels compete with small regional channels operating in Poland and with channels distributed through satellite and cable. The following table sets out the household penetration of TVN and those of its principal competitors as of December 31, 2012. Household penetration is measured by the ability of a household to detect a television signal, regardless of quality.

Channel	Approximate household penetration
TVP1	100%
TVP2	100%
Polsat	99%
TVN	96%

Source: NAM

According to NAM, during 2012, TVP1, TVP2 and Polsat together accounted for a nationwide all-day audience share of 42.0%. TVN's market share during this period was 13.9%. The aggregate nationwide all-day audience share of TVP1, TVP2 and Polsat in TVN's coverage area was 39.3%, while for TVN it was 14.7%.

For the year ended December 31, 2011 TVP generated approximately 12.2% of its revenue from mandatory license fees with the balance primarily from advertising. Therefore, we regard TVP as one of our major competitors. However, unlike other television broadcasters, Polish regulations do not permit TVP to interrupt its programs with advertising.

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

The remaining Polish audience share is split among over 200 other Polish language cable and satellite channels. According to NAM, these other market participants collectively captured 44.1% of the nationwide all-day audience share in 2012.

PAY TV SEGMENT – DISCONTINUED OPERATIONS

Our pay-TV arm – 'n' platform has been successfully contributed in exchange for a 32% stake in a new platform nC+, formed in strategic cooperation with Groupe Canal + (See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group). As a result we ceased to operate in pay-TV segment, but as the transaction has been completed in the end of November we decided to describe this segment of operations for the first 11 months of 2012. We will compare this period of pay-TV operations with 12 months of 2011.

For the year ended December 31, 2012, our pay-TV segment generated 31.3% of our total revenues, including both continuing and discontinued revenues.

INDUSTRY OVERVIEW

Polish pay TV market

The pay TV market in Poland consists primarily of cable TV operators and satellite DTH operators. The cable television market is undergoing continued consolidation, but it still consists of over 500 operators (including IPTV operators, affiliated companies are counted as one operator). Cable networks in Poland are undergoing a gradual process of digitalization, conducted primarily by the largest operators, which is necessary for the cable operators to offer a range of premium services, including HD channels and VOD. In addition, cable operators are offering pay TV services together with telephony and Internet access services, with the aim of attracting new customers, as well as growing ARPU and reducing churn among existing customers. UPC, Vectra and Multimedia Polska are Poland's largest cable operators with an aggregate 65% share of the Polish cable market as of December 31, 2012. The Polish pay digital satellite market in 2012 was split between four digital platform operators: (1) Canal+ Cyfrowy Sp. z o.o., operating the Cyfra+ platform, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) ITI Neovision Sp. z o.o. operating the 'n' DTH and TNK platforms and (4) Telekomunikacja Polska S.A. ("TP"), operating the TP DTH platform. In 2010 we have entered into a framework cooperation agreement with TP.

On December 18, 2011 we signed a definitive fully binding agreement with Canal+ to merge the respective Pay-TV operations 'n' and Cyfra+. Under the terms of the transaction, we were to contribute our subsidiary ITI Neovision in exchange for a 32% stake in nC+. At the same time, Canal+ was to contribute Cyfra+ in exchange for a 51% stake in nC+. A shareholder agreement has been signed between us, Canal+, "n" and Cyfra+, that safeguards ours minority rights in nC+ and provides potential exit and liquidity rights, 3 or 4 years after closing of the transaction. The transaction was closed on November 30, 2012. See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group"

The 'n' acquisition

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

The remaining EUR 40,000 of the purchase price was paid by the issuance of the two Promissory Notes which were paid into an escrow account and held in escrow pursuant to

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

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

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

On December 18, 2011 the Group along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the cooperation with Groupe Canal+ S.A. ("Canal+ Group") and the combination of ITI Neovision Sp. z o.o. ("ITI Neovision"), the 'n' platform operator, and Canal+ Cyfrowy Sp. o.o., the "Cyfra+" platform operator ("Cyfra+"). The purpose of the transaction was to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform nC+ owned by Canal+ Group and TVN (see "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal + Group).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with Canal+ Group.

On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a digital DTH platform nC+ owned by Canal+ Group and TVN (see "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group).

'n' DTH platform evolution

We view the pay TV market as consisting of three broad categories of offerings: economy, mainstream and premium. ITI Neovision Sp. z o.o. operates the 'n' DTH platform, which focuses primarily on the mainstream and premium segment of the pay TV market, "Telewizja na kartę" ("TNK") and "n na kartę" ("NNK"), which provides a pre-paid offering for the economy segment of the market. As of November 30, 2012, the 'n' DTH platform exceeded 1,001,000 (not in thousands) active subscribers and TNK and NNK had over 279,000 (not in thousands) active customers (including HD).

The 'n' DTH platform, launched in October 2006, offers pay television services in Poland broadcasted over a satellite to its subscribers. In order to receive 'n' services, a subscriber needs a satellite dish and a set-top box with an access card offered by 'n'. Customers usually sign contracts for 12 to 24 months. They select program packages they are interested in and pay appropriate monthly fees. ITI Neovision Sp. z o.o.'s programming offer consists of television channels, either proprietary or licensed from other broadcasters,

grouped in thematic packages. ITI Neovision Sp. z o.o. also produces seven exclusive television channels focusing on film and sports content. The ‘n’ customers may select to use a set-top box equipped with a hard-disk drive, which enables them to use VOD and personal video recorder services. VOD is offered either for a monthly subscription fee or paid per view. VOD services include Polish and international movies and TV series. The ‘n’ customers may also select to use our OTT service – nVODnet. The service gives ‘n’ subscribers access to thousands of additional TV series and movies by connecting their decoder to the internet via cable or Wi-Fi.

In October 2008, ITI Neovision Sp. z o.o., through its subsidiary Cyfrowy Dom Sp. z o.o., launched the pre-paid satellite DTH service TNK and NNK. As of November 30, 2012, TNK had over 279,000 active customers. TNK and NNK sells decoding cards or decoding cards together with simple set-top boxes, which allow subscribers to access a number of pay and free-to-satellite television channels for an initial period of one to six months. After the initial period is over, subscribers can only view certain free-to-satellite channels unless they pre-pay additional fees in order to extend access to the entire pay programming offer. There are no formal contracts signed with customers and customers are free to pay only in the periods when they want to access the pay programming package. In May 2010 the TNK offer was extended through introduction of a high-definition version of the service (“TNK HD”) and in June 2011 the service was rebranded to “n na kartę”, with a richer programming package and a new set-top box, featuring new functionalities, the ability to receive digital terrestrial television signal and the possibility to connect an external hard disc drive. As of November 30, 2012, TNK had almost 189,000 (not in thousands) active customers for its basic pre-paid service and additionally over 90,000 (not in thousands) active customers for its TNK HD and NNK HD pre-paid service.

In March 2011, ITI Neovision became content distributor of basic television offer for Telekomunikacja Polska and this co-operation continued through 2012.

In June 2011 ITI Neovision and TP introduced bundle offer consisting of television service sold by ITI Neovision and Internet access service sold by TP (“Bundle Offer”) and this package was offered to the market through 2012.

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

On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ’n’ and Cyfra+ platforms and created a digital DTH platform nC+ owned by Canal+ Group and TVN (see “Material contracts” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal + Group).

Competition

Besides ITI Neovision, which owns and operates the ‘n’ DTH platform and the pre-paid TNK and NNK services, there were three other players on the Polish DTH Pay TV market: (1) Cyfrowy Polsat S.A., (2) Canal+ Cyfrowy Sp. z o.o. (the entity recently merged with ITI Neovision) and (3) Telekomunikacja Polska (“TP”). The table below presents the number of subscribers of all platforms as of the end of 2007, 2008, 2009, 2010 and 2011:

Number of subscribers (in thousands)						
Platform	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
‘n’ (1)	272	493	692	805	929	1,001
TNK (1)	-	92	262	322	345	279
Total ‘n’ and TNK	**272**	**585**	**954**	**1,127**	**1,275**	**1,280**
Cyfrowy Polsat (2)	2,068	2,727	3,200	3,434	3,506	3,558
Cyfra + (3)	1,070	1,380	1,500	1,550	*1,550*	*1,550*
TP (4)	40	113	283	497	636	706
Total market	**3,450**	**4,805**	**5,937**	**6,608**	**6,967**	**7,094**

(1) TVN Group internal data, as of November 30, 2012;
(2) Cyfrowy Polsat Investors’ Center data, no. of subscribers for 2012 relates to the end of third quarter of 2012;
(3) Due to lack of publicly available data for years 2011-2012 we use for this period the data available for the year 2010;
(4) Data for TP includes DTH and IPTV subscribers and comes from the Telekomunikacja Polska Investors’ Center.

ONLINE SEGMENT – DISCONTINUED OPERATIONS

We have successfully sold Grupa Onet.pl S.A. The transaction was completed at the beginning of November 2012 (See “Material contracts” for “Conclusion of a material agreement between TVN Group and Ringier Axel Springer). As a result of the above we ceased to operate in online segment, but as the transaction has been completed at the beginning of November we decided to describe this segment of operations for the first 10 months of 2012. We will compare this period of online operations with 12 months of 2011.

For the year ended December 31, 2012, this segment accounted for 8.2 % of our total revenues, including both continuing and discontinued revenues.

INDUSTRY OVERVIEW

Polish Internet industry

Poland has one of the largest populations of Internet users aged seven and older in Central and Eastern Europe, with 19.4 million users, as of November 2012, based on estimates of Megapanel PBI/ Gemius. According to ‘The use of information technologies in households’ report published by Central Statistical Office, in 2012, approximately 70.5% of Polish households with 16-74 years old persons had an internet-connected computer, and 68.3% used it for Internet browsing.

The Polish Internet market consists of private commercial content destination sites, thematic vortals, social media and countless e-commerce pages. The majority of these services are targeted to Polish people living in Poland or the Polish community living abroad. Usually the Internet is accessed through personal computers, but Internet access through mobile devices is also growing. According to SMG/KRC Poland Media, in the third quarter of 2012 15.7% (2.7 million) of Internet users aged 15 and older from Poland regularly access the Internet using mobile phones.

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

Polish Internet advertising market

Internet advertising is the fastest growing advertising medium in Poland. According to Starlink, Internet advertising in 2012 amounted to approximately PLN 1,320 million (compared to PLN 1,214 million in 2011), representing a 8.7% increase.

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

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

Market outlook for Internet advertising in Poland

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

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

Portals and vortals

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

- Onet.pl has been the leading Polish Internet portal since 2000 and 2nd most popular domain after Google, offering over 150 free and subscription based media and communication services including multimedia content, thematic services (such as Poland's leading news, business, sport, lifestyle and travel services) and paid services. According to Megapanel PBI/Gemius, as of November 2012, 67.4% of Polish Internet users use services of Grupa Onet.pl each month.
- Zumi.pl is a map based online yellow page designed to locate a wide range of points of interest. Zumi is the most popular yellow pages service in Poland and its number of users per month was 3.4 million as of November 2012.
- Plejada.pl is Poland's most popular show-business web site launched in March 2008 as a joint project of TVN and Onet.pl.
- Sympatia.pl is Poland's leading online dating service with over 5 million registered profiles with over 20 million pictures uploaded by its users.
- VOD.pl offers popular Polish and American series, TV shows, feature films, documentaries, cartoons and music video clips. The service was launched on February 2010 and re-brand on September 2012. It achieves over 2.5 million users monthly as of October 2012.
- Biznes.pl is the first cross-platform business service fully exploiting the potential of a virtual cloud. It is available on any device at any time.

Online advertising sales

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

Display of advertisements. Onet generates revenue related to the display of advertisements on the Onet.pl portal and on others thematic vortals like Zumi.pl, Plejada.pl and Sympatia.pl.

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

Search based revenues. Such revenues are generated from partnership with Google. Onet also monetizes its websites by placing Google ad boxes and search boxes on Onet's services.

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

Online advertising sales team

Onet's Internet advertising sales team consists of approximately 305 employees responsible for sales of online advertising and other Internet marketing services, campaign planning, analysis, development of new online marketing services and enhancing relationships with existing and potential advertisers. The sales team works closely with online segment market research and analysis team. The Internet marketing services sales team includes also regional sales representatives who promote and sell Onet's online marketing services in all the major regions in Poland.

Competition

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

The other segment of the Internet advertising market (so called long-tail) consists of a large amount of Internet services and sites that are created by individuals. They fail to

provide high quality content and to deliver advertising capacity. Therefore, they are considered to be a non-premium or low-cost segment.

Onet.pl portal competes in principle with other major Polish content destination and e-commerce sites, like WP.pl, Gazeta.pl or Allegro.pl and also with other major websites including Google, Youtube, Facebook and other major thematic vortals.

The following tables set out the reach and number of real users of Onet.pl and those of the top eight Polish websites as of November 2012, and the average number of users during seven-day periods during that month. Reach reflects the percentage of the total population of Internet users visiting a website at least once during a particular period. The number of real users reflects the number of unique visitors who visited a website at least once during a particular period. The following table presents reach and the number of real users as of November 2012:

Websites	**Type**	**Reach** (%)	**Real users** (in thousands)
Google.pl.......................................	search engine	89.5	17,352
Onet.pl..	**portal**	**67.4**	**13,056**
WP.pl..	portal	60.9	11,813
Gazeta.pl……………………………	portal	60.3	11,683
Interia.pl…………………………….	portal	58.5	11,333
Allegro.pl......................................	online auction	57.8	11,212
o2.pl…………………………………	portal	47.1	9,121
nasza-klasa.pl………….................	social network website	42.4	8,213

Source: Megapanel PBI/Gemius, November 2012

The following table sets out the total time spent by users per month on Onet.pl and the top five Polish websites as of November 2012. For reference it also includes information on the average time spent by a user on a website during the month. The total time spent represents the sum of all of the time the real visitors to a respective website spent there during a month.

Websites	**Type**	**Total time** (in thousands hours)	**Average time per user** (in hours : minutes)
Onet.pl...	**portal**	**71,435**	**5:28**
WP.pl...	Portal	72,353	6:07
Allegro.pl..	online auction	58,511	5:13
Interia.pl……………………………..	Portal	38,303	3:23
o2.pl………………………………….	Portal	24,283	2:40
Gazeta.pl…………………………….	Portal	24,894	2:08

Source: Megapanel PBI/Gemius, November 2012

THE COMPANIES DEVELOPMENT TARGETS

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

- ***Develop and source attractive programming content*** — The production, sourcing, broadcasting and distribution of attractive and innovative programming content is a key element of our strategy. Our research indicates that programming content produced in Poland is very popular with our key target audiences. We will continue to develop innovative, high quality Polish programming content, in particular, series, movies and shows, using our in-house production capabilities and our established relationships with independent Polish producers and production companies. We also expect to continue to capitalize on our established relationships with leading international content providers, including 20th Century Fox, Warner Brothers, DreamWorks and Paramount Pictures, to deliver attractive readymade content to our audiences. We intend to grow our key target audience share, particularly during peak-time, by sourcing and scheduling attractive television programming content.

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

- ***Identify and further exploit expansion of our activities and revenue diversification*** — We will continue to identify opportunities to expand our activities in the advertising market mainly by evaluating the development of new channels either in Poland, or abroad. Moreover, maintaining electronic media concentration, we intend to further analyse opportunities to expand our business in a manner assuring further revenue diversification. We also intend to further develop our teleshopping activities through the introduction of new, well targeted and well promoted products. We embrace the new opportunities provided by national coverage due to the introduction of the DTT network, allowing TVN and TVN7 to increase their reach to 100% and we acquired 51% of TTV, to broaden our demographic offer in all Polish TV homes. Under our new TVN 3.0 strategy we will continue to deliver our own content to a broader and wider audience. A first successful example is the recently launched TVNPlayer. We also intend to develop new products, which will maximize the effectiveness and efficiency of advertising on television and via the Internet at the same time. The first significant step in preparing a wider approach to the advertising community has been accomplished with the newly created TVN Media Company, serving both TVN and third party channels, allowing us to

broaden our sales and marketing activities and respond to the current and future needs of our customers. We also intend to launch additional vortals and services targeting sections of the advertising market, where they are currently underrepresented or not represented at all, and where we can provide access to news, clips and entertainment content produced by our broadcasting segment.

- ***Successfully exploit TVN's position in the recently announced Canal+ Transaction*** — We expect to drive significant shareholder value from the combination of the two DTH platforms Cyfra+ and 'n'. Integration of the platforms will allow to realize substantial synergies which will materially improve the risk profile of TVN Group.

- ***Successfully exploit TVN's position in the recently announced transaction with Ringier Axel Springer*** — We expect to drive significant shareholder value from the Onet Group operations that in 25% is indirectly held by TVN Group. Our strategic partnership with Ringier Axel Springer will allow Onet to dynamically develop its existing business as well as benefit from complementary strength of a new ownership structure.

OTHER ASPECTS OF OUR BUSINESS

CAPITAL EXPENDITURE

We continue to invest consistently in the capital expenditures required to support our growth strategies. Our total capital expenditure amounted to PLN 363,546 in 2012. Of this amount, the majority was spent on purchase from MBC Real Estate of our headquarter building and land located in Warsaw at 166 Wiertnicza Street for a total consideration of PLN 183,139 and capex on purchasing set top decoders amounted to PLN 29,379.

Our total capital expenditure amounted to PLN 249,265 in 2011. This amount was highly influenced by spending on purchasing set top decoders, which amounted to PLN 76,646.

Our total capital expenditure amounted to PLN 243,315 in 2010. Of this amount, the highest position was capex on purchasing set top decoders, which amounted to PLN 94,582.

INTELLECTUAL PROPERTY

We protect the program content that we develop against illegal exploitation by third parties. We protect our trademarks by registering them with the Polish Patent Office. We have registered the following trademarks: (1) TVN, as three verbal-graphic trademarks and an international verbal-graphic trademark; (2) TVN24, as a verbal-graphic trademarks; (3) TVN 7 verbal-graphic trademark; (4) TVN Siedem as verbal-graphic trademarks, (5) iTVN, as a verbal-graphic trademark (which is registered also in Canada and USA); (6) TVN Meteo, as a verbal and verbal-graphic trademark; (7) TVN Turbo, as a verbal and verbal-graphic trademark (two versions); (8) TVN Style, as a verbal and verbal-graphic trademarks (two versions); (9) TVN Med verbal-graphic trademarks; (10) TVN Warszawa as a verbal-graphic trademarks (two versions); (11) TVN Lingua as a verbal-graphic trademarks; (12) TVN Gra as a verbal-graphic trademarks. We protect as well about 300 trademarks related to our TV programs, series and shows for example the trademark of our daily morning show "Dzień dobry TVN" or our very popular soap opera production "Na Wspólnej" and many other, by registering them with the Polish Patent Office.

We have filed for the registration of the following trademarks: (1) Premium TV as a verbal-graphic trademarks.

PROPERTIES

Our properties consist primarily of broadcasting, production and office facilities, all of which are located in Poland. We believe that these facilities are well maintained and in good condition. In addition, we own or have a right of perpetual usufruct to a number of undeveloped plots in Warsaw.

INSURANCE

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

LEGAL PROCEEDINGS

In the normal course of business, we are subject to various legal proceedings and claims. We do not believe that the ultimate amount of any such pending actions will, either individually or in the aggregate, have a material adverse effect on our business or our financial condition.

REGULATION

General

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

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

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

Broadcasting licenses

KRRiT issues television broadcasting licenses, as a rule, for periods of ten years. Licenses are not transferable. The renewal of existing terrestrial and satellite licenses are subject to the simplified procedure of the Broadcasting Law.

KRRiT will revoke a license if a broadcaster materially breaches its obligations under the Broadcasting Law or the terms and conditions specified in its license. In addition, KRRiT will revoke a license if a broadcaster's activity under its license is carried out in a manner that is deemed to conflict with the Broadcasting Law or the terms and conditions of its license and the broadcaster fails to remedy such conflict within the applicable grace period.

In June 2010, KRRiT amended the TVN channel license, granting TVN new digital terrestrial frequencies available on the MUX2. TVN channel is located on the MUX2 together with the following free-to-air commercial television channels: TVN, Polsat, TV4 and TV Puls. On July 7, 2010, the Office of Electronic Communications reserved frequencies for us on the MUX2 until July 2025.

As on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2. The license for distribution of the TVN 7 Channel has been renewed for the next ten year period.

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

The table below sets out the licenses that TVN, and its subsidiaries currently hold:

Channel	Type of license	License holder	Licensing body	Date of expiration
TVN	Terrestrial broadcast license	TVN	KRRiT	April 14, 2014
TVN International West	Satellite broadcast license	TVN	KRRiT	May 5, 2018
TVN CNBC	Satellite broadcast license	TVN	KRRiT	August 30, 2017
TVN Style	Satellite broadcast license	TVN	KRRiT	July 28, 2014
TVN Turbo	Satellite broadcast license	TVN	KRRiT	February 12, 2014
TVN International	Satellite broadcast license	TVN	KRRiT	February 10, 2014
TVN Meteo	Satellite broadcast license	TVN	KRRiT	June 26, 2013
TVN 7	Satellite broadcast license Terrestrial broadcast license	TVN	KRRiT	February 25, 2022
TVN 24	Satellite broadcast license	TVN	KRRiT	September 26, 2021
NTL Radomsko	Terrestrial broadcast license	NTL Radomsko	KRRiT	February 8, 2015
Telezakupy Mango 24	Satellite broadcast license	Mango Media Sp. z o.o.	KRRiT	January 27, 2023
TTV	Satellite broadcast license Terrestrial broadcast license	Stavka Sp. z o.o.	KRRiT	February 23, 2021

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

Restrictions on foreign ownership

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

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

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

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

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

Restrictions on programming and advertising

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

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

Polish broadcasting laws and regulations impose restrictions on advertising. Currently, broadcasters are allowed to devote only 12 minutes of advertising time per hour. In addition, there are restrictions with respect to advertisements for certain types of products, such as alcohol or pharmaceuticals and others. Advertisement of tobacco is prohibited. Product placement is allowed under the certain conditions.

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

ORGANIZATIONAL STRUCTURE

	Country of incorporation	December 31, 2012 Ownership %	December 31, 2011 Ownership %
TVN S.A.	Poland		
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. (1)	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
ITI Neovision Sp. z o.o. (5)	Poland	-	100
Cyfrowy Dom Sp. z o.o. (5)	Poland	-	100
Neovision UK Ltd (5)	UK	-	100
DTH Poland Holding B.V. (2) (5)	The Netherlands	-	100
Grupa Onet.pl S.A. (6)	Poland	-	100
DreamLab Onet.pl Sp. z o.o. (6)	Poland	-	100
SunWeb Sp. z o.o. in liquidation (3) (6)	Poland	-	100
Media Entertainment Ventures Int Ltd (4)	Malta	-	100
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture) (5)	UK	-	45
Associates			
Canal+ Cyfrowy S.A. Group (5)	Poland	32	-
Vidalia Investments Sp. z o.o. Group (6)	Poland	25	-
Film Miasto Sp. z o.o. (7)	Poland	-	34
Polskie Badania Internetu Sp. z o.o.	Poland	-	16

(1) Up to November 21, 2012 Grupa Onet Poland Holding B.V.

(2) Up to October 2, 2012 DTH Poland Holding Coöperatief U.A.

(3) Liquidation process initiated on July 13, 2012

(4) Liquidated on September 10, 2012

(5) Canal+ Cyfrowy S.A. Group includes Canal+ Cyfrowy S.A., its subsidiaries (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).

(6) Vidalia Investments Sp. z o.o. Group includes Vidalia Investments Sp. z o.o., its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation) and an associate (Polskie Badania Internetu Sp. z o.o.).

(7) On August 1, 2012 the Group sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Group recognized a loss on this transaction in the amount of 16

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

IMPACT OF CHANGES IN OUR STRUCTURE ON THE REPORTED RESULTS

On August 29, 2011 we entered into a cooperation agreement with Stavka. Stavka holds the license for terrestrial broadcasting of the TTV channel (previously named 'U-TV'). The agreement covers the areas of technology, advertising and programming. The TTV is one of the channels broadcasted via the first DTT multiplex. As part of the agreement, we acquired 25% of the shares in Stavka. On December 21, 2011 we acquired additional 25.55% of the Stavka shares. As a result, we obtained control over Stavka.

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

On December 18, 2011 we signed an agreement with Group Canal+ concerning 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. (see "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal + Group).

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 Onet to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia") for consideration consisting of cash for 75% of the shares in Grupa Onet.pl and 25% of shares in Vidalia 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. (see "Material contracts" for "Conclusion of a material agreement between TVN Group and Ringier Axel Springer).

Our fiscal year ends on December 31. References to “2010”, and “2011” and “2012” are to the years ended December 31, 2010, 2011 and 2012 respectively. Unless we indicate otherwise, references to PLN, Dollars and Euro are in thousands.

THREE MONTHS ENDED DECEMBER 31, 2012

OPERATIONAL RESULTS

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended December 31, 2012 decreased by 8.1% compared to the corresponding period of 2011.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, decreased to 35,0% from 36.6% in the corresponding period of 2011.

- Channels of TVN Group in total increased their audience share in all day nationwide audience share to 22.2% from 21.7%.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 3.0%, from 2.0%, all-day basic commercial target group audience share increased to 3.1%, from 2.5%, all-day key target group audience share increased to 3.0%, from 2.9%, *prime time* basic commercial target group audience share increased to 2.9%, from 2.6%, *prime time* key target group audience share increased to 3.0%, from 2.7%, *peak time* basic commercial target group audience share increased to 2.8%, from 2.4% and *peak time* key target group audience share increased to 3.0%, from 2.6% in the corresponding period of 2011 according to NAM.

- Our TVN Style increased its audience share in all categories. All-day nationwide audience share increased to 0.6%, from 0.3%, all-day basic commercial target group audience share increased to 0.9%, from 0.5%, all-day key target group audience share increased to 1.4%, from 0.8%, *prime time* basic commercial target group audience share increased to 0.6%, from 0.4%, *prime time* key target group audience share increased to 1.0%, from 0.6%, *peak time* basic commercial target group audience share increased to 0.7%, from 0.4% and *peak time* key target group audience share increased to 1.0%, from 0.6% in the corresponding period of 2011 according to NAM.

- Our TVN Turbo channel increased its audience share in three categories and maintained its audience share in remaining four categories. Our TVN Turbo increased all day key target group to 1.5% from 1.4%, *prime time* key target group to 1.1% from 1.0% and peak time key target group to 1.1% from 1.0% in the corresponding period of 2011 according to NAM. Our TVN Turbo maintained all-day nationwide audience share at 0.5%, all-day basic commercial target group audience share at 0.8%, *prime time* basic commercial target group audience share at 0.6% and peak time basic commercial group audience share at 0.6%.

- Internet portal Onet.pl had 13.1 million real users and 2.5 billion page views in November 2012. Average monthly time spent per real user on Onet.pl portal in November 2012 was 5 hours and 28 minutes, according to Megapanel PBI/Gemius.

- ‘n’ DTH platform’s post-paid net subscriber number increased by almost 10,000 (not in thousands) during two months ended November 30, 2012. As of November 30, 2012, the ‘n’ DTH platform had over 1.001,000 (not in thousands) active subscribers. As of November 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 62.1 (not in thousands).

- TNK active pre-paid net customer decreased by almost 14,000 (not in thousands) during two months ended November 30, 2012. As of November 30, 2012, TNK had a total customer base (active and inactive) of over 279,000 (not in thousands). As of November 30, 2012, TNK HD had over 90,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,280,000 (not in thousands) as of November 30, 2012.

PRINCIPAL EVENTS

- On November 6, 2012 we have successfully closed the sale transaction of Grupa Onet.pl S.A. to Ringier Axel Springer.

- On November 6, 2012 following the closing of Onet transaction Robert Bednarski Onet’s President of the Management Board and the Member of TVN’s Management Board has resigned from his position in TVN’s structure.

- On November 12, 2012 Mr. Piotr Walter, the Vice-President of the Management Board of TVN S.A., has notified the Supervisory Board of the Company that he will cease to perform his current duties in TVN as of December 31, 2012, in order to join the Executive Committee of ITI Group. The Supervisory Board during its meeting on November 12, 2012 approved the recommendation by Mr. Markus Tellenbach, the President and CEO of the Company, and appointed with an immediate effect five new members to the Management Board of TVN S.A.: Mr. Edward Miszczak, Mr. Adam Pieczyński, Mr. Piotr Tyborowicz, Mr. Piotr Korycki and Mr. Maciej Maciejowski.

- Upon initiation of a strategic cooperation with Groupe Canal+ and changes in the Company’s structure changes occurred in the composition of the Supervisory Board. On November 28, 2012 three of our Supervisory Board Members: Mr Paul H. Lorenz, Mr Andrzej Rybicki and Mr Gabriel Wujek resigned from their positions with effect as of November 30, 2012, Mr Romano Fanconi on November 28, 2012 has resigned from its position as well with effect as of December 31, 2012. On November 30, 2012 the Extraordinary General Meeting of TVN appointed the following four persons to the Supervisory Board of the company: Mr Bertrand Meheut, Mr Rodolphe Belmer, Ms Sophie Guieysse with immediate effect and Mr Piotr Walter with effect as of December 31, 2012.

- On November 30, 2012 - TVN and Groupe Canal+ completed a strategic partnership transaction whereby TVN acquired 32% of the shares in the combined pay-TV business.

- On December 10, 2012 - Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK exceeded the level of 5% in a total number of votes in TVN S.A.

- On December 13, 2012 the Group entered into a facility agreement for the amount of EUR 26,000 in order to partially finance the acquisition of MBC Building. The Mortgage Loan 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 3.16%. The Mortgage Loan and interest will be repaid in monthly instalments starting from January 31, 2013. The final repayment date will be December 31, 2016. The basic security for the Mortgage Loan are: mortgage on the MBC Building, assignment of rights from insurance policy relating to the MBC Building, financial and registered pledge over bank accounts held with the banks granting the loan.

- On December 21, 2012 - Otwarty Fundusz Emerytalny PZU „Złota Jesień” exceeded the level of 5% in a total number of votes in TVN S.A.

Financial results

- Our Group reported revenue decreased by PLN 68,418, or 13.0% to PLN 456,693, from PLN 525,112 in the corresponding period of 2011.

- TV segment decreased its revenue by PLN 65,503, or 12.8% to PLN 448,129, from PLN 513,632 in the corresponding period of 2011.

- Our operating profit decreased by 39.0% to PLN 109,735, from PLN 179,875 in the corresponding period of 2011.

- Our reported EBITDA decreased by PLN 57,810 to PLN 138,506, from PLN 196,316 in the corresponding period of 2011. Our reported EBITDA margin decreased to 30.3% from 37.4% in the in the corresponding period of 2011.

- Our adjusted EBITDA from continuing and discontinued operations (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 share of profit of associates) decreased by PLN 42,043 to PLN 154,273, from PLN 196,316 in the corresponding period of 2011. Our adjusted EBITDA margin decreased to 33.8% from 37.4% in the in the corresponding period of 2011.

- In the annual impairment test performed by the Group as at December 31, 2012 indicated, that the teleshopping cash-generating unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of PLN 25,973 was recognized in the consolidated income statement.

- We recorded profit for the period from continuing operations of PLN 308,988 compared to the profit for the period from continuing operations of PLN 99,592 in 2011.

- We recorded profit for the period from discontinued operations of PLN 156,805 compared to the loss for the period from discontinued operations of PLN 87,161 in 2011.

- We recorded a profit for the period of PLN 465,793 compared to a profit for the period of PLN 12,431 in 2011. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 469,779 compared to a profit attributable to the owners of TVN S.A. of PLN 12,431 in 2011.

- Our Net debt to adjusted EBITDA ratio as of December 31, 2012 was 4.0. As of December 31, 2012 we held in total PLN 358,564 of cash and cash equivalents resulting from continuing operations and PLN 915,343 of restricted cash related to the disposal of Onet Group and related to the acquisition of MBC Building.

Twelve Months Ended December 31, 2012:

Operational results

- According to TVN estimates based on Starlink data the television advertising market in Poland in the twelve months ended December 31, 2012 decreased by 5.6% compared to the corresponding period of 2011.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, decreased to 34.2%, from 34.8% in the corresponding period of 2011.

- Our TVN 7 increased its audience share in all categories. All-day nationwide audience share increased to 2.5%, from 1.8%, all-day basic commercial target group audience share increased to 2.8%, from 2.2%, all-day key target group audience share increased to 2.9%, from 2.4%, *prime time* basic commercial target group audience share increased to 2.8%, from 2.2%, *prime time* key target group audience share increased to 2.7%, from 2.3%, *peak time* basic commercial target group audience share increased to 2.7%, from 2.3% and *peak time* key target group audience share increased to 2.8%, from 2.2% in the corresponding period of 2011 according to NAM.

- Our TVN Style increased its audience share in all categories. All-day nationwide audience share increased to 0.6%, from 0.4%, all-day basic commercial target group audience share increased to 0.8%, from 0.5%, all-day key target group audience share increased to 1.3%, from 0.8%, *prime time* basic commercial target group audience share increased to 0.9%, from 0.7%, *prime time* key target group audience share increased to 0.6%, from 0.4%, *peak time* basic commercial target group audience share increased to 0.6%, from 0.4% and *peak time* key target group audience share increased to 1.0%, from 0.7% in the corresponding period of 2011 according to NAM.

- Our TVN Turbo channel increased its audience share in six categories and maintained its audience share in remaining category. Our TVN Turbo increased all day nationwide audience share to 0.5% from 0.4%, all-day basic commercial target group audience share to 0.8% from 0.7%, all day key target group to 1.3% from 1.2%, *prime time* basic commercial target group audience share to 1.0% from 0.9%, *prime time* key target group audience share 0.6% from 0.5% and peak time key target group audience share to 1.0% from 0.9% in the corresponding period of 2011 according to NAM. Our TVN Turbo maintained peak time basic commercial target audience share at 0.6%.

- Internet portal Onet.pl had 13.1 million real users and 2.5 billion page views in November 2012. Average monthly time spent per real user on Onet.pl portal in November 2012 was 5 hours and 28 minutes, according to Megapanel PBI/Gemius.

- ‘n’ DTH platform’s post-paid net subscriber number increased by almost 72,000 (not in thousands) during eleven months ended November 30, 2012. As of November 30, 2012, the ‘n’ DTH platform had over 1,001,000 (not in thousands) active subscribers. As of November 30, 2012, the ‘n’ DTH platform recorded monthly average revenue per subscriber (“ARPU”) of PLN 61.2

- TNK active pre-paid net customer decreased by over 66,000 (not in thousands) during eleven months ended November 30, 2012. As of November 30, 2012, TNK had a total customer base (active and inactive) of over 279,000 (not in thousands). As of November 30, 2012, TNK HD had over 90,000 active customers. The ‘n’ DTH platform including TNK and TNK HD, had reached a total active clients number of over 1,280,000 (not in thousands) as of November 30, 2012.

PRINCIPAL EVENTS

- On January 9, 2012, our Supervisory Board of TVN S.A. appointed Robert Bednarski as the Management Board Member.

- On April 13, 2012 we announced that, as part of its comprehensive strategy review, we decided to enter into exclusive negotiations with Ringier Axel Springer Media AG. The process envisages entry into a strategic partnership in Onet.pl. We have granted Ringier Axel Springer Media AG exclusivity to negotiate the terms and conditions of the partnership for a definite period until May 31, 2012 and approved the preliminary terms of the partnership.

- 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. 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. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we concluded the agreement with Ringier Axel Springer regarding the sale of Grupa Onet.pl to RAS.

- On September 14, 2012, the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for merger of Cyfra+ and 'n' platforms. The consent was an important step towards finalizing the merger transaction.

- On September 18, 2012, the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for sale of Onet.pl Group S.A. to Ringier Axel Springer Media AG (RAS). The consent is an important step towards finalizing the sale transaction. On November 6, 2012 we closed the agreement with Ringier Axel Springer regarding the sale of Grupa Onet.pl to RAS.

FINANCIAL RESULTS

- Our Group revenue decreased by PLN 133,901, or 7.8% to PLN 1,584,263, from PLN 1,718,163 in the corresponding period of 2011.

- TV segment decreased its revenue by PLN 130,003, or 7.7% to PLN 1,552,097, from PLN 1,682,100 in the corresponding period of 2011.

- Our operating profit decreased by 128,335, or 25.5% to PLN 374,268, from PLN 502,603 in the corresponding period of 2011.

- Our reported EBITDA from continuing operations decreased by PLN 109,843, or 19.4% to PLN 456,037, from PLN 565,880 in the corresponding period of 2011 and reported EBITDA margin decreased to 28.8% from 32.9% in the corresponding period of 2011.

- Our adjusted EBITDA from continuing and discontinued operations (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 share of profit of associates) decreased by PLN 151,743 to PLN 508,053, from PLN 659,796 in the corresponding period of 2011. Our adjusted EBITDA margin decreased to 32.1% from 38.4% in the in the corresponding period of 2011.

- In the annual impairment test performed by the Group as at December 31, 2012 indicated, that the teleshopping cash-generating unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of PLN 25,973 was recognized in the consolidated income statement.

- We recorded a profit for the period from continuing operations of PLN 520,077 compared to the loss for the period from continuing operations of PLN 89,891 in 2011.

- We recorded a loss for the period from discontinued operations of PLN 49,838 compared to the loss for the period from discontinued operations of PLN 227,474 in 2011.

- We recorded a profit for the period of PLN 470,239 compared to a loss for the period of PLN 317,365 in of 2011, primarily as a result of the following factors: an impact of gain of PLN 196,618 on exchange of pay-TV assets offset by a loss of PLN 235,380 including

impairment recognition in 2012 on disposal of Onet Group combined with a positive difference between unrealized foreign exchange gains booked in the amount of PLN 251,995 in 2012 and losses in the amount of PLN 350,165 recorded last in 2011 and an impact of deferred tax asset recognized on tax loss carry-forwards of PLN 137,964.

- Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 486,071, compared to a loss attributable to the owners of TVN S.A. of PLN 317,365 in 2011.

- Our Net debt to adjusted EBITDA ratio as of December 31, 2012 was 4.0. As of December 31, 2012 we held in total PLN 358,564 of cash and cash equivalents resulting from continuing operations and PLN 915,343 of restricted cash.

RESULTS OF OPERATIONS

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

For your convenience 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 December 31, 2012 have been converted into Euro at a rate of PLN 4.0882 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2012);
- Złoty amounts for the three months ended December 31, 2012 have been converted into Euro at a rate of PLN 4.1099 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2012, November 30, 2012 and December 31, 2012);
- Złoty amounts for the year ended December 31, 2012 have been converted into Euro at a rate of PLN 4.1736 per €1.00 (arithmetic average of the effective NBP exchange rates as of January 31, 2012, February 29, 2012, March 31, 2012, April 30, 2012, May 31, 2012, June 30, 2012, July 31, 2012, August 31, 2012, September 30, 2012, October 31, 2012, November 30, 2012 and December 31, 2012).

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

You should not view such conversions as a representation that the quote Złoty amounts actually represent the respective 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.

The consolidated balance sheet as at December 31, 2011 and the consolidated income statement for the years ended December 31, 2012 and 2011 and 2010 reflect requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' with respect to results of ITI Neovision Group and Grupa Onet.pl.

The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

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

As a result the comparability of the balance sheet and income statement items as of and for the periods ended December 31, 2012 and 2011, and 2010 as compared to the corresponding periods ended December 31, 2009 and 2008 is limited.

The consolidated balance sheet as at December 31, 2012 and 2011 and the consolidated income statement for the years ended December 31, 2012 and 2011 reflect requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ with respect to results of ITI Neovision Group and Grupa Onet.pl.

The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

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

As a result the comparability of the balance sheet and income statement items for the periods ended December 31, 2012 and 2011, as compared to the corresponding periods ended December 31, 2010, 2009 and 2008 is limited.

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2012 AND 2011.

Income statement data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Revenue	525,112	118,362	456,693	111,120
Operating profit	179,875	40,544	109,735	26,700
Profit before income tax	89,567	20,189	31,894	7,760
(Profit attributable to the owners of TVN S.A.	**12,431**	**2,801**	**469,779**	**114,304**

Cash flow data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Net cash generated by operating activities	153,846	34,677	132,851	32,325
Net cash (used in) / generated by investing activities	(117,152)	(26,406)	669,412	162,878
Net cash generated by / (used in) financing activities	(168,433)	(37,965)	(1,009,719)	(245,680)
(Decrease) in cash and cash equivalents	**(131,739)**	**(29,694)**	**(207,457)**	**(50,478)**

Earnings per share data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,856,814	343,856,814	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	343,856,814	343,856,814	343,876,421	343,876,421
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.04	0.01	1.37	0.33
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.04	0.01	1.37	0.33
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
EBITDA*	**196,316**	**44,250**	**138,506**	**33,701**
EBITDA margin	37.4%	37.4%	30.3%	30.3%
Operating margin	34.3%	34.3%	24.0%	24.0%

Balance sheet data

	As at December 31, 2011 PLN	As at December 31, 2011 EUR	As at December 31, 2012 PLN	As at December 31, 2012 EUR
Total assets	5,111,959	1,157,390	4,966,287	1,214,785
Current assets	1,357,702	307,395	2,020,466	494,219
Non-current liabilities	3,478,473	787,555	3,203,936	783,703
Current liabilities	456,410	103,335	403,284	98,656
Shareholders equity**	924,029	209,208	1,375,457	336,446
Share capital	68,775	15,571	68,775	16,823
Non-controlling interest	(558)	(126)	(16,390)	(4,009)

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011.

Income statement data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Revenue	1,718,163	415,005	1,584,263	379,591
Operating profit	502,603	121,399	374,268	89,675
(Loss) / profit before income tax	(137,858)	(33,298)	267,752	64,154
(Loss)/ profit attributable to the owners of TVN S.A.	**(317,365)**	**(76,656)**	**486,071**	**116,463**

Cash flow data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Net cash generated by operating activities	435,232	105,126	325,246	77,929
Net cash generated by/ (used in) investing activities	48,145	11,629	530,114	127,016
Net cash generated from/ (used in) financing activities	(319,429)	(77,155)	(1,207,519)	(289,323)
Increase / (decrease) in cash and cash equivalents	**163,948**	**39,600**	**(352,159)**	**(84,378)**

Earnings per share data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,336,965	343,336,965	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	343,336,965	343,336,965	343,884,522	343,884,522
(Losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	(0.92)	(0.22)	1.41	0.34
Diluted (losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	(0.92)	(0.22)	1.41	0.34
Dividend paid or declared per share (not in thousands)	0.04	0.01	0.10	0.02

Other data

	2011 PLN	2011 EUR	2012 PLN	2012 EUR
EBITDA*	565,880	136,683	456,037	109,267
EBITDA margin	32.9%	32.9%	28.8%	28.8%
Operating margin	29.3%	29.3%	23.6%	23.6%

Balance sheet data

	As at December 31, 2011 PLN	As at December 31, 2011 EUR	As at December 31, 2012 PLN	As at December 31, 2012 EUR
Total assets	5,111,958	1,157,390	4,966,287	1,214,785
Current assets	1,357,702	307,395	2,020,466	494,219
Non-current liabilities	3,478,473	787,555	3,203,936	783,703
Current liabilities	456,410	103,335	403,284	98,646
Shareholders equity**	924,029	209,208	1,375,457	336,446
Share capital	68,775	15,571	68,775	16,823
Non-controlling interest	(558)	(126)	(16,390)	(4,009)

* We define 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 reversal on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of 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. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

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

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

	Three months ended December 31,				Twelve months ended December 31,			
	2011 PLN	2011 Euro	2012 PLN	2012 Euro	2011 PLN	2011 Euro	2012 PLN	2012 Euro
Operating profit	179,875	40,544	109,735	26,700	502,603	121,399	374,268	89,675
Depreciation, amortization and impairment charges	16,441	3,706	28,771	7,001	63,277	15,284	81,769	19,592
EBITDA	196,316	44,250	138,506	33,701	565,880	136,683	456,037	109,267

TELEVISION BROADCASTING AND PRODUCTION

Revenue

This segment primarily derives revenue from commercial advertising. During the three and twelve months ended December 31 2012, we derived from commercial television advertising 72.7% and 70.6%, respectively, of our total revenue from continuing operations, compared to 70.8% and 71.1% in the corresponding periods of 2011.

Commercial television advertising revenue

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

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

Cost per GRP pricing. Advertising priced on a cost per GRP basis allows the customer to specify the number of GRPs that he wants to achieve. We schedule the timing of the advertisements during such defined period of time, usually one month in advance of broadcast, in a manner that enables us both to meet the advertiser's GRP target and to maximize the use and profitability of our available advertising time. Generally, we structure GRP packages to ensure higher sales of advertising spots during the daily off-peak period.

For example, for each GRP purchased during peak time, the client must purchase at least one GRP during off-peak time. The table below shows the percentages of our advertising revenues that were based on rate card pricing and cost per GRP pricing for the periods presented.

	Three months ended December 31,			Twelve months ended December 31,		
	2010	2011	2012	2010	2011	2012
Our Rate-card pricing	44	44	38	53	48	39
Our Cost per GRP pricing	56	56	62	47	52	61

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three and twelve months ended December 31, 2012, we tended to sell over 97.2% and 98.7%, respectively, of peak time advertising spots on our TVN channel and over 65.8% and 72.1% of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and twelve months ended December 31, 2012, 11.8% and 13.7%, respectively, of our total revenue came from such fees compared with 10.4% and 11.7% in the corresponding periods of 2011. Generally, our agreements with digital platform and cable television operators specify the rates at which we charge the operators for each subscriber to a given digital platform or cable television service who paid for one of our channels during the relevant reporting period, which we refer to as per-subscriber-rate. We calculate the monthly license fee that a digital platform or cable operator pays us by multiplying the applicable per-subscriber-rate by the average number of digital platform or cable subscribers who paid for one of our channels during the relevant reporting period.

Other television broadcasting and production revenue

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

Expense

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 42.4% and 47.4%, respectively, of our operating expenses in the three and twelve months ended December 31, 2012, compared with 50.3% and 48.5% in the corresponding periods of 2011. Amortization expense includes amortization of production costs for television programming

specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three and twelve months ended December 31, 2012, we commissioned and produced locally through third parties 77.1% and 77.3%, respectively, of broadcasted programming content on TVN channel, compared with 79.1% and 76.8% in the corresponding period of 2011. During the three and twelve months ended December 31, 2012, we acquired 22.9 % and 22.7%, respectively, of our programming content from third parties, compared with 20.9% and 23.2% in the corresponding periods of 2011. 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 analogue and digital), staff expenses and royalties payable to unions of authors, artists and professionals in the entertainment industry and the Polish Film Institute, depreciation of television and broadcasting equipment, marketing and research costs, rental and maintenance costs of our premises and consulting fees for technical, financial and legal services.

DIGITAL SATELLITE PAY TELEVISION – DISCONTINUED OPERATION

Our pay-TV arm – ‘n’ platform has been successfully contributed in exchange for a 32% stake in a new platform nC+, formed in strategic cooperation with Groupe Canal + (See “Material contracts” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group). As a result we ceased to operate in pay-TV segment, but as the transaction has been completed in the end of November we decided to describe this segment of operations for the first 11 months of 2012. We will compare this period of pay-TV operations with 12 months of 2011.

Revenue

This segment derived the majority of its revenue from post-paid subscription fees and pre-paid recharges.

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

Revenue from subscription fees are monthly fees paid by subscribers of the ‘n’ DTH platform to access programming packages and VOD services. Subscription revenue depends on the number of subscribers, the type of services to which they subscribe, and the current subscription prices. An individual customer’s fee depends on the number of packages selected and can be increased if the customer opts for VOD services or an optional premium package. ‘n’ DTH platform also offers its customers services with pre-paid recharge options. Occasionally the ‘n’ DTH platform runs promotions during which it offers to its subscribers services at discounted prices in order to increase penetration of its services. Discounts granted in a given period, and which relate to the entire customer contract, are recognized proportionately over the contract term.

Activation fees

Activation fees are the one-time fees paid by the ’n’ DTH platform subscribers upon signing a contract. Activation revenue depends on the number of new customer contracts signed during the applicable period, and the rate of activation fee, which differs depending on the type of set-top box and satellite dish provided to the customer. Revenue from activation

fees is recognized on a straight-line basis over the contract term. Occasionally the ‘n’ DTH platform runs promotions during which it offers to its subscribers reduced activation fee in order to increase penetration of its services.

Expenses

Digital satellite pay television segment’s operating expenses consist of programming costs, depreciation of set-top boxes, broadcasting expenses, staff expenses, sales commissions and marketing expenses.

Programming costs

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

Depreciation of set-top boxes

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

Sales commissions

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

Other expenses

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

ONLINE – DISCONTINUED OPERATION

We have successfully sold Grupa Onet.pl S.A. The transaction was completed at the beginning of November 2012 (See “Material contracts” for “Conclusion of a material agreement between TVN Group and Ringier Axel Springer). As a result of the above we ceased to operate in online segment, but as the transaction has been completed at the beginning of November we decided to describe this segment of operations for the first 10 months of 2012. We will compare this period of online operations with 12 months of 2011.

Revenue

Online segment derived a substantial portion of its revenue from online advertising.

Online advertising revenue

Onet sells the majority of its online advertising services through media houses. The most of Onet's online advertising revenue is derived from the sale of online display advertising through products which include, among others, the display of rich media advertisements, display of text-based links to advertisers' websites (search engine marketing) and e-commerce based transactions as well as from online directory services.

Online fee revenue

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

Expenses

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

Other costs are depreciation of Internet equipment, rent and maintenance costs of premises and other costs.

TELESHOPPING

Revenue

Revenue in teleshopping primarily includes the sale of goods/teleshopping which accounted for approximately 2.0% and 2.3%, respectively, of our revenue from continuing operations in the three and twelve months ended December 31, 2012, compared with 2.6% and 2.8% in the corresponding periods of 2011. 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 January 2013 the Polish economy is likely to experience 1.5% GDP growth in 2013. We estimate that net television advertising expenditure in Poland was down by 5.6% in 2012 with 2.0% GDP growth estimate by Polish Central Statistical Office (preliminary GDP estimate published on January 29, 2013).

Although the Polish advertising market is dominated by spending on television advertising, which, according to Starlink, accounted for about 52% of total advertising expenditure in the 2012, the fastest growing segment of the market has been online advertising which gained market share predominantly at the expense of print media advertising.

TELEVISION BROADCASTING AND PRODUCTION

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

The Polish television advertising market is very competitive. The policies and 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, 2012, we generated approximately 23.2% of our television segment total advertising revenue in the first quarter, 28.1% in the second quarter, 19.0% in the third quarter and 29.6% in the fourth quarter.

Availability of attractive programming content to maximize audience share. The continued success of our advertising sales and the licensing of our channels to digital platform and cable television operators and our success in generating other revenue depend

on our ability to attract a large share of our key target audience, preferably during prime time. Our ability to attract a large share of the target audience in turn depends in large part on our ability to broadcast quality programming that appeals to our target audience. According to NAM, our channels captured an average of 22.2% and 21.0%, respectively, of Poland's nationwide all-day audience in the three and twelve months ended December 31, 2012, and our TVN channel achieved 17.6% and 16.8%, respectively, of our key target audience during *peak time* in the three and twelve months ended December 31, 2012. 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.

DIGITAL SATELLITE PAY TELEVISION

Characteristics of pay television market in Poland. Demand for pay television services generally depends on the attractiveness of programming content and the extent to which it is offered on an exclusive basis, the prices charged for subscription to the services, the promotions and discounts offered and the ability to use services such as VOD and content available in HD. Digital satellite television services are sold in co-operation with retail networks and tied agency networks, through call centres and the Internet. The subscription fees charged to customers for pay television services depend on the number of channel packages and other services, such as video on demand, to which subscribers subscribe. Customers are offered discounts or promotional periods, during which certain channel packages are made available for reduced prices or for free. The Polish pay television market is very competitive, and some customers switch from one operator to another, depending on promotions offered, exclusive content available or in order to obtain services such as the recorder function or video on demand. Our associate DTH platform may be forced to change its pricing strategy as well as the services offered, subject to the policies and behaviour of competitors, which may affect revenue and profit.

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

higher subscription revenue. Revenue is first recognized immediately after a customer is activated and continues throughout the subscription period.

Availability and cost of attractive programming content. Ability to increase digital satellite platform subscriber base depends largely on ability to acquire and broadcast high quality programming that appeal to existing and potential new subscribers. Apart from popular channels, also available on other digital satellite platforms and cable networks, our associate DTH platform also offer channels that are exclusively available to its subscribers. nC+ also broadcasts HD content. While we believe that the platform is able to successfully acquire competitive, high quality content, it continues to compete in the market for programming that addresses evolving tastes among current and potential new subscribers. This may affect revenue and profitability.

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

ONLINE

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

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

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 profit for the period from continuing operations (post-tax) impact on the major Euro and U.S. dollar denominated balance sheet items as of December 31, 2012 of a Euro and U.S. dollar appreciation of 5% against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is an additional PLN 103,115 loss from continuing operations.

Acquisitions and disposals

On August 29, 2011 together with Stavka, holder of the license for terrestrial broadcasting of the TTV channel (previously 'U-TV'), we entered into a cooperation agreement covering the areas of technology, advertising and programming. The TTV is one of the channels included in the first DTT multiplex. As part of the agreement, we acquired 25% of the shares of Stavka.

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

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

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

On December 18, 2011 the 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.

In addition on December 18, 2011, ITI Media Group Limited as a seller, Canal+ Group 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 52,45% stake in TVN S.A.).

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

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. ("Vidalia"), for consideration consisting of cash for 75% of shares in

Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

On August 1, 2012 we sold our share in the share capital of Film Miasto Sp. z o.o. for a consideration of PLN 2. We recognized a loss on this transaction in the amount of PLN 16.

On November 6, 2012, following the antitrust regulatory approval of the transaction, the Group and RAS finalized the transaction of disposal of 100% of the shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a digital DTH platform nC+ owned by Canal+ Group and TVN.

Taxation

We are subject to corporate taxation in Poland. Deferred income taxes on our balance sheet relate to timing differences between the recognition of income and expenses for accounting and tax purposes as of the balance sheet date. Our deferred tax assets mainly relate to the tax deductible losses, tax value of brands recognized by TVN Media and non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of 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 increased by PLN 74,226 or 21.8% to PLN 414,545 as of December 31, 2012, from PLN 340,319 as of December 31, 2011. The increase results primarily from the MBC building acquisition realised at the end of the third quarter of 2012. The MBC building is a headquarter of TVN and includes the most important studios for our channels, including TVN24 studio, was previously leased. TVN acquired MBC building in order to consolidate other leased locations within the MBC building.

Our goodwill decreased by PLN 808,530 to PLN 144,127 as of December 31, 2012, from PLN 952,657 as of December 31, 2011. Our brands decreased by PLN 663,075 to PLN 30,612 as of December 31, 2012, from PLN 693,687 as of December 31, 2011. These decreases are a result of derecognition of Grupa Onet.pl S.A. assets and liabilities following completion agreements with RAS.

Our other intangible assets decreased by PLN 15,946, or 21.2%, to PLN 59,281 as of December 31, 2012, from PLN 75,227 as of December 31, 2011 as a result of derecognition of Grupa Onet.pl S.A. assets and liabilities following completion agreements with RAS.

Our current and non-current programming rights inventory increased by PLN 10,034, or 2.4%, to PLN 430,741 as of December 31, 2012, from PLN 420,707 as of December 31, 2011. The increase is mainly due to an increase in production in our television broadcasting and production segment.

Our prepayments and other assets increased by PLN 61,340 to PLN 118,945 as of December 31, 2012, from PLN 57,605 as of December 31, 2011. The increase results primarily from a significant increase in other assets of PLN 46,295 reflecting mainly a receivable from Ringier Axel Springer for Onet shares of PLN 38,250 and an increase of PLN 23,541 in VAT and other non-CIT taxes recoverable.

Our bank deposits with a maturity over three months decreased to 50,000 as of December 31, 2012, compared to PLN 75,000 as of December 31, 2011. This decrease results mainly from the fact that most of these deposits matured before December 31, 2012.

Our assets of disposal group classified as held for sale decreased to nil as of December 31, 2012 from PLN 1,463,368 in the corresponding period of 2011. This is the result of derecognition of assets and liabilities of ITI Neovision Sp. z o.o. following the completion of the transaction with Groupe Canal+. The investment in associate Canal+ Cyfrowy reflects the 32% stake in the new platform nC+ formed in strategic cooperation with Groupe Canal+ (See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Groupe Canal+")

Our share capital was maintained at the level of PLN 68,775 as of December 31, 2012. Our share premium decreased to PLN 672,876 as of December 31, 2012, from PLN 672,931 as of December 31, 2011.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,357,121 as of December 31, 2012, compared to PLN 2,542,476 as of December 31, 2011. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 697,276 as of December 31, 2012, compared to PLN 752,490 as of December 31, 2011. These decreases resulted primarily from lower PLN/EUR exchange rate applied as of December 31, 2012 in comparison to PLN/EUR exchange rate we applied as of December 31, 2011.

On December 13, 2012 the Group took out a Mortgage Loan in order to partially finance the acquisition of MBC Building. The Mortgage Loan has a nominal value of EUR

26,000 and is classified under Non-current and Current Mortgage Loan position in the amount of PLN 105,761.

Our current trade payables increased by PLN 6,345 to PLN 169,983 as of December 31, 2012, from PLN 163,638 as of December 31, 2011. This decrease is a result of the derecognition of Grupa Onet.pl S.A. assets and liabilities following the completion agreement with RAS.

Our other liabilities and accruals decreased by PLN 64,904, or 26.0%, to PLN 185,067 as of December 31, 2012, from PLN 249,971 as of December 31, 2011. The decrease results primarily from the decrease of VAT and other non-CIT taxes payables of PLN 66,410 and a decrease of salaries and employees benefits of PLN 22,857 partly offset by an increase in accrued consulting costs of PLN 24,886.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2012 Compared to Three Months Ended December 31, 2011

Revenue. Our revenue decreased by PLN 68,418, or 13.0%, to PLN 456,693 in the three months ended December 31, 2012, from PLN 525,111 in the corresponding period of 2011. This decrease resulted mainly from a decrease in advertising revenue of PLN 39,757 and a decrease of sponsoring revenue of PLN 8,343.

Our advertising revenue decreased by PLN 39,757, or 10.7%, to PLN 331,969 during the three months ended December 31, 2012, from PLN 371,726 in the corresponding period of 2011. This decrease results mainly from the decrease in the advertising revenue of our main channel TVN on the backdrop of a declining TV advertising market.

Our sponsoring revenue decreased by PLN 8,343, or 17.1% to PLN 40,523 in the three months ended December 31, 2012 from PLN 48,866 in the corresponding period 2011. This decrease results mainly from weaker sponsoring revenue of our TVN channel.

Our other revenue decreased by PLN 15,147, or 43.6% to PLN 19,571 in the three months ended December 31, 2012 from 34,718 in the corresponding period of 2011. This decrease results from additional revenues generated by the theatrical release of our movie "Listy do M." in the fourth quarter of 2011.

Our carriage fees decreased by PLN 986, or 1.8% to PLN 53,880 in the three months ended December 31, 2012 from PLN 54,880 in the corresponding period of 2011. This decrease results from Zloty appreciation in 2012.

Cost of revenue. Cost of revenue decreased by PLN 26,291, or 9.7%, to PLN 246,018 in the three months ended December 31, 2012, from PLN 272,309 in the corresponding period of 2011. The decrease results mainly from lower programming expenses due to a decrease of TVN local production costs by PLN 18,173, or 18.6%, and a decline in news production costs of PLN 5,043, or 16.1%.

As a percentage of revenue, our cost of revenue increased in the three months ended December 31, 2012, to 53.9%, compared to 51.9% in the corresponding period of 2011.

Selling expenses. Our selling expenses decreased by PLN 5,201, or 15.6%, to PLN 28,190 for the three months ended December 31, 2012, from PLN 33,391 in the corresponding period of 2011. The decrease results partly from lower marketing and research expenses of PLN 3,580 and partly from a decrease of staff expenses of PLN 1,209.

As a percentage of revenue, our selling expenses decreased to 6.2% in the three months ended December 31, 2012, from 6.4% in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses decreased by PLN 3,951, or 10.1%, to PLN 35,070 in the three months ended December 31, 2012, compared with PLN 39,022 in the corresponding period of 2011. This decrease resulted mainly from a decrease in staff expenses of PLN 3,699.

As a percentage of revenue, our general and administration expenses increased to 7.7% in the three months ended December 31, 2012 from 7.4% in the corresponding period of 2011.

Other operating expenses, net. Our other operating expenses, net increased by PLN 27,897 due to an impairment of teleshopping cash-generating unit. The annual impairment test performed by the Group as at December 31, 2012 indicated, that the teleshopping unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of PLN 25,973 was recognized in the consolidated income statement.

Operating profit. Operating profit decreased by PLN 70,140 to PLN 109,735 in the three months ended December 31, 2012, from an operating profit PLN 179,875 in the corresponding period of 2011. Our operating margin decreased to 24.0% from 34.3% in the corresponding period of 2011.

Interest income. We recorded interest income of PLN 3,587 for the three months ended December 31, 2012, compared to interest income of PLN 6,078 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 91,040 for the three months ended December 31, 2012, compared to finance expense of PLN 89,965 in the corresponding period of 2011.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 9,612 for the three months ended December 31, 2012 compared to foreign exchange losses, net of PLN 6,421 in the corresponding period of 2011. We recorded foreign exchange gains on our 10.75% Senior Notes of PLN 9,862 in the three months ended December 31, 2012, compared to foreign exchange losses of PLN 1,782 in the corresponding period of 2011. We recorded foreign exchange gains on our 7.875% Senior Notes of PLN 3,000 in the three months ended December 31, 2012, compared to foreign exchange losses of PLN 681 in the corresponding period of 2011, following significant Zloty appreciation in 2012.

Profit before income tax. Our profit before income tax for the three months ended December 31, 2012 was PLN 31,894 compared to a profit before income tax of PLN 89,567, in the corresponding period of 2011. This decrease was primarily due to higher operating expenses recognized in the three months ended December 31, 2012 compared to the corresponding period of 2011.

Income tax benefit. For the three months ended December 31, 2012, we recorded a total income tax benefit of PLN 277,094, compared to an income tax benefit of PLN 10,025 in the corresponding period of 2011. This increase is mostly due to the impact of deferred tax assets recognized in respect of the tax losses recognized by TVN on disposal of the investment in ITI Neovision.

Profit for the period from continuing operations. Our profit for the period from continuing operations amounted to PLN 308,988 in the three months ended December 31, 2012 compared to the profit for the period from continued operations of PLN 99,592 in the corresponding period of 2011.

Profit for the period from discontinued operations Our profit for the period from discontinued operations amounted to PLN 156,804 in the three months ended December 31, 2012 compared to the loss for the period from discontinued operations of PLN 87,161 in the corresponding period of 2011.

Profit for the period. Our profit for the period amounted to PLN 465,793 in the three months ended December 31, 2012, compared to a profit of PLN 12,431 in the corresponding period of 2011.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 469,779 in the three months ended December 31, 2012, compared to a gain of PLN 12,431 in the corresponding period of 2011.

RESULTS BY BUSINESS SEGMENT

Except as noted below, during the fourth quarter of 2012 TVN Group operated in four major business segments: television broadcasting and production, digital satellite pay television, online and teleshopping.

Our pay-TV arm – 'n' platform has been successfully contributed in exchange for a 32% stake in a new platform nC+ formed in strategic cooperation with Group Canal + (See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group). As a result we ceased to operate in pay-TV segment, but as the transaction has been completed in the end of November we consolidate this segment of operations for the first 2 months of the fourth quarter of 2012. We will compare this period of pay-TV operations with the 3 months of the fourth quarter of 2011.

We have successfully sold Grupa Onet.pl S.A. The transaction was completed in the beginning of November 2012 (See "Material contracts" for "Conclusion of a material agreement between TVN Group and Ringier Axel Springer). As a result of the above we ceased to operate in online segment, but as the transaction has been completed at the beginning of November we consolidate this segment of operations for 1 month of the fourth quarter of 2012. We will compare this period of online operations with the 3 months of the fourth quarter of 2011.

We report all our business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources.

Following the changes in the composition of operating segments we have restated the corresponding items of segment information for comparative periods.

The table below sets forth the summarized financial results by segment for the three months ended December 31, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Three months ended December 31, 2012	Three months ended December 31, 2011	Two months ended November 30, 2012	Three months ended December 31, 2011	One month ended October 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011
Revenue from external customers	435,737	494,362	149,227	197,267	20,791	71,612	9,253	13,821	(158,315)	(251,951)	456,693	525,111
Inter-segment revenue	12,392	19,270	231	601	622	5,289	0	0	(13,245)	(25,160)	0	0
Total revenue	448,129	513,632	149,458	197,868	21,413	76,901	9,253	13,821	(171,560)	(277,111)	456,693	525,111
Operating profit/(loss)	164,466	200,983	(37,030)	(53,376)	4,231	2,086	(4,780)	(929)	(17,152)	31 111	109,735	179,875
EBITDA*	193,182	217,343	(8,613)	(9,365)	6,919	28,844	(4,726)	(851)	(48,256)	(39,655)	138,506	196,316
EBITDA* margin	43.1%	42.3%	-	-	32.3%	37.5%	-	-	-	-	30,3%	37,4%

* We define 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 reversal on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of 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. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

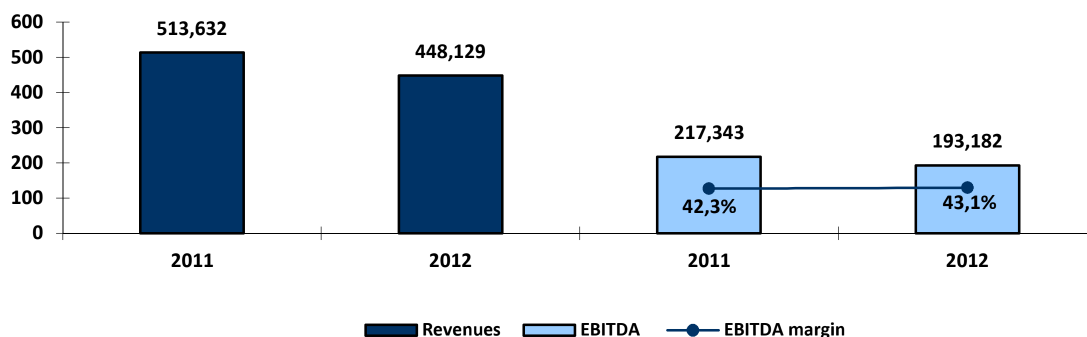
**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments and reflect the fact that our digital satellite pay television and online segments were now reclassified as “Discontinued operation” as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the three months ended December 31, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Three months ended December 31, 2012	Three months ended December 31, 2011	Two months ended November 30, 2012	Three months ended December 31, 2011	One month ended October 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Three months ended December 31, 2011
Operating profit/(loss)	164,466	200,983	(37,030)	(53,376)	4,231	2,086	(4,780)	(929)	(17,152)	31,111	109,735	179,875
Depreciation, amortization and impairment charges	28,716	16,361	28,417	44,011	2,688	26,758	54	78	(31,104)	(70,767)	28,771	16,441
EBITDA	193,182	217,344	(8,613)	(9,365)	6,919	28,844	(4,726)	(851)	(48,256)	(39,656)	138,506	196,316

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the three months ended December 31, 2012 and 2011:



Three months ended December 31,

	2012			2011		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channels	424,250	192,269	45.3	477,054	214,978	45.1
Other	23,879	913	3.8	36,578	2,365	6.5
Total segment	**448,129**	**193,182**	**43.1**	**513,632**	**217,343**	**42.3**

Television broadcasting and production revenue in the three months ended December 31, 2012, decreased by 65,503, or 12.8% to PLN 448,129, compared to PLN 513,632 in the corresponding period of 2011.

Our TVN channels revenue decreased by PLN 52,804, or 11.1%, in the three months ended December 31, 2012. This decrease was primarily due to weaker advertising sales revenue.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our TVN Player and sales of content to third parties. This revenue decreased by PLN 12,699, or 34.7%, in the three months ended December 31, 2012, mainly due to the effect of additional revenues generated by the movie “Listy do M.” in the fourth quarter of 2011.

Our TVN channels’ EBITDA decreased by PLN 22,709, or 10.6%, to PLN 192,269 in the three months ended December 31, 2012, from PLN 214,978 in the corresponding period of 2011. TVN channels’ EBITDA margin increased to 45.3% from 45.1% in the corresponding period of 2011.

EBITDA of television, broadcasting and production segment presented as ‘Other’ decreased by PLN 1,452 to PLN 913 mainly due to the effect of very successful 2011 theatrical release of “Listy do M.” described above.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the two months ended November 30, 2012 and three months ended December 31, 2011.

	Two months ended November 30, 2012			Three months ended December 31, 2011		
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
‘n’ post-paid subscribers*	144,173	345	0.2%	178,030	235	0.1%
‘n’ pre-paid customers (Telewizja na kartę)	5,285	(8,957)	-	19,838	(9,600)	-
Total segment	**149,458**	**(8,613)**	**-**	**197,868**	**(9,365)**	**-**

* Includes revenue from other services

Due to the disposal of ‘n’ DTH platform on November 30, 2012, its financial results were consolidated in the Group only for two months of the quarter which makes them not comparable. Therefore we present these financial results for information only, do not describe here their evolution and discuss only key operating indicators.

The ‘n’ DTH platform’s subscribers increased net by 103,650 (not in thousands) to an average of 997,626 (not in thousands) in the two month period ended November 30, 2012, from an average of 893,976 (not in thousands) subscribers in the three month period ended December 31, 2011. The ‘n’ DTH platform recorded average ARPU of PLN 62.1 (not in thousands) in the two months ended November 30, 2012, compared to the ARPU of PLN 60.8 in the three months ended December 31, 2011 (not in thousands). The ‘n’ DTH platform recorded 29,583 (not in thousands) post-paid subscriber gross additions during the two months ended November 30, 2012, compared to 92,452 (not in thousands) during the three months ended December 31, 2011.

TNK active pre-paid net customer decreased by over 17,000 (not in thousands) during two months ended November 30, 2012. As of November 30, 2012, TNK had a total base (active and inactive) of over 279,000 (not in thousands). As of November 30, 2012, TNK HD had over 90,000 active customers. In the two months ended November 30, 2012, TNK recorded an average ARPU of PLN 13.1 (not in thousands).

Online

The table below sets forth the summarized financial results for our Online segment for the one month ended October 31, 2012 and three months ended December 2011:

	One month ended October 31, 2012				Three months ended December 31 2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	19,295	7,208	37.4	41.1	69,466	29,412	42.3	51.8
Other	2,118	(289)	-	-	7,435	(568)	-	-
Total segment	**21,413**	**6,919**	**32.3**	**35.9**	**76,901**	**28,844**	**37.5**	**45.0**

Due to the disposal of the Onet Group with effect as of October 31, 2012, its financial results were consolidated by the Group only for one month of the quarter, which makes them not comparable. Therefore we present these financial results for information only and do not describe their evolution.

Teleshopping

The table below sets forth the summarized financial results of our Teleshopping segment for the three months ended December 31, 2012 and 2011.

	Three months ended December 31,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	9,253	(4,726)	-	13,821	(851)	-
Total segment	**9,253**	**(4,726)**	**-**	**13,821**	**(851)**	**-**

Teleshopping revenue decreased by PLN 4,568, or 33.1%, to PLN 9,253 in the three months ended December 31, 2012, from PLN 13,821 in the corresponding period of 2011 primarily due to change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA decreased by PLN 3,875, to a loss at EBITDA level of PLN 4,726 in the three months ended December 31, 2012 from a loss at EBITDA level of PLN 851 in the corresponding period of 2011.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. However, the key item for the three months ended December 31, 2012 was elimination of Digital Satellite Pay Television and Online segment results due to their reclassification as “Discontinued operations”. As a result, other reconciling items had a negative impact on our revenue of PLN 171,560 in the three months ended December 31, 2012, compared to a negative impact of PLN 277,111 in the corresponding period of 2011.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue. Our revenue decreased by PLN 133,900, or 7.8%, to PLN 1,584,263 in the twelve months ended December 31, 2012, from PLN 1,718,163 in the corresponding period of 2011. This decrease resulted mainly from a decrease in advertising revenue of PLN 102,703 combined with the decrease of other revenue by PLN 22,396 including third party content sales and cinema movie releases. Our revenue was also impacted by a decline in call TV revenue of PLN 11,432 and weaker revenue from the sale of goods of PLN 7,979. These decreases were partially offset by an increase of carriage fees revenue from satellite and cable operators of PLN 15,502 driven by a growing subscriber base for our thematic channels.

Our advertising revenue decreased by PLN 102,703, or 8.4%, to PLN 1,119,124 during the twelve months ended December 31, 2012, from PLN 1,221,827 in the corresponding period of 2011. This decrease resulted from the decrease of advertising revenue derived by our main TVN channel and TVN24 news channel on the backdrop of a weak TV advertising market.

Our other revenue decreased by PLN 22,396, or 23.3% to PLN 73,867 in the twelve months ended December 31, 2012 from 96,263 in the corresponding period of 2011. This decrease is mainly due to successful 2011 theatrical release of our movie “Listy do M.”

Our call TV revenue decreased by PLN 11,432, or 55.6% to PLN 9,147 in the twelve months ended December 31, 2012 from PLN 20,579 in the corresponding period of 2011. This decrease results mainly from the change of broadcast time of teleshopping spots on TVN channel into less attractive day shift time and the related lower interest of our viewers.

Our sale of goods revenue decreased by PLN 7,979, or 20.6% to PLN 30,671 in the twelve months ended December 31, 2012 from PLN 38,650 in the corresponding period of 2011. This decrease results mainly from the change of broadcast time of teleshopping spots on the TVN channel to less attractive day shift time and related lower interest of our viewers.

Our carriage fees revenue from satellite and cable operators increased by PLN 15,502, or 7.7%, to PLN 216,723, from PLN 201,221 in 2011. This increase is an effect of an increase in the subscriber base of our thematic channels.

Cost of revenue. Cost of revenue decreased by PLN 26,391, or 2.8%, to PLN 916,266 in the twelve months ended December 31, 2012, from PLN 942,657 in the corresponding period of 2011.

As a percentage of revenue, our cost of revenue increased in the twelve months ended December 31, 2012, to 57.8%, compared to 54.7% in the corresponding period of 2011.

Selling expenses. Our selling expenses decreased by PLN 9,360, or 7.7%, to PLN 112,743 for the twelve months ended December 31, 2012, from PLN 122,103 in the corresponding period of 2011. This decrease results mainly from a decrease of other selling expenses by PLN 8,488 which reflects mainly lower selling expenses of our Premium TV unit of PLN 5,572.

As a percentage of revenue, our selling expenses maintained on the level of 7.1% in the twelve months ended December 31, 2012, and in the corresponding period of 2011.

General and administration expenses. Our general and administration expenses decreased by PLN 5,066, or 3.4%, to PLN 143,520 in the twelve months ended December 31, 2012, compared with PLN 148,586 in the corresponding period of 2011. This decrease resulted mainly from lower cost of consulting services of PLN 7,538 partly offset by

an increase of depreciation and amortisation of PLN 2,180.

As a percentage of revenue, our general and administration expenses increased its percentage share of revenue to 9.1% in the twelve months ended December 31, 2012 from 8.6% in the corresponding period of 2011.

Other operating expenses, net. Our other operating expenses, net increased by PLN 25,984 due to an impairment of teleshopping cash-generating unit. The annual impairment test performed by the Group as at December 31, 2012 indicated, that the teleshopping unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of PLN 25,973 was recognized in the consolidated income statement.

Operating profit. Operating profit decreased by PLN 128,335, or 25.5% to PLN 374,268 in the twelve months ended December 31, 2012, from an operating profit PLN 502,603 in the corresponding period of 2011.

Interest income. We recorded interest income of PLN 20,544 for the twelve months ended December 31, 2012, compared to interest income of PLN 20,204 in the corresponding period of 2011.

Finance expense. We recorded finance expense of PLN 373,345 for the twelve months ended December 31, 2012, compared to finance expense of PLN 351,794 in the corresponding period of 2011. The increase is mainly due to an increase in interest expense on foreign exchange forward contracts of PLN 20,254 in 2012 compared to the corresponding period of 2011.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 246,825 for the twelve months ended December 31, 2012 compared to exchange losses, net of PLN 308,871 in the corresponding period of 2011. We recorded foreign exchange gains on our 10.75% Senior Notes of PLN 190,202 in the twelve months ended December 31, 2012, compared to foreign exchange losses of PLN 238,979 in the corresponding period of 2011. We recorded foreign exchange gains on our 7.875% Senior Notes of PLN 55,968 in the twelve months ended December 31, 2012, compared to losses of 70,230 in the corresponding period of 2011, following a significant Złoty appreciation over the course of 2012.

Profit before income tax. Our profit before income tax for the twelve months ended December 31, 2012 was PLN 267,752 compared to a loss before income tax of PLN 137,858, in the corresponding period of 2011. This increase was primarily due to foreign exchange gains, net that we recognized in the twelve months ended December 31, 2012, as compared with foreign exchange losses recognized in the twelve months ended December 31, 2011.

Income tax benefit. For the twelve months ended December 31, 2012, we recorded a total income tax benefit of PLN 252,325, compared to an income tax benefit of PLN 47,967 in the corresponding period of 2011. This increase is mainly due to an impact of deferred tax asset recognized on tax loss carry-forwards of PLN 137,964 and tax impact of finalization of exchange of Pay TV assets and Onet Group disposal transactions of 137,795, combined with an impact of deferred tax asset recognized on tax value of brands recognized by TVN Media of PLN 27,514 reduced by an income tax charge at the enacted statutory rate of 19% of PLN 50,873.

Profit for the period from continuing operations. Our profit for the period from continuing operations amounted to PLN 520,077 in the twelve months ended December 31, 2012 compared to the loss for the period from continuing operations of PLN 89,891 in the corresponding period of 2011.

Loss for the period from discontinued operations Our loss for the period from discontinued operations amounted to PLN 49,838 in the twelve months ended December 31,

2012 compared to the loss for the period from discontinued operations of PLN 227,474 in the corresponding period of 2011.

Profit for the period. Our profit for the period amounted to PLN 470,239 in the twelve months ended December 31, 2012, compared to a loss of PLN 317,365 in the corresponding period of 2011.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 486,071 in the twelve months ended December 31, 2012, compared to a loss of PLN 317,365 in the corresponding period of 2011.

RESULTS BY BUSINESS SEGMENT

Except as noted below, during the year 2012 TVN Group operated in four major business segments: television broadcasting and production, digital satellite pay television, online and teleshopping.

Our pay-TV arm – ‘n’ platform has been successfully contributed in exchange for a 32% stake in a new platform nC+ formed in strategic cooperation with Groupe Canal + (See “Material contracts” for “Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group). As a result we ceased to operate in pay-TV segment, but as the transaction has been completed in the end of November we consolidated this segment of operations for the first 11 months of 2012. We will compare this period of pay-TV operations with the 12 months of 2011.

We have successfully sold Grupa Onet.pl S.A. The transaction was completed at the beginning of November 2012 (See “Material contracts” for “Conclusion of a material agreement between TVN Group and Ringier Axel Springer). As a result of the above we ceased to operate in the online segment, but as the transaction has been completed at the beginning of November we consolidated this segment of operations for the first 10 month of 2012. We will compare this period of online operations with the 12 months of 2011.

We currently report these business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources.

Following the changes in the composition of operating segments we have restated the corresponding items of segment information for comparative periods.

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2012 and 2011:

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items**		Total	
	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Eleven months ended November 30, 2012	Twelve months ended December 31, 2011	Ten months ended October 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Revenue from external customers	1,495,134	1,614,319	785,680	736,662	195,512	249,573	36,796	48,475	(928,859)	(930,866)	1,584,263	1,718,163
Inter-segment revenue	56,963	67,781	1,844	2,381	9,335	21,888	172	0	(68,314)	(92,050)	0	0
Total revenue	1,552,097	1,682,100	787,524	739,043	204,847	271,461	36,968	48,475	(997,173)	(1,022,916)	1,584,263	1,718,163
Operating profit/(loss)	472,337	577,754	(170,833)	(169,794)	(190,998)	46,822	(8,601)	(1,465)	36,983	49,286	374,268	502,603
EBITDA*	553,863	640,719	(11,516)	611	71,453	96,209	(8,358)	(1,153)	(149,405)	(170,506)	456,037	565,880
EBITDA* margin	35.7%	38.1%	-	0.1%	34.9%	35.4%	-	-	-	-	28.8%	32.9%

* We define 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 reversal on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of 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. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

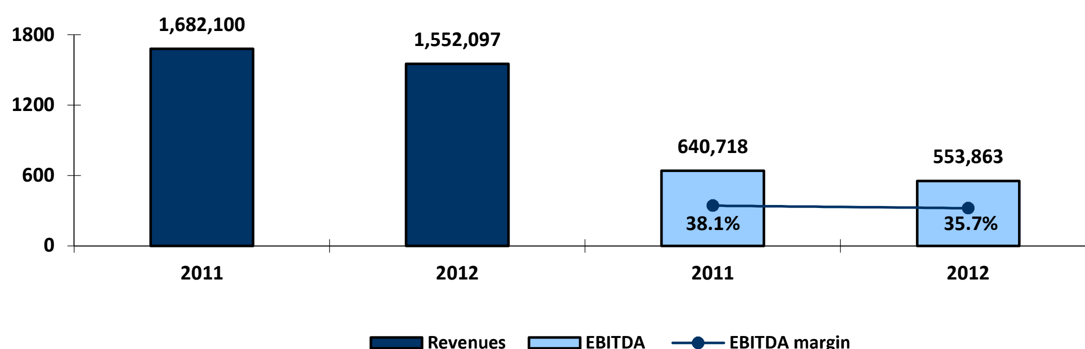
**Other reconciling items expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities. Other reconciling items also comprise consolidation eliminations between business segments and reflect the fact that our digital satellite pay television and online segments were now reclassified as “Discontinued operation” as per IFRS 5.

The following table provides reconciliation of each segment result to EBITDA for the twelve months ended December 31, 2012 and 2011.

	Television Broadcasting & Production		Digital satellite pay television		Online		Teleshopping		Other reconciling items		Total	
	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Eleven months ended November 30, 2012	Twelve months ended December 31, 2011	Ten months ended October 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Operating profit/(loss)	472,337	577,754	(170,833)	(169,794)	44,382	46,822	(8,601)	(1,465)	36,983	49,286	374,268	502,603
Depreciation, amortization and impairment charges	81,526	62,964	159,317	170,405	27,071	49,387	243	312	(186,388)	(219,791)	81,769	63,277
EBITDA	553,863	640,718	(11,516)	611	71,453	96,209	(8,358)	(1,153)	(149,405)	(170,505)	456,037	565,880

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the twelve months ended December 31, 2012 and 2011:



	Twelve months ended December 31,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	1,469,487	538,367	36.6	1,592,514	637,280	40.0
Other	82,610	15,496	18.8	89,586	3,439	3.8
Total segment	**1,552,097**	**553,863**	**35.7**	**1,682,100**	**640,719**	**38.1**

Television broadcasting and production revenue in the twelve months ended December 31, 2012, decreased by 130,003 to PLN 1,552,097, compared to PLN 1,682,100 in the corresponding period of 2011.

Our TVN channels' revenue decreased by PLN 123,027, or 7.7%, in the twelve months ended December 31, 2012. This decrease was primarily due to lower total revenue from airtime sale due to the overall advertising market slowdown.

Our other revenue in the television, broadcasting and production segment mainly consists of revenue of our TVN Player and sales of content to third parties decreased by PLN 6,976, or 7.8%, in the twelve months ended December 31, 2012, mainly due to the effect resulting from the successful 2011 theatrical release of "Listy do M.".

Our TVN channels' EBITDA decreased by PLN 98,913 to PLN 538,367 in the twelve months ended December 31, 2012, from PLN 637,280 in the corresponding period of 2011. TVN channels' EBITDA margin decreased to 36.6% from 40.0% in the corresponding period of 2011.

EBITDA of television, broadcasting and production segment presented as 'Other' mainly consists of EBITDA of TVN Player increased by PLN 12,058 to PLN 15,496 resulting from increased profitability of our online TVN Player platform.

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the eleven months ended November 30, 2012 and for the twelve months ended December 31, 2011.

	Eleven months ended November 30,			Twelve months ended December 31,		
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
'n' post-paid subscribers*	752,812	(19,609)	-	691,023	8,769	1.3%
'n' pre-paid customers (Telewizja na kartę)	34,712	8,094	23.3%	48,020	(8,157)	-
Total segment	**787,524**	**(11,516)**	**-**	**739,043**	**611**	**0.08**

* Includes revenue from other services

Due to the disposal of 'n' DTH platform on November 30, 2012, its financial results were consolidated in the Group only for eleven months of year 2012 which makes them not comparable. Therefore we present these financial results for information only, do not describe here their evolution and discuss only key operating indicators.

The 'n' DTH platform's subscribers increased net by 129,564 (not in thousands) to an average of 977,640 (not in thousands) in the eleven month period ended November 30, 2012, from an average of 848,076 (not in thousands) subscribers in the twelve month period ended December 31, 2011. The 'n' DTH platform recorded average ARPU of PLN 61.2 (not in thousands) in the eleven months ended November 30, 2012, compared to the ARPU of PLN 60.8 in the twelve months ended December 31, 2011 (not in thousands). The 'n' DTH platform recorded 190,973 (not in thousands) post-paid subscriber gross additions during the eleven months ended November 30, 2012, compared to 263,039 (not in thousands) during the twelve months ended December 31, 2011.

TNK active pre-paid net customer decreased by over 77,000 (not in thousands) during the eleven months ended November 30, 2012. As of November 30, 2012, TNK had a total customer base (active and inactive) of over 279,000 (not in thousands). As of November 30, 2012, TNK HD had over 90,000 active customers. In the eleven months ended November 30, 2012, TNK recorded an average blended ARPU of PLN 12.5 (not in thousands).

Online

The table below sets forth the summarized financial results for our Online segment for the ten months ended October 31, 2012 and for the twelve months ended December 31, 2011:

	Ten months ended October 31, 2012				Twelve months ended December 31, 2011			
	Revenue	EBITDA	EBITDA %	Cash EBITDA %	Revenue	EBITDA	EBITDA %	Cash EBITDA %
Onet.pl	185,613	76,813	41.4	45.5	237,114	95,585	40.3	45.5
Other	19,234	(5,360)	-	-	34,347	624	1.8	1.8
Total segment	**204,847**	**71,453**	**34.9**	**38.0**	**271,461**	**96,209**	**35.4**	**39.3**

Due to the disposal of the Onet Group with effect as of October 31, 2012, its financial results were consolidated in the Group only for ten months of year 2012 which makes them not comparable. Therefore we present these financial results for information only and do not describe their evolution.

Teleshopping

The table below sets forth the summarized financial results of our Teleshopping segment for the twelve months ended December 31, 2012 and 2011.

	Twelve months ended December 31,					
	2012			2011		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	36,968	(8,358)	-	48,475	(1,153)	-
Total segment	**36,968**	**(8,358)**	**-**	**48,475**	**(1,153)**	**-**

Teleshopping revenue decreased by PLN 11,507, or 23.7%, to PLN 36,968 in the twelve months ended December 31, 2012, from PLN 48,475 in the corresponding period of 2011 primarily due to the change of broadcast time of teleshopping spots on TVN channel attributed to Mango Media from early afternoon to early morning.

Segment EBITDA decreased by PLN 7,205, to a loss of PLN 8,358 in the twelve months ended December 31, 2012 from a loss of PLN 1,153 in the corresponding period of 2011.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments and head office expenses not allocated to business segments. However, the key items for the twelve months ended December 31, 2012 were the elimination of Digital Satellite Pay Television and Online segments results due to their reclassification as “Discontinued operation” and impairment of Teleshopping cash-generating unit. As a result, other reconciling items had a negative impact on our revenue of PLN 997,173 in the twelve months ended December 31, 2012, compared to a negative impact of PLN 1,022,916 in the corresponding period of 2011.

YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010 – AS ORIGINALLY REPORTED ON FEBRUARY 22ND, 2011

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

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

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

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

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

The consolidated balance sheet as at December 31, 2011 and the consolidated income statement for the year ended December 31, 2011 and for the year ended December 31, 2010 have been restated in order to conform with the presentation requirements of IFRS5 'Non-current Assets Held for Sale and Discontinued Operations'. The net results of the discontinued operations are presented as a single number on the face of the consolidated income statement in the consolidated income statement and analysed in the notes to the consolidated financial statements.

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

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

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010.

Income statement data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Revenue	601,301	149,973	594,166	133,926
Operating profit	208,534	52,011	181,807	40,980
(Loss) / profit before income tax	130,626	32,580	93,573	21,092
(Loss)/ profit attributable to the owners of TVN S.A.	**15,801**	**3,941**	**12,431**	**2,802**

Cash flow data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Net cash generated by operating activities	179,997	44,894	153,846	34,677
Net cash (used in) / generated by investing activities	(65,721)	(16,392)	(117,152)	(26,406)
Net cash generated by / (used in) financing activities	55,191	13,765	(168,433)	(37,965)
Increase / (Decrease) in cash and cash equivalents	**169,467**	**42,267**	**(131,739)**	**(29,694)**

Earnings per share data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Weighted average number of ordinary shares in issue (not in thousands)	342,110,672	342,110,672	343,856,814	343,856,814
Weighted average number of potential ordinary shares in issue (not in thousands)	343,096,286	343,096,286	343,856,814	343,856,814
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.05	0.01	(1.00)	(0.23)
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.05	0.01	(1.00)	(0.23)
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
EBITDA*	**185,263**	**46,207**	**212,606**	**47,922**
EBITDA margin	30.8%	30.8%	35.8%	35.8%
Operating margin	34.7%	34.7%	30.6%	30.6%

Balance sheet data

	As at December 31, 2010 PLN	As at December 31, 2010 EUR	As at December 31, 2011 PLN	As at December 31, 2011 EUR
Total assets	5,191,482	1,310,881	5,111,958	1,157,390
Current assets	1,559,090	393,680	1,357,701	307,395
Non-current liabilities	3,261,207	823,475	3,478,473	787,555
Current liabilities	691,590	174,631	456,414	103,336
Shareholders equity**	1,238,685	312,776	923,471	209,081
Share capital	68,471	17,289	68,775	15,571
Non-controlling interest	-	-	(558)	(126)

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010.

Income statement data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Revenue	1,925,130	480,754	1,959,843	473,381
Operating profit	585,361	146,179	549,261	132,668
(Loss) / profit before income tax	318,876	79,631	(84,432)	(20,394)
(Loss)/ profit attributable to the owners of TVN S.A.	**42,754**	**10,677**	**(317,365)**	**(76,656)**

Cash flow data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Net cash generated by operating activities	504,060	125,877	435,232	105,126
Net cash generated by/ (used in) investing activities	(231,081)	(57,707)	48,145	11,629
Net cash generated from/ (used in) financing activities	(174,391)	(43,550)	(319,429)	(77,155)
Increase / (decrease) in cash and cash equivalents	**98,588**	**24,620**	**163,948**	**39,600**

Earnings per share data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
Weighted average number of ordinary shares in issue (not in thousands)	341,292,193	341,292,193	343,336,965	343,336,965
Weighted average number of potential ordinary shares in issue (not in thousands)	345,511,104	345,511,104	343,336,965	343,336,965
(Losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.13	0.03	(0.92)	(0.22)
Diluted (losses)/ earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.12	0.03	(0.92)	(0.22)
Dividend paid or declared per share (not in thousands)	0.31	0.08	0.04	0.01

Other data

	2010 PLN	2010 EUR	2011 PLN	2011 EUR
EBITDA*	610,696	152,506	659,796	159,367
EBITDA margin	31.7%	31.7%	33.7%	33.7%
Operating margin	30.4%	30.4%	28.0%	28.0%

Balance sheet data

	As at December 31, 2010 PLN	As at December 31, 2010 EUR	As at December 31, 2011 PLN	As at December 31, 2011 EUR
Total assets	5,191,482	1,310,881	5,111,958	1,157,390
Current assets	1,559,090	393,680	1,357,701	307,395
Non-current liabilities	3,261,207	823,475	3,478,473	787,555
Current liabilities	691,590	174,631	456,414	103,336
Shareholders equity**	1,238,685	312,776	923,471	209,081
Share capital	68,471	17,289	68,775	15,571
Non-controlling interest	-	-	(558)	(126)

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

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

YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010

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

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

Carriage fees revenue from satellite and cable operators increased by PLN 21,630, or 12.0%, to PLN 201,222, from PLN 179,592 in 2010. This increase results from a significant Zloty depreciation in 2011 and from an increase in the number of subscribers.

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

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

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

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

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

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

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

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

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

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

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

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

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 308,476 for the twelve months ended December 31, 2011 compared to exchange gains, net of PLN 29,224 in the corresponding period of 2010. We recorded foreign exchange losses on our 10.75% Senior Notes of PLN 238,979 in the twelve months ended December 31, 2011, compared to foreign exchange gain of PLN 49,839 in the corresponding period of 2010. We recorded foreign exchange losses on our 7.875% Senior Notes of PLN 70,230 in the twelve

months ended December 31, 2011, compared to 3,746 in the corresponding period of 2010, following significant Zloty depreciation over the course of 2011. Including 'n' results we recorded foreign exchanges losses, net of PLN 313,564 for the twelve months ended December 31, 2011, compared to foreign exchanges gains, net of PLN 62,971 in the corresponding period of 2010.

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

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

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

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

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

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

RESULTS BY BUSINESS SEGMENT

Our business comprised four major business segments: television broadcasting and production, digital satellite pay television, online and teleshopping. We currently report these business segments separately. We rely on an internal management reporting process that provides revenue and operating results for a particular period by segment for the purpose of making financial decisions and allocating resources. Following the changes in the composition of operating segments we have restated the corresponding items of segment information for comparative periods.

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

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

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

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

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

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

Television Broadcasting and Production

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

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

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

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

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

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

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

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

Digital Satellite Pay Television

The table below sets forth summarized financial results of our digital satellite pay television segment for the twelve months ended December 31, 2011 and 2010.

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

* Includes revenue from other services

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

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

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

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

Online

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

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

Online revenue increased by PLN 30,610, or 12.7%, to PLN 271,461 in the twelve months ended December 31, 2011, from PLN 240,851 in the corresponding period of 2010. Onet.pl revenue increased by PLN 29,090, or 14.0%, to PLN 237,114 in the twelve months ended December 31, 2011, from PLN 208,024 in the corresponding period of 2010. The increase is mostly due to an increase in advertising revenue. Revenue of our Internet vortals, presented in the table above as ‘Other’, increased by PLN 1,520, or 4.6%, to PLN 34,347 in the twelve months ended December 31, 2011, from PLN 32,827 in the corresponding period of 2010, mainly due to increase in advertising revenue in VOD service.

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

Teleshopping

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

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

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

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

Other reconciling items

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

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL OVERVIEW

The table below summarizes our consolidated cash flow for the year ended December 31, 2012, 2011 and 2010.

	Year ended December 31,			
	2010 PLN	2011 PLN	2012 PLN	2012 Euro (1)
Cash generated from operations	578,865	480,377	381,022	91,293
Net cash generated by operating activities	504,060	435,232	325,246	77,929
Net cash (used in)/ generated by investing activities	(231,081)	48,145	530,114	127,016
Net cash generated by/ (used in) financing activities	(174,391)	(319,429)	(1,207,519)	(289,323)
Increase/(decrease) in cash and cash equivalents	98,588	163,948	(352,159)	(84,378)

(1) For the convenience of the reader, we have converted Złoty amounts for the twelve months ended December 31, 2012 Euro at the rate of PLN 4.1736 per € 1. (arithmetic average of the effective NBP exchange rates on January 31, 2012, February 28, 2012, March 31, 2012, April 30, 2012, May 31, 2012, June 30, 2012, July 31, 2012, August 31, 2012, September 30, 2012, October 31, 2012, November 30, 2012 and December 31, 2012). You should not view such translations as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate.

CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

Cash Generated from Operations

Cash generated from operations decreased by PLN 99,355 to PLN 381,022 in the twelve months ended December 31, 2012, from PLN 480,377 in the corresponding period of 2012. The decrease results mainly from the decrease in operating profits from 502,603 for the twelve months ended December 31, 2011 compared to 374,268 the twelve months ended December 31, 2012.

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 325,246 in the twelve months ended December 31, 2012, compared to PLN 435,232 generated by operating activities for the corresponding period in 2011. The decrease is a result of lower cash generated from operations by PLN 99,355 and increased taxes by PLN 10,631.

Net Cash Generated by Investing Activities

Net cash generated by investing activities amounted to PLN 530,114 in the twelve months ended December 31, 2012, in comparison to net cash generated by investing activities of PLN 48,145 in the corresponding period of 2011. The increase in net cash generated by investing activities in the twelve months ended December 31, 2012 is primarily due to the proceeds from sale of subsidiaries, net of cash, of PLN 843,859, partly offset by payments to acquire property and equipment and intangible assets of PLN 316,125 and PLN 49,615 respectively.

Net Cash Used in Financing Activities

Net cash used in financing activities increased to PLN 1,207,519 in the twelve months ended December 31, 2012, compared to net cash used in financing activities of PLN 319,429 in the corresponding period of 2011. In the twelve months ended December 31, 2012, we recorded a significant increase in restricted cash of PLN 915,343.

Total cash and cash equivalents and bank deposits with maturities over three month, that we held as of December 31, 2012 amounted to PLN 358,564 in comparison to PLN 667,126 as of December 31, 2011. The decrease in cash and cash equivalents generated by operations, investing and financing activities was partially offset by PLN 60,819 transferred to disposal group classified as held for sale, related to financing of digital satellite pay television segment (consolidated within TVN Group up to November 30, 2012). We hold cash and cash equivalents on bank deposit with maturity below three months in Złoty and Euro.

Sources of our cash flows

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

CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

Cash Generated from Operations

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

Net Cash Generated by Operating Activities

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

Net Cash Generated by Investing Activities

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

Net Cash Used in Financing Activities

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

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

Sources of our cash flows

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

FUTURE LIQUIDITY AND CAPITAL RESOURCES

We expect that our principal future cash needs will be dividends, capital expenditure relating to television and broadcasting facilities, the launch or acquisition of new channels and debt service on our Senior Notes and Mortgage Loan. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debt, cash and cash equivalents, of December 31, 2012:

	Value	Coupon/ effective interest	Maturity
7.875% Senior Notes (nominal value(2))……………….	715,435	7.875%	2018
10.75% Senior Notes (nominal value(1))……………….	2,424,303	10.75%	2017
Mortgage Loan (nominal value(3)……………….	106,293	EURIBOR + 2.85%	2016
Accrued interest on long term debt…………………	39,731	-	-
Total debt…………………………	**3,285,762**	**-**	**-**
Cash at bank and in hand……………	308,564	-	-
Bank deposits with maturity over three months	50,000		
Cash and cash equivalents and bank deposits with maturity over three months………	**358,564**	-	-
Restricted cash related to the disposal of Onet Group	**880,713**		
Net debt ………………………	**2,046,485**	**-**	**-**

(1) This value represents outstanding nominal value of our 10.75% Senior Notes, which amounts to EUR 593,000 (EUR 405,000 issued in November, 2009, EUR 148,000 issued in March, 2010 and EUR 40,000 issued in April, 2010) multiplied by the rate of PLN 4.0882 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2012).
(2) This value represents outstanding nominal value of our 7.875% Senior Notes, which amounts to EUR 175,000 issued in November, 2010 multiplied by the rate of PLN 4.0882 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2012).
(3) This value represents outstanding nominal value of Mortgage Loan, which amounts to EUR 26,000 multiplied by the rate of PLN 4.0882 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2012)

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 ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents, bank deposits with maturity over three months and restricted cash related to the disposal of Onet Group, to our consolidated shareholders' equity (including non-controlling interest) was 1.5 as of December 31, 2012 and 2.9 as of December 31, 2011.

Our consolidated net debt (as defined above) to adjusted EBITDA ratio decreased to 4.0 as of December 31, 2012, from 4.1 as of December 31, 2011.

Adjusted EBITDA from continuing and discontinued operations (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 share of profit of associates) is calculated for the last twelve months and is defined as profit/(loss) for the period from both: continuing and discontinued operations, 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.

Our total liabilities amounted to PLN 403,284 at December 31, 2012, compared with PLN 456,414 liabilities from continuing operations at December 31, 2011.

Our borrowed funds excluding accrued interest as of December 31, 2012, consisted of PLN 2,357,121 of indebtedness represented by the 10.75% Senior Notes, PLN 697,276 of indebtedness represented by 7.875% Senior Notes and Mortgage Loan divided into current and non-current position in a total amount of PLN 105,761.

10.75% Senior Notes

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

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

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

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

Change of Control

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

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

Optional redemption

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

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

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

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

We separated the embedded derivatives with respect to these prepayment options, but did not recognize the instrument as at December 31, 2012 as they were assessed to have a negligible value due to the insignificant probability of realization.

Covenants

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

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

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

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in principal amount of the 10.75% Senior Notes may declare all the outstanding 10.75% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding

10.75% Senior Notes will become due and payable without any declaration or other act by the holders of the 10.75% Senior Notes.

7.875% Senior Notes

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

We used the net proceeds of the 7.875% Senior Notes in the amount of approximately EUR 128,000 to refinance all of the PLN 500,000 principal amount of outstanding PLN Bonds maturing in 2013, in the amount of approximately EUR 36,000 to refinance our Loan Facility used solely for bank guarantees, and in the amount of approximately EUR 11,000 to pay fees and expenses associated with the 7.875% Senior Notes offering, with the reminder to increase the liquidity.

Change of Control

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

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

Optional redemption

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

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

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

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

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

Covenants

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

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

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

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain

events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in principal amount of the 7.875% Senior Notes may declare all the outstanding 7.875% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding 7.875% Senior Notes will become due and payable without any declaration or other act by the holders of the 7.875% Senior Notes.

Mortgage Loan

On December 13, 2012 the Group entered into a facility agreement for the amount of EUR 26,000 in order to partially finance the acquisition of MBC Building (the "Mortgage Loan"). The Mortgage Loan 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 3.16%. The Mortgage Loan and interest will be repaid in monthly instalments starting from January 31, 2013. The final repayment date will be December 31, 2016. The basic security for the Mortgage Loan are: mortgage on the MBC Building, assignment of rights from insurance policy relating to the MBC Building, financial and registered pledge over bank accounts held with the banks granting the loan.

Guarantee Facility

On December 17, 2010 we entered into PLN 200,000 revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011, on September 30, 2011 and on March 13, 2012 the Group amended the revolving guarantee facility agreement.

The amended agreement is a PLN 400,000 multicurrency facility available in EUR, USD and/or PLN, with a termination date on May 16, 2013. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding 36 months or 13 months from issuance respectively, and requires 50% cash collateral for guarantees with tenors greater than 18 months.

As of December 31, 2012, the Guarantee Facility had been used for the following bank guarantees and letter of credit issued at PLN 279,982:

- EUR 2,028 and PLN 1,351 in the form of guarantees issued on our behalf;
- EUR 35,800 and USD 40,000 in the form of guarantees and letter of credit issued on behalf of ITI Neovision in relation to Eutelsat contracts for satellite rental and programming contracts.

Commitments and Off-Balance Sheet Arrangements

The following table summarizes in Złoty the contractual obligations, commercial commitments and principal payments we were obligated to make as of December 31, 2012 under our operating leases and other material agreements. The information presented below reflects the contractual maturities of our obligations. These maturities may differ significantly from their actual maturity.

	As of December 31,						
	2012	2013	2014	2015	2016	thereafter	Total
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	-	35,506	40,142	37,449	37,307	71,643	222,047
Other technical leases	-	21,664	21,664	21,664	21,664	-	86,656
Operating leases – other	-	14,347	8,565	6,324	3,586	-	32,822
Programming rights	-	184,778	113,792	81,168	68,914	67,323	515,975
Total operating leases	**-**	**256,295**	**184,163**	**146,605**	**131,471**	**138,966**	**857,500**
Commitments to purchase equipment and software	115	-	-	-	-	-	115
Total cash commitments	**115**	**256,295**	**184,163**	**146,605**	**131,471**	**138,966**	**857,615**
Barter commitments (1)	1,104	-	-	-	-	-	1,104
Total cash commitments and other obligations	**1,219**	**256,295**	**184,163**	**146,605**	**131,471**	**138,966**	**858,719**

(1) As of December 31, 2012, pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 1,104, settlement of which will be in form of advertising and is intended to be rendered on arm's-length terms and conditions and at market prices.

We have no off-balance sheet arrangements.

Trend Information

The principal trends of which we are aware and which we believe will affect our revenue and profitability are growth in the television and Internet advertising markets in Poland and growth in the pay television market. We are exposed to fluctuations in the exchange rates of Złoty to both the Euro and the U.S. Dollar. Our 10.75% Senior Notes and the 7.85% Senior Notes are denominated in Euro, and a large proportion of our programming costs are denominated in U.S. Dollar. In 2012 the Złoty has appreciated against the Euro and the U.S. Dollar. We cannot exclude that volatility of Złoty exchange rates may continue in the market.

The annual inflation rate in Poland in December 2012 was 2.4% compared with 4.6% in December 2011, 3.8% in September 2012, 4.3% in June 2012, 3.9% in March 2012, 3.9% in September 2011, 4.2% in June 2011 and 4.3% in March 2011. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

The principal function of the supervisory board is to supervise the Company's operations. The supervisory board may consist of between seven and eleven members, elected for a renewable joint three year term of office. The terms of the members of the current supervisory board, who were appointed as of March 30, 2012 and November 30, 2012 by the resolutions of the a shareholders' meetings will expire upon the approval of our 2014 financial statements by the annual general shareholders' meeting.

Our Articles of Association provide that the presence of at least half of the members of the supervisory board including the Chairman and the Deputy Chairman constitutes a quorum. Resolutions of the supervisory board may be passed either by the vote of a simple majority of votes of the members present at a meeting, where there is a quorum or by a written resolution, provided that all members have been duly notified. However, certain resolutions require casting vote in favour of the resolution by the Chairman and the Deputy Chairman of the Supervisory Board.

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

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

The management board must report to the supervisory board on a regular basis and must obtain the prior consent of the supervisory board for certain matters which are set out in our Articles of Association in particular in paragraph 21 of the Articles of Association. The supervisory board reviews our annual statutory accounts, reports on our activity prepared by the management board and proposals by the management board as to distribution of profits. In

addition, the supervisory board appoints our auditors and approves our and each of our subsidiaries' annual budgets.

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

MANAGEMENT BOARD

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

Name	Age	Position	Year first appointed	Beginning of the current term	Year term expires
Markus Tellenbach	52	President Chief Executive Officer	2009	2010	2013
John Driscoll	52	Vice-President Chief Financial Officer	2010	2010	2013
Edward Miszczak	57	Member	2012	2010	2013
Adam Pieczyński	56	Member	2012	2010	2013
Piotr Tyborowicz	44	Member	2012	2010	2013
Piotr Korycki	38	Member	2012	2010	2013
Maciej Maciejowski	37	Member	2012	2010	2013

Piotr Walter resigned from the office of the Vice-President of management board as of December 31, 2012. Robert Bednarski performed duties of the management board member during the period from January 9, 2012 to November 6, 2012.

Markus Tellenbach

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

John Driscoll

John Driscoll has been our Chief Financial Officer since May 14, 2010. He was the Chief Financial Officer of the ITI Group responsible for group-wide financial activities from 2007, prior to which he held various senior financial positions in the ITI Group which he joined in 1999. Between 1997 and 1999, Mr. Driscoll was with TSC Europe where he was the European Controller responsible for group-wide financial activities and between 1995 and 1997, he was the European Treasurer of Pelikan Hardcopy Group.

John Driscoll started his career in Europe with Coopers and Lybrand, Switzerland in both audit and corporate finance.

John Driscoll is a graduate of the University of Maryland and is a U.S. Certified Public Accountant.

Edward Miszczak

Management Board Member in charge of Entertainment

Edward Miszczak graduated from Jagiellonian University in Cracow. He has been the Director of Programming Department in TVN since 1998.

Adam Pieczyński

Management Board Member in charge of News and Current Affairs

Adam Pieczyński graduated from the Warsaw University. He has joined TVN in 2000 and since then held number of managerial positions related to news programming.

Piotr Tyborowicz

Management Board Member in charge of Advertising Sales

Piotr Tyborowicz graduated from Cardinal Stefan Wyszyński University in Warsaw. He has been in charge of TVN Sales and Advertising since joining the company in 1997.

Piotr Korycki

Management Board Member in charge of Business Controlling.

Piotr Korycki joined TVN in 2003 as Deputy Finance Director. Between 2005 and 2009 he was a Finance Director responsible for, among others, business controlling, budgeting, business planning and new projects support. From 2009 to 2012 he held the position of CFO of the TVN's TV Segment. In TVN Mr. Korycki had also worked on several international bond offerings, Polish bonds offerings, number of M&As and TVN Group IPO in 2004.

Piotr Korycki started his professional career in 1998 in PricewaterhouseCoopers office in Warsaw as a member of telecom, media and technology team, where he participated in audit and advisory engagements, as well as in a number of international capital transactions.

Piotr Korycki graduated from Warsaw School of Economics getting his Master degree in finance, banking and accounting. In 2001 he got his certified accountant qualifications from Association

of Chartered Certified Accountants (ACCA) of England and Wales. In 2011 and 2012 he broadened his business education in the International Institute for Management Development in Lausanne, Switzerland.

Maciej Maciejowski

Management Board Member in charge of Business Developpment

Maciej Maciejowski joined TVN in 2004 as Marketing Manager responsible for thematic channels: TVN24, TVN Style, TVN Turbo i TVN Meteo.

In 2006 he became Channel Director of TVN Turbo and a project manager of TVN24.pl news portal. From 2008 to 2011 he was working on TV and internet project: TVN Warszawa. In 2011 he became Deputy Programming Director responsible for thematic channels: TVN 7, TVN Style, TVN Turbo and iTVN.

His professional career started in 2000 in Onet.pl. where he was Key Project Manager.

Maciejowski is graduate of Warsaw-Illinois Executive MBA. He also studied journalism at Jagiellonian University and media management at Higher School of Business in Nowy Sacz. In 2009 he participated in U.S. Department of State's International Visitor Leadership Program

COMPENSATION

The table below sets out the compensation of our management board members, comprising base salary and bonuses actually paid under the management board mandate during the year ended December 31, 2012 (in PLN):

Name	Compensation
Markus Tellenbach	6,404
Piotr Walter	5,204
John Driscoll	3,224
Robert Bednarski	1,991
Edward Miszczak	190
Adam Pieczyński	139
Piotr Korycki	130
Piotr Tyborowicz	120
Maciej Maciejowski	48
SUMA	**17,450**

Share based payments

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

The table below summarizes the number of share options allocated to each management board member as of December 31, 2012:

Name	Total number of options granted up to December 31, 2012 (not in thousands)	Total number of options vested up to December 31, 2012 (not in thousands)	Total number of options vested and held as of December 31, 2012 (not in thousands)
Markus Tellenbach	-	-	-
Piotr Walter*	622,600	622,600	373,560
John Driscoll	-	-	-
Edward Miszczak	526,290	526,290	148,735
Adam Pieczyński	314,115	314,115	94,965
Piotr Tyborowicz	336,030	336,030	262,980
Piotr Korycki	187,945	187,945	103,100
Maciej Maciejowski	78,570	78,570	38,520

** Piotr Walter resigned from the office of the Vice-President of management board as of December 31, 2012.*

The table below sets out shares in TVN S.A. held by each management board member as of December 31, 2012:

Name	Number of shares
Markus Tellenbach	-
Piotr Walter*	-
John Driscoll	-
Edward Miszczak	184,011
Adam Pieczyński	-
Piotr Tyborowicz	-
Piotr Korycki	-
Maciej Maciejowski	-

** Piotr Walter resigned from the office of the Vice-President of management board as of December 31, 2012.*

SUPERVISORY BOARD

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

Name	Age	Position	Year first appointed	Year appointed for the current term*
Wojciech Kostrzewa	52	Chairman of the supervisory board	2005	2012
Bruno Valsangiacomo	57	Deputy Chairman of the supervisory board	1999	2012
Arnold Bahlmann	58	Independent member of the supervisory board	2005	2012
Paweł Gricuk	47	Independent member of the supervisory board	2005	2012
Wiesław Rozłucki	64	Independent member of the supervisory board	2007	2012
Aldona Wejchert	43	Member of the supervisory board	2007	2012
Michał Broniatowski	58	Independent member of the supervisory board	2009	2012
Bertrand Meheut	61	Member of the supervisory board	2012	2012
Sophie Guieysse	49	Member of the supervisory board	2012	2012
Rodolphe Belmer	43	Member of the supervisory board	2012	2012
Piotr Walter	45	Member of the supervisory board	2013	2012

** Expiration of term of office depending on the date of the General Shareholders Meeting approving the financial statements for the year 2014.*

The Members: Paul Lorenz, Andrzej Rybicki and Gabriel Wujek resigned from the office of members of the supervisory board as of November 30, 2012 and Romano Fanconi as of December 31, 2012.

Wojciech Kostrzewa

Wojciech Kostrzewa is an economics graduate from the Kiel University in Germany. Between 1988 and 1991 he was employed at the Kiel Institute for the World Economy as a Research Economist. From 1989 to 1991 he was an adviser to the Polish Minister of Finance, Prof. Leszek Balcerowicz.

Between 1990 and 1995 he held the position of President of the Polish Development Bank. From 1996 to 1998 he was the Vice President of the BRE Bank Management Board and later, from May 1998 to November 2004, he was the President of the Management Board.
Between January 2002 and November 2004, he was an Executive Member of the Regional Management Board of Commerzbank AG where he was responsible for all the operations of Commerzbank in Central and Eastern Europe.

From 1999 he is associated with the ITI Group as a Member of the Board of Directors. From January 2005 he fulfils the function of President and CEO. From 2005 he sits on the Supervisory Board of TVN S.A. and from 2007 is its Chairman.

In June 2012 he was appointed Member of the Supervisory Board of the Swiss Stadler Rail Group, the leading European producer of railway vehicles. Between 2004 and 2007 he also served as President of the Polish-German Chamber of Industry and Commerce. From 2007 he serves as Vice President of the Polish Confederation of Private Employers "Lewiatan". Wojciech Kostrzewa is a member of the Polish Business Roundtable. He is also a member of supervisory boards of companies in Poland and abroad.

Bruno Valsangiacomo

Executive Chairman of the ITI Group and Member of the Executive Committee, Audit Committee and Related Party Transaction and Remuneration Committee

Bruno Valsangiacomo started his career in banking working with major institutions such as UBS Group (1972 to 1982) and Banque Paribas (1982 to 1991) for 20 years, acquiring a diversified know-how in corporate banking, restructurings, trade finance, M and A and real estate. In 1991, Bruno Valsangiacomo founded the advisory firm FFC Fincoord Finance Coordinators Ltd., Zurich, and became a successful independent entrepreneur with a key focus on emerging Poland. In the same year he joined Jan Wejchert and Mariusz Walter as a Founding Shareholder of ITI Group responsible for strategy, finance and legal aspects, M&A and Investors Relations. He has lead for the ITI Group a variety of complex transactions and initiatives, from start-ups, to joint ventures, financing's and IPO's. During the early years in emerging Poland he gained, in addition to media and entertainment, in depth experience in food and beverages, pharmaceuticals and other industries. Before becoming Executive Chairman ITI Group in January, 2011 Bruno Valsangiacomo was its Vice Executive Chairman. He is a Member of various Group Supervisory Boards, among other Vice Chairman of TVN S.A.

Since 1994 Bruno Valsangiacomo leads a family owned business founded in 1945 by his father in law, under Tectus Holding S.A. Switzerland, with interests in a worldwide construction technology franchise (post tensioning systems and cable stayed bridges), construction materials and electronic hardness measurement equipment for concrete, metal and paper. He is among other Chairman of FFC Fincoord Finance Coordinators Ltd, BBR VT International Ltd., and Proceq S.A. and other companies in Europe and Asia.

Arnold R. Bahlmann PhD.

Arnold Bahlmann is a senior advisor to Permira, one of Europe’s largest private equity funds, and sits on its industrial advisory board. Transactions which he has arranged have involved SBS Broadcasting, of which he was a member of the supervisory board from October 2005 to July 2007, and ProSiebenSat 1. For more than 20 years he worked in various positions within Bertelsmann AG, starting in 1982 as Head of Strategic Planning of the Ariola Group, which later merged with RCA to create BMG, as President of Premiere GmbH, the German pay TV operator and as a Member of the Executive Board of Bertelsmann AG and Chief Strategic Officer responsible for major transactions, such as the sale of AOL Europe, Mediaways and Springer.

He ended his career at Bertelsmann AG in 2003 as President and Chief Executive Officer of Bertelsmann Springer and a member of the executive board of Bertelsmann AG. He also serves as a member of the supervisory board of YOC AG, a mobile marketing company, Senator Entertainment AG, Business Gateway AG, Freenet AG and Telegate AG. Previously, he has also served on the boards or supervisory boards of Haring Service Company, Debitel AG, Source Media Inc. and Germany 1 Acquisition Limited. He has been our member of the supervisory board since May 2005. He graduated from Cologne University, where he also obtained a doctorate.

Pawel Gricuk

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

Wiesław Rozłucki, PhD.

Wiesław Rozłucki, Ph.D., is a consultant. He graduated from the Foreign Trade Faculty of the Warsaw School of Economics in 1970. He has a PhD in Economic Geography from the Polish Academy of Sciences and between 1973 and 1989, he worked there as a researcher. During 1979 -1980 he studied, as a British Council scholar, at the London School of Economics. Between 1990 and 1994, he was an adviser to the Polish Minister of Finance, a director of the Capital Markets Department in the Ministry of Privatization of Poland and a member of the Polish Securities and Exchange Commission.

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

Aldona Wejchert

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

She graduated from the Warsaw School of Economics and extended her business education at London Business School in the United Kingdom.

Michał Broniatowski

Michał Broniatowski was appointed to the supervisory board on October 28, 2009.

He previously served as an independent director and independent member of the supervisory board of the ITI Group from 1994 to 2005, and as a member of the board of Onet from 2001 to 2005. From 2003 to May 2009 he was global services director and member of the board of Interfax International Information Group ("IIIG"), an international news and information company operating in Russia, former Soviet Union states, China and major countries in Central and Eastern Europe, and he is now Chairman of the Board of Interfax Central Europe Ltd, a sales

company of IIIG. In 2002-2003 he served as a consultant at Telekomunikacja Polska SA, Poland's largest telecoms operator and at Edipresse Polska, the Polish branch of the Swiss publishing house Edipresse. From January 2001 to March 2002 he held the positions of ITI Management Vice-President and new media director within the ITI Group. From 1985 to end-2000 he worked at Reuters, a global news and information agency, where he started as a correspondent in Poland and left as a Manager in Russia and CIS. Since July 2009 he has been the CEO of Polski Terminal Finansowy Ltd and Mount Tarango Ltd.

He graduated from the Department of Spanish Language and Culture (Iberystyka) at the University of Warsaw, and has undertaken further study at the University of Columbia.

Piotr Walter

Piotr Walter had been TVN Group's Vice-President of the Management Board and Head of Television Broadcasting since August 2009 till the end of December 2012. Since 1991 has been working within the ITI Group structures. In 1998 became Producer and Vice President of ITI Film Studio's Management Board. In 1999 was appointed Vice President of the Management Board in charge of Marketing and On-air Promotion. Between July 2001 and August 2009 was holding the position of President of the Management Board and General Director of TVN.

He graduated from Columbia College in Chicago and the International Institute for Management Development in Lausanne. He also studied at the University of Warsaw (Journalism) and at the Film School in Łódz (Film Directing).

Bertrand Meheut

Chairman of the Executive Board, CANAL+ Group

After graduating from the Ecole des Mines, an engineering school, Bertrand Meheut held various positions in the industry, primarily in the life sciences sector. He spent most of his career at Rhône-Poulenc, which became Aventis after merging with Germany's Hoechst. He served as Chairman and CEO of Aventis CropScience, an Aventis and Schering subsidiary involved in agrichemicals and biotechnologies with sales of €4.5 billion and 16,000 employees. Bertrand Meheut joined CANAL+ Group in October 2002. He was appointed Chairman of the Executive Board of CANAL+ Group on February 7, 2003, and Chairman and Chief Executive Officer of CANAL+ S.A. on February 20, 2003. Mr. Meheut was born in Rennes (France) in 1951.

Rodolphe Belmer

COO, CANAL+ Group Member of the Executive Board, CANAL+ Group

Born in 1969, Rodolphe Belmer graduated from the Hautes Etudes Commerciales (HEC) business school in Paris in 1992 and then worked for six years in the marketing department at Procter & Gamble France. In 1998, he joined McKinsey & Co. as Manager, where he lead consultancy projects in the media, retailing and consumer products industries. He joined CANAL+ Group in October 2001 as Director of Strategy and Development for CANAL+ Distribution before being appointed Marketing and Strategy Director for CANAL+ Group. He became COO of CANAL+ in November 2003 and was nominated VP, Content for CANAL+ Group in April 2005. In 2012, Rodolphe Belmer was promoted to COO of CANAL+ Group and Member of the Executive Board. In this position he is in charge of all the Group's pay and free-to-air TV operations in Metropolitan France.

Sophie Guieysse

VP, Human Resources, CANAL+ Group

Sophie Guieysse, graduated from the Ecole Polytechniques engineering school before holding senior positions in a number of ministries, mainly in the field of transportation, housing and urban planning. In 1997, she joined LVMH Group, where she was appointed executive VP, Human Resources, of the Watches and Jewelry division and, in 2001, of Sephora Europe, a leading retail beauty chain. In 2002, Sophie Guieysse was promoted to VP, Human Resources, for the whole LVMH Group. In 2005, she joined CANAL+ group, as Executive VP, Human Resources.

BOARD COMMITTEES

During the year 2012 two supervisory board committees, the audit committee and the related party transactions and remuneration committee, operated within the Supervisory Board. Each comprised of three supervisory board members, of which two are independent board members. On December 11, 2012 the amended Articles of Association stated that three supervisory committee may operate, the Related Party Transactions and Audit Committee, the Nomination and Remuneration Committee and the Strategic and Content Committee.

Audit Committee

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

In 2012 the Audit Committee consisted of three supervisory board members: Wiesław Rozłucki (chairman), Paweł Gricuk and Romano Fanconi. Two of its members are independent board members, and the members have appropriate qualifications and experience in accounting and finance. The Audit Committee meets regularly. The Chief Financial Officer and representatives of external and internal audit attend the meetings by invitation. In 2012 the Audit Committee met four times.

Due to amendment of TVN Articles of Association in December 2012, the audit committee has been converted into the Related Party Transactions and Audit Committee.

Remuneration and Related Party Transactions Committee

The Remuneration and Related Party Transactions Committee's responsibilities are clearly set out in our supervisory board regulations and include reviewing related party transactions, reviewing the compensation of management and supervisory board members and making recommendations on these to the supervisory board. In 2012 the Committee comprised Wojciech Kostrzewa (chairman), Arnold Bahlmann and Paweł Gricuk.

The Committee met three times during 2012 to review management board members remuneration and various related party transactions. Details of related party transactions, are presented in section "Major shareholders and related party transactions".

Due to amendment of TVN Articles of Association in December 2012, the Remuneration and Related Party Transactions Committee has been converted into the Nomination and Remuneration Committee.

COMPENSATION

The table below sets out the compensation of our supervisory board members, comprising payments for the year ended December 31, 2012 (in PLN):

Name	Compensation
Wojciech Kostrzewa	187
Pawel Gricuk	144
Wiesław Rozłucki	132
Romano Fanconi	108
Arnold Bahlmann	108
Bruno Valsangiacomo	84
Aldona Wejchert	72
Michał Broniatowski	72
Paul H. Lorenz	66
Andrzej Rybicki	66
Gabriel Wujek	66
Bertrand Meheut	0
Rodolphe Belmer	0
Sophie Guieysse	0
Total	**1,105**

Share ownership

The table below sets out shares in TVN S.A. held by each supervisory board member as of December 31, 2012:

Name	Number of shares
Wojciech Kostrzewa	120,000
Bruno Valsangiacomo	1,597,325
Arnold Bahlmann	-
Romano Fanconi	32,000
Paweł Gricuk	-
Wiesław Rozłucki	-
Aldona Wejchert	3,549,805*
Michał Broniatowski	-
Bertrand Meheut	-
Rodolphe Belmer	-
Sophie Guieysse	-
Total	**1,749,325**

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

The table below sets out shares in related parties held by our supervisory board members as of December 31, 2012:

Name	Name of related party	Number of shares (not in thousands)	Nominal value of one share (not in thousands)
Wojciech Kostrzewa controlled entity	ITI Holdings S.A.	500,000	1.25 EUR
Bruno Valsangiacomo affiliated entity	ITI Holdings S.A.	10,039,271	1.25 EUR

CONTRACTS AND TERMINATION BENEFITS OF MANAGEMENT BOARD MEMBERS

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

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

EMPLOYEES

As of December 31, 2012, we had 1,521 full-time employees. Of that number, 272 were employed in management and administration, 627 in production and programming, 63 in the marketing department, 335 in the technical department and 224 in the sales department. The main reason for twice lower employment in TVN Group is a result of deconsolidation of our DTH and online arms due to disposal of 'n' DTH platform on November 30, 2012 and the Onet Group with effect as of November 6, 2012. None of our employees is a member of a trade union nor do they fall within the scope of any collective bargaining or similar arrangement. We believe that our relations with our employees are good.

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

As of December 31, 2010, we had 3,218 full-time employees. Of that number, 463 were employed in management and administration, 1,167 in production and programming, 116 in the marketing department, 430 in the technical department and 1,042 in the sales department.

STOCK OPTION PLAN

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

On July 31, 2006, our supervisory board approved the rules related to stock option plan II, as part of the acquisition of Grupa Onet. On September 26, 2006, the General Meeting of

Shareholders approved the related conditional increase of share capital and issuance of subscription warrants.

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

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

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

STOCK OPTION PLAN I

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2012:

Tranche	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	vested
C2	882,479	PLN 9.58	vested
C3	2,043,266	PLN 10.58	vested
Total	**3,178,235**		

STOCK OPTION PLAN II

Stock option plan participants had the right to exercise the following remaining number of options in a given tranche as of December 31, 2012:

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

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

The total cost of stock option plan I was PLN 74.1 million and have been accounted for in the period starting from the fourth quarter of 2005 through the end of 2008. In this regard we

recognized operating expenses of PLN 43.6 million in 2006, PLN 21.5 million in 2007 and PLN 8.5 million in 2008.

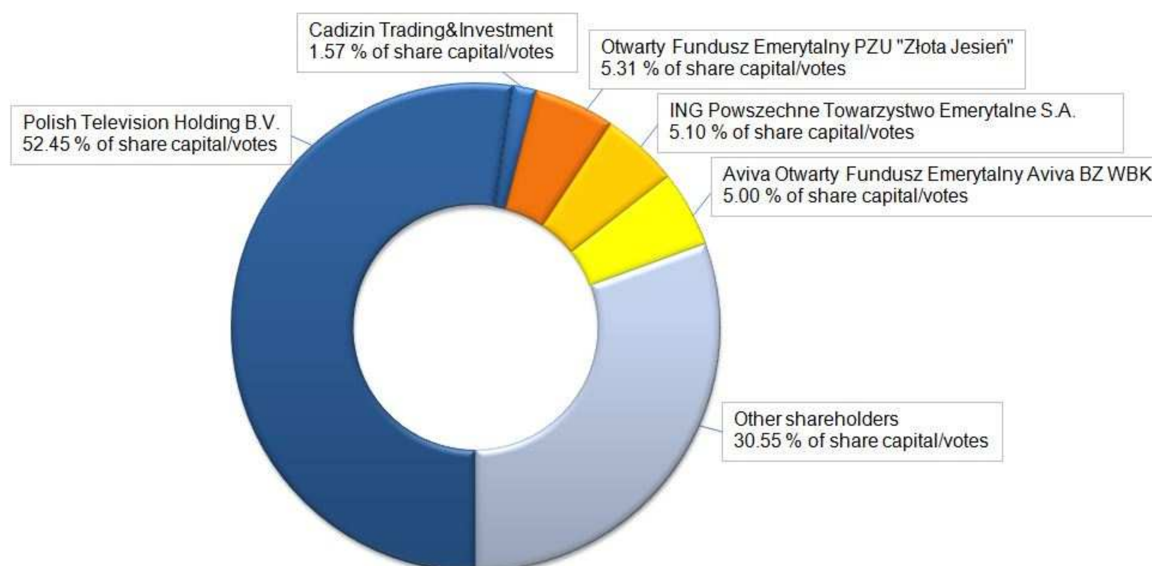
The total estimated cost of stock option plan II is PLN 110.1 million of the total fair value of options granted with respect to E series, the value of PLN 70.8 million, less the part attributable to vested options granted under the original share option scheme existing in Grupa Onet that was modified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

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

Our share capital amounts to PLN 68,775 and is divided into 343,876,421 ordinary shares. The graph below sets forth, as of December, 31 2012, the beneficial ownership of the ordinary shares of TVN S.A.



Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of votes
Polish Television Holding B.V. [(1) (2)]	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment [(1)]	5,415,781	1.57%	5,415,781	1.57%
Otwarty Fundusz Emerytalny PZU "Złota Jesień" [(3)]	18,276,601	5.31%	18,276,601	5.31%
ING Powszechne Towarzystwo Emerytalne S.A. [(4)]	17,552,350	5.10%	17,552,350	5.10%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK [(5)]	17,207,619	5.00%	17,207,619	5.00%
Other shareholders	105,068,640	30,55%	105,068,640	30,55%
TOTAL:	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

(1) Entities controlled by ITI Group.
(2) Polish Television Holding B.V. has pledged the majority of the Company's shares.
(3) Latest available data as of March 2, 2012
(4) Latest available data as of December 4, 2012
(5) Latest available data as of December 11, 2012

During the year ended December 31, 2012 no new shares were issued under the stock option plan.

Pursuant to the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and may exercise their voting rights in person or by written proxy. Each share is entitled to one vote at the general meeting of shareholders. Pursuant to the Polish Commercial Companies Code, one or more shareholders representing at least 1/20 of the share capital may request an extraordinary general meeting of shareholders and submit particular matters for the agenda of the next meeting. Such request may be filed with the management board in writing or in electronic form. Such extraordinary general meeting should

be called within two weeks from the filing of the request. Submitting particular matters for the agenda of the next meeting should be made at least 21 days (for public companies) before the proposed date of the next general meeting of shareholders. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the requesting shareholders may convene such meeting, after obtaining the approval of the registry court. The registry court shall appoint the chairman of such meeting.

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

In the period between June 8, 2011 and July 8, 2011 Cadizin transferred 1,178,791 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 6,952,686 (not in thousands), which represented 2.03% of our share capital and votes.

In the period between January 5 and February 23, 2010 N-Vision transferred 6,799,052 of our shares as result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 3,963,095 (not in thousands), representing 1.15% of our share capital and votes.

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

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

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

As a result of the above mentioned transaction, N-Vision reduced the number of our shares held by it to 0 (not in thousands), representing 0% of our share capital and votes and Cadizin increased the number of shares held by it to 10,915,781 (not in thousands), representing 3.17% of our share capital and votes.

On March 23, 2012 Cadizin sold 5,500,000 (not in thousands) of our shares on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 5,415,781 (not in thousands), which represented 1.57% of our share capital and votes.

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

RELATED PARTY TRANSACTIONS

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

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

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

Following the Court registration of changes in TVN S.A.'s Statutes the Audit Committee has been transformed into Related Party Transactions and Audit Committee in December 2012.

MANAGEMENT, FINANCIAL AND OTHER SERVICES

On May 13, 2010 and amended on May 22, 2012 we entered into a services agreement (the "Services Agreement") with ITI Holdings SA ("ITI Holdings") ITI Services AG ("ITI Services"), Market Link Sp. z o.o. ("Market Link") and ITI Corporation Sp. z o.o. ("ITI Corporation"), members of the ITI Group, for certain management, sales, financial advisory, guarantee and other services provided to TVN S.A., Grupa Onet.pl S.A. and ITI Neovision Sp. z o.o.

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

Under the Services Agreement, we have agreed to pay ITI Holdings, ITI Services, ITI Corporation and Market Link (i) an annual services fee in the amount of up to EUR 5,000 in consideration for the above referenced services and (ii) an annual guarantee fee equal to 220 basis points of guaranteed amounts in consideration for guaranty and other financial support services. In addition, we have agreed to reimburse ITI Holdings, ITI Services, ITI Corporation and Market Link for reasonable costs and expenses that they incur in connection with the provision of the services or guarantees.

However, for so long as the terms of the indenture governing the 10.75% Senior Notes limits the annual fees that we pay to the ITI Group to EUR 5,000, the aggregate amount of the services fee, the guarantee fee, the amounts paid for the reimbursement of costs and expenses and any other amounts we pay to ITI Services, together with any other fees and related expenses we or any restricted subsidiary (as defined in the above-mentioned indenture) pay to any member of the ITI Group, is limited to EUR 5,000.

The Service Agreement has been in effect since January 1, 2010 and was concluded for an unlimited period. If the respective annual budgets approved by the supervisory boards of TVN S.A., Grupa Onet.pl S.A. and ITI Neovision Sp. z o.o. do not include and reserve the money for payments pursuant to the Service Agreement, the Service Agreement expires with regard to that company, unless the respective supervisory board approves relevant supplementation of the annual budget in the first quarter of the calendar year.

LEASE OF OFFICE AND STUDIO SPACE

We lease land, office and studio space pursuant to lease and sublease agreements from certain ITI Group companies, most significantly, Poland Media Properties S.A. and Diverti Sp. z o.o.

Sublease of premises and purchase of building

On March 14, 1997, we entered into a sublease agreement with ITI Poland Sp. z o.o. for 3,850 square meters of space, expiring on March 31, 2007, relating to the premises at ul. Augustówka 3 in Warsaw. This agreement was terminated on October 24, 2006 and replaced with the following agreements:

- a lease agreement, dated October 24, 2006, with Brel-An Sp. z o.o. and ITI Poland Sp. z o.o., subleasing business premises located at Augustówka 3,Warsaw, for a period of 10 years (from November 1, 2006 until October 31, 2016), for a monthly fee of EUR 62,618 (not in thousands) and an annual tax fee of PLN 74,400 (not in thousands); and

- a sublease agreement, dated October 24, 2006, with ITI Poland Sp. z o.o. leasing a television studio located at Augustówka 3, Warsaw for a period of 10 years (from November 1, 2006 until October 31, 2016) with a monthly fee in the amount of EUR 12,375 (not in thousands). Poland Media Properties is the legal successor of ITI Poland Sp. z o.o.

On February 27, 2012, purchase agreement of Augustówka 3 building was signed in Warsaw, between following parties: TVN S.A. and Brel-An sp. z o.o. and ITI Poland sp. z o.o.. Based on this agreement the building and perpetual usufruct of land were purchased by us for a total consideration of PLN 27,155.

Lease of premises from MBC Real Estate Sp. z o.o. (legal successors of Diverti Sp. z o.o.) and purchase of building

On October 27, 2003, we entered into two lease agreements with Media Business Centre Sp. z o.o. for a total of 3,993 square meters of space relating to premises at ul. Wiertnicza 166 in Warsaw. We use these premises for all our activities. On August 11, 2006 these agreements were terminated and replaced by an agreement for 10 years with Multikino S.A. The rights and obligations resulting from the agreement with Multikino were transferred to Diverti Sp. z o.o., a company incorporated as a result of a spin-off from Multikino S.A.

During the period 2003 to 2011, this agreement was amended several times to reflect additional space we occupied and, by the end of December 2011, the total amount of rental space was 10,098 square meters. The monthly fee under this agreement is EUR 0.2 million (not in thousands), which covers office and studio space as well as parking places, plus a maintenance fee of PLN 0.4 million (not in thousands).

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

On December 12, 2012, purchase agreement of Media Business Center building ("MBC Building") was signed between parties TVN S.A. and MBC Real Estate sp. z o.o. the legal successor of Diverti sp. z o.o.. Based on this agreement MBC building and land located in Warsaw at 166 Wiertnicza Street was purchased by us for a total consideration of PLN 183,139.

Lease of premises from Poland Media Properties S.A.

Since November 9, 2009, we have subleased 2,001 square meters from Poland Media Properties S.A. at Powsinska 4 street, Warsaw, for a period of seven years (until December 31, 2016) for a monthly rent of EUR 30,017 (not in thousands).

INVESTMENT IN THE 'N' DTH PLATFORM

On June 25, 2008, and March 11, 2009, we completed two transactions that resulted in our ownership of a controlling interest in ITI Neovision Sp. z o.o. On March 10, 2010, pursuant to the 'n' acquisition, we acquired the remaining 49% interest in ITI Neovision Sp. z o.o. On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a digital DTH platform nC+ owned by Canal+ Group and TVN. For further details, see "Material contracts - Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group".

DISCUSSION ON GUARANTEES GRANTED TO THIRD PARTIES BY TVN GROUP AS OF DECEMBER 31, 2012

Neither TVN S.A. nor any of the entities within TVN Group granted any guarantees or secured any third party credits, either individually or in the aggregate, for an amount exceeding 10% of our capital.

TVN S.A. granted guarantees for liabilities of ITI Neovision, subsidiary of Canal+ Cyfrowy S.A., our related party and the owner of DTH platform 'n', in total of PLN 450,700 as of December 31, 2012. TVN Media granted guarantees for ITI Neovision liabilities in total of PLN 178,859 as of December 31, 2012.

TVN Media granted guarantees for TVN S.A. liabilities in total of PLN 655,513 as of December 31, 2012. The last guarantee expiries in 2016.

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

GUARANTEE AGREEMENTS ENTERED INTO BY RELATED PARTIES

ITI Holdings has entered into guarantee fee arrangements in relation to programming deals with Warner Bros. and Universal Studios International B.V. As of December 31, 2012 the amounts ITI Holdings guarantees under these arrangements are U.S. $3.0 million (not in thousands) in relation to the Warner Bros. arrangement, pursuant to an agreement entered into on October 6, 1999 and U.S. $8.5 million (not in thousands) in relation to the Universal Studios International B.V. arrangement, pursuant to an agreement entered into on December 31, 2009.

ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The financial statements filed as part of this annual report are included on pages F-1 to F-79.

LEGAL PROCEEDINGS

There are no pending legal proceedings where the amounts claimed against us either separately or jointly would exceed 10% of our capital.

DIVIDEND POLICY

Subject to our operating results, capital investment requirements, the terms of our Indenture and statutory distributable reserves, we intend to recommend that between 30% and 50% of our annual net profits, be used to pay dividends.

We paid a dividend of PLN 34,388 (or PLN 0.1 per share) in 2012.

RECONCILIATION OF OUR 2012 RESULTS TO OUR RECENT FORECAST.

We did not publish any forecasts in 2012.

SIGNIFICANT CHANGES OCCURRED SINCE DECEMBER 31, 2012

Other than those events described in Item 5. and other items in this annual report, there have not been any significant changes to our financial condition or results of operations since December 31, 2012.

ITEM 9. THE OFFER AND LISTING

LISTING DETAILS AND MARKETS

On December 21, 2010 our 7.875% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

On December 21, 2009 our 10.75% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

Our shares have been listed on the regulated market on the Warsaw Stock Exchange since December 7, 2004.

In 2012 our company was a member of the following Warsaw Stock Exchange indices: WIG, WIG20, WIG-MEDIA, WIG-Poland, InvestorMS.

As of December 29, 2006, a 1:5 share split was effective. We decreased the nominal value of each of our shares from PLN 1 to PLN 0.2, and increased the number of shares to 343,508,455 (not in thousands) as of that date.

As of December 31, 2012, the number of shares in TVN S.A. amounted to 343,876,421 (not in thousands). The share capital of TVN S.A. accounts for PLN 68,775.

PERFORMANCE OF TVN SHARES IN 2012

(indexed, closing price on December 30, 2011)

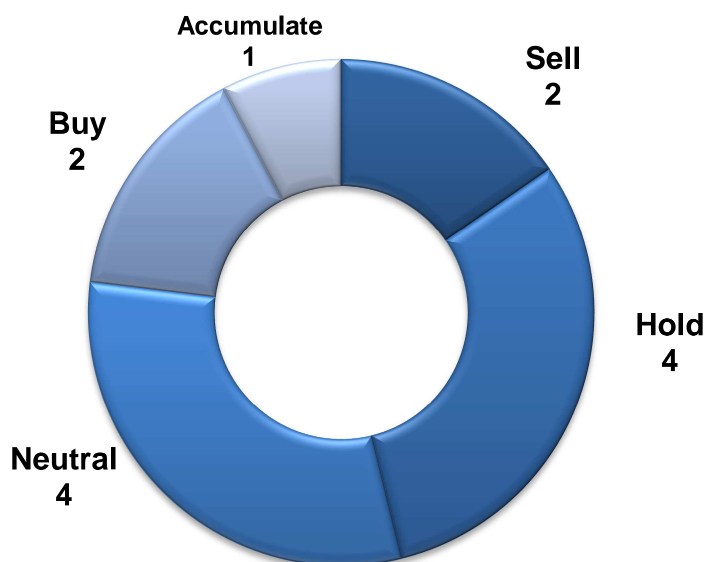
The history of TVN's shares is set forth in the tables below:

(PLN not in thousands)	Highest share price during the month	Lowest share price during the month
July 2012	9,37	7,48
August 2012	8,49	7,01
September 2012	7,20	6,00
October 2012	7,36	6,75
November 2012	7,99	6,58
December 2012	10,19	7,99

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
First quarter ended March 31, 2011	18,14	15,96
Second quarter ended June 30, 2011	18,49	15,10
Third quarter ended September 30, 2011	17,29	10,53
Fourth quarter ended December 31, 2011	15,98	8,90
First quarter ended March 31, 2012	12,05	9,53
Second quarter ended June 30, 2012	10,96	7,55
Third quarter ended September 30, 2012	9,37	6,00
Fourth quarter ended December 31, 2012	10,19	6,58

(PLN not in thousands)	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2012
Share price at end of period	13,46	14,29	17,10	10,30	9,92
Average share price during period	18,55	12,02	16,92	15,02	8,83
Highest share price during period	26,75	16,14	19,43	18,49	12,05
Lowest share price during period	10,60	7,90	13,00	8,90	6,00

RECOMMENDATIONS BREAKDOWN AS OF DECEMBER 31, 2012 AND ANALYSTS COVERAGE



Broker	Analyst	Date of the last recommendation in 2012	Recommendation	Target Price in PLN
Bank of America Merrill Lynch	Mariya Kahn	None in 2012	-	-
DB Securities	Tomasz Krukowski	None in 2012	-	-
DIBRE	Piotr Grzybowski	2012-12-10	Accumulate	10.3
DM BZ WBK	Dariusz Górski	None in 2012	-	-
Erste Group	Vaclav Kminek	2012-09-18	Hold	7.5
Espirito Santo	Konrad Księżopolski	2012-11-26	Neutral	8.1
Goldman Sachs	Alexander Balakhnin	2012-12-05	Neutral	8.24
HSBC	Jean Kaplan	2012-11-12	Neutral	8.0
IDM SA	Sobiesław Pająk	2012-12-14	Sell	9.0
ING Securities	Andrzej Knigawka	None in 2012	-	-
IPOPEMA Securities	Waldemar Stachowiak	2012-08-10	Sell	7.0
JP Morgan	Jean-Charles Lemardeley	None in 2012	-	-
KBC Securities	Piotr Janik	2012-11-23	Hold	7.8
Millenium DM	Wojciech Woźniak	None in 2012	-	-
Raiffeisen Investment Polska	Dominik Niszcz	2012-12-28	Hold	10.0
UBS	Michał Potyra	2012-09-12	Neutral	7.0
UniCredit CAIB	Przemysław Sawala - Uryasz	2012-11-19	Buy	8.87
Societe Generale	Leszek Iwaszko	2012-09-11	Buy	8.1
TRIGON	Hanna Kędziora	2012-10-01	Hold	7.4

ITEM 10. ADDITIONAL INFORMATION

This summary describes certain material provisions of our Articles of Association as well as information on our share capital and ordinary shares, the Polish Commercial Companies Code and other regulations which are material for our operation. This description does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the Polish Commercial Companies Code and other applicable regulations in effect on the date of this annual report.

TVN Sp. z o.o. was incorporated on May 22, 1995 and was entered in the commercial register maintained by the District Court for the city of Warsaw, Commercial Court, XVI Commercial and Registration Division, under the RHB no. 43929. On June 12, 2001, the Registry Court entered TVN Sp. z o. o., into the National Court Register under number KRS 0000018906.

On July 2, 2004, the extraordinary general meeting of shareholders of TVN Sp. z o.o. unanimously adopted Resolution No. 12 transforming TVN Sp. z o.o. into a joint-stock company, TVN S.A. This transformation was officially registered on July 30, 2004, by entering TVN S.A. on that date in the Register of Entrepreneurs maintained by the Registry Court under number KRS 0000213007.

SHARE CAPITAL

Our share capital is divided into 343,876,421 registered and bearer ordinary shares, Series A, B, C1, C2, C3, D, E1, E2, E3, E4 and F with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 163,520,991 are bearer shares).The series C shares were issued pursuant to the Resolution of TVN General Shareholders Meeting dated June 8, 2006, with a conditional increase of share capital of up to 9,870,000(not in thousands) shares of series C in respect of the employee share option scheme. The series E shares were issued pursuant to the Resolution of TVN General Shareholders Meeting, dated September 26, 2006, with a conditional increase of our share capital of up to 8,781,675 (not in thousands) shares of series E in respect of the employee share option scheme.

Pursuant to §7 Section 1 of our Articles of Association, our management board may, within three years from May 1, 2011 , increase our authorized share capital one or more times, by an aggregate amount of up to PLN 15,000,000 (not in thousands) i.e., by 75,000,000 (not in thousands) shares (assuming the nominal value remains 20 groszy per share). The authorization to increase the share capital includes shares being acquired in exchange for a contribution in-kind and the possibility of the issuance of subscription warrants within the three-year period referred to above (see §7 Sections 2 and 3 of the Articles). Pursuant to §7.4 and §21.3.13) of our Articles of Association, resolutions of the management board on (i) the indication of the date of opening and ending of the subscription, (ii) the setting of the issue price, (iii) the allotment of shares in exchange for in-kind contribution, and (iv) the issue of subscription warrants, require the consent of our supervisory board.

THE ISSUE OF SHARES

An increase in our share capital may be effected by an issuance of new shares or an increase of the nominal value of our existing shares, and requires the adoption of a resolution by a qualified majority of three-quarters of the votes of the shareholders in a general meeting.

The provisions of the Polish Commercial Companies Code, in addition to an ordinary share capital increase, provide for (i) a share capital increase with the use of funds from our

reserve capital or from the supplementary capital within the limits defined by the law, (ii) a share capital increase within the value of the authorized capital, and (iii) a conditional share capital increase.

Transfer of Shares

Our shares are transferable and are not subject to any restrictions apart from the limitations arising out of our Articles of Association, the Commercial Companies Code, the Broadcasting Law, the Act on Trading in Financial Instruments, and the Act on Public Offering, and other provisions of law, the material provisions of which are summarized below.

Pursuant to §10.1 of our Articles of Association, the disposal of our registered shares requires the prior written consent of the management board. The management board shall notify a shareholder on granting or refusing to grant consent within 30 days following the receipt of a written notice from the shareholder intending to dispose of the shares, specifying the number of shares to be disposed of and the price for the shares to be disposed of. If the management board refuses to grant the consent for the disposal of the shares, it shall designate within two months following the date of receipt of the notice, a purchaser who may only purchase such shares at a price that cannot be lower than the average price for the last 30 trading days on the Warsaw Stock Exchange plus 7.5% of the price set forth in the notice, unless a different price has been agreed to by the transferring shareholder and the purchaser designated by the management board.

The agreement on the transfer of the shares to the purchaser designated by the management board shall be executed, and the price for the shares shall be paid by the purchaser, within 14 days following the date of designation by the management board, unless the purchaser and transferring shareholder agree to other terms. In the event the purchaser designated by the management board does not purchase the shares within the requisite time period, a shareholder may sell the shares to another person or effect a conversion of registered shares into bearer shares without management board consent. The limitations concerning the disposal of our shares set forth in §10, section 1 shall not apply to the disposal of our registered shares for the benefit of our dominating entity, subsidiary and other affiliates belonging to our capital group.

Pursuant to §10.2 of our Articles of Association, as long as there are laws limiting the maximum number of our shares which may be acquired by foreign entities, having their residence or statutory seat in a country which is not a member of the EEA, the disposal of the registered Series A Shares may be made only for the benefit of a natural person being resident in a member country of the EEA or a legal person or organizational entity not being a legal person, which has a statutory seat in a member country of the EEA, subject to the conditions set forth in our television broadcasting licenses.

Pursuant to §10.3 of our Articles of Association, as long as there are laws limiting the acquisition of our shares by foreign entities having their residence or statutory seat in a country which is not a member of the EEA, the disposal of our shares for the benefit of a natural person not resident in a member country of the EEA or a legal person or organizational entity not a legal person, which does not have its statutory seat in a member country of the EEA, may be made only with the permission of the Chairman of the National Radio and Television Council.

Conversion of Registered Shares to Bearer Shares

Paragraph 9 of our Articles of Association permits conversion of our shares from registered into bearer form only upon the motion of a shareholder and requires the prior consent of our management board; provided, however, that such consent shall not be withheld if, prior to effecting the conversion to bearer form, the shareholder fulfils the procedure set forth under "Transfer of Shares" above.

VOTING RIGHTS

Pursuant to Article 412 of the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and exercise voting rights in person or by proxy.

Pursuant to Article 411 of the Polish Commercial Companies Code, each share is entitled to one vote at the general meeting of shareholders. Pursuant to our Articles of Association no special voting rights are attached to our shares.

Pursuant to §13.4 of our Articles of Association, as long as required by the Broadcasting Act, voting rights held by foreign entities whose residence or registered office is in a country which is not a member of the EEA (including subsidiaries of such foreign entities) may not exceed 49%.

Pursuant to Article 400 of the Polish Commercial Companies Code, a shareholder or shareholders representing at least 5% of our share capital may request that an extraordinary general meeting of shareholders be convened and submit particular matters for the agenda of the meeting of the shareholders. Such request should be filed with the management board in writing or in electronic form. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the shareholders may refer the matter to the registry court and convene such meeting upon authorization of the registry court. At the same time, the court shall appoint the chairman of such meeting.

SUPERVISORY BOARD

Pursuant to Article 385 §1 of the Polish Commercial Companies Code, the members of the supervisory board are appointed and removed by the general meeting of shareholders.

Pursuant to Article 385 §3 of the Polish Commercial Companies Code, upon an motion of shareholders representing at least 20% of our share capital, the election of the supervisory board shall be made at the next general meeting of shareholders by way of a vote in separate groups.

MANAGEMENT BOARD

Our management board manages our activities and represents TVN. The company may be represented by two members of the management board acting jointly or one member acting jointly with a commercial procurator.

Our management board may be composed of at least three members, including the president and at least one vice president, appointed and removed by the supervisory board,

The number of members of our management board is determined by the supervisory board.

The members of our management board are appointed for a joint three-year term.

The resolutions of our management board are adopted by a simple majority of votes cast, at the meeting, or by written resolution without holding a meeting. If the resolution is adopted at a meeting of the management board, the meeting must be attended by at least half of its members. In the case of a tied vote, the vote of the president is decisive.

The management board is required to obtain prior consent of the supervisory board, taking, in particular, the following actions: :

- acquiring, disposing of or investing (whether in a single transaction or a series of transactions) in any business (or any significant part thereof) or assets or any shares in any company, if the value of the acquisition or disposal or investment exceeds PLN 100,000,000 (one hundred million zlotys), save as to the extent (i) expressly provided in the Annual Budget or (ii) where such acquisition, disposal or investment is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into any partnership, joint venture agreement, profit-sharing agreement, technology licence or collaboration if the value of the Company's participation in such arrangement exceeds PLN 100,000,000 (one hundred million zlotys), save as to the extent (i) expressly provided for in the Annual Budget or (ii) if the entry into such partnership, joint venture agreement, profit-sharing agreement, technology licence or collaboration is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into, amending, assuming, incurring or terminating any contract, commitment or contracting any liability (including content contract or a licence agreement), which represents a cumulative commitment for each such contract or liability in excess of PLN 100,000,000 (one hundred million zlotys), save as to the extent (i) expressly provided for in the Annual Budget or (ii) if the entry into, amendment, assumption, incurrence or termination of such contract. commitment or contracting of such liability is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into or amending any contract by the Company with any other entity, including an entity from the TVN Group (other than a wholly owned subsidiary of the Company) that requires the Company to expend or to provide goods or services having a value being more than the equivalent of EUR 5,000,000 (five million Euros) in aggregate per financial year, or that is otherwise material to the business of the Company or other entity from the TVN Group, provided that this provision shall not apply to programming contracts and expenditures which are included in the Annual Budget;

- incurring any capital expenditure for the acquisition or leasing of fixed assets exceeding in the aggregate the equivalent of EUR 5,000,000 (five million Euros) during the relevant financial year, except for those not specifically included in the Annual Budget;

- acquisition of securities or shares of any company for the amount exceeding totally the equivalent of EUR 5,000,000 (five million Euros) in aggregate during the relevant financial year, except for such transactions included in the Annual Budget;

- undertaking other activities not specified in items a) – p) other than those which are connected with the current business activities of the Company resulting in creation of

obligation or termination of an obligation of a third-party entity towards the Company, the value of which exceeds totally the equivalent of EUR 5,000,000 (five million) in aggregate during the relevant financial year except for transactions included in the Annual Budget;

Borrowing Powers

Our management board is not entitled, without the supervisory board's prior consent, to incur loans or credits or other financing for purposes other than the refinancing of existing obligations which are greater than EUR 5 million aggregate per year, except for loans, credits or other financing included in the annual budget as approved

Pre-emptive Rights.

Pursuant to Article 433 §1 of the Polish Commercial Companies Code, our shareholders have a pre-emptive right with respect to newly issued shares in proportion to the number of shares that they already hold.

A general meeting of shareholders may deprive the shareholders of their pre-emptive rights, in whole or in part, upon a resolution adopted by an 80% majority when such proposal has been published in the agenda of the general shareholders' meeting and the written reasons for such resolution have been presented by the management board, under Article 433 § 2 of the Commercial Companies Code.

Pursuant to Article 433 §3 of the Polish Commercial Companies Code, the provisions of Article 433 §2 of the Polish Commercial Companies Code described above are not applied if the resolution on the increase of the share capital provides that the new shares:

- are to be subscribed in whole by a financial institution (i.e. an underwriter), which shall subsequently offer such new shares to shareholders with a view to enabling them to exercise the pre-emptive right on the terms stipulated in the resolution; or

- are to be subscribed by an underwriter, where the shareholders who have the pre-emptive rights have not subscribed for some or all of the shares offered to them.

Pursuant to §7.5 of our Articles of Association, the management board is entitled, up to the limit of our authorized capital, also in the case of the issuance of subscription warrants, to deprive the existing shareholders of their pre-emptive rights in whole or in part, subject to the prior consent of the supervisory board.

Dividends and Other Distributions.

Pursuant to Article 347 §1 of the Commercial Companies Code, our shareholders are entitled to participate in the profits presented in our audited financial statements, and so designated by the general meeting of shareholders.

Pursuant to Article 395 of the Polish Commercial Companies Code, a resolution on distribution of profits and dividend payments (or coverage of losses) may be adopted by the ordinary annual meeting of shareholders convened within six months after the end of each financial year.

Pursuant to Article 347 §2 of the Polish Commercial Companies Code, profits are divided in proportion to the number of shares owned by each shareholder.

Paragraph 27. 2 of our Articles of Association authorizes the management board to make advance payment to shareholders, within a given financial year, against dividends expected as of the end of the financial year, if we have sufficient funds for such payment in accordance with Article 349, § 2 of the Commercial Companies Code. The payment of the advance for the expected dividend requires the consent of the supervisory board under Article 349, §1 of the Commercial Companies Code and §21.3.5) of our Articles of Association.

Pursuant to Article 349 §2 of the Commercial Companies Code, we may pay such advance on the expected dividend if our financial statements for the previous financial year show profits. The advance, which may be disposed of by the management board, may not exceed half of the profits earned from the end of the previous financial year, according to the audited financial statements, plus reserve capital created from the profit reduced by uncovered losses and the company's own shares.

DIRECTORS' MATERIAL INTERESTS.

Our Articles of Association do not contain any specific provisions concerning management board members' material interests. Therefore, the general rules provided by the Polish Commercial Companies Code apply.

According to Article 379 of the Commercial Companies Code and paragraph 19 of our Articles of Association, in agreements between us and a member of the management board, as well as in a dispute with a member of the management board, we will be represented by the supervisory board or an attorney appointed by virtue of a resolution of the general meeting.

Moreover, according to Article 15 of the Polish Commercial Companies Code, the consent of shareholders meeting is required for the conclusion by us of a credit agreement, loan agreement, guarantee agreement or any other similar agreement with a member of the management board, supervisory board, commercial proxy, liquidator or for the benefit of any of the above listed persons.

According to Article 377 of the Polish Commercial Companies Code, a member of the management board may not vote, and shall withhold from deciding in respect of any contract or arrangement in which he or she is interested, or in which his or her spouse or relatives (up to the second degree) are interested, or where any other conflict of interest between a member and the company exists.

Moreover, according to Article 380 §1 of the Polish Commercial Companies Code, a member of the management board may not, without the consent of the supervisory board compete or participate as a partner in a partnership or a civil law partnership, or serve as a member of management of a company, or participate in any competitive legal entity as a member of its management that competes with us. The above prohibition shall also apply to participation in a competitor company if a member of the management board holds at least 10% of the shares in such company or has the right to appoint at least one member of the management board of such company.

DIRECTORS' REMUNERATION.

According to section 378 of the Polish Commercial Code, the supervisory board sets the remuneration of members of the management board engaged under management services contracts or other contracts. The shareholders may authorize the supervisory board to establish that the remuneration of members of the management board shall also include the right to

participate, in a specified manner, in the company's annual profit allocated for distribution among the shareholders.

NO AGE DISQUALIFICATION FOR DIRECTORS.

Neither the Articles of Association nor the provisions of the Polish Commercial Companies Code contain any provision concerning age requirements for Directors.

WINDING UP.

Under our Articles of Association, in the case of our winding up, the shareholders appoint, upon the supervisory board's request, liquidators among the members of the management board and determine the procedure of winding-up. As to other matters concerning winding-up not regulated by the Articles of Association, articles 459 – 478 of the Polish Commercial Companies Code apply.

According to the general rules for winding–up, our assets may be divided among shareholders after all claims of creditors are paid off or secured. The division of assets may not be performed earlier than within one year from the date of announcement of the commencement of the liquidation and notifying the creditors. The assets are divided among shareholders proportionately to their respective contribution made to the share capital.

REDEMPTION.

Shares may be redeemed upon the shareholder's consent, known as "voluntary redemption", subject to binding provisions of law. Our Articles of Association do not provide for redemption of shares without the consent of the shareholder, known as "forced redemption".

FURTHER CAPITAL CALLS.

According to the Polish Commercial Companies Code, the shareholders of a joint stock company are obligated to make full payment for shares. Any payment for shares should be made proportionally for all shares held.

CHANGE OF CONTROL PROVISIONS.

On September 22, 2004, KRRiT permitted us to trade an amount not exceeding 49% of our share capital on the Warsaw Stock Exchange. This limitation is the result of provisions contained in Article 35 of the Broadcasting Law that provides that shareholdings of foreign entities located outside EEA or persons that are not EEA residents may not exceed 49% of the share capital of a broadcasting license holder, such as TVN S.A., or 49% of voting right in the general shareholders meeting.

The decision of KRRiT issued at the time of admission to public trading on the Warsaw Stock Exchange is the most significant obstacle to a change of control. These restrictions provide a safeguard against takeovers or a change of control, and, we believe, virtually eliminate the possibility of takeover.

Anti-takeover provisions are also included in our Articles of Association.

Although all TVN S.A. shares have equal voting and dividend rights, the most effective defence mechanism operates through the registered shares. Since conversion of the shares

from registered shares into bearer shares, as well as any disposition of the registered shares, requires the written consent of the management board, the management board ultimately controls any change in holding of the registered shares under Article 9 and 10 of our Articles of Association. Presently, our share capital consists of 180,355,430 registered shares, representing 52,45% of the total share capital. In addition, at the time of any increase in the share capital, existing shareholders have pre-emptive rights, and any deprivation of the pre-emptive rights requires a resolution adopted by a vote of 80% of the share capital. In the case of an increase in share capital within the authorized share capital, a resolution of the management board, acting with the supervisory board consent, is required. The management board may increase the share capital by an amount of up to PLN 15 million under Article 7 of the Articles of Association, until May 1, 2014.

ACTION NECESSARY TO CHANGE RIGHTS OF SHAREHOLDERS.

Pursuant to Article 415 of the Polish Commercial Companies Code, any amendments to the Articles of Association providing for a limitation of the rights granted to individual shareholders requires the consent of all shareholders concerned. Any other change to the Articles of Association under the Polish Commercial Companies Code requires a resolution to be adopted by a majority of 75% of the votes at a general shareholders' meeting.

DISCLOSURE OF SHAREHOLDER OWNERSHIP THRESHOLDS.

Chapter 4, Section 1 of the Act on Public Offering governs the obligation of the shareholders to disclose the acquisition of shares. Information about all acquisitions or dispositions of shares must be provided to the Polish Financial Supervision Authority, as well as to us, and also must be publicly announced.

The disclosure obligation covers, in particular, the following transactions:

- acquisition or disposition of shares that results in a shareholder reaching or exceeding 5%,10%,15%, 20%, 25%, 33%, 33.33%, 50%, 75%, or 90% of the total number of voting shares;

- disposition of shares that results in a reduction to below 5%,10%, 15%, 20%, 25%, 33%, 33.33%, 50%, 75%, or 90% or less of the total number of voting shares if the shareholder previously owned 5%,10%, 15%, 20%, 25%, 33%, 33.33%, 50%, 75% or 90% of the total number of voting shares;

- acquisition or disposition of shares that results in a shareholder reaching or exceeding 2% of the total number of voting shares, if the shareholder already owns over 10% of voting shares; and

- acquisition or disposition of the shares that results in a shareholder reaching or exceeding 1% of the total number of voting shares if the shareholder already owns over 33% of voting shares.

When a shareholder holds less than 33% of the total voting shares and acquires shares increasing his voting power by more than 10% of the voting shares within a period shorter than 60 days, such acquisition must be effected by way of a tender offer.

When a shareholder holds 33% or more of the total voting shares and acquires shares increasing his voting power by more than 5% of the voting shares within a period shorter than one year, such acquisition must be effected by way of a tender offer.

A shareholder may acquire shares exceeding a threshold of 33% of our total voting shares only by way of a tender offer to acquire shares which gives the right to tender to at least 66% of total voting shares.

The shareholder may acquire shares exceeding a threshold of 66% of total voting shares only by way of a tender offer to acquire the residual shares.

In addition, the Polish Office for Protection of Competition and Consumers has the right to control the concentration of shareholdings. Under Article 13 of the Act on the Protection of Competition and Consumers, the Office for Protection of Competition and Consumers must be notified about the intent to enter into a transaction of share acquisition resulting in the acquisition of direct and indirect control over company, in the event that the aggregate revenue of both companies participating in the concentration, exceeds in the year preceding concentration the sum of Euro 50 million in Poland, or the sum of EUR 1billion worldwide.

Changes in Share Capital.

Any increase or decrease in share capital requires an amendment to the Articles of Association. Any amendment to the Articles of Association must be adopted by a 75% majority of shareholders in accordance with Article 415 of the Commercial Companies Code.

Material Contracts

Acquired programming content

The following are descriptions of two of our most important programming agreements.

Warner Bros. programming agreement

On December 23, 2008, we entered into a free television license and basic subscription television license agreement with Warner Bros. International Television Distribution Inc. ("Warner"), pursuant to which Warner granted us an exclusive limited license for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Warner programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. The license fee payable is dependent on the type and length of the relevant programming. Warner has the option to terminate the agreement if we materially breach our obligations under the agreement or under any other agreement with Warner.

Paramount Pictures programming agreement

On July 24, 2009, we entered into an amended and restated television license output agreement with Paramount Pictures Global ("Paramount") and DW (Netherlands) B.V. ("DWN"), pursuant to which Paramount and DWN granted us a limited license to transmit free/basic and pay licensed programming for a period of approximately five years (expiring after the last license period particular to each program type) to exhibit Paramount programs, including feature films, movies, miniseries and TV series in standard definition and high definition in Poland. Both parties have the option to terminate the agreement, if either party materially breaches its obligations under the agreement.

Copyright agreements

We have copyright agreements with organizations of writers, actors and filmmakers which govern the terms under which we may broadcast programming content produced by third parties.

License agreement with ZAiKS

On March 10, 2010, we entered into a license agreement with ZAiKS, an association of writers and composers in Poland. Pursuant to the terms of the license agreement, we are entitled to broadcast programming content protected by ZAiKS, in consideration for payment of a monthly royalty fee equal to a percentage of the revenue of TVN generated from broadcasting activities (such as advertising airtime sales, sponsorship, audiotele and teleshopping). The agreement may be terminated by either party with three months' notice. ZAiKS has the right to terminate the agreement with immediate effect if we default on our obligations under the agreement.

License agreement with ZASP

On July 24, 2001, we entered into an agreement with ZASP, a union of Polish actors. The agreement regulates the broadcasting of programs involving actors represented by ZASP and the payment of royalties to such actors. The fee due under this agreement is calculated and payable on a monthly basis depending on the type and length of the relevant programs. The agreement may be terminated by either party with three months' notice.

General Agreement with SFP

On August 28, 2009, we entered into an agreement with SFP, an association of Polish filmmakers. The agreement regulates the value and the manner of payment of the fees for broadcasting audiovisual programs. The consideration is set as a lump-sum fee on all revenues of TVN generated from its activity, including that from commercial advertisements, sale of airtime, sponsored programs, audio-text services and all other revenues directly connected with TVN's broadcasting activity. The agreement is for an unspecified term and may be terminated by either party with three months' notice.

Other copyright agreements

On July 3, 1998, we entered into an agreement with STOART, a union of performing artists. On May 30, 2006 we entered into an agreement with ZPAV, a union of audio-video producers. On January 31, 2007 we entered into an agreement with SAWP, a union of artists performing music compositions. On September 1, 2007 we entered into an agreement with Broadcast Music Ing (BMI) and on October 10, 2008 we entered into an agreement with American Society Of Composers, Authors And Publishers (ASCAP).

AGREEMENTS FOR SATELLITE AND CABLE TELEVISION DISTRIBUTION

We have license agreements with all satellite platform operators and all major and medium size cable television operators for the distribution of our television channels. Altogether we have agreements with over 500 operators for distribution of selection of our free and pay channels. These also include agreements for 5 high definition versions of our standard definition channels.

The agreements with satellite and cable providers are concluded for terms usually ranging from three to five years or indefinite time periods with the possibility of termination after serving a notice.

License agreement with Cyfrowy Polsat S.A. – TVN, TVN HD, TVN siedem and TVN siedem HD channels

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

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

On April 29, 2011, we have entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a non-exclusive license for the satellite distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN CNBC channels in Poland. The agreement is valid until April 30, 2015.

Framework cooperation agreement with Telekomunikacja Polska S.A. (“TP”)

On October 13, 2010, we entered into a framework long-term cooperation agreement with Telekomunikacja Polska S.A. (“TP”), the incumbent national provider of fixed line, mobile telephony, Internet broadband DTH and IPTV services in Poland. Pursuant to the terms of the agreement we have become the content delivery partner for TP. TP has enhanced its basic TV offering with content provided by us for its pay TV packages.

CONCLUSION OF A MATERIAL AGREEMENT BETWEEN ITI GROUP AND TVN GROUP WITH CANAL+ GROUP

On December 18, 2011 the 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+ controlled by Canal+ Group with a significant strategic shareholding by TVN.

Simultaneously, as a separate transaction, ITI Media Group Limited as a seller, Canal+ Group 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 to a 40% stake in N-Vision, with its registered office in Amsterdam, the Netherlands (the entity holding an indirect 51% stake in TVN S.A.). This share purchase agreement includes call

options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreements were signed with Canal+ Group.

On November 30, 2012 all the conditions precedent required to perform the strategic co-operation agreements have been fulfilled, the combination of the Cyfra+ and 'n' platforms as a combined digital DTH platform nC+ platform has come into effect and TVN's control over the ITI Neovision Group was lost.

As a result of the closing of the strategic co-operation agreements with Canal+ Group, TVN has transferred all the shares it held, directly or indirectly, in ITI Neovision (87,071 (not in thousands) shares, held directly, representing in total 49% of the share capital of ITI Neovision and 100% of the shares in DTH Poland Holding B.V. with its registered office in Amsterdam, which holds the remaining 51% of shares in ITI Neovision), by contributing them to the increased share capital of Cyfra+, in exchange for 282,352 (not in thousands) ordinary registered shares with the nominal value of 500 (not in thousands) each representing 32% of the share capital of Cyfra+ and entitling the holder to 32% of votes at the general meeting of Cyfra+. The issue price of one Cyfra+ share amounted to 3,886 (not in thousands). The Company acquired the Cyfra+ shares by making a representation on the subscription of shares in the increased share capital of Cyfra+ pursuant to Article 451 § 1 of the Polish Commercial Companies Code. Canal+ Group holds shares representing 51% of the votes at a general meeting of Cyfra+ and LGI Ventures B.V. ("UPC") holds the remaining 17% of the votes at a general meeting of Cyfra+. As the Group has significant influence on, but not control over, Canal+ Cyfrowy S.A., the investment is classified as investment in associate and accounted for using the equity method.

The Group sees the investment in the combined nC+ platform as a long term capital investment aiming to create the largest digital platform in Poland, with an expanded premium customer base, which will benefit from the effects of scale and synergies resulting from the combination of ITI Neovision and Cyfra+.

The Group's investment in nC+ will be 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.

Additionally all the conditions precedent had been fulfilled, which were required to close the transaction of the sale to Canal+ Group of a 40% interest in N-Vision, a company organized under the laws of the Netherlands, being the sole owner of Polish Television Holding B.V., a company organized under the laws of the Netherlands, the holder of a 52.45% interest in TVN, pursuant to a share purchase agreement dated December 18, 2011 concluded between ITI Media Group Limited, International Trading and Investments Holdings S.A. and Canal+ Group.

CLOSING THE SALE OF GRUPA ONET.PL S.A.'S SHARES TO RINGIER AXEL SPRINGER

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. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

On November 6, 2012 all conditions precedent to closing of the transaction of disposal of Onet Group to RAS have been satisfied or waived. Before the closing of the transaction, the parties agreed certain technical modification to the structure of the transaction. Given the above on November 6, 2012. Grupa Onet Poland Holding, a wholly –owned subsidiary of TVN Group, sold to Vidalia 5,685,486 (not in thousands) of Grupa Onet.pl shares with the nominal value of 1 (not in thousands) each, jointly representing 75% of Grupa Onet.pl share capital and votes at its general meeting. The sale price was 956,250. The sale price will be subject to further adjustments reflecting Onet Group's financial condition, but will not be increased by more than 3,750. At the closing of the transaction 96% of the sale price was paid. The remainder of the sale price will be paid upon final determination of the sale price in exchange for establishing a pledge over 4% of the Vidalia's shares held by Grupa Onet Poland Holding in favour of RAS, securing any claims RAS may have under the warranties granted by Grupa Onet Poland Holding. Grupa Onet Poland Holding shall be entitled to exercise the voting rights from and receive dividends in respect of the pledged shares.

Grupa Onet Poland Holding contributed the remaining 1,895,162 (not in thousands) of Grupa Onet.pl shares representing 25% of its share capital and votes at its general meeting to Vidalia in exchange for 25% shares in the Vidalia's increased share capital with the nominal value of 50 (not in thousands) per share, representing, following the increase, 25% of Vidalia's share capital and votes at its shareholders meeting. Increasing Vidalia's share capital requires making an entry in the relevant court register. The stake of 25% in the increased share capital of Vidalia is valued at 318,750.

Further to the closing of the transaction, when the increase in Vidalia's share capital has been entered in the relevant court register, RAS will hold 1,590 (not in thousands) shares in Vidalia's share capital with the nominal value of 50 (not in thousands) per share representing 75% of Vidalia's share capital and votes at its shareholders meeting and Grupa Onet Poland Holding will hold 530 (not in thousands) shares in Vidalia's share capital with the nominal value of 50 (not in thousands) per share representing 25% of Vidalia's share capital and votes at its shareholders meeting. Vidalia will hold 100% of Grupa Onet.pl shares. The Group treats Vidalia's shares as a long-term investment. As the Group has significant influence on, but not control over, Vidalia, the investment is classified as investment in associate and accounted for using the equity method.

Furthermore, at the closing of the transaction TVN, Grupa Onet Poland Holding and RAS entered into the shareholders agreement relating to Onet Group regulating their cooperation with respect to Vidalia and, indirectly, Onet Group. The shareholders agreement contains in particular a swap option for TVN to exchange a number of TVN's (its subsidiaries') shares in the Vidalia for the shares in RAS (option valid if RAS conducts an IPO). 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 Vidalia 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 Vidalia'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 Vidalia'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 Vidalia'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 Vidalia 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 Vidalia.

Exchange Controls

Foreign exchange transactions are regulated by the Foreign Exchange Law of July 27, 2002, which came into force on October 1, 2002. The Foreign Exchange Law states that, as a rule, foreign exchange transactions are permitted, however some are subject to the restrictions provided therein. While foreign exchange transactions with member countries of the European Union, the EEA and the Organisation for Economic Co-operation and Development (including the United States) are mostly free from foreign exchange restrictions, a more stringent legal regime applies to residents of other countries, i.e. all countries that are not members of the EU, EEA or OECD. Any exemption from the restrictions and obligations set forth in the Foreign Exchange Law requires a general or individual foreign exchange permit. General foreign exchange permits are granted by the minister responsible for public finance. Such general permits may apply to all or a specific category of entities defined by type, as well as all transactions or transactions defined by type. Consequently, certain restrictions provided in the Foreign Exchange Law are excluded by the Ordinance of the Minister of Finance on general foreign exchange permits dated September 4, 2007, effective since October 3, 2007. While the adoption of amendments to the Foreign Exchange Law as a legislative act has to go through the parliamentary process, the adoption of an amendment to the Ordinance of the Minister of Finance rests solely within the powers of the Minister of Finance.

The Foreign Exchange Law provides for the equal treatment of Złoty and foreign currencies listed on a convertible currencies list in the conduct and settlement of foreign exchange transactions with parties located abroad. Accordingly, payments to persons who are non-residents of Poland (as defined therein) may be made and expressed in convertible currencies or in Złoty with no difference in the treatment thereof.

Restrictions contained in the Foreign Exchange Law cover transactions with third countries, i.e. all countries that are not members of the EU, EEA or OECD, such as:

1. The transfer of domestic or foreign money by residents to third countries, in order to undertake or broaden economic activity in those countries, including the purchasing of real estate, with some exceptions, i.e. transfer of money in order to cover the expenses related to supply of services in third countries.

2. Disposals in Poland by non-residents from third countries and by international organisations of which Poland is not a member, either directly or indirectly of:

   - debentures with a maturity period of less than one year, except for debentures purchased in Poland;
   - cash claims, except for those purchased in Poland or purchased from the Polish residents, to the extent where a foreign exchange permit is not required.

3. Purchases by residents either directly or indirectly through other persons of:

   - shares in companies seated in third countries, as well as taking up shares in such companies;
   - participation units in collective investment funds based in third countries;
   - debentures issued by non-residents from third countries;
   - foreign currency disposed of by non-residents from third countries, in exchange for other foreign or domestic currency;
   - cash claims disposed of by non-residents from third countries.

It is important to underline that the restriction on concluding agreements which result or may result in an obligation to pay in foreign currency in Poland was abrogated on January 24, 2009. The above amendment reflects the abolishment of the currency principle, which was stipulated in the Polish Civil Code.

Additionally, the Foreign Exchange Law imposes certain duties. Residents are required to transfer money abroad and to make settlements with non-residents in Poland through authorized banks, if the amount to be transferred or settled exceeds the equivalent of EUR15,000. The obligation to make settlements through authorized banks does not relate to situations when the authorised bank is a party to the settlement.

Residents engaged in foreign exchange transactions with non-residents and entrepreneurs conducting money exchange office activities must furnish the National Bank of Poland with sufficient data on such transactions or activities to prepare the balance of payments and of the states.

TAXATION

United States of America

General

To ensure compliance with U.S. Internal Revenue Service Circular 230, taxpayers are hereby notified that: (i) any discussion of U.S. federal tax issues in this annual report is not intended or written by us to be relied upon, and cannot be relied upon by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the U.S. Internal Revenue Code of 1986, as amended, or the "Code"; (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the senior notes. This summary is not a comprehensive description of all of the tax considerations that may be relevant to a holder of the senior notes. In particular, this summary of U.S. federal income tax matters deals only with

holders that will hold senior notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not address the tax treatment of holders that are subject to special tax rules such as financial institutions, securities or currency dealers, brokers, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, persons holding senior notes as part of a hedging, straddle conversion or larger integrated financial transaction or "U.S. Holders" (as defined below) with a currency other than the Dollar as their functional currency. The following summary also assumes that the senior notes will be issued with no more than a statutorily defined minimum amount of original issue discount. If a partnership holds the senior notes, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership.

This summary is based upon the Code, U.S. Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect.

HOLDERS OF THE SENIOR NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SENIOR NOTES, IN ADDITION TO THE EFFECT OF ANY STATE OR LOCAL TAX LAWS OR THE LAWS OF ANY JURISDICTION OTHER THAN THE UNITED STATES OF AMERICA.

U.S. Holders

As used herein, a "U.S. Holder" means a beneficial owner of a note who is for U.S. federal income tax purposes (i) a citizen or resident of the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, including the Commonwealth of Puerto Rico, the United States of America, (ii) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States of America or under the laws of the United States of America or of any political subdivision thereof, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) any trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

Interest on the Senior Notes.

Interest on the senior notes will be includable in a U.S. Holder's income as ordinary income at the time the interest is accrued or received, in accordance with the U.S. Holder's method of tax accounting. Interest income will constitute foreign source passive income for foreign tax credit purposes. If any foreign withholding taxes are imposed on the payments, the amount withheld will be included in the holder's gross income at the time such amount is received or accrued in accordance with such holder's method of accounting. A U.S. Holder will not be allowed to claim foreign tax credits (but would instead be allowed a deduction) for foreign taxes imposed on income with respect to the senior notes unless the U.S. Holder (i) holds such senior notes for more than 15 days during the 31-day period beginning at the date that is 15 days before the right to receive payment arises (disregarding any period during which the U.S. Holder has a diminished risk of loss with respect to such senior notes), and (ii) is not under an obligation to make related payments with respect to positions in substantially similar or related property. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of such interest paid or accrued in respect of a Note.

A U.S. Holder of Euro-denominated senior notes that uses the cash method of accounting for U.S. federal income tax purposes will realize interest income equal to the Dollar

value of the interest payment, based on the exchange rate on the date of receipt, regardless of whether the payment in fact is converted into Dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment. However, a U.S. Holder may recognize foreign currency gain or loss when the U.S. Holder converts the proceeds into Dollars.

A U.S. Holder of Euro-denominated senior notes that uses the accrual method of accounting for U.S. federal income tax purposes will determine the amount of interest income allocable to an accrual period in Euro, and then will translate that amount into Dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may elect to convert accrued interest into Dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the part of the accrual period within each taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all Euro-denominated senior notes from year to year and cannot change the election without the consent of the Internal Revenue Service. A U.S. Holder that does not want to accrue interest income using the average exchange rate may make certain alternative elections. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to an accrual of that interest. This foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss.

Sale and Redemption of the Senior Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized upon such sale (other than amounts received in respect of accrued and unpaid interest), exchange, retirement or other disposition and such U.S. Holder's adjusted tax basis in the note. The Dollar amount realized will be the value of the Euro received at the spot exchange rate on the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). Gain or loss will be capital except to the extent attributable to accrued but unpaid interest or foreign exchange gain or loss. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. The amount paid for a note with Euro will be the Dollar value of the Euro used to purchase it at the spot exchange rate on the date of purchase.

Capital gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be long-term capital gain or loss if the note is held for more than one year. Under the current law, net long-term capital gains of individuals are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to limitations. A U.S. Holder will recognize foreign currency exchange gain or loss equal to the difference between the Dollar value of the principal amount of the note on the date of acquisition and the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). The foreign currency exchange gain or loss cannot exceed overall gain or loss on the note. Foreign currency gain or loss generally will be ordinary income or loss.

U.S. Holders should note that the Polish tax on civil law transactions, if imposed, will not be treated as creditable foreign tax for U.S. federal income tax purposes, although U.S. Holders may be entitled to deduct such taxes, subject to applicable limitations under the Code. See the

discussion below “Polish Taxation—Tax on Civil Law Transactions on Transfer of the Senior Notes”.

Satisfaction and discharge

If we were to obtain a discharge of the indenture governing the senior notes with respect to all of the senior notes then outstanding, as described in “Description of the senior notes — Satisfaction and discharge”, such discharge would generally be deemed to constitute a taxable exchange of the senior notes outstanding for other property. In such case, a U.S. Holder would be required to recognize capital gain or loss in connection with such deemed exchange. In addition, after such deemed exchange, a U.S. Holder might also be required to recognize income from the property deemed to have been received in such exchange over the remaining life of the transaction in a manner or amount that is different than if the discharge had not occurred. U.S. Holders should consult their tax advisors as to the specific consequences arising from a discharge in their particular situations.

Disposition of Euro

A U.S. Holder will have a tax basis in Euro received on the senior notes equal to the Dollar value to the Euro received determined at the spot exchange rate on the date the Euro is received. A U.S. Holder will have a tax basis in Euro received on the sale, exchange or other disposition of a note equal to the Dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the Euro generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments within the United States of America of interest, and principal and to proceeds of a sale, redemption or other disposition of the senior notes. A ‘‘backup withholding’’ tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest, fails to certify that he is not subject to such withholding or fails to report interest and dividend income in full. In general, a U.S. Holder may comply with this requirement by providing the paying agent, broker or other intermediary with a duly completed and executed copy of IRS Form W-9. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or credit against such beneficial owner’s U.S. federal income tax liability provided the required information is furnished to the IRS.

Disclosure Requirements

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions, “Reportable Transactions”, could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note. U.S. Holders considering the purchase of the senior notes should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the senior notes, including any requirement to file Internal Revenue Service Form 8886 (“Reportable Transaction Statement”).

Recently enacted legislation affecting disclosure obligations for U.S. individuals

Legislation was enacted on March 18, 2010, that generally imposes new U.S. return disclosure obligations (and related penalties for failure to disclose) on U.S. individuals that hold certain specified foreign assets. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. Investors are urged to consult their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in the senior notes.

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, a member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within the jurisdiction of the first member state to an individual, or certain other persons, resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

Polish Taxation

The following is a summary of the principal Polish tax consequences for investors in the senior notes. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and disposal of the senior notes or the receipt of interest and accrual of discount (including for these purposes any premium payable on redemption) on the senior notes or payments by the Company under the guarantee. Potential investors should, therefore, consult their own tax advisers regarding the tax consequences under Polish law including the application of any tax treaty between Poland and their country of residence. All references to a repurchase or redemption of senior notes are to a repurchase or redemption of senior notes by the issuer of the senior notes and shall mean a "repurchase" of the senior notes for Polish tax law purposes.

Residence

All references to residence for the purposes of this summary are to residence for the purposes of Polish tax law and applicable Double Tax Treaties. References to a "Polish individual" or "Polish legal person" are to an individual or corporation or other legal entity resident in Poland for tax purposes and references to a "foreign individual" or to a "foreign legal person" to an individual or legal person or other legal entity not resident in Poland for tax purposes.

Corporate taxpayers, having their seat or place of management in Poland are subject to Polish corporate income tax on their worldwide income, irrespective of the place in which such income is earned. A corporate taxpayer which has neither its seat nor its place of management in Poland is subject to Polish income tax only on income earned in Poland.

An individual whose place of residence is in Poland is subject to Polish income tax on his or her worldwide income irrespective of the place in which such income is earned. An individual whose place of residence is not located in Poland is subject to Polish income tax only on income earned in Poland.

Taxation of Persons Who Are Not Resident in Poland

Taxation of interest and discount on the Senior Notes and sale and repurchase of the Senior Notes

Individuals and legal persons having neither their place of residence nor seat nor place of management in Poland will not be liable to taxation in Poland on interest or discount paid or accruing on the senior notes nor on income arising from the sale or repurchase of the senior notes (save as described below in relation to payments by the Company under the guarantee).

Payments under the Guarantee

Payments made by the Company under the guarantee constitute a fulfilment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified as the same type of income as the senior notes i.e. repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. “income from other sources.”

Any entity resident in Poland (including the Company) which pays interest on the senior notes to non-residents (whether individuals or legal persons) is obliged to withhold Polish income tax at the rate of 20% from such payments on the date of payment thereof. However, the rate of withholding tax may be reduced pursuant to an applicable double tax treaty, provided that the foreign resident obtains a certificate confirming its place of residence issued for tax purposes by the appropriate tax administration (a certificate of tax residence).

Should the Polish tax authorities reclassify the streams of payments under guarantee into “income from other sources”, then non-residents would not be taxable in Poland provided that they are resident in a Treaty country i.e. country with which Poland has concluded a Double Tax Treaty. up to ceiling of PLN 85,528 and 32% rate thereafter) and the Company would not be obliged to withhold tax on behalf of the Polish individuals. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Taxation of persons resident in Poland

Interest and discount on the Senior Notes

Interest and discount on the senior notes paid by the issuer will, for Polish taxation purposes, be treated as income earned in Sweden. Pursuant to the convention for the avoidance of double taxation entered into between Sweden and the Republic of Poland (the “Convention”), interest or discount on the senior notes earned in the Sweden by Polish legal persons or individuals may be taxed only in the state of residence i.e. Poland (Sweden does not have the right of taxation). The above rules do not apply if the noteholder carries on a trade or business in Sweden through a permanent establishment with which the senior notes are effectively connected.

Interest and discount on the senior notes earned by Polish tax residents (whether individuals or legal persons) are subject to income tax in Poland at the rate of 19%.

Sale, repurchase and redemption of the Senior Notes

Pursuant to the Convention, income from the sale of the senior notes or repurchase or redemption of the senior notes by the issuer arising to Polish tax residents (whether individuals or legal persons) is subject to taxation only in Poland unless the noteholder carries on business in the Sweden through a permanent establishment with which the senior notes are effectively connected. In such cases, tax is payable on the difference between the proceeds of sale, repurchase or redemption and the acquisition cost of the relevant senior notes (capital gains).

With respect to individuals, capital gains generated on disposal of the senior notes is subject to flat 19% personal income tax rate, assuming the trading of the senior notes does not form part of their business activity. No tax advances are payable upon realization of the capital gain during a calendar year— individuals are obliged to file an annual tax return, in which all such capital gains should be declared, and pay the tax accordingly (both due April 30th of the following calendar year).

With respect to legal persons, such capital gains are subject to flat 19% corporate income tax rate. Legal persons are obliged to pay the tax upon realization of the capital gain (relevant tax advance is payable by 20th of the following month, except if the gain is generated during the last month of the tax year, in which case no tax advance is required and tax is settled in an annual corporate tax return).

Payments under the guarantee

Payments made by the Company under the guarantee constitute a fulfilment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified under the same type of income as the senior notes i.e. as repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. “income from other sources.”

In the case of interest paid by the Company to Polish individuals, such income will be subject to 19% flat rate personal income tax without deduction of any costs. The Company would withhold the tax and remit it to the tax office. Such income is not subject to aggregation with other types of income.

In the case of interest payments made by the Company under the guarantee paid to Polish legal persons, the income would be subject to aggregation with other types of income generated by such legal persons and then subject to flat 19% corporate income tax rate. No withholding tax would apply.

In the case of repurchase or redemption amounts payable by the Company, tax will be payable in Poland by Polish individuals and Polish legal persons on the difference between the proceeds of the repurchase or redemption and the acquisition cost of the senior notes (capital gain). The Company would not withhold the tax. In the case of Polish individuals the capital gain would be subject to 19% personal income tax settled on an annual basis (i.e. no interim tax advances are payable). In the case of Polish legal persons, such capital gain is subject to 19% corporate income tax, payable in advance on the 20th day of the month following the month in which the capital gain was realized.

Should the Polish tax authorities reclassify the interest payments under guarantee into "income from other sources", then the Polish individuals would be subject to progressive taxation (18% rate up to a ceiling of PLN 85,528 and 32% rate thereafter) and the Company would not be obliged to withhold tax on behalf of the Polish individuals. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Tax on Civil Law Transactions on Transfer of The Senior Notes

Tax on civil law transactions is payable on sale or exchange of the senior notes at a rate of1%of the market value transferred, where the transfer of the senior notes is treated as relating to:

- property rights enforceable in the territory of Poland; or
- property rights enforceable abroad, if the purchaser of the senior notes has its residence or seat in Poland and the transfer is executed in Poland.

It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

In-kind contribution of the senior notes to a company or partnership may be subject to tax on civil law transactions if the company/partnership has its seat in Poland. The applicable tax rate would be 0.5% payable on the value of nominal share capital issued (in the case of companies) or value of the contributed senior notes (in the case of partnerships).

Gift and Inheritance Tax

Liabilities to gift and inheritance tax apply only to individuals and may arise on a gift of the senior notes or on an inheritance of the senior notes, where:

- the heir or the donee is a Polish citizen or as a permanent stay in Poland; or
- the rights attributable to the senior notes are treated as property rights enforceable in the territory of Poland. It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

The amount of such tax (and applicable tax exemptions) depends on the relationship of the donor to donee or of the deceased to the heir.

Documents on Display

All the documents concerning us which we refer to in this document may be inspected at our registered office by contacting Tomasz Poźniak at +48.22.856.66.14.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports as required by the Indenture is recorded, processed, summarized and reported within the time periods specified by the Indenture.

ITEM 16A. AUDIT COMMITEE FINANCIAL EXPERT

Not applicable.

ITEM 16B. CODE OF ETHICS

As we are not required to do so by Polish Law, we did not adopt a code of ethics. However, we adopted a Corporate Governance code which is described in Item 16G.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

On August 3, 2011 we entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim condensed separate financial statements and audit interim consolidated financial statements as at and for the 6 months ended June 30, 2012 and audit separate and consolidated financial statements as of and for the year ended December 31, 2012.

The following table sets out a summary of accountancy fees and services for the twelve months ended December 31, 2011 and 2012:

(in thousands)	2012	2011
Audit fees [1]	1,033	1,636
Tax fees [2][3]	897	2,132
Other fees[3]	1,161	3,906
Total fees	**3,091**	**7,674**

[1] Audit fees are the fees for review and audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

[2] This position includes fees and expenses for services rendered from January 1 through December 31, of the fiscal year, notwithstanding when the fees and expenses were billed.

[3] Other fees in 2012 include mainly additional audits relating to the disposals of ITI Neovision Sp. z o.o. and Grupa Onet.pl S.A.. Other fees in 2011 included mainly fees for the planned transaction with Groupe Canal+ .This position includes fees and expenses for services rendered from January 1 through December 31, of the fiscal year, notwithstanding when the fees and expenses were billed.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where text of such set of rules is available in public

In 2012 the Company adhered to the principles set forth in the document entitled Best Practices of WSE Listed Companies, available to public on the following web page http://www.corp-gov.gpw.pl/.

II. Description of the principal features of the internal control and risk management systems applied in the Company in respect to the process of preparing financial statements

Company's Management Board is responsible for the internal control system within the Company and its effectiveness in the course of the process applied for preparation of financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Regulation of the Minister of Finance of February 19, 2009 on current and regular reports made available by issuers of securities.

Effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included into the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- Defined scope of financial reporting applied by the Company;
- Defined division of duties and organization of work in the financial reporting process;
- Regular review of Company's results using the applied financial reporting standards;
- Regular, independent reviews of the published Company's financial statements by an auditor;
- Principles of authorizing financial reports prior to their publication;
- Involving the internal audit function in assessing effectiveness of the controls used.

Defined scope of financial reporting applied by the Company

The Company carries out annual reviews of strategy, long-term business plans and business risk factors. Based on conclusions drawn from such review, a detailed budgeting process is performed including all functional areas of the Company, with participation of the medium and top level management. The budget prepared each year for the following year is adopted by the Management Board and approved by the Supervisory Board.

In course of the year, the Management Board analyzes current financial results and compares them with the approved budget, using the management reporting system, built based on the accounting policy adopted by the Company (International Financial Reporting Standards) and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

The accounting policy adopted by the Company is used both in the process of interim and annual financial reporting and in management reporting.

The Company applies coherent accounting principles, presenting financial data in financial statements, interim financial reports and other reports made available to the investors.

Defined division of duties and organization of work in the financial reporting process

The TVN Group Finance Division, headed by the Vice-president of the Management Board, the CFO, is responsible for preparing financial statements, interim financial reports and regular management reports of the Company.

Financial statements of the Company are prepared by the medium level managers within the TVN Group Finance Division based on financial data included in management reports, after their acceptance by the TVN Finance Director and the CFO, taking into consideration supplementary data supplied by specified employees from other units. Prior to their issue to the independent auditor, the prepared financial statements are verified by the competent director in the TVN Group Finance Division and, next, by the CFO.

Regular reviews of Company's results using the applied financial reporting standards

Financial data on which financial statements and interim reports are based, is derived from the financial and operational reporting systems used by the Company. After ledger closing of each calendar month, the medium and top level management within TVN Group Finance Division analyze the financial results of the Company comparing these with the assumptions in reference to each business segment.

Identified mistakes are immediately adjusted within the Company's ledgers, according to the adopted accounting policy.

Process of preparing financial statements and interim reports begins once results of the ended period are accepted by the CFO.

Regular, independent reviews of the published Company's financial statements by an auditor

The Company applies the principle of independent analysis of the published financial statements even when such a requirement is not imposed by the applicable laws.

The published semi-annual and annual financial statements and financial reports, as well as financial data on which such reports are based, are reviewed or audited by the Company's auditor. In particular the adequacy of financial data and scope of necessary disclosures are scrutinized.

Results of audit procedures are presented by the auditor to the TVN Group Finance Division management during summary meetings and meetings of the Audit Committee.

Principles of authorizing financial reports prior to their publication

Financial statements and interim reports are submitted to the members of the Supervisory Board after the review or audit are complete.

The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the Management Board and the Supervisory Board, during which the CFO presents key aspects of the quarterly/ semi-annual/ annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit Committee reviews interim financial statements taking into consideration information presented by the CFO and the independent auditor, and thereafter recommends the Supervisory Board approval of such documents.

Following the Court registration of changes in TVN S.A.'s Statutes the Audit Committee has been transformed into Related Party Transactions and Audit Committee in December 2012.

Involving the internal audit function in assessing effectiveness of the controls used

The Company operates an internal audit unit, which participates in identifying the risks and assesses controls for the needs of TVN S.A. and TVN Group companies. The annual internal audit program is created based on a risk assessment process performed with participation of the Management Board. The program of audits is approved by the Audit Committee. Planned audits are supplemented by follow-up audits to review implementation of recommendations issued in course of previous audits, and ad-hoc audits ordered by the Management Board or the Audit Committee.

Internal audit prepares reports containing evaluation of controls, analysis of business risks and recommendations for improving the controls.

Results of internal audit activities are first discussed with the Management Board and next submitted to the Audit Committee. The Management Board is responsible for timely implementation of recommendations issued.

III. Shareholder holding significant share blocks of TVN S.A., both directly and indirectly

The table below present current structure of Company's Shareholders possessing significant Company share blocks as of December 31, 2012

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of all Votes
Polish Television Holding BV*	180.355.430	52,45%	180.355.430	52,45%
Cadizin Trading&Investment*	5.415.781	1,57%	5.415.781	1.57%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	18.276.601	5,31%	18.276.601	5,31%
ING Powszechne Towarzystwo Emerytalne S.A.	17.522.350	5,10%	17.522.350	5,10%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	17.207.619	5,00%	17.207.619	5,00%
Other shareholders	105.068.640	30,55%	105.068.640	30,55%
All	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

* entities controlled by the ITI Group

IV. Holders of securities entitling to special control rights

Shares of the Company are common shares, either registered or bearer shares. Company Statutes do not provide for any special rights attributed to shares in the Company, including any voting rights or rights to appoint members of the Company's bodies. Shareholders in the company do not hold any shares entitling to special control rights.

V. Restrictions on voting rights

Shareholders right to vote is not limited in any way. In particular, Company Statutes do not provide for any restrictions in performing voting rights by Shareholders possessing more than 10% overall votes in the Company

The Company is not aware of any time or quantity related restrictions concerning performance of voting rights associated with any particular shares or Shareholders in resultof any agreements executed by and between its Shareholders. Neither have there been anyagreements executed with the Company, in which shareholder rights would have been detached from holding of securities.

In 2012 there were no cases of prohibiting performance of voting rights from shares imposed as sanctions due to reaching or exceeding any threshold of votes, in reference to those instances which have been provided for in the Act on Public Offers.

VI. Restrictions applicable to transfer of rights from securities

Disposing with registered shares of the Company requires prior consent of the Management Board, as provided for in the procedure set forth in Paragraph 10 of the Company's Statutes. Such restrictions are not applicable to sale of registered shares to the parent, subsidiary o any other entity within the Company's capital group. Disposing with registered shares in violation of principles set forth in the Statutes is ineffective.

In accordance with Article 40 of the Broadcasting Law, Company's shares to any individual or legal person having domicile or seat outside any European Economic Area Member State may take place after obtaining consent from the Chairman of the National Broadcasting

Council. Disposal of Company shares in violation of principles set forth in the preceding sentence is void. The Chairman of the National Broadcasting Council authorized the disposal of the Company's bearer shares listed on the Warsaw stock exchange up to 49% of the share capital of the Company, issuing the Decision No. DK 181/2004 dated on September 22, 2004.

VII. Principles of appointing and recalling members of the Management Board and authorities of the Management Board, particularly in reference to the right to decide about issue or repurchase of shares

Principles of appointing and recalling members of the Management Board

Members of the Management Board are appointed and dismissed by the Supervisory Board for a joint three-year term of office. The Board consists of at least three members, the number of Board members is determined by the Supervisory Board. Article 368 § 4, the Code of Commercial Companies provides for the right of cancellation or suspension of a member of the Board by the General Shareholders Assembly.

Authorization of the Management Board, including the right to adopt decisions on issue or redeeming of shares

Authorization to manage matters of the Company has been provided for in Standing By-laws of the Management Board approved by Resolution of the Supervisory Board No. 9/02/10 of February 17, 2010. Members of the Management Board manage matters of the Company acting jointly, subject to self-dependent authorizations provided for in §5 and §6 of the Standing By-laws of the Management Board. Notwithstanding those provisions, each action constituting a disposal of assets or undertaking of an obligation by the Company in amount exceeding PLN 5,000 requires a resolution of the Management Board to be adopted prior thereto. Matters requiring joint action taken by the Management Board include: setting significant growth indices of the Company, incurring or premature repayment of loans and credits, and issue of sureties, guarantees and other collateral for repayment of the received loans and credits, as well as analysis of material investment projects relating to technical infrastructure of the Company and undertaking decisions on starting such projects. Moreover, the Management Board jointly decides about all matters requiring resolutions to be adopted by the Supervisory Board or the General Meeting of Shareholders.

To the Company may be represented by two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy.

Pursuant to the Company's Statutes, the Management Board is entitled to issue Company shares within, so called, the authorized capital. This authorization is valid for three years, since May 1, 2011 and entitled the Management Board to increase the Company's share capital one or more times by a total amount not exceeding PLN 15,000.

The General Meeting of Shareholders did not adopt in 2012 any resolution authorizing the Management Board to acquire the Company's own shares, as provided for in Art. 362 § 1.8 Code of Commercial Companies.

VIII. Principles applied in amending Company's Statutes

TVN S.A. performs its activities based on Statutes adopted by resolution of the General Meeting of Shareholders held on July 2, 2004, with subsequent amendments. Last amendment of the Statutes was approved by the Extraordinary General Shareholders Meeting on November 30, 2012.

Any amendment of the Statutes requires a resolution to be adopted by the General Meeting of Shareholders and registration in the court register. Resolutions of the General Meeting of Shareholders on amending the Statutes are adopted by majority of three fourths of the votes.

IX. Description of the proceedings of General Meeting of Shareholders, its principal authorities and Shareholder rights and manner of exercising such rights

The General Meeting of Shareholders

In 2012, there were two General Meetings of TVN S.A. Shareholders: Annual General Shareholders Meeting on March 30, 2012 and the Extraordinary General Shareholders Meeting on November 30, 2012. The General Assembly took the course in accordance with the provisions of the Code of Commercial Companies and the provisions of the Rules of Procedure of the General Shareholders Meeting adopted by TVN S.A.

Chairman of the General Meeting of Shareholders assured efficient course of the meetings. Members of the Management Board and of the Supervisory Board participated in the General Meeting of Shareholders allowing substantive responses to questions asked during the meeting.

Resolutions of the General Meeting of Shareholders were adopted under conditions allowing minority Shareholders to exercise their rights, including the right of objecting to the resolutions adopted. None of the resolutions adopted was questioned before the court. Resolutions adopted by the Annual General Meeting of Shareholders were published on the Company's web site.

In accordance with the principles for proceedings of General Meetings of Shareholders, the Management Board made available, on TVN S.A. corporate website an e-mail address in order to allow shareholders, contact the Board in electronic form.

Shareholders may send to the specified e-mail address motions to the Management Board for convening a General Meeting of Shareholders, placing of specific items in the agenda and draft resolutions in accordance with provisions of the Code of Commercial Companies.

Shareholders using electronic means of contact have to be identified, and need to prove their rights by delivery appropriate documents, which have to be verified.

Shareholder rights

The provisions of the Code of Commercial Companies provide for the right of shareholders to facilitate their participation in general meetings and exercise voting rights.

Shareholders representing no less than 5 percent of Company's share capital have a right to convene the General Meeting of Shareholders and place specific matters in its agenda. Such a request may be placed in writing or by e-mail.

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

Shareholders representing no less than 5 percent of Company's share capital have a right to submit draft resolutions prior to date of the meeting, and in exercising Shareholders'

rights to have full access to information, the management board is obligated to publish such draft documents on the Company's web page.

Shareholders have the right to cast different votes from their shares at the General Meeting of Shareholders meeting, which means that a shareholder may vote differently on each share.

These shareholders' rights are fully respected by the Company.

X. Membership and proceedings of managing and supervising bodies of the Company, and committees thereof

A. The Management Board

Membership in the Management Board and changes in membership during 2012

1) Markus Tellenbach – President of the Management Board – appointed May 14, 2010.
2) Piotr Walter – Vice-president of the Management Board – resigned from the office of Vice-President on December 31, 2012.
3) John Driscoll – Vice-president of the Management Board since November 12, 2012, member of the Management Board since May 14, 2010.
4) Edward Miszczak – member of the Management Board appointed on November 12, 2012.
5) Adam Pieczyński – member of the Management Board appointed on November 12, 2012,
6) Piotr Tyborowicz – member of the Management Board appointed on November 12, 2012,
7) Piotr Korycki – member of the Management Board appointed on November 12, 2012,
8) Maciej Maciejowski member of the Management Board appointed on November 12, 2012,
9) Robert Bednarski – member of the Management Board appointed since January 9, 2012 until November 6, 2012.

Members of the Board have been appointed for a joint three-year term, which began on May 14, 2010.

Activities of the Management Board in 2012

In adopting its decisions acting within authorities set forth in the Statutes, the Company's Management Board adhered to provisions of the Code of Commercial Companies and statutory regulations applicable to listed companies and Best Practices of WSE Listed Companies.

Implementing strategic objectives of the Company approved by the Supervisory Board as well as current tasks, the Management Board was guided by interests of the Company, taking into account interests of shareholders and employees of the Company.

In effort to ensure transparency and efficiency in the system of management, the Management Board adhered to the principle of action within bounds of justified economic risk, guided by professional information, analyses and opinions.

The Management Board jointly resolved on all matters requiring resolutions to be adopted by the Supervisory Board or the General Meeting of Shareholders, including resolutions on approving interim financial statements and reports on activities of the Management Board,

as well as the annual financial statements and annual report from activities of the Management Board.

Matters being considered jointly by the Management Board included also key decisions of material importance for business of the Company, including:

- conclusion by the Company on June 4, 2012, the contract of sale of the shares of Grupa Onet.pl S.A. to Ringier Axel Springer Media AG and its final closing in November 2012. The Company retains a 25% stake indirectly in the share capital of Grupa Onet.pl S.A.

and

- completion of the combination of the "n" platform with "Cyfra +" platform on November 30, 2012 - after obtaining the consent of the President of the Office of Competition and Consumers Protection - resulting in acquisition by TVN a 32% of the share capital of Canal + Cyfrowy S.A. and implementation of a strategic partnership agreement with the Canal + Group.

Resolutions of the Management Board were adopted by simple majority votes cast during the meetings with required quorum being in attendance, or in writing, provided that all members of the Management Board had been informed of the draft resolution. Members of the Management Board adhered to principles of abstaining from participation in resolving on matters associated with existence of a conflict of interests.

Information policy of the Company was implemented by the Management Board in adherence to the principle of posting to the Company's web site both Polish and English language versions of information required under the applicable laws and by the Best Practices of WSE Listed Companies.

The Management Board turned to the Supervisory Board for approval of any major transaction to be executed with a related entity, as resulted by the Statutes and the Best Practices of WSE Listed Companies.

B. The Supervisory Board

Current membership in the Supervisory Board

The Supervisory Board presently consists of eleven members appointed by resolutions of the General Meeting of Shareholders held on March 30, 2012 for a new, three year, joint term of office.
The membership of the Supervisory Board members until November 30, 2012 was, as follows:

1) Wojciech Kostrzewa – Chairman of the Supervisory Board, Chairman of the Related Party Transactions and Remuneration Committee,
2) Bruno Valsangiacomo – Deputy Chairman of the Supervisory Board,
3) Arnold Bahlmann – independent Supervisory Board member, member of the Related Party Transactions and Remuneration Committee,
4) Michał Broniatowski – independent Supervisory Board member,
5) Romano Fanconi – Supervisory Board member, member of the Audit Committee,
6) Paweł Gricuk – independent Supervisory Board member, member of the Audit Committee and Related Party Transactions and Remuneration Committee,
7) Paul Lorenz – Supervisory Board member,

8) Wiesław Rozłucki – independent Supervisory Board member, Chairman of the Audit Committee,
9) Andrzej Rybicki – Supervisory Board member,
10) Aldona Wejchert – Supervisory Board member,
11) Gabriel Wujek – Supervisory Board member.

On November 30, 2012 Gabriel Wujek, Andrew Rybicki and Paul Lorenz resigned from their positions of Board members; on December 31, 2012, Romano Fanconi also resigned. Extraordinary General Shareholders Meeting held on November 30, 2012 appointed the following members of the Supervisory Board:

1) Bertrand Meheut,
2) Sophie Guieysse,
3) Rodolphe Belmer and
4) Piotr Walter – appointment from January 1, 2013.

Rules of operation of the Supervisory Board

Adopting resolutions the Supervisory Board was acting within the scope of its authorities set forth in the Company Statutes, and adhered to provisions of the Code of Commercial Companies, By-laws of the Supervisory Board and the Best Practices of WSE Listed Companies.

The Supervisory Board adopted its resolutions by simple majority during the meetings adhering to the quorum requirement, or without holding the meeting, in written form , provided that all members of the Supervisory Board were informed about content of the draft resolution.

Supervisory Board members adhered to the principle of abstaining from participating in resolving of Company matters in cases when conflicts of interest existed, in line with the principles of Best Practices of WSE Listed Companies.

Meetings of the Supervisory Board may be convened by the Chairman or Deputy Chairman of the Supervisory Board on their own initiative or on motion of the Management Board or any member of the Supervisory Board. Members of the Supervisory Board may participate in the meeting using remote communication devices, and where permitted by the applicable laws, may cast their votes in writing through another member of the Supervisory Board. Meetings of the Supervisory Board are convened as required. In previous year, seven Meetings of the Supervisory Board were held in total.

Management Board members participated in Supervisory Board meetings. The Management Board provided the Supervisory Board with exhaustive information on all material issues relating to Company's business.

The Supervisory Board last year adopted eight resolutions without holding the meeting using the written voting procedure.

Supervisory Board members having economic, family or other ties with Shareholders possessing more than 5% of votes at the General Meeting of Shareholders had notified the Management Board duly thereof. That information was also published on the TVN corporate web site.

In 2012 four Supervisory Board members fulfilled the criterion of being independent from the Company and entities remaining in material relationship with the Company, as defined in

European Commission Recommendations of February 15, 2005 on role of non-executive directors being members in supervisory boards of listed companies.

The Supervisory Board submitted to the Annual General Meeting of Shareholders held on March 30, 2012 a concise assessment of the standing of TVN S.A. in 2011 and a report from its activities and activities of the Supervisory Board's committees, containing an evaluation of Supervisory Board activity in 2011. The General Meeting of Shareholders accepted report of the Supervisory Board. The Supervisory Board also recommended the General Meeting of Shareholders to adopt a resolution on payment of dividend.

In performing its authorities to control business of the Company, the Supervisory Board assessed interim financial statements of the Company and the TVN Group, as well as reports of the Management Board on the activity of the Company.

New provisions of the Company's Statutes, adopted by the Extraordinary General Meeting on November 30, 2012 amending certain rules of the Supervisory Board have taken take effect in December 2012. Among other things, scope of activities of the Management Board requiring prior approval of the Supervisory Board has expanded. Furthermore, Restricted Affairs category was introduced for actions taken by the Management Board requiring a resolution of the Supervisory Board granting consent - provided the votes in favour of the resolution are cast by the Chairman and his Deputy, while maintaining the requirement for a quorum.

C. Supervisory Board Committees

In 2012, within the Supervisory Board operated the following committees, i.e. the Audit Committee and the Related Party Transactions and Remuneration Committee, each consisting of three Supervisory Board members, in that at least two independent Supervisory Board members.

The Audit Committee

Duties of the Audit Committee have been provided for in the Audit Committee By-laws approved by the Supervisory Board. The Audit Committee supervises the financial reporting process for the purpose of ensuring equilibrium, transparency and integrity of published financial information, verifies efficiency of internal financial controls and the risk management system, as well as evaluates operation of internal and external audit. Moreover, the Audit Committee recommends appointing of the external auditor to the Supervisory Board.

The Audit Committee cooperates with the Supervisory Board, the Management Board, middle level management and with internal and external audit in course of performing its duties.

In 2012 the Audit Committee consisted of three members: Wiesław Rozłucki (Chairman), Paweł Gricuk and Romano Fanconi. All members of the Audit Committee have the required qualifications in accounting and finance, with two of them being independent Supervisory Board members.

The Audit Committee holds regular meetings, at least 4 times per year. Member of the Management Board for Financial Matters, Internal Audit Manager and representatives of the external audit participate in the Committee meetings on invitation.

TVN Internal Audit submitted to the Audit Committee results of all audits conducted in the Company in accordance with the annual plan of audits approved by the Audit Committee.

In connection with the registration of the amendments of the Company Statutes in December 2012, there has been a transformation of the Audit Committee into the Related Party Transactions and Audit Committee. Composition of the Committee is as follows: Wiesław Rozłucki (Chairman), Paweł Gricuk, Arnold Bahlmann, Sophie Guieysse and Wojciech Kostrzewa.

The Related Party Transactions and Remuneration Committee

Duties of the Related Party Transactions and Remuneration Committee have been defined clearly in the Supervisory Board by-laws and include analysis of related party transactions, review of remuneration and benefits due to the members of the Management Board and the Supervisory Board, as well as, presentation of recommendations in these matters to the Supervisory Board.

In 2012 he Related Party Transactions and Remuneration Committee consisted of: Wojciech Kostrzewa (Chairman), Arnold Bahlmann and Paweł Gricuk.

In 2012 the Committee held three meetings to analyze salaries of Management Board, including bonuses.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of TVN Group presented as a part of this annual report are included on pages F-1 through F-79 as follows:

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ITEM 19. EXHIBITS

Not applicable.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated income statement, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

February 27, 2013
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.

MANAGEMENT REPRESENTATIONS

These consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group") as of and for the year ended December 31, 2012 have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of TVN Group as of and for the year ended December 31, 2012 include: consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes to the consolidated financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Group's development, achievements and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report in accordance with the applicable regulations and professional standards.

These consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 27, 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, February 27, 2013

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2012

TVN Group

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TVN Group Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, as well as teleshopping. TVN S.A. (the "Company") and its subsidiaries ("TVN Group", the "Group") operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, NTL Radomsko, Telezakupy Mango 24 and TTV. The Group's channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group together with Groupe Canal+ S.A. 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 operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Rodolphe Belmer (appointed on November 30, 2012)
- Michał Broniatowski
- Paweł Gricuk
- Sophie Guieysse (appointed on November 30, 2012)
- Bertrand Meheut (appointed on November 30, 2012)
- Wiesław Rozłucki
- Piotr Walter (appointed on January 1, 2013)
- Aldona Wejchert
- Romano Fanconi (resigned on December 31, 2012)
- Paul H. Lorenz (resigned on November 30, 2012)
- Andrzej Rybicki (resigned on November 30, 2012)
- Gabriel Wujek (resigned on November 30, 2012)

4. Management Board

- Markus Tellenbach, President
- John Driscoll, Vice-President (appointed as Vice-President on November 12, 2012)
- Piotr Walter, Vice-President (resigned on December 31, 2012)
- Piotr Korycki (appointed on November 12, 2012)
- Maciej Maciejowski (appointed on November 12, 2012)
- Edward Miszczak (appointed on November 12, 2012)
- Adam Pieczyński (appointed on November 12, 2012)
- Piotr Tyborowicz (appointed on November 12, 2012)
- Robert Bednarski (appointed on January 9, 2012, resigned on November 6, 2012)

TVN Group Information (CONTINUED)

5. Auditors

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

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. ("Pekao S.A.")
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Media Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warszawa

Teleshopping

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

Corporate

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

9. Joint ventures

- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa

10. Associates

- Canal+ Cyfrowy S.A.
  Al. Gen. Władysława Sikorskiego 9
  02-758 Warszawa
- Vidalia Investments Sp. z o.o.
  Al. Jerozolimskie 56c
  00-803 Warszawa

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Continuing operations			
Revenue	**6**	1,584,263	1,718,163
Cost of revenue	**7**	(916,266)	(942,657)
Selling expenses	**7**	(112,743)	(122,103)
General and administration expenses	**7**	(143,520)	(148,586)
Share of loss of associates	**28**	(9,268)	-
Other operating expenses, net	**4 (i)**	(28,198)	(2,214)
Operating profit		**374,268**	**502,603**
Interest income	**8**	20,544	20,204
Finance expense	**8**	(373,345)	(351,794)
Foreign exchange gains/ (losses), net	**8**	246,285	(308,871)
Profit/ (loss) before income tax		**267,752**	**(137,858)**
Income tax benefit	**25**	252,325	47,967
Profit/ (loss) for the period from continuing operations		**520,077**	**(89,891)**
Discontinued operations			
Loss for the period from discontinued operations	**27**	**(49,838)**	**(227,474)**
Profit/ (loss) for the period		**470,239**	**(317,365)**
Profit/ (loss) attributable to:			
Owners of the parent		486,071	(317,365)
Non-controlling interests		(15,832)	-
		470,239	**(317,365)**

Earnings/ (losses) per share from continuing and discontinued operations attributable to the owners of TVN S.A. (not in thousands)

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Basic earnings/ (losses) per share			
- from continuing operations		1.55	(0.26)
- from discontinued operations		(0.14)	(0.66)
	9	**1.41**	**(0.92)**
Diluted earnings/ (losses) per share			
- from continuing operations		1.55	(0.26)
- from discontinued operations		(0.14)	(0.66)
	9	**1.41**	**(0.92)**

The consolidated income statement for the year ended December 31, 2012 and for the year ended December 31, 2011 has been reclassified in order to conform with the presentation requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’.

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

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Profit/ (loss) for the period		**470,239**	**(317,365)**
Other comprehensive (loss)/ income:			
Foreign exchange forward contracts	**16**	(259)	259
Income tax relating to components of other comprehensive (loss)/ income	**25**	59	(59)
Other comprehensive (loss)/ income for the period, net of tax		(200)	200
Total comprehensive income/ (loss) for the period		**470,039**	**(317,165)**
Total comprehensive income/ (loss) attributable to:			
Owners of the parent		485,871	(317,165)
Non-controlling interests		(15,832)	-
		470,039	**(317,165)**
Total comprehensive income/ (loss) attributable to owners of the parent:			
- from continuing operations		535,656	(89,638)
- from discontinued operations		(49,785)	(227,527)
		485,871	**(317,165)**

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

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

	Note	As at December 31, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	414,545	340,319
Goodwill	**11**	144,127	952,657
Brands	**12**	30,612	693,687
Other intangible assets	**13**	59,281	75,227
Non-current programming rights	**14**	171,510	179,242
Investments in associates	**28**	1,865,644	1,194
Deferred tax asset	**25**	259,690	43,056
Other non-current assets	**18**	412	5,507
		2,945,821	**2,290,889**
Current assets			
Current programming rights	**14**	259,231	241,465
Trade receivables	**17**	317,239	376,430
Derivative financial assets	**16**	-	1,580
Prepayments and other assets	**18**	118,945	57,605
Corporate income tax receivable		51,144	13,495
Restricted cash	**19**	915,343	-
Bank deposits with maturity over three months	**19**	50,000	75,000
Cash and cash equivalents	**19**	308,564	592,126
		2,020,466	**1,357,701**
Assets of disposal groups classified as held for sale	**27**	-	1,463,368
		2,020,466	**2,821,069**
TOTAL ASSETS		**4,966,287**	**5,111,958**
EQUITY			
Shareholders' equity			
Share capital	**20**	68,775	68,775
Share premium		672,876	672,931
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(451,985)	(451,785)
Accumulated profit		1,062,490	610,807
		1,375,457	**924,029**
Non-controlling interest		(16,390)	(558)
		1,359,067	**923,471**
LIABILITIES			
Non-current liabilities			
10.75% Senior Notes due 2017	**21**	2,357,121	2,542,476
7.875% Senior Notes due 2018	**21**	697,276	752,490
Non-current Mortgage Loan	**21**	97,258	-
Deferred tax liability	**25**	15,200	158,301
Non-current trade payables	**22**	13,050	15,010
Other non-current liabilities		24,031	10,196
		3,203,936	**3,478,473**
Current liabilities			
Current trade payables	**22**	169,983	163,639
Current Mortgage Loan	**21**	8,503	-
Accrued interest on borrowings	**21**	39,731	42,804
Other liabilities and accruals	**23**	185,067	249,971
		403,284	**456,414**
Liabilities of disposal groups classified as held-for-sale	**27**	-	253,600
		403,284	**710,014**
Total liabilities		**3,607,220**	**4,188,487**
TOTAL EQUITY AND LIABILITIES		**4,966,287**	**5,111,958**

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

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

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

(*) Other reserves and deficits

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

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2012	**343,876,421**	**68,775**	**672,931**	**23,301**	**(451,785)**	**610,807**	**924,029**	**(558)**	**923,471**
Total comprehensive income/ (loss) for the period	-	-	-	-	(200)	486,071	485,871	(15,832)	470,039
Share issue cost (2)	-	-	(55)	-	-	-	(55)	-	(55)
Dividend declared and paid (3)	-	-	-	-	-	(34,388)	(34,388)	-	(34,388)
Balance at December 31, 2012	**343,876,421**	**68,775**	**672,876**	**23,301**	**(451,985)**	**1,062,490**	**1,375,457**	**(16,390)**	**1,359,067**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedging	Effect of acquisition of non-controlling interest	Total
Balance at January 1, 2012	**99,163**	**200**	**(551,148)**	**(451,785)**
Charge for the period	-	(259)	-	(259)
Deferred tax on charge for the period	-	59	-	59
Balance at December 31, 2012	**99,163**	**-**	**(551,148)**	**(451,985)**

(1) During the year ended December 31, 2011 1,522,229 (not in thousands) of C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (see Note 31).

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

(3) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands). The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands).

Included in accumulated profit as of December 31, 2012 is an amount of 2,460,273 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes (see Note 21) impose certain restrictions on payment of dividends.

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Operating activities			
Cash generated from operations	**24**	381,022	480,377
Tax paid		(55,776)	(45,145)
Net cash generated by operating activities		**325,246**	**435,232**
Investing activities			
Proceeds from sale of subsidiaries, net of cash disposed		843,859	-
Payments to acquire subsidiaries, net of cash acquired		-	(4,182)
Payments to acquire associate		-	(2)
Payments to acquire property, plant and equipment		(316,125)	(160,600)
Proceeds from sale of property, plant and equipment		2,194	2,236
Payments to acquire intangible assets		(49,615)	(70,820)
Sale of available-for-sale financial assets		-	8,002
Bank deposits with maturity over three months	**19**	25,000	245,997
Interest received		24,801	27,514
Net cash generated by investing activities		**530,114**	**48,145**
Financing activities			
Issue of shares, net of issue cost		-	16,237
Dividends paid		(34,388)	(13,728)
Mortgage Loan		105,808	-
Cost of issue of 7.875% Senior Notes due 2018	**21**	-	(1,472)
Repurchase of PLN Bonds due 2013		-	(144,971)
Settlement of foreign exchange forward contracts	**16**	(38,755)	36,960
Restricted cash	**19**	(915,343)	111,535
Interest paid		(324,841)	(323,990)
Net cash used in financing activities		**(1,207,519)**	**(319,429)**
(Decrease)/ increase in cash and cash equivalents		**(352,159)**	**163,948**
Cash and cash equivalents at the start of the period		592,126	480,294
Transferred to disposal group classified as held for sale – ITI Neovision Group	**27**	60,819	(60,819)
Effects of exchange rate changes		7,778	8,703
Cash and cash equivalents at the end of the period		**308,564**	**592,126**

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2012 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2011 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2012 and the year ended December 31, 2011 are disclosed in Note 27.

1. TVN

These consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 27, 2013.

TVN S.A. (until July 29, 2004 TVN Sp. z o. o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is one of the largest media and entertainment groups in Poland.

The structure of the TVN Group is described in Note 29.

The majority of the Group's operations and assets are based in Poland. Assets and revenues from outside Poland constitute less than 10% of the total assets and revenues of all segments. Therefore, no geographic information has been included.

Recent significant transactions

On December 18, 2011 the Group along with ITI Media Group Limited (its intermediate parent entity) concluded an agreement to effect the strategic co-operation with Groupe Canal+ S.A. ("Canal+ Group") and to merge the Group's digital Pay TV 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+ controlled by Canal+ Group with a significant strategic shareholding by TVN (see Note 27 and 28).

Also on December 18, 2011, ITI Media Group Limited as a seller, Canal+ Group 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 to a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding an indirect 52.45% stake in TVN S.A.).

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. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 27 and 28).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreements were signed with Canal+ Group.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

1. TVN (CONTINUED)

On November 6, 2012, following the antitrust regulatory approval of the transaction, the Group and RAS finalized the disposal of the shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 27 and 28).

On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a new digital DTH platform nC+ controlled by Canal+ Group with a significant strategic shareholding by TVN (see Note 27 and 28).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2012 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2011 except for amendments to standards which became effective January 1, 2012.

In 2012 the Group adopted:

(i) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments amend the required disclosures related to transfers of financial assets. The amendments did not affect the Group's consolidated financial statements.

(ii) Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendments did not affect the Group's consolidated financial statements.

(iii) Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporated into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments did not affect the Group's consolidated financial statements.

These consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's consolidated financial statements for the year ended December 31, 2011 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date the Group ceases to have control.

The Group applies the acquisition method of accounting to account for business combinations, including business combinations with entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

The transactions with non-controlling interests are transactions with equity owners of the Group. For purchases of shares from non-controlling interests, the difference between the fair value of consideration and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3. Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flow on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognize its share of profits or losses from joint ventures that result from the Group's purchase of assets from a joint venture until it resells the assets to an independent party. However, a loss on a transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.4. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost (cost comprises also the transaction costs incurred). The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition other comprehensive income and movements in equity is recognized appropriately in other comprehensive income or in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Forward contracts (the term of which do not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction) between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are out of scope of IAS 39 thus not accounted for as derivatives.

2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the committee, which is responsible for assessing performance of the operating segments. The committee is composed of the Vice-President of the Management Board responsible for the Group's financial reporting and heads of the teams within the Group's financial department.

2.6. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation currency of the Group and the functional currency of the Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when recognized in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in a foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non – monetary assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange translation component.

2.7. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Goodwill

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9. Brands

Brands acquired through business combinations, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with an indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment. The following useful lives are applied by the Group:

	Term
Mango Media	indefinite

2.10. Other intangible assets

Customer related intangibles

Customer related intangibles acquired through business combinations are amortised on a straight line basis over their estimated useful life.

Capitalized development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Development assets are tested for impairment annually, in accordance with IAS 36.

Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software and perpetual usufruct of land. Acquired computer software is capitalized and amortized using the straight-line method over two to three years. Perpetual usufruct of land is capitalized and amortized using the straight-line method over the term for which the right has been granted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. Programming rights

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below.

Acquired program rights

Program rights acquired by the Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell or its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

The program rights purchased by the Group are amortized as follows:

Program Categories		Number of runs	Percentage of amortization per run		
			1st	2nd	3rd
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Group under own licences or under licences from third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs expected to be broadcast once	100% on first showing
Programs with unlimited broadcasting right which are expected to have reasonably long useful life, including documentary series, fiction series and movies	60% on first showing, 30% on second showing, 10% residual value or 66% on first showing, 20% on second showing, 14% on third and next showings in total (including 10% residual value) or 50% on first showing, 30% on second showing, 20% on third and next showings in total (including 10% residual value)
Other programs, including documentary series, fiction series and entertainment shows	95% on first showing, 3% on second showing, 2% on third showing or 60% on first showing, 40% on second showing or 25% on first showing, 50% on second showing, 25% on third and next showings in total or 75% on first showing, 25% on second showing or 50% on first showing, 50% on second showing or 90% on first showing, 10% on second showing

Residual value is amortized on a straight line basis over the period of ten years.

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brands are allocated to groups of cash-generating units as identified by the Group.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

2.14. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see Note 2.17).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period the Group did not hold any financial assets in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

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

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Group's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.17.

2.15. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a foreign exchange risk of a firm commitment (cash flow hedge) on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The Group applies cash flow hedge accounting for hedging foreign exchange risk on subscription revenue from DTH and cable operators, firm commitments relating to acquisition of programming rights and payments of interest on the Notes. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.16. Inventory

Inventory is stated at the lower of cost or net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realisable value is the estimated selling price less estimated costs of sale. Where necessary, provision is made for obsolete, slow moving and defective inventory. Inventories sold in promotional offers are stated at the lower of cost or estimated net realisable value.

2.17. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.19. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.20. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2.21. Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' equity.

2.22. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.23. Borrowings

The Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.24. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets and liabilities are recognized for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilized.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the Group has a legally enforceable right to offset tax assets against tax liabilities.

2.25. Employee benefits

Retirement benefit costs

The Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

Share-based plans

The Group's management board and certain key employees and co-workers were granted share options based on the rules of an incentive plan introduced by the Group. The options were subject to service vesting conditions, and their fair value was recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.26. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.27. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Sales of services

Revenue primarily results from the sale of television advertising and is recognized in the period in which the advertising is broadcast. Other revenues primarily result from cable and satellite television subscription fees, sponsoring, call television, text messages and sales of rights to programming content and are recognized generally upon the performance of the service.

(ii) Sales of goods

The Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when the goods are sent to the customer. It is the Group's policy to sell the goods to the individual customers with a right to return within 10 days. Historical experience is used to estimate and provide for such returns at the time of sale.

2.28. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.29. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Group provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.30. Advertising costs

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

2.31. Restructuring costs

The Group recognizes restructuring costs when the final decision to implement the restructuring is made and announced to the parties involved. Restructuring costs comprise agreements termination fees. Restructuring costs are presented within operating expenses to which they relate.

2.32. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.33. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.34. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been reclassified to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.35. New Accounting Standards and IFRIC pronouncements

Certain new amendments to standards have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2013. The Group's assessment of the impact of these new amendments to standards on the Group's consolidated financial statements is set out below.

(i) Annual Improvements to IFRSs 2009–2011 Cycle

In May 2012 the International Accounting Standards Board issued "Annual Improvements to IFRSs 2009–2011 Cycle", which amend five standards. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the Group's consolidated financial statements.

(ii) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments were published in June 2012. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the Group's consolidated financial statements.

(iii) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments were published in October 2012. They define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. The amendments apply for annual periods beginning on or after January 1, 2014. The amendments will not affect the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the following standards, amendments to standards and IFRIC interpretations are applicable in the future and were discussed in the Group's consolidated financial statements for the year ended December 31, 2011:

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

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

- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures*
- *Annual Improvements to IFRSs 2009–2011 Cycle*
- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

All other new or amended standards and IFRIC interpretations not listed above are not relevant for the Group.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be effective from cost and cash flow perspective.

Financial risk management is carried out by the Group under policies approved by the Management Board and Supervisory Board. The Group Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Group is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Vice-President of the Management Board responsible for the Group's financial reporting and heads of the teams within the Group's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies settlement of the transactions.

(i) Market risk

Market risk related to 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018

The 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 (collectively referred to as 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 prepayment 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group's revenue is primarily denominated in Polish zloty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the Notes, the Mortgage Loan, restricted cash, bank deposits with maturity over three months and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in an efficient manner, both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures (see Note 16). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit for the period from continuing operations (post-tax) impact on balances as of December 31, 2012 and December 31, 2011 of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 101,023 (a loss of 139,066 as of December 31, 2011) and is presented below:

	Year ended December 31, 2012	Year ended December 31, 2011 *
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
10.75% Senior Notes due 2017 including accrued interest	(99,504)	(107,501)
7.875% Senior Notes due 2018 including accrued interest	(29,260)	(31,612)
Mortgage Loan	(4,309)	-
Trade payables	(2,059)	(296)
Other	(2,374)	-
Assets:		
Restricted cash	35,661	-
Cash and cash equivalents	784	282
Trade receivables	38	61
	(101,023)	**(139,066)**

* Excluding assets and liabilities of disposal groups classified as held for sale

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated profit for the period from continuing operations (post-tax) impact on balances as of December 31, 2012 and December 31, 2011 of a reasonably possible USD appreciation of 5% against the zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,092 (a loss of 3,085 as of December 31, 2011) and is presented below:

	Year ended December 31, 2012	Year ended December 31, 2011 *
Assumed USD appreciation against PLN:	5%	5%
Liabilities		
Trade payables	(2,743)	(3,350)
Assets:		
Cash and cash equivalents	405	21
Trade receivables	246	244
	(2,092)	**(3,085)**

* Excluding assets and liabilities of disposal groups classified as held for sale

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the 10.75% Senior Notes due 2017, the 7.875% Senior Notes due 2018 (collectively referred to as the "Notes") and the Mortgage Loan (see Note 21).

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 amortised cost, the changes in fair values of these instruments do not have a direct impact on valuation of the Notes in the balance sheet.

The Mortgage Loan with a nominal value of EUR 26,000 bears interest at a variable rate linked to EURIBOR and therefore exposes the Group to interest rate risk if interest rates increase. At December 31, 2012, if EURIBOR interest rates had been 50 b.p. higher/lower with all other variables held constant, the post-tax profit for the period from continuing operations would have been 15 lower/higher.

The Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate risk as of December 31, 2012.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The Group places its cash and cash equivalents, bank deposits with maturity over three months and restricted cash with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 19). 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 (78% of the total trade receivables as of December 31, 2012) who manage advertising campaigns for advertisers and pay the Group once payment has been received from the customer.

The Group's top ten advertisers account for 16% and the single largest advertiser accounted for 3% of sales for the year ended December 31, 2012. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

The major players amongst the advertising agencies in Poland with whom the Group co-operates are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Group mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	**December 31, 2012**	**December 31, 2011 ***
Receivables from advertising agencies	78%	73%
Receivables from individual customers	13%	21%
Receivables from related parties	9%	6%
	100%	**100%**

* Excluding trade receivables of disposal group classified as held for sale

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit concentration of the five largest counterparties measured as a percentage of the Group's total trade receivables:

Trade receivables (net)	**December 31, 2012**	**December 31, 2011 ***
Agency A	16%	13%
Agency B	9%	12%
Agency C	7%	7%
Agency D	6%	6%
Agency E	5%	3%
Sub-total	**43%**	**41%**
Total other counterparties	57%	59%
	100%	**100%**

* 2011 figures represent comparative data for each Agency, excluding trade receivables of disposal group classified as held for sale

Certain advertising agencies operating in Poland as separate entities are part of international financial groups controlled by the same ultimate shareholders. Credit concentration of the Group aggregated by international agency groups, measured as a percentage of the Group's total trade receivables is presented below:

Trade receivables (net)	**December 31, 2012**	**December 31, 2011 ***
Agency Group F	26%	19%
Agency Group G	19%	22%
Agency Group H	10%	8%
Agency Group I	5%	5%
Agency Group J	5%	4%
Sub-total	**65%**	**58%**
Total other counterparties	35%	42%
	100%	**100%**

* 2011 figures represent comparative data for each Agency Group, excluding trade receivables of disposal group classified as held for sale

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at December 31, 2012.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital and financing expenditures relating to dividends, capital investment in television and broadcasting facilities and equipment, debt service on the Notes and the Mortgage 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 December 31, 2012 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 358,564 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 667,126 at December 31, 2011). As at December 31, 2012 the Group had also restricted cash in the amount of 915,343 (December 31, 2011: nil).

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2012			
10.75% Senior Notes due 2017	260,612	260,612	3,206,139
7.875% Senior Notes due 2018	56,340	56,340	940,795
Mortgage Loan	11,646	11,282	94,095
Trade payables	169,983	13,050	-
Other liabilities and accruals	153,569	22,247	-
Guarantees	55,464	216,377	357,718
	707,614	**579,908**	**4,598,747**
At December 31, 2011 *			
10.75% Senior Notes due 2017	281,560	281,560	3,745,402
7.875% Senior Notes due 2018	60,870	60,870	1,077,290
Trade payables	163,639	15,010	-
Other liabilities and accruals	120,795	8,317	-
	626,864	**365,757**	**4,822,692**

* Excluding financial liabilities of disposal group classified as held for sale

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2. Capital risk management

The Group's objectives when managing capital risk are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 21) payable at the reporting date including accrued interest less cash and cash equivalents and bank deposits with maturity over three months held by all subsidiaries of the Group. 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.

	Twelve months ended December 31, 2012	**Twelve months ended December 31, 2011**
Net debt *	2,046,485	2,706,961
EBITDA	434,050	659,796
Impairment of Onet goodwill	216,029	-
Loss on disposal of Onet Group	19,351	-
Gain on exchange of Pay TV assets	(196,618)	-
Impairment of teleshopping unit	25,973	-
Share of losses of associates	9,268	-
EBITDA after adjustments	508,053	659,796
Net debt to EBITDA ratio	4.0	4.1

* Net debt as at December 31, 2012 includes restricted cash related to the disposal of Onet Group

Net debt, EBITDA and net debt to EBITDA ratio are calculated jointly for continuing and discontinued operations.

This reported net debt to EBITDA ratio, excluding one-off transaction results, 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 EBITDA ratios.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of available-for-sale financial assets which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency options and forwards is determined based on valuations performed by the banks that hold the instruments.

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

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (“Level 2”),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (“Level 3”).

	Level 1	Level 2	Level 3	Total
At December 31, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

The Group did not have any financial instruments measured at fair value as of December 31, 2012.

3.4. Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, which contributes to unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Group’s financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s businesses under the current circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The Group classifies the Mango brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, has suffered any impairment. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first, any remaining impairment loss is allocated to pro-rata to the carrying value of brand and other assets allocated to the teleshopping cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2012 the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows in 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Terminal growth	3%	3%
Discount rate	9.63%	10.05%

The test performed as at December 31, 2012 indicated, that the teleshopping cash-generating unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of 25,973 was recognized within other operating expenses, net in the consolidated income statement.

The impairment charge first reduces the carrying value of goodwill in the amount of 6,325 and the remaining part of the impairment charge in the amount of 19,648 is allocated to the carrying value of brand.

The Group believes that the key assumptions made in testing for impairment of the teleshopping cash-generating unit as at December 31, 2012 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. However, if any of the key assumptions used in the value-in-use calculations were to change unfavorably, the impairment charge recognized would be higher. If the terminal growth rate was 2%, the impairment charge would amount to 28,663. If the discount rate applied to the discounted cash flows was 10.63% the impairment charge would amount to 27,006.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Estimated useful life of Mango brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Mango brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential competitions in the teleshopping industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Mango brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(iii) 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 December 31, 2012 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, 2011: 27,514) representing the tax amortization of brands to be realized within 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 December 31, 2012 the Group did not recognize a deferred tax asset in the amount of 217,821 (December 31, 2011: 245,335) related to the tax value of brands recognized by TVN Media.

As at December 31, 2012 the Group also did not recognize a deferred tax asset on tax loss carry-forwards of 726,126. Tax loss carry-forwards expire within five tax years. The related deferred tax asset in the amount of 137,964 (December 31, 2011: nil) was not recognized as the Group concluded that as at December 31, 2012 the realization of the related tax benefit is not probable.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iv) Valuation of nC+ platform

As a result of the closing of the strategic co-operation agreements with Canal+ Group the Group recognized on its consolidated balance sheet an investment in associate being the combined nC+ platform (see Note 28). The initial value of the investment amounts to 1,556,160 as the fair value of the combined platform nC+ amounts to 4,863,000 and the Group has a 32% stake in the combined platform. The valuation of nC+ platform was performed by the Group's investment banks. The key financial assumptions used by the Group's investment banks in the valuation process were as follows:

Terminal growth	2.5%
Discount rate	11%

The valuation of the combined nC+ platform is sensitive to changes in the assumptions used in the valuation. Had the terminal growth been assessed at 2%, the fair value of the combined nC+ platform would amount to 4,694,000. Had the terminal growth been assessed at 3%, the fair value of the combined nC+ platform would amount to 5,053,000. Had the discount rate been assessed at 10.75%, the fair value of the combined nC+ platform would amount to 5,025,000. Had the discount rate been assessed at 11.25%, the fair value of the combined nC+ platform would amount to 4,710,000.

5. SEGMENT REPORTING

During the year the Group's principal activities were television broadcasting and production, digital satellite pay television, on-line and teleshopping.

As a result of the agreements signed on December 18, 2011 with Canal+ Group, the digital satellite pay television segment is presented within discontinued operations. On November 30, 2012 the Group finalized the transaction of exchange of the Pay TV assets with Canal+ Group and from this date the Group together with Groupe Canal+ S.A. operate a leading Polish premium direct-to-home digital satellite platform nC+ (see Note 27 and 28).

As a result of the agreements signed on June 4, 2012 with Ringier Axel Springer Media AG the on-line segment is presented within discontinued operations. On October 31, 2012 the Group finalized the transaction of disposal of the majority stake in Onet Group and from this date the Group in its online activities is a partner to Ringier Axel Springer Media AG, which through Grupa Onet.pl S.A. operates Onet.pl, the leading internet portal in Poland (see Note 27 and 28).

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, digital satellite pay television, on-line operations and teleshopping segment.

5. SEGMENT REPORTING (CONTINUED)

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For the Group's definition of EBITDA please refer to Note 3.2. Other information provided to the committee is measured in a manner consistent with that in the financial statements.

Operating segments are aggregated into a single operating segment if the segments have similar economic characteristics and have in particular a similar nature of products and services, type of customers, distribution methods and regulatory environment.

The television broadcasting and production segment is mainly involved in the production, purchase and broadcasting of news, information and entertainment shows, series and movies and comprises television channels operated in Poland. The television broadcasting and production segment generates revenue mainly from advertising spot sales, sponsoring and cable and direct-to-home operators. The digital satellite pay television segment was mainly engaged in direct-to-home distribution of technologically advanced pay television services and generated revenue mainly from program subscription. The on-line segment primarily comprised Onet.pl, Poland's leading portal, revenue was generated mainly form internet advertising spot sales and user generated transactions. The teleshopping segment generates revenue mainly from sales of products offered on Telezakupy Mango 24, a dedicated teleshopping channel, on other 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.

Reconciliation of EBITDA from continuing operations to profit before income tax from continuing operations:

	Year ended December 31, 2012	Year ended December 31, 2011
EBITDA from continuing operations	**456,037**	**565,880**
Depreciation of property, plant and equipment	(57,112)	(53,755)
Impairment of property, plant and equipment	(11,050)	-
Amortization of intangible assets	(13,607)	(9,522)
Operating profit from continuing operations	**374,268**	**502,603**
Interest income (see Note 8)	20,544	20,204
Finance expense (see Note 8)	(373,345)	(351,794)
Foreign exchange gains/ (losses), net (see Note 8)	246,285	(308,871)
Profit/ (loss) before income tax from continuing operations	**267,752**	**(137,858)**

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2011	Television broadcasting and production	Digital satellite pay television	On-line	Teleshopping	Discontinued operations	Other reconciling items		Total
Revenue from external customers	1,614,319	736,662	249,573	48,475	(930,866)	-		1,718,163
Inter-segment revenue	67,781	2,381	21,888	-	-	(92,050)		-
Total revenue	**1,682,100**	**739,043**	**271,461**	**48,475**	**(930,866)**	**(92,050)**		**1,718,163**
EBITDA	**640,719**	**611**	**96,209**	**(1,153)**	**(96,820)**	**(73,686)**	*	**565,880**
Depreciation of property, plant and equipment	(53,489)	(139,739)	(17,829)	(266)	157,568	-		(53,755)
Impairment of property, plant and equipment	-	-	(17,835)	-	17,835	-		-
Amortization of intangible assets	(9,476)	(30,666)	(12,900)	(46)	43,566	-		(9,522)
Impairment of intangible assets	-	-	(823)	-	823	-		-
Operating profit/ (loss)	**577,754**	**(169,794)**	**46,822**	**(1,465)**	**122,972**	**(73,686)**		**502,603**
Additions to property, plant and equipment and other intangible assets	89,888	129,899	29,592	254	(159,491)	(368)		89,774
As at December 31, 2011								
Segment assets including:	**1,755,375**	**1,465,263**	**1,838,852**	**76,832**	**-**	**(24,364)**	**	**5,111,958**
Investment in associates	2	1,297	308	-	(413)	-		1,194

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

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

5. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2012	Television broadcasting and production	Digital satellite pay television ***	On-line ****	Teleshopping	Discontinued operations	Other reconciling items		Total
Revenue from external customers	1,495,134	785,680	195,512	36,796	(928,859)	-		1,584,263
Inter-segment revenue	56,963	1,844	9,335	172	-	(68,314)		-
Total revenue	**1,552,097**	**787,524**	**204,847**	**36,968**	**(928,859)**	**(68,314)**		**1,584,263**
EBITDA	**553,863**	**(11,516)**	**71,453**	**(8,358)**	**(59,937)**	**(89,468)**	*	**456,037**
Depreciation of property, plant and equipment	(56,922)	(127,429)	(16,663)	(190)	144,092	-		(57,112)
Impairment of property, plant and equipment	(11,050)	-	-	-	-	-		(11,050)
Amortization of intangible assets	(13,554)	(31,888)	(10,142)	(53)	42,030	-		(13,607)
Impairment of intangible assets	-	-	(266)	-	266	-		-
Segments' operating profit/ (loss)	**472,337**	**(170,833)**	**44,382**	**(8,601)**	**126,451**	**(89,468)**		**374,268**
Impairment of goodwill	-	-	(216,029)	(6,325)	216,029	6,325		-
Impairment of brand	-	-	-	(19,648)	-	19,648		-
Loss on disposal of Onet Group	-	-	(19,351)	-	19,351	-		-
Gain on exchange of Pay TV assets	-	196,618	-	-	(196,618)	-		-
Operating profit/ (loss)	**472,337**	**25,785**	**(190,998)**	**(34,574)**	**165,213**	**(63,495)**		**374,268**
Additions to property, plant and equipment and other intangible assets	281,857	48,730	23,853	109	(72,583)	(15)		281,951
As at December 31, 2012								
Segment assets including:	**1,847,227**	**-**	**-**	**46,730**	**-**	**3,072,330**	**	**4,966,287**
Investment in associates	-	-	-	-	-	1,865,644		1,865,644

* Other reconciling items on EBITDA level include mainly share of losses of associates (9,268), impairment of teleshopping cash-generating unit (25,973) and headquarter and other costs

** Other reconciling items to segment assets include: investment in associates (1,865,644), restricted cash (915,343), deferred tax assets (259,690), consideration receivable (38,250) and other assets and consolidation adjustments (deficit of 6,597)

*** Up to November 30, 2012 (see Note 27 and 28)

**** Up to October 31, 2012 (see Note 27 and 28)

6. REVENUE

	Year ended December 31, 2012	Year ended December 31, 2011
Revenue from advertising spot sales	1,119,124	1,221,827
Subscription fees	216,723	201,221
Revenue from sponsoring	134,731	139,622
Revenue from sales of goods	30,671	38,650
Other revenue	83,014	116,843
	1,584,263	**1,718,163**

Subscription fees include subscriptions receivable by TVN from DTH and cable operators. Other revenue includes revenue generated from call television, text messages and sales of rights to programming content.

Included in revenues for the year ended December 31, 2012 are revenues from related parties in the amount of 13,317 (the year ended December 31, 2011: 17,433) (see Note 30 (i)).

7. OPERATING EXPENSES

	Year ended December 31, 2012	Year ended December 31, 2011
Amortization of locally produced content	429,946	441,488
Amortization of acquired programming rights and co-production	144,106	148,389
Staff expenses	156,017	160,228
Depreciation, amortization and impairment	81,769	63,277
Broadcasting expenses	69,267	55,234
Royalties	52,865	63,949
Marketing and research	48,822	49,946
Rental	41,404	40,544
Cost of services and goods sold	32,777	42,058
Impaired accounts receivable	68	2,297
Other	115,488	145,936
	1,172,529	**1,213,346**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2012 of 119,081 (the year ended December 31, 2011: 108,360).

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

	Year ended December 31, 2012	Year ended December 31, 2011
Interest income		
Interest income on foreign exchange forward contracts – cash flow hedges (see Note 16)	1,008	-
Other interest income	19,536	20,204
	20,544	**20,204**
Finance expense		
Interest expense on 10.75% Senior Notes due 2017 (see Note 21)	(275,540)	(272,295)
Interest expense on 7.875% Senior Notes due 2018 (see Note 21)	(59,802)	(58,871)
Interest expense on Mortgage Loan (see Note 21)	(112)	-
Interest expense on PLN Bonds due 2013	-	(1,389)
Interest expense on foreign exchange forward contracts – fair value and cash flow hedges (see Note 16)	(31,219)	(10,965)
Premium on early repayment of PLN Bonds due 2013	-	(3,971)
Pre-issuance costs written off *	-	(217)
Guarantee fees to related party (see Note 30 (vi))	(1,448)	(1,273)
Bank and other charges	(5,224)	(2,813)
	(373,345)	**(351,794)**
Foreign exchange gains/ (losses), net		
Foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017, including:	190,202	(238,979)
- unrealized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*194,556*	*(270,353)*
- realized foreign exchange gains/ (losses) on 10.75% Senior Notes due 2017	*2,365*	*(4,596)*
- fair value hedge impact (see Note 16)	*(6,719)*	*35,970*
Foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018, including:	55,968	(70,230)
- unrealized foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018	*57,439*	*(79,812)*
- realized foreign exchange gains/ (losses) on 7.875% Senior Notes due 2018	*512*	*(1,033)*
- fair value hedge impact (see Note 16)	*(1,983)*	*10,615*
Other foreign exchange gains, net	115	338
	246,285	**(308,871)**

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

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

Basic

Basic earnings/ (losses) per share is calculated by dividing the net profit/ (loss) attributable to the owners of TVN S.A. by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Year ended December 31, 2012	Year ended December 31, 2011
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands):		
- from continuing operations	535,909	(89,891)
- from discontinued operations	(49,838)	(227,474)
	486,071	**(317,365)**
Weighted average number of ordinary shares in issue	343,876,421	343,336,965
Basic earnings/ (losses) per share		
- from continuing operations	1.55	(0.26)
- from discontinued operations	(0.14)	(0.66)
	1.41	**(0.92)**

Diluted

Diluted earnings/ (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2012	Year ended December 31, 2011
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands):		
- from continuing operations	535,909	(89,891)
- from discontinued operations	(49,838)	(227,474)
	486,071	**(317,365)**
Weighted average number of ordinary shares in issue	343,876,421	343,336,965
Adjustment for share options	8,101	-
Weighted average number of potential ordinary shares for diluted earnings per share	343,884,522	343,336,965
Diluted earnings/ (losses) per share		
- from continuing operations	1.55	(0.26)
- from discontinued operations	(0.14)	(0.66)
	1.41	**(0.92)**

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	December 31, 2012	December 31, 2011
Freehold land	40,180	37,182
Buildings	187,792	26,088
Leasehold improvements	18,594	32,263
Television, broadcasting and other technical equipment	132,336	191,121
Vehicles	28,254	33,176
Furniture and fixtures	6,322	7,006
Assets under construction	1,067	13,483
	414,545	**340,319**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2012	37,182	27,868	96,973	523,941	61,934	25,361	36,196	809,455
Additions	31,915	398	202	43,102	6,120	1,985	185,015	268,737
Transfers	(6,215)	188,016	(3,909)	295	(65)	534	(184,874)	(6,218)
Disposals	-	-	(853)	(18,566)	(4,436)	(1,909)	(22)	(25,786)
Transferred to disposal group classified as held for sale (see Note 27)	(22,702)	(27,645)	(4,491)	(109,375)	(8,677)	(3,248)	(19,320)	(195,458)
December 31, 2012	**40,180**	**188,637**	**87,922**	**439,397**	**54,876**	**22,723**	**16,995**	**850,730**
Accumulated depreciation and impairment								
January 1, 2012	-	1,780	64,710	332,820	28,758	18,355	22,713	469,136
Charge for the period	-	959	8,113	48,952	5,397	1,840	-	65,261
Impairment charge	-	-	-	-	-	-	11,050	11,050
Transfers	-	130	(140)	-	-	10	-	-
Disposals	-	-	(737)	(17,204)	(3,225)	(1,896)	-	(23,062)
Transferred to disposal group classified as held for sale (see Note 27)	-	(2,024)	(2,618)	(57,507)	(4,308)	(1,908)	(17,835)	(86,200)
December 31, 2012	**-**	**845**	**69,328**	**307,061**	**26,622**	**16,401**	**15,928**	**436,185**
Net book value at January 1, 2012	**37,182**	**26,088**	**32,263**	**191,121**	**33,176**	**7,006**	**13,483**	**340,319**
Net book value at December 31, 2012	**40,180**	**187,792**	**18,594**	**132,336**	**28,254**	**6,322**	**1,067**	**414,545**

These notes are an integral part of these consolidated financial statements.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of 54,574 has been charged in cost of revenue (the year ended December 31, 2011: 196,360), 1,437 in selling expenses (the year ended December 31, 2011: 5,819) and 9,250 in general and administration expenses (the year ended December 31, 2011: 9,617).

An impairment of 11,050 has been charged in cost of revenue (the year ended December 31, 2011: 17,835 in general and administration expenses).

11. GOODWILL

	December 31, 2012	December 31, 2011
Goodwill	144,127	952,657
	144,127	**952,657**

Changes in goodwill

	Year ended December 31, 2012	Year ended December 31, 2011
As at January 1	952,657	1,677,614
Impairment charge (see Note 27)	(216,029)	-
Transferred to disposal group classified as held for sale (see Note 27)	(586,176)	(724,957)
Impairment (see Note 4 (i))	(6,325)	
As at December 31	**144,127**	**952,657**

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

	December 31, 2012	December 31, 2011
Thematic television channels	131,704	131,704
Television production unit	12,423	12,423
On-line	-	802,205
Teleshopping unit	-	6,325
	144,127	**952,657**

12. BRANDS

	December 31, 2012	December 31, 2011
Brands	30,612	693,687
	30,612	**693,687**

Changes in brands

	Year ended December 31, 2012	Year ended December 31, 2011
Net book value as at January 1	693,687	778,625
Transferred to disposal group classified as held for sale (see Note 27)	(643,427)	(74,575)
Impairment (see Note 4 (i))	(19,648)	-
Amortization of “n” brand	-	(10,363)
Net book value as at December 31	**30,612**	**693,687**

12. BRANDS (CONTINUED)

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

	December 31, 2012	December 31, 2011
Mango (teleshopping cash generating unit)	30,612	50,260
Onet.pl (on-line cash generating unit)	-	643,427
	30,612	**693,687**

13. OTHER INTANGIBLE ASSETS

	December 31, 2012	December 31, 2011
Broadcasting licenses	25,776	17,844
Internally generated software	-	17,761
Software and other	33,505	39,622
	59,281	**75,227**

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2011	14,220	38,458	23,366	167,337	243,381
Additions	163	-	13,417	63,049	76,629
Transfers	-	-	(826)	826	-
Disposals	-	-	-	(1,109)	(1,109)
Acquired in a business combination	13,631	-	-	-	13,631
Transferred to disposal group classified as held for sale (see Note 27)	-	(23,666)	-	(99,597)	(123,263)
December 31, 2011	**28,014**	**14,792**	**35,957**	**130,506**	**209,269**
Accumulated amortization and impairment					
January 1, 2011	8,508	21,056	11,706	89,912	131,182
Charge for the period	1,662	3,480	6,490	31,200	42,832
Impairment charge	-	-	-	823	823
Disposals	-	-	-	(2,146)	(2,146)
Transferred to disposal group classified as held for sale (see Note 27)	-	(9,744)	-	(28,905)	(38,649)
December 31, 2011	**10,170**	**14,792**	**18,196**	**90,884**	**134,042**
Net book value at January 1, 2011	**5,712**	**17,402**	**11,660**	**77,425**	**112,199**
Net book value at December 31, 2011	**17,844**	**-**	**17,761**	**39,622**	**75,227**

These notes are an integral part of these consolidated financial statements.

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2012	28,014	14,792	35,957	130,506	209,269
Additions	12,092	-	5,160	12,078	29,330
Transfers	-	-	714	5,504	6,218
Disposals	-	-	(91)	(1,154)	(1,245)
Transferred to disposal group classified as held for sale (see Note 27)	-	(14,792)	(41,740)	(34,053)	(90,585)
December 31, 2012	**40,106**	**-**	**-**	**112,881**	**152,987**
Accumulated amortization and impairment					
January 1, 2012	10,170	14,792	18,196	90,884	134,042
Charge for the period	4,160	-	3,082	11,777	19,019
Impairment charge	-	-	94	172	266
Transfers	-	-	-	-	-
Disposals	-	-	(91)	(823)	(914)
Transferred to disposal group classified as held for sale (see Note 27)	-	(14,792)	(21,281)	(22,634)	(58,707)
December 31, 2012	**14,330**	**-**	**-**	**79,376**	**93,706**
Net book value at January 1, 2012	**17,844**	**-**	**17,761**	**39,622**	**75,227**
Net book value at December 31, 2012	**25,776**	**-**	**-**	**33,505**	**59,281**

Amortization of 13,076 has been charged in cost of revenue (the year ended December 31, 2011: 17,986), 822 in selling expenses (the year ended December 31, 2011: 17,993) and 5,121 in general and administration expenses (the year ended December 31, 2011: 6,853).

Impairment of 266 has been charged in cost of revenue (year ended December 31, 2011: 823 in general and administration expenses).

14. PROGRAMMING RIGHTS

	December 31, 2012	December 31, 2011
Acquired programming rights	266,917	248,673
Productions	141,416	146,999
Co-productions	11,768	13,942
News archive	10,640	11,093
	430,741	**420,707**
Less current portion of programming rights	(259,231)	(241,465)
Non-current portion of programming rights	**171,510**	**179,242**

Changes in acquired programming rights

	Year ended December 31, 2012	Year ended December 31, 2011
Net book value as at January 1	248,673	253,133
Additions	159,520	205,881
Amortization	(141,276)	(190,141)
Transferred to disposal group classified as held for sale (see Note 27)	-	(20,200)
Net book value as at December 31	**266,917**	**248,673**

15. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	**Loans and receivables**	**Derivatives used for hedging**	**Total**
December 31, 2012			
Trade receivables	317,239	-	317,239
Restricted cash	915,343	-	915,343
Bank deposits with maturity over three months	50,000	-	50,000
Cash and cash equivalents	308,564	-	308,564
	1,591,146	**-**	**1,591,146**
December 31, 2011			
Trade receivables	376,430	-	376,430
Derivative financial assets	-	1,580	1,580
Bank deposits with maturity over three months	75,000	-	75,000
Cash and cash equivalents	592,126	-	592,126
	1,043,556	**1,580**	**1,045,136**

15. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Liabilities as per balance sheet	Other financial liabilities	Total
December 31, 2012		
10.75% Senior Notes due 2017	2,357,121	2,357,121
7.875% Senior Notes due 2018	697,276	697,276
Mortgage Loan	105,761	105,761
Accrued interest on borrowings	39,731	39,731
Non-current trade payables	13,050	13,050
Current trade payables	169,983	169,983
Other liabilities and accruals*	175,816	175,816
	3,558,738	**3,558,738**
December 31, 2011		
10.75% Senior Notes due 2017	2,542,476	2,542,476
7.875% Senior Notes due 2018	752,490	752,490
Accrued interest on borrowings	42,804	42,804
Non-current trade payables	15,010	15,010
Current trade payables	163,639	163,639
Other liabilities and accruals*	129,112	129,112
	3,645,531	**3,645,531**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	-	1,580
	-	**1,580**

The fair value of foreign exchange forward contracts as at December 31, 2011 was based on valuations performed by the Group's banks.

When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 8).

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

	December 31, 2012	December 31, 2011
Derivative financial assets		
Bank rated A+	-	1,580
	-	**1,580**

17. TRADE RECEIVABLES

	December 31, 2012	December 31, 2011
Trade receivables	295,926	365,501
Less: provision for impairment of receivables	(6,048)	(12,957)
Trade receivables – net	289,878	352,544
Receivables from related parties (Note 30 (iii))	27,361	23,886
	317,239	**376,430**

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

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

	December 31, 2012	December 31, 2011
PLN	310,044	366,538
USD	6,184	6,409
EUR	930	2,757
CAD	73	92
GBP	8	614
AUD	-	20
	317,239	**376,430**

Provision for impairment of receivables was created individually for non-related party trade receivables that were in general overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

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

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning of the period	12,957	25,681
Provision for receivables impaired, net change	1,491	12,640
Receivables written off as uncollectible	(1,905)	(3,025)
Transferred to disposal group classified as held for sale (see Note 27)	(6,495)	(22,339)
End of the period	**6,048**	**12,957**

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

17. TRADE RECEIVABLES (CONTINUED)

As of December 31, 2012, trade receivables of 146,650 were past due but not impaired. The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2012	December 31, 2011
Up to 30 days	119,608	138,170
31-60 days	19,995	26,102
Over 60 days	7,047	8,701
	146,650	**172,973**

The Group defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2012 was 317,239 (December 31, 2011: 376,430).

18. PREPAYMENTS AND OTHER ASSETS

	December 31, 2012	December 31, 2011
Consideration receivable (see Note 28)	38,250	-
VAT and other non-CIT taxes receivables	23,645	104
Inventory, net of impairment provision	10,706	14,372
Employee settlements	5,952	6,123
Technical support	2,433	3,038
Prepayments for programming	1,751	1,136
Other	36,620	38,339
	119,357	**63,112**
Less: current portion of other assets	**(118,945)**	**(57,605)**
Non-current portion of other assets	**412**	**5,507**

19. CASH AND CASH EQUIVALENTS, BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2012	December 31, 2011
Cash at bank and in hand *	308,564	592,126
	308,564	**592,126**
Bank deposits with maturity over three months	50,000	75,000
	50,000	**75,000**
Restricted cash **	915,343	-
	915,343	**-**

Cash at bank and in hand * (credit rating – Standard and Poor's)**:**

	December 31, 2012	December 31, 2011
Bank rated BBB+	154,766	424,859
Bank rated AA-	140,941	98,935
Banks rated BBB and other	12,857	68,332
	308,564	**592,126**

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

	December 31, 2012	December 31, 2011
Bank rated BBB+	50,000	-
Bank rated AA	-	75,000
	50,000	**75,000**

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

	December 31, 2012	December 31, 2011
PLN	50,000	75,000
	50,000	**75,000**

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

	December 31, 2012	December 31, 2011
Bank rated AA-	880,713	-
Other ***	34,630	-
	915,343	**-**

The carrying amounts of the Group's restricted cash is denominated in the following currencies:

	December 31, 2012	December 31, 2011
EUR	880,525	-
PLN	34,818	-
	915,343	**-**

* Excluding cash and cash equivalents of disposal group classified as held for sale (see Note 27)

** Restricted cash includes restricted cash related to the disposal of Onet Group (see Note 27 and 28) and restricted cash related to the acquisition of MBC Building (see Note 30 (vi))

*** Bank rated BBB according to Fitch, no Standard and Poor's rating available

20. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2012 was 343,876,421 with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive plans (C and E series of shares) as soon as cash consideration is received.

The shareholders structure as at December 31, 2012:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. (1) (2)	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment (1)	5,415,781	1.57%	5,415,781	1.57%
Other shareholders	158,105,210	45.98%	158,105,210	45.98%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

(1) Entities controlled by ITI Group.

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

All shares in issue as at December 31, 2012 are registered by the Court.

21. BORROWINGS

	December 31, 2012	December 31, 2011
10.75% Senior Notes due 2017	2,357,121	2,542,476
Interest accrued on 10.75% Senior Notes due 2017	32,576	35,195
7.875% Senior Notes due 2018	697,276	752,490
Interest accrued on 7.875% Senior Notes due 2018	7,043	7,609
Mortgage Loan	105,761	-
Interest accrued on Mortgage Loan	112	-
	3,199,889	**3,337,770**
Less: current portion of borrowings	(48,234)	(42,804)
Non-current portion of borrowings	**3,151,655**	**3,294,966**

10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018

On November 19, 2009 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 405,000 Senior Notes with an annual interest rate of 10.75% (“10.75% Senior Notes due 2017”). The 10.75% Senior Notes due 2017 issued in November 2009 are carried at amortized cost using an effective interest rate of 12%.

On March 10, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 148,000 of additional 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 issued in March 2010 are carried at amortized cost using an effective interest rate of 11.5%.

On April 30, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation II AB, issued EUR 40,000 of additional 10.75% Senior Notes due 2017. The 10.75% Senior Notes due 2017 issued in April 2010 are carried at amortized cost using an effective interest rate of 11.3%.

21. BORROWINGS (CONTINUED)

Total nominal value of 10.75% Senior Notes due 2017 issued in November 2009, March 2010 and April 2010 was EUR 593,000, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2010 and mature on November 15, 2017.

On November 19, 2010 the Group via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018"). The 7.875% Senior Notes due 2018 are carried at amortized cost using an effective interest rate of 8.6%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2011 and mature on November 15, 2018.

The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 (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 Notes are fully and unconditionally guaranteed by the Company and its subsidiaries TVN Online Investments Holding B.V. (previously Grupa Onet Poland Holding B.V.), Mango Media Sp. z o.o. and TVN Media Sp. z o.o.

The fair value of the 10.75% Senior Notes due 2017, excluding accrued interest, as at December 31, 2012 was estimated to be PLN 2,688,008 or EUR 657,504. The fair value of the 7.875% Senior Notes due 2018, excluding accrued interest, as at December 31, 2012 was estimated to be PLN 769,093 or EUR 188,125. Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on December 31, 2012. The Notes are quoted on the Luxembourg Stock Exchange.

The following early prepayment options are included in the Notes:

- the Group may redeem all or part of the 10.75% Senior Notes due 2017 on or after November 15, 2013 at a redemption price ranging from 105.375% to 100.000% and all or part of the 7.875% Senior Notes due 2018 on or after November 15, 2013 at a redemption price ranging from 105.906% to 100.000%
- the 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 November 15, 2013, the Group may on any one or more occasions redeem up to 35% of the original principal amount of the 7.875% Senior Notes due 2018 with the net cash proceeds of one or more public equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest, if any, up to the redemption date

21. BORROWINGS (CONTINUED)

- at any time prior to November 15, 2013, the Group has also an option to redeem the 10.75% Senior Notes due 2017 and the 7.875% Senior Notes due 2018 in whole, but not in part, at a price equal to 100% of the principal amount plus the applicable premium as of, and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means the greater of 1% of the principal, and the excess of (i) the present value of the redemption price of the Notes on November 15, 2013 plus interest due through November 15, 2013 computed using a discount rate equal to the Bund Rate plus 50 basis points (Bund rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to November 15, 2013 - but not shorter than a period of one year) and (ii) the outstanding principal of the 10.75% Senior Notes due 2017 or the 7.875% Senior Notes due 2018 on the redemption date.

The Group does not account for early prepayment options embedded in the 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.

Mortgage Loan

On December 13, 2012 the Group entered into a facility agreement for the amount of EUR 26,000 in order to partially finance the acquisition of MBC Building (the "Mortgage Loan") (see Note 30 (vi)). The Mortgage Loan 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 3.16%. The Mortgage Loan and interest will be repaid in monthly installments starting from January 31, 2013. The final repayment date will be December 19, 2016. The basic security for the Mortgage Loan are: mortgage on the MBC Building, assignment of rights from insurance policy relating to the MBC Building, financial and registered pledge over bank accounts held with the banks granting the loan. The carrying value of the Mortgage Loan is assumed to approximate its fair value.

Revolving guarantee facility

On December 17, 2010 the Group entered into a revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011, on September 30, 2011 and on March 13, 2012 the Group amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2013. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of December 31, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 279,982 (December 31, 2011: 203,943).

22. TRADE PAYABLES

	December 31, 2012	December 31, 2011
Acquired programming rights payables	74,613	88,788
Property, plant, equipment and intangible assets payables	7,948	22,406
Other trade payables	50,701	56,706
Related party payables (see Note 30 (iii))	49,771	10,749
	183,033	**178,649**
Less: current portion of trade payables	**(169,983)**	**(163,639)**
Non-current portion of acquired programming rights payables	**13,050**	**15,010**

23. OTHER LIABILITIES AND ACCRUALS

	December 31, 2012	December 31, 2011
Employee benefits	20,427	43,284
Accrued production and programming costs	14,039	12,038
Deferred income	7,282	15,693
Sales and marketing related costs	5,094	5,431
Satellites	4,872	4,875
VAT and other taxes payable	3,789	70,199
Other liabilities and accrued costs	129,564	98,451
	185,067	**249,971**

24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Profit/ (loss) for the period		470,239	(317,365)
Tax (benefit)/ charge		(232,822)	51,714
Depreciation, amortization and impairment		95,597	283,649
Impairment of goodwill	**4 (i), 27**	6,325	-
Impairment of brand	**4 (i)**	19,648	-
Amortization of acquired programming rights and co-production		251,052	196,116
Impaired accounts receivable		7,438	12,640
Gain on exchange of Pay TV assets and loss on disposal of Onet Group	**27**	38,762	-
Loss on sale of property, plant and equipment		702	1,081
Gain on sale of available-for-sale financial assets		-	(414)
Interest income	**8, 27**	(26,291)	(27,116)
Finance expense	**8, 27**	376,807	354,282
Foreign exchange (gains)/ losses, net	**8, 27**	(248,550)	313,564
Share of losses of associates	**27, 28**	8,337	1,069
Guarantee fee	**8**	(1,425)	(1,273)
Payments to acquire programming rights		(295,621)	(224,586)
Change in local production balance		6,036	(16,537)
Changes in working capital:			
Trade receivables		6,533	(104,546)
Prepayments and other assets		(62,543)	24,191
Trade payables		(10,383)	(40,723)
Other short term liabilities and accruals		(28,819)	(25,369)
		(95,212)	(146,447)
Cash generated from operations		**381,022**	**480,377**

Non-cash transactions

Barter (costs)/ revenue, net		(1,766)	5,510

According to the requirements of IFRS 5 the consolidated cash flow statement for the year ended December 31, 2012 is presented jointly for continuing and discontinued operations and the consolidated cash flow statement for the year ended December 31, 2011 is presented as previously reported. Details of cash flows of discontinued operations for the year ended December 31, 2012 and the year ended December 31, 2011 are disclosed in Note 27.

25. TAXATION

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax charge	(5,337)	(39,353)
Deferred tax credit	257,662	87,320
	252,325	**47,967**
Reconciliation of accounting profit/ (loss) to tax credit		
Profit/ (loss) before income tax	**267,752**	**(137,858)**
Income tax (charge)/ credit at the enacted statutory rate of 19%	(50,873)	26,193
Impact of deferred tax asset recognized on tax value of brands recognized by TVN Media (see Note 4 (iii))	27,514	27,514
Impact of tax loss carry-forwards	281,390	-
Losses carry-forwards on which deferred tax asset was not recognized (see Note 4 (iii))	(137,964)	
Tax impact of finalization of exchange of Pay TV assets and disposal of Onet Group transactions	137,795	-
Impact of share of loss of associates	(1,761)	-
Impact of impairment of goodwill	(1,202)	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(2,574)	(5,740)
Tax for the period	**252,325**	**47,967**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted and may impose additional tax assessments with penalty interest and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

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, tax loss carry-forwards and tax credits 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 December 31, 2012.

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

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

	December 31, 2012	December 31, 2011
Deferred tax assets/ (liabilities), net		
- Deferred tax asset/ (liability), net to be realized after more than 12 months	159,493	(53,289)
- Deferred tax asset/ (liability), net to be recovered within 12 months	84,997	(61,956)
	244,490	**(115,245)**

25. TAXATION (CONTINUED)

	Year ended December 31, 2012	Year ended December 31, 2011
Movements in deferred tax asset		
Balance at beginning of period	43,056	46,505
Credit to the income statement	230,003	2,542
Transferred to disposal group classified as held for sale (see Note 27)	(13,369)	(5,991)
Balance at end of period	**259,690**	**43,056**
Movements in deferred tax liability		
Balance at beginning of period	(158,301)	(168,255)
Deferred tax credited/ (charged) to other comprehensive income, net	59	(59)
Credit/ (charge) to the income statement	27,659	(9,874)
Charge to the result of discontinued operations	(6,868)	-
Transferred to disposal group classified as held for sale (see Note 27)	122,251	19,887
Balance at end of period	**(15,200)**	**(158,301)**

25. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Available for sale investments	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax asset/ (liability) at January 1, 2011	2,305	48,642	(16,756)	(6,300)	-	(29,619)	1,198	(151,853)	29,894	739	(121,750)
Credited/ (charged) to the income statement	6,857	(7,604)	1,641	24,833	(241)	(35,281)	(1,198)	31,438	(28,531)	754	(7,332)
Charged to other comprehensive income	-	-	-	-	(59)	-	-	-	-	-	(59)
Transferred to disposal group classified as held for sale (see Note 27)	402	(5,461)	-	-	-	-	-	19,492	-	(537)	13,896
Deferred tax asset/ (liability) at December 31, 2011	**9,564**	**35,577**	**(15,115)**	**18,533**	**(300)**	**(64,900)**	**-**	**(100,923)**	**1,363**	**956**	**(115,245)**

25. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Brand, customer related assets acquired and fair value adjustments	Tax credit	Tax losses carry forward	Total
Deferred tax asset/ (liability) at January 1, 2012	9,564	35,577	(15,115)	18,533	(300)	(64,900)	(100,923)	1,363	956	(115,245)
(Charged)/ credited to the income statement (continuing and discontinued operations)	(89)	29,338	1,803	(10,282)	241	73,719	370	(314)	156,008	250,794
Credited to other comprehensive income	-	-	-	-	59	-	-	-	-	59
Transferred to disposal group classified as held for sale (see Note 27)	(2,791)	(9,556)	-	(17)	-	44	122,251	(1,049)	-	108,882
Deferred tax asset/ (liability) at December 31, 2012	**6,684**	**55,359**	**(13,312)**	**8,234**	**-**	**8,863**	**21,698**	**-**	**156,964**	**244,490**

26. COMMITMENTS

The Group has entered into a number of operating lease and other agreements. The commitments derived from these agreements are presented below.

(i) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming as of December 31, 2012. These commitments are scheduled to be paid as follows:

Due in 2013	184,778
Due in 2014	113,792
Due in 2015	81,168
Due in 2016	68,914
Due in 2017	67,323
	515,975

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2012:

	Related parties	**Non-related parties**	**Total**
Due in 2013	238	14,109	14,347
Due in 2014	189	8,376	8,565
Due in 2015	140	6,184	6,324
Due in 2016	140	3,446	3,586
	707	**32,115**	**32,822**

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 December 31, 2012.

Contracts signed with non-related parties relate to the lease of office space and television studios.

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the use of satellite capacity. Under these agreements the Group is obliged to pay annual fees as follows:

Due in 2013	35,506
Due in 2014	40,142
Due in 2015	37,449
Due in 2016	37,307
Due in 2017	37,307
Due in 2018 and thereafter	34,336
	222,047

Additionally, the Group leases transmission sites and related services for an annual amount of 21,664.

26. COMMITMENTS (CONTINUED)

(iii) Barter commitments

The Group has an outstanding service commitment to broadcast advertising of 1,104 to settle sundry amounts payable recorded as of December 31, 2012 (3,310 at December 31, 2011). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2012, the Group assumed contractual commitments of 115 to acquire property, plant and equipment and intangible assets (1,226 at December 31, 2011).

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

Assets of disposal groups classified as held for sale

	December 31, 2012	December 31, 2011
ITI Neovision Group	-	1,463,368
Onet Group	-	-
	-	**1,463,368**

Liabilities of disposal groups classified as held for sale

	December 31, 2012	December 31, 2011
ITI Neovision Group	-	253,600
Onet Group	-	-
	-	**253,600**

Loss for the period from discontinued operations

	Year ended December 31, 2012	Year ended December 31, 2011
ITI Neovision Group	(46,811)	(250,609)
Gain on exchange of Pay TV assets	196,618	-
Onet Group	35,735	23,135
Impairment of Onet goodwill	(216,029)	-
Loss on disposal of Onet Group	(19,351)	-
	(49,838)	**(227,474)**

ITI Neovision Group

On December 18, 2011 an agreement was concluded between the Group, ITI Media Group Limited and Canal+ Group to effect the strategic co-operation with Canal+ Group and to merge the Group's digital Pay TV business of ITI Neovision, the 'n' platform operator, with Canal+ Cyfrowy S.A., the Cyfra+ platform operator. The purpose of the transaction was to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform nC+ controlled by Canal+ Group with a significant strategic shareholding by TVN.

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

Simultaneously, as a separate transaction, ITI Media Group Limited as a seller, Canal+ Group 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 to a 40% stake in N-Vision, with its registered office in Amsterdam, the Netherlands (the entity holding an indirect 52.45% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

Following conclusion of the above agreements the assets and liabilities related to ITI Neovision Group (included in the Digital satellite pay television segment) were presented as held for sale. The operations of ITI Neovision Group are presented as discontinued operations.

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of ‘n’ and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreements were signed with Canal+ Group.

On November 30, 2012 all the conditions precedent required to perform the strategic co-operation agreements have been fulfilled, the combination of the Cyfra+ and ‘n’ platforms as a combined digital DTH platform nC+ platform has come into effect, Group’s control over the ITI Neovision Group was lost, assets and liabilities of ITI Neovision Group (included in the Disposal group classified as held for sale – ITI Neovision Group in accordance with IFRS 5 requirements) were derecognized and a gain on exchange of Pay TV assets was recognized within discontinued operations in the consolidated income statement (see Note 28).

Assets of disposal group classified as held for sale – ITI Neovision Group

	November 30, 2012 *	**December 31, 2011**
Non-current assets		
Property, plant and equipment	390,510	361,226
Goodwill	724,957	724,957
Brand	74,575	74,575
Other intangible assets	100,687	84,614
Non-current programming rights	228	-
Investment in associate	1,284	413
Deferred tax asset	4,551	5,991
	1,296,792	**1,251,776**
Current assets		
Current programming rights	76,214	20,200
Trade receivables	65,162	50,181
Derivative financial assets	-	656
Prepayments and other assets	107,426	78,805
Corporate income tax receivable	4,622	931
Cash and cash equivalents	41,672	60,819
	295,096	**211,592**
	1,591,888	**1,463,368**

* ITI Neovision Group was consolidated within TVN Group up to November 30, 2012

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

Liabilities of disposal group classified as held for sale – ITI Neovision Group

	November 30, 2012 *	December 31, 2011
Non-current liabilities		
Deferred tax liability	19,887	19,887
Other non-current liabilities	1,763	2,261
	21,650	**22,148**
Current liabilities		
Current trade payables	64,921	90,262
Derivative financial liabilities	645	-
Other liabilities and accruals	133,810	141,190
	199,376	**231,452**
	221,026	**253,600**
Net assets	**1,370,862**	**1,209,768**

* ITI Neovision Group was consolidated within TVN Group up to November 30, 2012

Analysis of the result of discontinued operations – ITI Neovision Group

	Eleven months ended November 30, 2012 *	Year ended December 31, 2011
Revenue	733,842	690,750
Cost of revenue	(594,821)	(649,090)
Selling expenses	(122,570)	(175,018)
General and administration expenses	(54,884)	(39,563)
Gain on exchange of Pay TV assets	196,618	-
Other operating (expense)/ income, net	(2,060)	687
Operating profit/ (loss)	**156,125**	**(172,234)**
Interest income	1,709	569
Finance expense	(3,507)	(2,463)
Foreign exchange gains/ (losses), net	2,810	(5,088)
Share of profit/ (loss) of associate	931	(1,123)
Profit/ (loss) before income tax	**158,068**	**(180,339)**
Income tax charge	(8,261)	(70,270)
Profit/ (loss) for the period from discontinued operations	**149,807**	**(250,609)**

* ITI Neovision Group was consolidated within TVN Group up to November 30, 2012

According to the requirements of IFRS 5 depreciation and amortization of the disposal group classified as held for sale ceased on the reclassification date.

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

Cash flows of discontinued operations – ITI Neovision Group

	Eleven months ended November 30, 2012 *	**Year ended December 31, 2011**
Net cash used in operating activities	(6,839)	(21,914)
Net cash used in investing activities	(59,764)	(118,199)
Net cash generated by financing activities	47,423	190,873
	(19,180)	**50,760**

* ITI Neovision Group was consolidated within TVN Group up to November 30, 2012

Onet Group

On June 4, 2012 the Group concluded a share purchase agreement with Ringier Axel Springer Media AG ("RAS") relating to 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. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

Following conclusion of the above agreement the assets and liabilities related to Onet Group (included in the On-line segment) were presented as held for sale. The operations of Onet Group are presented as discontinued operations.

The total consideration for all the shares in Grupa Onet.pl amounts to 1,275,000. As the carrying amount of net assets of Onet Group exceeded the valuation of Onet Group as at the agreement date, an impairment loss in the amount of 216,029 was recognized on the reclassification of the group to be disposed to "held for sale". The impairment loss reduced the carrying amount of goodwill and is presented within discontinued operations in the income statement.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

On November 6, 2012 all conditions precedent to closing of the transaction have been satisfied or waived. Before the closing of the transaction, the parties agreed certain technical modification to the structure of the transaction and as of October 31, 2012 assets and liabilities of Onet Group (included as at October 31, 2012 in the Disposal group classified as held for sale – Onet Group in accordance with IFRS 5 requirements) were derecognized and a loss on disposal was recognized within discontinued operations in the consolidated income statement (see Note 28).

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

Assets of disposal group classified as held for sale – Onet Group

	October 31, 2012 *
Non-current assets	
Property, plant and equipment	111,544
Goodwill	586,176
Brand	643,427
Other intangible assets	37,628
Investment in associate	241
Deferred tax asset	11,831
Other non-current assets	437
	1,391,284
Current assets	
Trade receivables	42,619
Prepayments and other assets	2,787
Cash and cash equivalents	32,502
	77,908
	1,469,192

* Onet Group was consolidated within TVN Group up to October 31, 2012

Liabilities of disposal group classified as held for sale – Onet Group

	October 31, 2012 *
Non-current liabilities	
Deferred tax liability	122,318
	122,318
Current liabilities	
Current trade payables	6,838
Corporate income tax payable	7,444
Other liabilities and accruals	40,424
	54,706
	177,024
Net assets	**1,292,168**

* Onet Group was consolidated within TVN Group up to October 31, 2012

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

Analysis of the result of discontinued operations – Onet Group

	Ten months ended October 31, 2012 *	Year ended December 31, 2011
Revenue	195,561	240,118
Cost of revenue	(70,436)	(100,147)
Selling expenses	(54,361)	(54,392)
General and administration expenses	(29,920)	(40,071)
Impairment of goodwill	(216,029)	-
Loss on disposal	(19,351)	-
Other operating income, net	2,596	271
Operating (loss)/ profit	**(191,940)**	**45,779**
Interest income	4,038	6,343
Finance income/ (expense), net	45	(25)
Foreign exchange (losses)/ gains, net	(545)	395
Share of profit of associate	-	54
(Loss)/ profit before income tax	**(188,402)**	**52,546**
Income tax charge	(11,243)	(29,411)
(Loss)/ profit for the period from discontinued operations	**(199,645)**	**23,135**

* Onet Group was consolidated within TVN Group up to October 31, 2012

According to the requirements of IFRS 5 depreciation and amortization of the disposal group classified as held for sale ceased on the reclassification date.

Cash flows of discontinued operations – Onet Group

	Ten months ended October 31, 2012 *	Year ended December 31, 2011
Net cash generated by operating activities	83,719	94,166
Net cash (used in)/ generated by investing activities	(17,379)	51,198
Net cash used in financing activities	(219,222)	(27)
	(152,882)	**145,337**

* Onet Group was consolidated within TVN Group up to October 31, 2012

28. INVESTMENTS IN ASSOCIATES

	December 31, 2012	December 31, 2011
nC+ (Canal+ Cyfrowy Group)	1,543,836	-
Vidalia (Vidalia Investments Group)	321,808	-
Other	-	1,194
	1,865,644	**1,194**

nC+

As a result of the closing of the strategic co-operation agreements with Canal+ Group (see Note 27), TVN has transferred all the shares it held, directly or indirectly, in ITI Neovision by contributing them to the increased share capital of Cyfra+, in exchange for ordinary registered shares representing 32% of the share capital of Cyfra+ and entitling the holder to 32% of votes at the general meeting of Cyfra+. Canal+ Group holds shares representing 51% of the votes at a general meeting of Cyfra+ and LGI Ventures B.V. ("UPC") holds the remaining 17% of the votes at a general meeting of Cyfra+.

The Group sees the investment in the combined nC+ platform as a long term capital investment aiming to create the largest digital platform in Poland, with an expanded premium customer base, which will benefit from the effects of scale and synergies resulting from the combination of ITI Neovision and Cyfra+.

The Group's investment in nC+ will be 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.

Additionally all the conditions precedent had been fulfilled, which were required to close the transaction of the sale to Canal+ Group of a 40% interest in N-Vision, a company organized under the laws of the Netherlands, being the sole owner of Polish Television Holding B.V., a company organized under the laws of the Netherlands, the holder of a 52.45% interest in TVN, pursuant to a share purchase agreement dated December 18, 2011 concluded between ITI Media Group Limited, International Trading and Investments Holdings S.A. and Canal+ Group.

The fair value of the combined platform nC+ amounts to 4,863,000 based on the valuation performed by the Group's investment banks (see Note 4 (iv)). Accordingly the Group's 32% stake in the combined platform amounts to 1,556,160. As a result of the completion of the transaction the Group's control over ITI Neovision has been exchanged for an investment in nC+ in the amount of 1,556,160 which has been recognized on the consolidated balance sheet. As the Group has significant influence on, but not control over, the combined platform, the investment in nC+ is classified as investment in associate and accounted for using the equity method.

28. INVESTMENTS IN ASSOCIATES (CONTINUED)

On November 30, 2012 assets and liabilities of ITI Neovision Group (included in the Disposal group classified as held for sale – ITI Neovision Group in accordance with IFRS 5 requirements, see Note 27) were derecognized and a gain on exchange of Pay TV assets was recognized within discontinued operations in the consolidated income statement:

Investment in associate n/C+ recognized	1,556,160
Assets and liabilities of disposal group classified as held for sale derecognised	(1,370,862)
Reversal of intercompany eliminations	11,320
Gain on exchange of Pay TV assets	**196,618**

The following table summarizes the investment in associate nC+:

	Year ended December 31, 2012
Investment in associate n/C+ recognized	1,556,160
Share of loss of associate *	(12,324)
	1,543,836

* For the period from December 1, 2012

The following table presents summarized financial information of nC+ platform as at December 31, 2012 (based on the amounts from nC+ platform consolidated accounts):

Name	**Country of incorporation**	**Assets**	**Liabilities**	**Revenue ***	**Loss for the period ***	**% interest held**
Canal+ Cyfrowy S.A. Group	Poland	2,194,233	675,500	193,625	(38,513)	32

* For the period from December 1, 2012

The provisionally determined fair values of assets and liabilities of the associate being a combined nC+ platform will be finalized within twelve months from the date of the transaction and the adjustments will be accounted for retrospectively (the adjustments, if any, will affect the share of profit/ loss of associate recognized in the period from the date of the loss of control over ITI Neovision Group) but will not affect the initial value of the investment in nC+ which fair value is already final.

28. INVESTMENTS IN ASSOCIATES (CONTINUED)

Vidalia

On November 6, 2012 all conditions precedent to closing of the transaction of disposal of the majority stake in Onet Group to RAS (see Note 27) have been satisfied or waived. Before the closing of the transaction, the parties agreed certain technical modification to the structure of the transaction. Given the above on November 6, 2012 Grupa Onet Poland Holding, a wholly–owned subsidiary of TVN Group, sold to Vidalia Grupa Onet.pl shares jointly representing 100% of Grupa Onet.pl share capital and votes at its general meeting for both cash consideration and shares in Vidalia's share capital. The cash sale price for 75% of Grupa Onet.pl shares was 956,250. The cash sale price was subject to further adjustments reflecting Onet Group's financial condition, but would not be increased by more than 3,750. At the closing of the transaction 96% of the cash sale price was paid. The remainder of the cash sale price was paid on February 7, 2013 upon final determination of the cash sale price which amounted to 956,005 and hence on February 7, 2013 the Group received a payment from RAS in the amount of 38,005.

Grupa Onet Poland Holding contributed the remaining Grupa Onet.pl shares representing 25% of its share capital and votes at its general meeting to Vidalia in exchange for 25% shares in the Vidalia's increased share capital representing, following the increase, 25% of Vidalia's share capital and votes at its shareholders meeting. Increasing Vidalia's share capital requires making an entry in the relevant court register. The stake of 25% in the increased share capital of Vidalia is valued at 318,750.

Further to the closing of the transaction, when the increase in Vidalia's share capital has been entered in the relevant court register, RAS will hold 75% of Vidalia's shares and Grupa Onet Poland Holding will hold 25% of Vidalia's shares. Vidalia will hold 100% of Grupa Onet.pl shares. The Group treats Vidalia's shares as a long-term investment. As the Group has significant influence on, but not control over, Vidalia, the investment is classified as investment in associate and accounted for using the equity method.

Furthermore, at the closing of the transaction TVN, Grupa Onet Poland Holding and RAS entered into the shareholders agreement relating to Onet Group regulating their cooperation with respect to Vidalia and, indirectly, Onet Group. The shareholders agreement contains in particular a swap option for TVN to exchange a number of TVN's (its subsidiaries') shares in the Vidalia for the shares in RAS (option valid if RAS conducts an IPO). 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 Vidalia 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 Vidalia'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 Vidalia'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 Vidalia'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 Vidalia to RAS at any time within 60 days following the expiry date of the call option period.

28. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 Vidalia.

On October 31, 2012 assets and liabilities of Onet Group (included as at October 31, 2012 in the Disposal group classified as held for sale – Onet Group in accordance with IFRS 5 requirements, see Note 27) were derecognized and a loss on disposal was recognized within discontinued operations in the consolidated income statement:

Investment in associate Vidalia recognized	318,750
Consideration received	918,000
Consideration receivable * (see Note 18)	38,250
Assets and liabilities of disposal group classified as held for sale derecognised	(1,292,168)
Reversal of intercompany eliminations	(2,183)
Loss on disposal	**(19,351)**

* The Group received the remaining part of the consideration on February 7, 2013, as the final sale price for a 75% stake in Grupa Onet.pl has been determined to be 956,005 the Group received a payment of 38,005

The following table summarizes the investment in associate Vidalia:

	Year ended December 31, 2012
Investment in associate Vidalia recognized	318,750
Transaction costs capitalized	2
Share of profit of associate *	3,056
	321,808

* For the period from November 1, 2012

The following table presents summarized financial information of Vidalia as at December 31. 2012 (based on the amounts from Vidalia consolidated accounts):

Name	**Country of incorporation**	**Assets**	**Liabilities**	**Revenue ***	**Profit for the period ***	**% interest held**
Vidalia Investments Sp. z o.o. Group	Poland	391,904	65,067	50,539	12,224	25

* For the period from November 1, 2012

The provisionally determined fair values of assets and liabilities of the associate Vidalia will be finalized within twelve months from the date of the transaction and the adjustments will be accounted for retrospectively (the adjustments, if any, will affect the share of profit/ loss of associate recognized in the period from the date of the loss of control over Onet Group) but will not affect the initial value of the investment in Vidalia which fair value is already final.

29. GROUP COMPANIES

These consolidated financial statements as at December 31, 2012 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	December 31, 2012 Ownership %	December 31, 2011 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. (1)	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
ITI Neovision Sp. z o.o. (5)	Poland	-	100
Cyfrowy Dom Sp. z o.o. (5)	Poland	-	100
Neovision UK Ltd (5)	UK	-	100
DTH Poland Holding B.V. (2) (5)	The Netherlands	-	100
Grupa Onet.pl S.A. (6)	Poland	-	100
DreamLab Onet.pl Sp. z o.o. (6)	Poland	-	100
SunWeb Sp. z o.o. in liquidation (3) (6)	Poland	-	100
Media Entertainment Ventures Int Ltd (4)	Malta	-	100
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture) (5)	UK	-	45
Associates			
Canal+ Cyfrowy S.A. Group (5)	Poland	32	-
Vidalia Investments Sp. z o.o. Group (6)	Poland	25	-
Film Miasto Sp. z o.o. (7)	Poland	-	34
Polskie Badania Internetu Sp. z o.o. (6)	Poland	-	16

(1) Up to November 21, 2012 Grupa Onet Poland Holding B.V.

(2) Up to October 2, 2012 DTH Poland Holding Coöperatief U.A.

(3) Liquidation process initiated on July 13, 2012

(4) Liquidated on September 10, 2012

(5) Canal+ Cyfrowy S.A. Group includes Canal+ Cyfrowy S.A., its subsidiaries (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)

(6) Vidalia Investments Sp. z o.o. Group includes Vidalia Investments Sp. z o.o., its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation) and an associate (Polskie Badania Internetu Sp. z o.o.)

(7) On August 1, 2012 the Group sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Group recognized a loss on this transaction in the amount of 16

29. GROUP COMPANIES (CONTINUED)

The share capital percentage owned by the Group equals the percentage of voting rights in each of the above entities.

30. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2012	Year ended December 31, 2011
Canal+ Cyfrowy Group	7,541	-
ITI Group	5,353	17,425
Vidalia Investments Group	339	-
Wydawnictwo Pascal	81	-
Poland Media Properties	3	8
	13,317	**17,433**

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

Revenue from the ITI Group includes mainly revenue from the exploitation of film rights, license fees, production, broadcasting and technical services rendered and services of broadcasting advertising, net of commissions.

(ii) Operating expenses:

	Year ended December 31, 2012	Year ended December 31, 2011
ITI Group	45,752	40,644
Sieger & Sieger Ltd	2,789	2,832
Vidalia Investments Group	1,257	-
Poland Media Properties	831	2,115
Canal+ Cyfrowy Group	275	-
Wydawnictwo Pascal	4	-
	50,908	**45,591**

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

Operating expenses from Poland Media Properties comprise rent of office premises.

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

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

	December 31, 2012	December 31, 2011
Receivables:		
Canal+ Cyfrowy Group	14,791	-
ITI Group	11,326	23,883
Wydawnictwo Pascal	733	-
Vidalia Investments Group	511	-
Poland Media Properties	-	3
	27,361	**23,886**

30. RELATED PARTY TRANSACTIONS (CONTINUED)

	December 31, 2012	**December 31, 2011**
Payables:		
ITI Group	44,356	9,826
Canal+ Cyfrowy Group	2,564	-
Vidalia Investments Group	1,517	-
Sieger & Sieger Ltd	1,333	920
Wydawnictwo Pascal	1	-
Poland Media Properties	-	3
	49,771	**10,749**

Payables towards ITI Group as at December 31, 2012 include payables related to the acquisition of MBC Building (see Note 30 (vi)).

(iv) Other current and non-current liabilities

Other non-current liabilities include a rental deposit paid to the Company by ITI Group in the amount of 902.

Other current liabilities include a rental deposit paid to the Company by Vidalia Investments Group in the amount of 437.

(v) Lease commitments with related parties

See Note 26 for further details.

(vi) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution and USD 8,489 to Universal Studios International in respect of programming rights purchased and broadcasted by the Group. During the year ended December 31, 2012, the Group recorded finance costs related to ITI Holdings guarantees of 1,448 (the year ended December 31, 2011: 1,273).

In February 2012 the Group acquired from Poland Media Properties a building and perpetual usufruct of land for a total consideration of 27,155.

In December 2012 the Group acquired from MBC Real Estate land and building located in Warsaw at 166 Wiertnicza Street (“MBC Building”) for a total consideration of 183,139. MBC Real Estate is a subsidiary of ITI Group.

As of December 31, 2012 the Group issued guarantees in the total amount of 629,559 on the Group’s behalf relating to the liabilities of Canal+ Cyfrowy Group.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Management Board compensation

Management Board cash compensation for the year ended December 31, 2012 amounted to 17,450 (year ended December 31, 2011: 21,660).

	Year ended December 31, 2012	Year ended December 31, 2011
Markus Tellenbach	6,404	7,345
John Driscoll	3,224	2,777
Piotr Walter	5,204	4,585
Piotr Korycki	130	-
Maciej Maciejowski	48	-
Edward Miszczak	190	-
Adam Pieczyński	139	-
Piotr Tyborowicz	120	-
Robert Bednarski	1,991	-
Jan Łukasz Wejchert	-	6,953
	17,450	**21,660**

(viii) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2012 amounted to 1,105 (year ended December 31, 2011: 1,128).

	Year ended December 31, 2012	Year ended December 31, 2011
Wojciech Kostrzewa	187	192
Bruno Valsangiacomo	84	97
Arnold Bahlmann	108	108
Rodolphe Belmer	-	-
Michał Broniatowski	72	72
Paweł Gricuk	144	144
Sophie Guieysse	-	-
Bertrand Meheut	-	-
Wiesław Rozłucki	132	132
Aldona Wejchert	72	72
Romano Fanconi	108	95
Paul H. Lorenz	66	72
Andrzej Rybicki	66	72
Gabriel Wujek	66	72
	1,105	**1,128**

31. SHARE-BASED PAYMENTS

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

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

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

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

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

	Year ended December 31, 2012		Year ended December 31, 2011	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**
Exercised	-	-	PLN 10.75	(1,522,229)
At 31 December	PLN 10.88	**9,126,602**	PLN 10.88	**9,126,602**

The total fair value of the options granted was estimated at the respective grant date using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumed that dividends would be paid in the future in accordance with the Group's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan was service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	Vested
C2	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

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

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2013 and the date when these financial statements were prepared no options were exercised.

32. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
December 31, 2012	3.0996	4.0882
December 31, 2011	3.4174	4.4168

The movement in the consumer price index for the year ended December 31, 2012 amounted to 2.4% (the year ended December 31, 2011: 4.6%).

Independent Auditor's Report

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

We have audited the accompanying financial statements of TVN S.A. (the "Company"), which comprise the balance sheet as at December 31, 2012 and the income statement, statements of comprehensive income, changes in shareholders' equity and cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

February 27, 2013
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.

MANAGEMENT REPRESENTATIONS

These separate financial statements of TVN S.A. (the "Company") as of and for the year ended December 31, 2012, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date.

The separate financial statements of TVN S.A. as of and for year ended December 31, 2012 include: separate income statement, separate statement of comprehensive income, separate balance sheet, separate statement of changes in shareholders' equity, separate cash flow statement and notes to the separate financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities, the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual separate financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Company's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Company's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual separate financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the applicable regulations and professional standards.

These separate financial statements were authorized for issuance by the Management Board of TVN S.A. on February 27, 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, February 27, 2013

TVN S.A.

Separate Financial Statements
As of and for the year ended December 31, 2012

TVN S.A.

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TVN Information

1. Principal activity

TVN Group is the leading integrated Polish media group, active in television broadcasting and production, as well as teleshopping. TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate eleven television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN CNBC, NTL Radomsko, Telezakupy Mango 24 and TTV. The Group’s channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group together with Groupe Canal+ S.A. 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 operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Rodolphe Belmer (appointed on November 30, 2012)
- Michał Broniatowski
- Paweł Gricuk
- Sophie Guieysse (appointed on November 30, 2012)
- Bertrand Meheut (appointed on November 30, 2012)
- Wiesław Rozłucki
- Piotr Walter (appointed on January 1, 2013)
- Aldona Wejchert
- Romano Fanconi (resigned on December 31, 2012)
- Paul H. Lorenz (resigned on November 30, 2012)
- Andrzej Rybicki (resigned on November 30, 2012)
- Gabriel Wujek (resigned on November 30, 2012)

4. Management Board

- Markus Tellenbach, President
- John Driscoll, Vice-President (appointed as Vice-President on November 12, 2012)
- Piotr Walter, Vice-President (resigned on December 31, 2012)
- Piotr Korycki (appointed on November 12, 2012)
- Maciej Maciejowski (appointed on November 12, 2012)
- Edward Miszczak (appointed on November 12, 2012)
- Adam Pieczyński (appointed on November 12, 2012)
- Piotr Tyborowicz (appointed on November 12, 2012)
- Robert Bednarski (appointed on January 9, 2012, resigned on November 6, 2012)

TVN Information (CONTINUED)

5. Auditors

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

6. Principal Solicitors

Allen & Overy
Rondo ONZ 1
00-124 Warszawa

Weil, Gotshal & Manges
ul. Emilii Plater 53
00-113 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. (“Pekao S.A.”)
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- TVN Media Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa
- Stavka Sp. z o.o.
  ul. Ordynacka 14/5
  00-358 Warszawa

Teleshopping

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

Corporate

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

TVN Information (CONTINUED)

9. Joint ventures

- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa

10. Associates

- Canal+ Cyfrowy S.A.
  Al. Gen. Władysława Sikorskiego 9
  02-758 Warszawa
- Vidalia Investments Sp. z o.o. *
  Al. Jerozolimskie 56c
  00-803 Warszawa

*Vidalia Investments Sp. z o.o. is not a direct associate of TVN, but TVN has a significant influence on this company through TVN Online Investments Holding B.V. (Previously Grupa Onet Poland Holding B.V.)

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Revenue	**5**	1,429,782	1,670,938
Cost of revenue	**6**	(951,258)	(919,973)
Selling expenses	**6**	(38,032)	(112,420)
General and administration expenses	**6**	(159,855)	(143,195)
Other operating (expenses)/ income net	**4 (i)**	(24,980)	1,320
Loss on exchange of Pay TV assets	**13**	(365,898)	-
Dividend and other net distribution from subsidiaries	**13**	13,380	-
Gain on contribution of sales & marketing segments to the subsidiary TVN Media	**4 (iii)**	-	2,124,790
Impairment on investment in ITI Neovison	**13**	-	(1,013,496)
Operating (loss)/ profit		**(96,861)**	**1,607,964**
Interest income	**7**	10,420	189,789
Finance expense	**7**	(396,509)	(368,091)
Foreign exchange gains/ (losses), net	**7**	240,029	(47,996)
(Loss)/ profit before income tax		**(242,921)**	**1,381,666**
Income tax benefit / (charge)	**24**	245,963	(50,483)
Profit for the period		**3,042**	**1,331,183**
Earnings per share (not in thousands)			
- basic	**8**	0.01	3.88
- diluted	**8**	0.01	3.85

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

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Profit for the period		**3,042**	**1,331,183**
Other comprehensive income:			
Foreign exchange forward contracts		(312)	312
Income tax relating to components of other comprehensive income	**24**	59	(59)
Other comprehensive (loss)/ income for the period, net of tax		(253)	253
Total comprehensive income for the period		**2,789**	**1,331,436**

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

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

	Note	As at December 31, 2012	As at December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	411,014	227,198
Goodwill	**10**	144,127	144,127
Other intangible assets	**11**	44,430	29,044
Non-current programming rights	**12**	171,509	179,243
Investments in subsidiaries, associates and joint ventures	**13**	4,343,504	3,830,720
Non-current related party loans	**26 (v)**	28,037	111,257
Deferred tax asset	**24**	206,997	-
Other non-current assets	**17**	355	5,070
		5,349,973	**4,526,659**
Current assets			
Current programming rights	**12**	259,057	241,098
Trade receivables	**16**	166,233	235,996
Current related party loans	**26 (v)**	4,969	
Derivative financial assets	**15**	-	1,580
Prepayments and other assets	**17**	19,900	31,547
Corporate income tax receivable		52,427	19,677
Restricted cash	**18**	915,343	-
Bank deposits with maturity over three months	**18**	-	75,000
Cash and cash equivalents	**18**	163,671	218,935
		1,581,600	**823,833**
Non-current assets classified as held for sale	**13**	-	1,707,074
		1,581,600	**2,530,907**
TOTAL ASSETS		**6,931,573**	**7,057,566**
EQUITY			
Shareholders' equity			
Share capital	**19**	68,775	68,775
Share premium		672,876	672,931
8% obligatory reserve		23,301	23,301
Other reserves		97,718	97,971
Accumulated profit		2,462,103	2,493,449
		3,324,773	**3,356,427**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**20, 26 (iii)**	3,054,798	3,295,692
Non-current Mortgage Loan	**20**	97,258	-
Non-current trade payables	**21**	13,050	15,010
Deferred tax liability	**24**	-	39,208
Other non-current liabilities		16,455	1,894
		3,181,561	**3,351,804**
Current liabilities			
Current trade payables	**21**	169,680	165,502
Current Mortgage Loan	**20**	8,503	
Accrued interest on borrowings	**20, 26 (iii)**	42,771	47,680
Cash pooling liabilities	**26 (vii)**	97,729	-
Other liabilities and accruals	**22**	106,556	136,153
		425,239	**349,335**
Total liabilities		**3,606,800**	**3,701,139**
TOTAL EQUITY AND LIABILITIES		**6,931,573**	**7,057,566**

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

TVN S.A.
Separate 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- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2011	**342,354,192**	**68,471**	**643,049**	**23,301**	**111,667**	**-**	**1,175,994**	**2,022,482**
Total comprehensive income for the period	-	-	-	-	-	253	1,331,183	1,331,436
Issue of shares [(1)]	1,522,229	304	30,002	-	(13,949)	-	-	16,357
Share issue cost[(2)]	-	-	(120)	-	-	-	-	(120)
Dividend declared and paid [(3)]	-	-	-	-	-	-	**(13,728)**	(13,728)
Balance at December 31, 2011	**343,876,421**	**68,775**	**672,931**	**23,301**	**97,718**	**253**	**2,493,449**	**3,356,427**

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

TVN S.A.
Separate 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- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2012	**343,876,421**	**68,775**	**672,931**	**23,301**	**97,718**	**253**	**2,493,449**	**3,356,427**
Total comprehensive income/ (loss) for the period	-	-	-	-	-	(253)	3.042	2,789
Share issue cost[(2)]	-	-	(55)	-	-	-	-	(55)
Dividend declared and paid [(3)]	-	-	-	-	-	-	(34,388)	(34,388)
Balance at December 31, 2012	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**-**	**2,462,103**	**3,324,773**

(1) During the year ended December 31, 2011 1,522,229 (not in thousands) of C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (see Note 19).

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

(3) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands). The dividend declared and paid in 2011 amounted to 0.04 per share (not in thousands).

Included in accumulated profit as of December 31, 2012 is an amount of 2,460,273 which is distributable. The 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (See the consolidated financial statements).

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Operating activities			
Cash generated from operations	23	369,082	243,586
Tax paid		(45,681)	(41,328)
Net cash generated from operating activities		**323,401**	**202,258**
Investing activities			
Investment in subsidiaries	13	(2,283,751)	(7,104)
Proceed from liquidation of the subsidiary		-	3,470
Payments to acquire property, plant and equipment		(256,113)	(61,953)
Proceeds from sale of property, plant and equipment		2,395	1,689
Payments to acquire intangible assets		(22,742)	(14,163)
Sale of available for sales financial assets		-	7,782
Bank deposits with maturity over three months		75,000	167,834
Loans granted to subsidiary	26 (v)	(78,187)	(192,606)
Loans repaid to subsidiary		2,278,025	-
Dividend received		1,031,139	-
Interest received		9,130	20,055
Net cash generated from /(used in) investing activities		**754,896**	**(74,996)**
Financing activities			
Issue of shares, net of issue cost		-	16,237
Dividend paid,		(34,388)	(13,728)
Mortgage Loan		105,808	-
Cash pooling with TVN Media		97,729	-
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans			(1,472)
Settlement of foreign exchange forward contracts	7	(38,755)	36,960
Repurchase of PLN Bonds due 2013			(144,971)
Restricted cash	18	(915,343)	107,986
Interest paid		(356,044)	(343,694)
Net cash (used in)/generated from financing activities		**(1,140,993)**	**(342,682)**
(Decrease)/ increase in cash and cash equivalents		**(62,696)**	**(215,420)**
Cash and cash equivalents at the start of the period		218,935	425,653
Effects of exchange rates changes		7,432	8,702
Cash and cash equivalents at the end of the period		**163,671**	**218,935**

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

1. TVN

These separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 27, 2013.

TVN S.A. (until July 29, 2004 TVN Sp. z o.o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). The ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is the one of largest media and entertainment group in Poland.

The Company wholly owns the following subsidiaries: TVN Online Investments Holding B.V. (previously Grupa Onet Poland Holding B.V.), Tivien Sp. z o.o., TVN Finance Corporation II AB, TVN Finance Corporation III AB, El-Trade Sp. z o.o., Thema Film Sp. z o.o., NTL Radomsko Sp. z o.o., Mango Media Sp. z o.o., TVN Holding S.A. and TVN Media Sp. z o.o. and is also a majority shareholder in Stavka Sp. z o.o. Additionally the Company is also a minority shareholder in Canal+ Cyfrowy S.A. and Vidalia Investments Sp. z o.o. (indirectly through TVN Online Investments Holding B.V.) The investments in subsidiaries and associates are recognized and presented as non-current assets. The structure of the TVN Group is described in Note 13.

The Company believes that all of its material operations are part of the television broadcast service segment and it currently reports as a single segment. Additionally, all of the Company's operations and assets are based in Poland. Therefore, no other geographic information has been included.

Recent significant transactions

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

1. TVN (CONTINUED)

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

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

On December 18, 2011 the Company along with ITI Media Group Limited (its intermediate parent entity) concluded an agreement to effect the strategic co-operation with Groupe Canal+ S.A. ("Canal+ Group") and to merge the Group's digital Pay TV 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+ controlled by Canal+ Group with a significant strategic shareholding by TVN (see Note 13).

Also on December 18, 2011, ITI Media Group Limited as a seller, Canal+ Group 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 to a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding an indirect 52.45% stake in TVN S.A.).

On March 13 2012 the Company signed an agreement with TVN Media Sp. z o.o. and Bank Pekao S.A. regarding an implementation of a liquidity management system in the TVN Group ("Cash pooling system") aimed at day-to-day cash management, enabling a more effective funding of current needs of the Company and TVN Media and benefiting from a joint financial liquidity.

On June 4, 2012 the Company 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 (17.7% by the Company directly and 83.3% through TVN Online Investments Holding B.V.) to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 13).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreements were signed with Canal+ Group.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

1. TVN (CONTINUED)

On November 6, 2012, following the antitrust regulatory approval of the transaction, the Company and RAS finalized the transaction of disposal of 100% of the shares in Grupa Onet.pl to Vidalia, a wholly owned subsidiary of RAS, for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. (see Note 13).

On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a new digital DTH platform nC+ controlled by Canal+ Group with a significant strategic shareholding by TVN (see Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These separate financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the separate financial statements as of and for year ended December 31, 2012 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2011 except for standards, amendments to standards and interpretations which became effective January 1, 2012.

In 2012 the Company adopted:

(i) Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments amend the required disclosures related to transfers of financial assets. The amendments did not affect the Company's separate financial statements.

(ii) Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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

(iii) Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments relate to measuring deferred tax liabilities and deferred tax assets relating to investment property measured using the fair value model in IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporated into IAS 12 after excluding guidance regarding investment property measured at fair value. The amendments did not affect the Company's separate financial statements.

These separate financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These separate financial statements should be read together with the consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The consolidated financial statements for year ended December 31, 2012 are published together with these separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the year ended December 31, 2011 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Subsidiaries, joint ventures and Associates

Investments in subsidiaries, joint ventures and associates are classified as non-current assets. The Company values investments in subsidiaries, jointly controlled entities and associates at cost less impairment losses. Cost comprises also the transaction costs incurred.

2.3. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when recognized in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non-monetary assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange translation component.

2.4. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2012.

2.5. Goodwill

In relation to the transactions completed before January 1, 2009 goodwill represents the excess of the cost of an acquisition over the Company's share of fair value of net identifiable assets of the acquired subsidiary at the date of acquisition. In relation to the transactions completed after January 1, 2009 goodwill represents the excess of the sum of consideration transferred and payable, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is recognized in the separate financial statements of the Company as an effect of merger with the previously acquired subsidiary. This transaction was accounted for using the amounts from the consolidated financial statements in respect of this subsidiary.

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.6. Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years. Research expenditure is recognized as an expense as incurred. Perpetual usufruct of land is capitalized and amortized using the straight-line method over the term for which the right has been granted.

2.7. Programming rights

Programming rights includes acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquired program rights

Program rights acquired by the Company under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Company.

The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell or its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

The program rights purchased by the Company are amortized as follows:

Program Categories		Number of runs	Percentage of amortization per run		
			1st	2nd	3rd
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for	1	100		
	Television or Cable, whether first run,	2	60	40	
	library or rerun.	3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas,	1	100		
	comedies or serials, first run or library, live	2	60	40	
	action and animation.	3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including	1	100		
	documentary series, docu-soaps, reality	2	90	10	
	and nature.	3 or more	90	10	0
4	**Entertainment Documentaries**. One off	1	100		
	documentaries of less than timely topics.	2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Company under own licences or licences from third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalized production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs expected to be broadcast once	100% on first showing
Programs with unlimited broadcasting right which are expected to have reasonably long useful life, including documentary series, fiction series and movies	60% on first showing, 30% on second showing, 10% residual value or 66% on first showing, 20% on second showing, 14% on third and next showings in total (including 10% residual value) or 50% on first showing, 30% on second showing, 20% on third and next showings in total (including 10% residual value)
Other programs, including documentary series, fiction series and entertainment shows	95% on first showing, 3% on second showing, 2% on third showing or 60% on first showing, 40% on second showing or 25% on first showing, 50% on second showing, 25% on third and next showings in total or 75% on first showing, 25% on second showing or 50% on first showing, 50% on second showing or 90% on first showing, 10% on second showing

Residual value is amortized on a straight line basis over the period of ten years.

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Company for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to groups of cash-generating units as identified by the Company.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Non-current assets held for sale

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

2.10. Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Company determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see note 2.12).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. During the period the Company did not hold any financial assets in this category.

Purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities are classified as available for sale and are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Company's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a foreign exchange risk of a firm commitment (cash flow hedge) on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Company applies fair value hedge accounting for hedging foreign exchange risk on borrowings and programming rights payables. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The Company applies cash flow hedge accounting for hedging foreign exchange risk on firm commitments relating to acquisition of programming rights. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.12. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that

the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Company does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Company.

2.15. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Treasury shares

Where the Company purchases own equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.17. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.18. Borrowings

The Company recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

2.19. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilised.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.20. Employee benefits

Retirement benefit costs

The Company contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based plans

The Company's management board and certain key employees and co-workers were granted share options based on the rules of an incentive plan introduced by the Company. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.21. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.22. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue primarily results from the sale of television advertising and is recognised in the period in which the advertising is broadcast. Other revenues from sales of services primarily result from cable and satellite television subscription fees and call television and are recognized generally upon the performance of service.

2.23. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants are deducted in reporting the related expense if the expense might not have been incurred if the grant had not been available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24. Barter transactions

Revenue from barter transactions (television advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Company records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Company provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.25. Advertising costs

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

2.26. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.27. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.28. Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with a debt instrument. Financial guarantees are initially recognized at fair value and subsequently measured at a higher of: amount determined in accordance with IAS 37 and amount initially recognized less amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of guarantee contracts issued in respect of Company's subsidiary as long as it can be reliably measured increases value of Company's investment in respective subsidiary.

2.29. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.30. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual separate financial statements that are mandatory for accounting periods beginning on or after January 1, 2013. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) Annual Improvements to IFRSs 2009–2011 Cycle

In May 2012 the International Accounting Standards Board issued "Annual Improvements to IFRSs 2009–2011 Cycle", which amend five standards. The amendments apply for annual periods beginning on or after January 1, 2013. The amendments will not have significant impact on the Company's separate financial statements.

(ii) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments were published in October 2012. They define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. The amendments apply for annual periods beginning on or after January 1, 2014. The amendments will not affect the Company's separate financial statements.

Additionally, the following standards, amendments to standards and IFRIC interpretations are applicable in future and were discussed in the Company's separate financial statements for the year ended December 31, 2011:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- *IFRS 9 Financial Instruments*
- *Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures*
- *Annual Improvements to IFRSs 2009–2011 Cycle*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

All other new or amended standards and interpretations not listed are not relevant for the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be effective from cost and cash flow perspective.

Financial risk management is carried out by the Company under policies approved by the Management Board and Supervisory Board. The TVN Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Company is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Company's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Vice-President of the Management Board responsible for the Company's reporting and heads of the teams within the Company's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Company's risk factors, forecasts the Company's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies the settlement of the transactions.

(i) Market risk

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

On November 19, 2009 the Company, via its subsidiary TVN Finance Corporation II AB, issued EUR 405,000 of 10.75% Senior Notes due 2017, which are listed on the Luxembourg Stock Exchange. On March 10, 2010 the Company, via TVN Finance Corporation II AB, issued additional EUR 148,000 of 10.75% Senior Notes due 2017. On April 30, 2010 additional EUR 40,000 was issued. The Company does not account for the early prepayment options embedded in the 10.75% Senior Notes due 2017 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

On November 19, 2010 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") which are listed on the Luxembourg Stock Exchange. The cash proceeds obtained from the issuance of Senior Notes by the Company's subsidiaries were transferred to the Company through the related party loans (see Note 26 (iii)). The Company does not account for the early prepayment options embedded in the 7.875% Senior Notes due 2018 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

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

The Company's policy in respect of management of foreign currency risks is to cover known risks in 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 (see Note15). Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit for the period (post-tax) impact on balances as of December 31, 2012 and December 31, 2011 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 100,256 (a loss of 135,314 as of December 31, 2011) and is presented below:

	Year ended December 31, 2012	**Year ended December 31, 2011**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
11.90% loans from subsidiary due 2017 including accrued interest	(99,599)	(107,654)
9.025% loan from subsidiary due 2018 including accrued interest	(29,288)	(31,657)
Mortgage Loan	(4,309)	-
Trade payables	(400)	(293)
Other	(2,374)	(248)
Assets:		
Restricted cash	35,661	-
Loans to subsidiaries	-	4,451
Cash and cash equivalents	17	34
Trade receivables	36	53
	(100,256)	**(135,314)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated profit for the period (post-tax) impact on balances as of December 31, 2012 and December 31, 2011 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 2,153 (a loss of 3,071 as of December 31, 2011) and is presented below:

	Year ended December 31, 2012	Year ended December 31, 2011
Assumed USD appreciation against PLN:	5%	5%
Liabilities:		
Trade payables	(2,743)	(3,348)
Assets:		
Cash and cash equivalents	344	20
Trade receivables	246	257
	(2,153)	**(3,071)**

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the 11.90% loans from related party due 2017, 9.025% loans from related party due 2018, the loans to subsidiaries and the Mortgage Loan (see Note 20).

As 11.90% loans from related party due 2017 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect if interest rates decline. Since 11.90% loans from related party due 2017 are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of 11.90% loans from related party due 2017 in the balance sheet.

As 9.025% loan from related party due 2018 are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect if interest rates decline. Since 9.025% loan from related party due 2018 are carried at amortised cost, the changes in fair value of these instruments do not have a direct impact on valuation of 9.025% loan from related party due 2018 in the balance sheet.

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

The Mortgage Loan with a nominal value of EUR 26,000 bears interest at a variable rate linked to EURIBOR and therefore exposes the Company to interest rate risk if interest rates increase. At December 31, 2012, if EURIBOR interest rates had been 50 b.p. higher/lower with all other variables held constant, the post-tax profit for the period from continuing operations would have been 15 lower/higher.

The Company did not consider cost effective to hedge or otherwise seek to reduce interest rate or cash flow risk as of December 31, 2012.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Company to concentration of credit risk, consist principally of trade receivables, related party receivables and loans granted to subsidiaries. The Company places its cash and cash equivalents and restricted cash with financial institutions that the Company believes are credit worthy based on current credit ratings (see Note 18). The Company does not consider its current concentration of credit risk as significant.

The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. 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 67% of the total trade receivables as of December 31, 2012) 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 separate financial statements should be read together with the consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency. The major players amongst the advertising agencies in Poland with whom the Company and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	December 31, 2012	December 31, 2011
Receivables from other customers	14%	13%
Receivables from related parties	86%	87%
- TVN Media Sp. z o.o	67%	57%
- Canal+ Cyfrowy Group **	9%	21%
- Other related parties	10%	9%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the analysis of the Group's trade receivables.

** ITI Neovision Group as at December 31, 2011

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Company's customers as at December 31, 2012.

(iii) Liquidity risk

The Company maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Company expects that its principal future cash needs will be capital and financing expenditures relating to dividends, capital investment in television and broadcasting facilities and equipment, debt service through its subsidiaries of 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 and the Mortgage Loan and the launch of new thematic channels and investment in its subsidiaries. The Company believes that its cash balances, bank deposits with maturity over three months, and cash generated from operations will be sufficient to fund these needs.

However, if the operating cash flows of the Company are negatively affected by an economic slow-down or clients' financial difficulties the Company will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2012 the Company had cash and cash equivalents totaling 163,671 at its disposal (cash and cash equivalents, of 293,935 as at December 31, 2011). As at December 31, 2012 the Company had also restricted cash in the amount of 915,343 (December 31, 2011: nil).

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	More than 2 years
At December 31, 2012			
11.90% loans from subsidiary due 2017	288,492	288,492	3,289,779
9.025% loan from subsidiary due 2018	64,568	64,568	973,707
Mortgage Loan	11,646	11,282	94,095
Trade payables	169,680	13,050	-
Cash pooling liabilities	97,729	-	-
Other liabilities and accruals	85,465	14,844	-
Guarantees	65,105	306,377	178,859
	782,685	**698,613**	**4,536,440**
At December 31, 2011			
11.90% loan from subsidiary due 2017	311,680	311,680	3,865,882
9.025% loan from subsidiary due 2018	69,758	69,758	1,121,730
Trade payables	165,502	15,010	-
Other liabilities and accruals	50,397	192	-
Guarantees	72,060	137,696	193,235
	669,397	**534,336**	**5,180,847**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 20) payable at the reporting date including accrued interest and cash pooling liabilities less cash and cash equivalents and bank deposits with maturity over three months. EBITDA is calculated for the last twelve months and is defined as profit/(loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than programming rights), impairment charges and reversals on property plant and equipment and intangible assets, interest income, finance expense, foreign exchange gains and losses 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 Company's presentation and calculation of EBITDA may not be comparable to that of other companies.

	12 months ended December 31, 2012	12 months ended December 31, 2011
Net debt *	2,342,147	3,145,847
EBITDA	(18,590)	559,144
Gain on contribution of sales & marketing segment to the subsidiary	-	2,124,790
Dividend and other net distribution from subsidiaries	(1,031,139)	-
Loss on exchange of Pay TV assets	365,898	-
Impairment of Onet	1,017,759	-
Impairment on investment in ITI Neovison	-	(1,013,496)
Impairment on investment in Mango	26,000	-
EBITDA after adjustments	359,928	1,670,438
Net debt to EBITDA ratio	6.5	5.6

* Net debt as at December 31, 2012 includes restricted cash related to the disposal of Onet Group

This reported net debt to EBITDA ratio, excluding one-off transaction results, 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 Company'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 Company's goal is to lower both its gross and net debt to EBITDA ratios.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of available for sale financial assets which are not quoted on the market is determined using industry multiples and the most recent available financial information about the investment. The fair value of currency options and forwards is determined based on valuations performed by banks that hold the instruments.

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

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”),
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (“Level 2”),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (“Level 3”).

	Level 1	Level 2	Level 3	Total
At December 31, 2011				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,580	-	1,580
	-	**1,580**	**-**	**1,580**

The Company did not have any financial instruments measured at fair value as of December 31, 2012.

3.4 Consideration of the current economic environment

The global liquidity crisis which commenced in the middle of 2007 which resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times higher inter-bank lending rates and stock market volatility which had abated somewhat, has returned as a result of the ongoing sovereign debt issues in a number of European countries and recent financial issues in the United States of America, contribute to unstable, and at times volatile financial markets.

Management remains unable to reliably estimate the effects on the Company’s financial position of further deterioration in the liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company’s businesses under the current circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of the investment in Mango Media

The Company tests annually whether the investment in Mango Media has suffered any impairment. In the annual impairment test performed by the Company as at December 31, 2012 the recoverable amount of the investment in Mango Media was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows in 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Terminal growth	3%	3%
Discount rate	9.63%	10.05%

The test performed as at December 31, 2012 indicated, that the investment in Mango Media suffered an impairment. As a result an impairment charge of 26,000 was recognized in the income statement. The impairment charge is presented within other operating expenses, net. The impairment charge reduces the carrying value of the investment.

The management believes that the key assumptions made in testing for impairment of the investment in Mango Media as at December 31, 2012 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. However, if any of the key assumptions used in the value-in-use calculations were to change unfavorably, the impairment charge recognized would be higher. If the terminal growth rate was 2%, the impairment charge would amount to 28,663. If the discount rate applied to the discounted cash flows was 10.63% the impairment charge would amount to 27,006.

(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, 2011: 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED

As at December 31, 2012 the Company also did not recognize a deferred tax asset on tax loss carry-forwards of 726,000. Tax loss carry-forwards expire within five tax years. The related deferred tax asset in the amount of 137,940 (December 31, 2011: nil) was not recognized as the Company concluded that as at December 31, 2012 the realization of the related tax benefit is not probable.

(iii) Recognition of a gain on the contribution to a subsidiary

On November 28, 2011, with the effect as of November 29, 2011, the Company contributed to TVN Media, the entirety of the tangible and intangible components of the Sales and Marketing Segment (including also internally generated TVN brands and employees) - being an organizationally and functionally separated unit within the business structure of the Company responsible for carrying out the sales, marketing and brand management functions - as a contribution in kind of an organized part of the enterprise in exchange for the acquisition of the increased share capital in TVN Media.

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

The reorganization was executed to align the Group's structure with the Company's strategy of separating and focusing the sales and marketing functions on the provision of services to both external customers as well as the Company, in an effort to further increase the quality and volume of services provided to external customers. In addition, the reorganization will improve the management of the portfolio of TV channels and, accompanied by certain promotional activities, broaden the recognition of the Groups trademarks. The Company assessed that as a result of the reorganization the post-tax cash flows expected from the sales and marketing functions will change significantly as compared to the fair value of the business contributed mainly due to expected increase in revenue from services provided to external customers and expected selling expenses savings and certain tax benefits resulting in additional positive margin generated by the Group. Based on the above the Company concluded that the transaction has economic substance in accordance with IAS 16 par. 25 and therefore the gain on the contribution was recognized.
As a result of the reorganization, a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax liability in the amount of 403,710 (December 31, 2010: nil) as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The fair value of the contribution amounts to 2,393,000 and was recognized by the Company as an increase of the investment in TVN Media.

The valuation of the contribution was determined based on the discounted cash flow method and involved the use of estimates related to cash flow projections based on actual financial forecasts covering the period until 2015.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED

The key financial assumptions used for discounting cash flows were as follows:

Terminal growth	2.5%
Discount rate	10.0%

The Company believes that the key assumptions used in the valuation are reasonable. However, if any of the key assumptions used in the valuation were to change, the fair value of the contribution would also change. If the terminal growth rate was 3.0%, the fair value of the contribution would amount to 2,459,000, if the terminal growth rate was 2.0%, the fair value of the contribution would amount to 2,335,000. If the discount rate applied to the discounted cash flows was 9.5% the fair value of the contribution would amount to 2,562,000, if the discount rate applied to the discounted cash flows was 10.5% the fair value of the contribution would amount to 2,245,000.

(iv) Valuation of nC+ platform

As a result of the closing of the strategic co-operation agreements with Groupe Canal+ the Company recognized on its balance sheet an investment in associate being the combined nC+ platform (see Note 13). The initial value of the investment amounts to 1,556,160 as the fair value of the combined platform nC+ amounts to 4,863,000 and the Company has a 32% stake in the combined platform. The valuation of nC+ platform was performed by the Company's investment banks. The key financial assumptions used by the Company's investment banks in the valuation process were as follows:

Terminal growth	2.5%
Discount rate	11%

The valuation of the combined nC+ platform is sensitive to changes in the assumptions used in the valuation. Had the terminal growth been assessed at 2%, the fair value of the combined nC+ platform would amount to 4,694,000. Had the terminal growth been assessed at 3%, the fair value of the combined nC+ platform would amount to 5,053,000. Had the discount rate been assessed at 10.75%, the fair value of the combined nC+ platform would amount to 5,025,000. Had the discount rate been assessed at 11.25%, the fair value of the combined nC+ platform would amount to 4,710,000.

(v) Estimated impairment of the investment in TVN Media

The Company tests annually whether the investment in TVN Media has suffered any impairment. The recoverable amount of the investment in TVN Media is determined based on value-in-use calculations.

In the annual impairment test performed by the Company as at December 31, 2012 the calculation of value-in-use was based on discounted free cash flows and involved the use of estimates related to cash flow projections based on actual financial business plans approved by management covering the period until 2017.

The key financial assumptions used for discounting free cash flows were as follows:

Terminal growth	3%
Discount rate	6.61%

The test performed as at December 31, 2012 indicated that the investment in TVN Media did not suffer any impairment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED

The Company believes that the key assumptions made in testing for impairment of the investment in TVN Media as at December 31, 2012 are reasonable and are based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which investment in TVN Media recoverable amount is based would not cause the impairment charge to be recognized

5. REVENUE

	Year ended December 31, 2012	Year ended December 31, 2011
Revenue from advertising spot sales	1,007,259	1,214,442
Subscription fees	216,723	201,221
Revenue from sponsoring	115,733	138,428
Revenue from sales of goods and services	48,417	40,536
Other revenue	41,650	76,311
	1,429,782	**1,670,938**

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

Included in revenues for year ended December 31, 2012 are revenues from related parties in the amount of 1,240,554 (year ended December 31, 2011: 187,396) (see Note 26 (i)).

6. OPERATING EXPENSES

	Year ended December 31, 2012	Year ended December 31, 2011
Amortization of locally produced content	409,479	441,320
Amortization of acquired programming rights and co-production	144,106	148,389
Staff expenses	110,953	149,639
Depreciation, amortization and impairment charges on property, plant and equipment and intangible assets	78,271	62,474
Marketing and research	33,438	55,069
Royalties	121,004	69,598
Broadcasting expenses	59,718	50,371
Cost of services and goods sold	37,402	21,406
Rental	33,660	38,527
Impaired accounts receivable	1,115	908
Other	119,999	137,887
	1,149,145	**1,175,588**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2012 of 110,282 (year ended December 31, 2011: 109,717).

7. INVESTMENT INCOME AND FINANCE EXPENSE

Interest income	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Interest income on loans to related parties	6,832	170,673
Other interest income	3,588	19,116
	10,420	**189,789**

Finance expense		
Interest expense on 11.90% loans from related party (see Note 26 (iii))	(302,639)	(299,745)
Interest expense on 9.95% loan from related party (see Note 26(iii))	-	(202)
Interest expense on 9.025% loan from related party (see Note 26(iii))	(67,760)	(66,983)
Interest expense on Mortgage Loan (see Note 20)	(112)	-
Interest expense on PLN Bonds due 2013	-	(1,389)
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 15)	(31,219)	(10,965)
Premium on early repayment of PLN Bonds due 2013	-	(3,971)
Pre-issuance costs written off *	-	(217)
Income from guarantee fees from related parties (see Note 26 (viii))	12,253	18,344
Guarantee fees to related parties (see Note 26 (viii))	(1,448)	(1,273)
Bank and other charges	(5,584)	(1,690)
	(396,509)	**(368,091)**

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

7. INVESTMENT INCOME AND FINANCE EXPENSE (CONTINUED)

Foreign exchange (losses)/gains, net	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Foreign exchange gains/ (losses) on 11.90% loan from related party, including:	191,159	(239,985)
- unrealized foreign exchange gains/ (losses) *on 11.90% loan from related party*	*194,913*	*(270,315)*
- realized foreign exchange gains/ (losses) *on 11.90% loan from related party*	*2,965*	*(5,640)*
- fair value hedge impact (see Note 15)	*(6,719)*	*35,970*
Foreign exchange gains/ (losses) on 9.025% loan from related party, including:	56,198	(70,828)
-unrealized foreign exchange gains/ (losses) *on 9.025% loan from related party*	*57,517*	*(79,800)*
- realized foreign exchange gains/ (losses) *on 9.025% loan from related party*	*664*	*(1,643)*
- fair value hedge impact (see Note 15)	*(1,983)*	*10,615*
Other foreign exchange (losses)/ gains, net	(7,328)	262,817
	240,029	**(47,996)**

8. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Year ended December 31, 2012	Year ended December 31, 2011
Profit for the period (in thousands)	3,042	1,331,183
Weighted average number of ordinary shares in issue	343,876,421	343,336,965
Basic earnings per share	**0.01**	**3.88**

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options.

For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2012	Year ended December 31, 2011
Profit for the period (in thousands)	3,042	1,331,183
Weighted average number of ordinary shares in issue	343,876,421	343,336,965
Adjustment for share options	8,101	2,675,733
Weighted average number of potential ordinary shares for diluted earnings per share	343,884,522	346,012,698
Diluted earnings per share	**0.01**	**3.85**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2012**	**December 31, 2011**
Freehold land	39,576	14,143
Buildings	187,783	-
Leasehold improvements	16,271	28,500
Television, broadcasting and other technical equipment	134,677	142,694
Vehicles	23,645	24,286
Furniture and fixtures	5,465	4,702
Assets under construction	3,597	12,873
	411,014	**227,198**

9. Property, plant and equipment (continued)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2011	**12,247**	**-**	**76,794**	**349,515**	**45,220**	**17,420**	**18,596**	**519,792**
Additions	1,896	-	7,302	56,025	8,025	1,157	37	74,442
Disposals	-	-	(274)	(34,893)	(4,481)	(1,629)	-	(41,277)
Transferred to TVN Media (Note 14)	-	-	-	(4,350)	(3,579)	(1,143)	-	(9,072)
December 31, 2011	**14,143**	**-**	**83,822**	**366,297**	**45,185**	**15,805**	**18,633**	**543,885**
Accumulated depreciation and impairment								
January 1, 2011	**-**	-	**48,880**	**220,757**	**19,912**	**12,049**	**5,760**	**307,358**
Charge for the year	-	-	6,642	39,207	5,784	1,675	-	53,308
Disposals	-	-	(200)	(33,417)	(3,382)	(1,501)	-	(38,500)
Transferred to TVN Media (Note 14)	-	-	-	(2,944)	(1,415)	(1,120)	-	(5,479)
December 31, 2011	**-**	**-**	**55,322**	**223,603**	**20,899**	**11,103**	**5,760**	**316,687**
Net book value at January 1, 2011	**12,247**	**-**	**27,914**	**128,758**	**25,308**	**5,371**	**12,836**	**212,434**
Net book value at December 31, 2011	**14,143**	**-**	**28,500**	**142,694**	**24,286**	**4,702**	**12,873**	**227,198**

9. Property, plant and equipment (continued)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2012	**14,143**	**-**	**83,822**	**366,297**	**45,185**	**15,805**	**18,633**	**543,885**
Additions	25,700	179,559	4,690	34,239	5,549	2,152	-	251,889
Transfers		8,855	(8,966)	-	-	111	-	
Disposals	-	-	(853)	(14,527)	(7,817)	(1,867)	-	(25,064)
December 31, 2012	**39,843**	**188,414**	**78,693**	**386,009**	**42,917**	**16,201**	**18,633**	**770,710**
Accumulated depreciation and impairment								
January 1, 2012	**-**	**-**	**55,322**	**223,603**	**20,899**	**11,103**	**5,760**	**316,687**
Charge for the year	-	501	7,977	41,255	4,557	1,478	-	55,768
Other	-	130	(140)	-	-	10	-	-
Disposals	-	-	(737)	(13,526)	(6,184)	(1,855)	-	(22,302)
Impairment charge	267	-	-	-	-	-	9,276	9,543
December 31, 2012	**267**	**631**	**62,422**	**251,332**	**19,272**	**10,736**	**15,036**	**359,696**
Net book value at January 1, 2012	**14,143**	**-**	**28,500**	**142,694**	**24,286**	**4,702**	**12,873**	**227,198**
Net book value at December 31, 2012	**39,576**	**187,783**	**16,271**	**134,677**	**23,645**	**5,465**	**3,597**	**411,014**

Depreciation expense of 47,294 has been charged in cost of revenue (year ended December 31, 2011: 46,038), 106 in selling expenses (year ended December 31, 2011: 607) and 8,369 in general and administration expenses (year ended December 31, 2011: 6,663).
An impairment of 9,543 has been charged in cost of revenue (the year ended December 31, 2011: nil).

10. GOODWILL

January 1, 2011	144,127
December 31, 2011	**144,127**
January 1, 2012	144,127
December 31, 2012	**144,127**

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

Thematic television channels	131,704
Television production unit	12,423
	144,127

11. OTHER INTANGIBLE ASSETS

	December 31, 2012	December 31, 2011
Broadcasting licenses	13,070	3,382
Software and other	31,360	25,662
	44,430	**29,044**

11. Other intangible assets (continued)

Changes in other intangible assets

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2011	11,755	76,010	87,765
Additions	163	15,230	15,393
Disposals	-	(243)	(243)
Transferred to TVN Media	-	(5,119)	(5,119)
December 31, 2011	**11,918**	**85,878**	**97,796**
Accumulated amortization and impairment			
January 1, 2011	7,145	56,646	63,791
Charge for the year	1,391	7,774	9,165
Disposals	-	(64)	(64)
Transferred to TVN Media	-	(4,140)	(4,140)
December 31, 2011	**8,536**	**60,216**	**68,752**
Net book value at January 1, 2011	**4,610**	**19,364**	**23,974**
Net book value at December 31, 2011	**3,382**	**25,662**	**29,044**

Changes in other intangible assets

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2012	11,918	85,878	97,796
Additions	12,092	16,568	28,660
Other	-	(1,507)	(1,507)
Disposals	-	(748)	(748)
December 31, 2012	**24,010**	**100,191**	**124,201**
Accumulated amortization and impairment			
January 1, 2012	8,536	60,216	68,752
Charge for the year	2,404	9,049	11,453
Disposals	-	(434)	(434)
December 31, 2012	**10,940**	**68,831**	**79,771**
Net book value at January 1, 2012	**3,382**	**25,662**	**29,044**
Net book value at December 31, 2012	**13,070**	**31,360**	**44,430**

11. Other intangible assets (continued)

Amortization of 6,371 has been charged in cost of revenue (year ended December 31, 2011: 4,702), 14 in selling expenses (year ended December 31, 2011: 31) and 5,068 in general and administration expenses (year ended December 31, 2011: 4,433).

12. PROGRAMMING RIGHTS

	December 31, 2012	December 31, 2011
Acquired programming rights	266,916	248,623
Productions	141,243	146,683
Co-productions	11,767	13,942
News archive	10,640	11,093
	430,566	**420,341**
Less current portion of programming rights	(259,057)	(241,098)
Non-current portion of programming rights	**171,509**	**179,243**

Changes in acquired programming rights

	Year ended December 31, 2012	Year ended December 31, 2011
Net book value as at January 1	248,623	236,729
Additions	155,722	154,358
Amortization	(137,429)	(142,464)
Net book value as at December 31	**266,916**	**248,623**

13. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	December 31, 2012	December 31, 2011
TVN Media Sp. z o.o. (Note 4)	2,393,111	2,393,110
Canal+ Cyfrowy S.A.	1,556,160	
TVN Online Investments Holding B.V.*	357,000	1,102,500
Grupa Onet.pl S.A.	-	271,874
Mango Media Sp. z o.o.	28,862	54,861
Other investment in subsidiaries, joint ventures and associates	8,371	8,375
Total	**4,343,504**	**3,830,720**

* Previously Grupa Onet Poland Holding B.V.

13. Investments in subsidiaries and joint ventures (continued)

	Country of incorporation	December 31, 2012 Ownership %	December 31, 2011 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. (1)	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
ITI Neovision Sp. z o.o. (8) (5)	Poland	-	100
Cyfrowy Dom Sp. z o.o. (5)	Poland	-	100
Neovision UK Ltd (5)	UK	-	100
DTH Poland Holding B.V. (2) (5)	The Netherlands	-	100
Grupa Onet.pl S.A. (6)	Poland	-	100
DreamLab Onet.pl Sp. z o.o. (6)	Poland	-	100
SunWeb Sp. z o.o. in liquidation (3) (6)	Poland	-	100
Media Entertainment Ventures Int Ltd (4)	Malta	-	100
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
MGM Chanel Poland Ltd (joint venture) (5)	UK	-	45
Associates			
Canal+ Cyfrowy S.A. Group (5)	Poland	32	-
Vidalia Investments Sp. z o.o. Group (6)	Poland	25	-
Film Miasto Sp. z o.o. (7)	Poland	-	34
Polskie Badania Internetu Sp. z o.o. (6)	Poland	-	16

(1) Up to November 21, 2012 Grupa Onet Poland Holding B.V.

(2) Up to October 2, 2012 DTH Poland Holding Coöperatief U.A.

(3) Liquidation process initiated on July 13, 2012

(4) Liquidated on September 10, 2012

(5) Canal+ Cyfrowy S.A. Group includes Canal+ Cyfrowy S.A., its subsidiaries (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)

(6) Vidalia Investments Sp. z o.o. Group includes Vidalia Investments Sp. z o.o., its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation) and an associate (Polskie Badania Internetu Sp. z o.o.). Company has significant influence on Vidalia indirectly through TVN Online Investments Holding B.V.

(7) On August 1, 2012 the Company sold its share in the share capital of Film Miasto Sp. z o.o. for a consideration of 2. The Company recognized a loss on this transaction in the amount of 64

(8) Classified as Held for sale as at 31 Decembe 2011

13. Investments in subsidiaries and joint ventures (continued)

Investment in nC+

On December 18, 2011 an agreement was concluded between the Company, ITI Media Group Limited and Groupe Canal+ to effect the strategic co-operation with Canal+ Group and to merge the Group's digital Pay TV business of ITI Neovision, the 'n' platform operator, with Canal+ Cyfrowy S.A., the Cyfra+ platform operator. The purpose of the transaction was to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform nC+ controlled by Canal+ Group with a significant strategic shareholding by TVN.

Simultaneously, as a separate transaction, 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 to a 40% stake in N-Vision, with its registered office in Amsterdam, the Netherlands (the entity holding an indirect 52.45% stake in TVN S.A.). This share purchase agreement includes call options granted to Canal+ Group which provide a potential path to full control of N-Vision three or four years after closing of the transaction.

Following conclusion of the above agreements the equity investment in DTH Poland Holding B.V. and loans granted to DTH Poland Holding B.V. and ITI Neovision were reclassified and presented as held for sale. The impairment test performed by the Company as at December 31, 2011 indicated that the investment in DTH Poland Holding B.V. and loans granted to DTH Poland Holding B.V. and ITI Neovision suffered an impairment. As a result an impairment charge of 1,013,496 was recognized in the income statement for the year ended December 31, 2011. The impairment loss first reduced the carrying amount of the equity instruments in the amount of 555,764 and the residual value in the amount of 457,732 was allocated to loans i.e. the allocation was made in the reverse order of their seniority (priority in liquidation).

On September 14, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the combination of 'n' and Cyfra+ platforms. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreements were signed with Groupe Canal+.

On October 4, 2012, in performance of the agreements entered into on December 18, 2011 with Canal+ Group, the Company concluded an agreement with ITI Neovision regarding the subscription for 87,166 (not in thousands) shares in the increased share capital of ITI Neovision, with a nominal value of PLN 500 (not in thousands) each and the aggregate nominal value of 43,583. The agreement was concluded in connection with a resolution of the extraordinary meeting of the shareholders of ITI Neovision dated October 4, 2012 regarding the increase in the share capital of ITI Neovision by 47,946 up to 88,946, through the issuance of 95,892 (not in thousands) new shares with a nominal value of PLN 500 (not in thousands) each and the aggregate nominal value of 47,946. The remaining 8,726 (not in thousands) shares with a nominal value of 4,363 were subscribed for by the existing shareholder of ITI Neovision: DTH Poland Holding B.V. The shares were subscribed for at the issue price of PLN 23,909 (not in thousands) per share. The proceeds from the share capital increase were used by ITI Neovision for a full repayment of its obligations under the loans granted to ITI Neovision by the Company and DTH Poland Holding B.V. and current operational needs of ITI Neovision.

13. Investments in subsidiaries and joint ventures (continued)

As a result of the closing of the strategic co-operation agreements, TVN has transferred all the shares it held, directly or indirectly, in ITI Neovision, by contributing them to the increased share capital of Cyfra+, in exchange for ordinary registered shares representing 32% of the share capital of Cyfral+ and entitling the holder to 32% of votes at the general meeting of Cyfra+. Canal+ Group holds shares representing 51% of the votes at a general meeting of Cyfra+ and LGI Ventures B.V. ("UPC") holds the remaining 17% of the votes at a general meeting of Cyfra+.

The Company sees the investment in the combined nC+ platform as a long term capital investment aiming to create the largest digital platform in Poland, with an expanded premium customer base, which will benefit from the effects of scale and synergies resulting from the combination of ITI Neovision and Cyfra+.

The Company's investment in nC+ will be 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.

Additionally all the conditions precedent had been fulfilled, which were required to close the transaction of the sale to Canal+ Group of a 40% interest in N-Vision, a company organized under the laws of the Netherlands, being the sole owner of Polish Television Holding B.V., a company organized under the laws of the Netherlands, the holder of a 52.45% interest in TVN, pursuant to a share purchase agreement dated December 18, 2011 concluded between ITI Media Group Limited, International Trading and Investments Holdings S.A. and Canal+ Group.

The fair value of the combined platform nC+ amounts to around 4,863,000 based on the valuation performed by the Company's investment banks (see Note 4 (iv)). Accordingly the Company's 32% stake in the combined platform amounts to 1,556,160. As a result of the completion of the transaction the Company's control over ITI Neovision has been exchanged for an investment in nC+ in the amount of 1,556,160 which has been recognized on the balance sheet. As the Company has significant influence on, but not control over, the combined platform, the investment in nC+ is classified as investment in associate.

13. Investments in subsidiaries and joint ventures (continued)

On November 30, 2012 the investment in DTH Poland Holding B.V. and ITI Neovision (classified as held for sale) was derecognized and a loss on exchange of Pay TV assets was recognized in the income statement:

Investment in associate n/C+ recognized	1,556,160
Asset held for sale derecognised	(1,922,058)
Loss on exchange of Pay TV assets	**(365,898)**

The following table summarizes the investment in associate nC+:

	Year ended December 31, 2012
Investment in associate n/C+ recognized	1,556,160
	1,556,160

Investment in Onet

On June 4, 2012 the Company concluded a share purchase agreement with Ringier Axel Springer Media AG (“RAS”) relating to Grupa Onet.pl. The agreement provided for the disposal of 100% of the shares in Grupa Onet.pl (17.7% by the Company directly and 83.3% through Grupa Onet Poland Holding) to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. (“Vidalia”), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl.

The total consideration for all the shares in Grupa Onet.pl amounts to 1,275,000. As the carrying amount of the investment in Grupa Onet.pl and in Grupa Onet Poland Holding B.V. exceeded the valuation of Onet Group as at the agreement date, an impairment loss in the amount of 127,293 was recognized on the reclassification of the investment to “assets held for sale”. The impairment charge reduced the carrying amount of the investment.

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of the majority stake in Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

On October 12, 2012, after agreeing action plan with RAS, the Shareholders Meeting of Grupa Onet.pl adopted a resolution on redemption of 468,425 (not in thousands) shares (being 5.82% of Grupa Onet.pl's share capital) of the company's shares held by TVN out of accumulated profits for previous financial years for the payment of 74,200 to TVN and on respective share capital decrease. The payment by Grupa Onet.pl to TVN for the transfer of the shares subject to redemption was made by October 30, 2012.

On November 6, 2012 all conditions precedent to closing of the transaction have been satisfied or waived. Before the closing of the transaction, the parties agreed certain technical modification to the structure of the transaction. Given the above on November 6, 2012. Grupa Onet Poland Holding, a wholly–owned subsidiary of the Company, sold to Vidalia Grupa Onet.pl shares jointly representing 100% of Grupa Onet.pl share capital and votes at its general meeting for both cash consideration and shares in Vidalia’s share capital. The cash sale price for 75% of Grupa Onet.pl shares was 956,250.

13. Investments in subsidiaries and joint ventures (continued)

The cash sale price was subject to further adjustments reflecting Onet Group's financial condition, but would not be increased by more than 3,750. At the closing of the transaction 96% of the cash sale price was paid to Grupa Onet Poland Holding and subsequently transferred by Grupa Onet Poland Holding to the Company in a form of share redemption of 697,185, dividend payment of 124,174 and repayment of loans together with accrued interest of 96,641 in total.

The remainder of the cash sale price was paid on February 7, 2013 upon final determination of the cash sale price which amounted to 956,005 and hence on February 7, 2013 TVN Online Investments Holding (previously Grupa Onet Poland Holding) received a payment from RAS in the amount of 38,005 and subsequently TVN Online Investments Holding transferred the amount to the Company in a form of share redemption of 38,005.

Grupa Onet Poland Holding contributed the remaining Grupa Onet.pl shares representing 25% of its share capital and votes at its general meeting to Vidalia in exchange for 25% shares in the Vidalia's increased share capital representing, following the increase, 25% of Vidalia's share capital and votes at its shareholders meeting. Increasing Vidalia's share capital requires making an entry in the relevant court register. The stake of 25% in the increased share capital of Vidalia is valued at 318,750.

Further to the closing of the transaction, when the increase in Vidalia's share capital has been entered in the relevant court register, RAS will hold 75% of Vidalia's shares and Grupa Onet Poland Holding will hold 25% of Vidalia's shares. Vidalia will hold 100% of Grupa Onet.pl shares. The Company treats Vidalia's shares (held through its wholly owned subsidiary Grupa Onet Poland Holding B.V.) as a long-term investment.

Furthermore, at the closing of the transaction TVN, Grupa Onet Poland Holding and RAS entered into the shareholders agreement relating to Onet Group regulating their cooperation with respect to Vidalia and, indirectly, Onet Group. The shareholders agreement contains in particular a swap option for TVN to exchange a number of TVN's (its subsidiaries') shares in the Vidalia for the shares in RAS (option valid if RAS conducts an IPO). 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 Vidalia 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 Vidalia'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 Vidalia'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 Vidalia'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 Vidalia 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 Vidalia.

13. Investments in subsidiaries and joint ventures (continued)

On November 6, 2012 the transaction of disposal of Grupa Onet.pl shares was finalized and the Company recognized a write-off in relation to its investment in Grupa Onet Poland Holding of 1,017,759 (composed of impairment charge in the amount of 127,293 recognised as of June 4, 2012 and write-off in the amount of 890,466 recognised on a completion transaction date) to decrease its carrying amount to the underlying recoverable amount of Grupa Onet Poland Holding of 357,000:

Dividend received from Grupa Onet.pl (redemption of shares)	74,200
Dividend received from Grupa Onet Poland Holding B.V.	124,174
Dividend received from Grupa Onet Poland Holding B.V. (redemption of shares)	697,185
	895,559
Investment in Grupa Onet Poland Holding B.V. and Grupa Onet.pl as at December 31, 2012	1,374,374
Recoverable value of Grupa Onet Poland Holding B.V.*	(357,000)
Other	385
Write-off of the investment in GOPH to its recoverable amount.	1,017,759
Proceeds from dividends	895,559
Impairment of Grupa Onet Poland Holding B.V*	(1,017,759)
Result on Onet transaction	(122,200)
Dividend received from Grupa Onet.pl	135,580
Total Dividend and other net distribution from subsidiaries	13,380

* The recoverable value of Groupa Onet Poland Holding B.V. consists of fair value of Vidalia in the amount of 318,750 and remaining part of consideration for sale of Grupa Onet.pl in the amount of 38,250. The Company received the remaining part of the consideration on February 7, 2013, as the final sale price for a 75% stake in Grupa Onet.pl has been determined to be 956,005 Grupa Onet Poland Holding received a payment of 38,005 and transferred the amount to the Company in a form of redemption of shares.

On November 21, 2012 Grupa Onet Poland Holding B.V. changed its name to TVN Online Investments Holding B.V.

14. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet	Derivatives used for hedging	Loans and receivables	Financial assets available-for-sale	Total
December 31, 2012				
Non-current related party loans	-	33,006	-	33,006
Trade receivables	-	166,233	-	166,233
Restricted cash	-	915,343	-	915,343
Cash and cash equivalents	-	163,671	-	163,671
	-	**1,278,253**	**-**	**1,278,253**
December 31, 2011				
Non-current related party loans	-	111,257	-	111,257
Trade receivables	-	235,996	-	235,996
Derivative financial assets	1,580	-	-	1,580
Bank deposits with maturity over three months	-	75,000	-	75,000
Cash and cash equivalents	-	218,935	-	218,935
	1,580	**641,188**	**-**	**642,768**

Liabilities as per balance sheet	Derivatives used for hedging	Liabilities at fair value through profit and loss	Other financial liabilities	Total
December 31, 2012				
Loans from related parties	-	-	3,054,798	3,054,798
Mortgage Loan	-	-	105,761	105,761
Accrued interest on borrowings	-	-	42,771	42,771
Non-current trade payables	-	-	13,050	13,050
Current trade payables	-	-	169,680	169,680
Cash pooling liabilities			97,729	97,729
Other liabilities and accruals*	-	-	101,920	101,920
	-	**-**	**3,585,709**	**3,585,709**
December 31, 2011				
Loans from related parties	-	-	3,295,692	3,295,692
Accrued interest on borrowings	-	-	47,680	47,680
Non-current trade payables	-	-	15,010	15,010
Current trade payables	-	-	165,502	165,502
Other liabilities and accruals*	-	-	50,589	50,589
	-	**-**	**3,574,473**	**3,574,473**

* This amount includes financial liabilities presented as other non-current liabilities and other liabilities and accruals excluding the following items which are not financial liabilities: VAT and other taxes payable, employee benefits, deferred income.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012	December 31, 2011
Derivative financial assets		
Foreign exchange forward contracts	-	1,580
	-	**1,580**

The fair value of foreign exchange forward contracts as at December 31, 2011 was based on valuations performed by the Company's banks.

When designating a hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in income statement in the period until maturity date of each foreign exchange forward contract (see Note 7).

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

	December 31, 2012	December 31, 2011
Derivative financial assets		
Bank rated A+	-	1,580
	-	**1,580**

16. TRADE RECEIVABLES

	December 31, 2012	December 31, 2011
Trade receivables	26,667	32,421
Less: provision for impairment of receivables	(3,121)	(1,651)
Trade receivables – net	23,546	30,770
Receivables from related parties (Note 26 (iv))	142,687	205,226
	166,233	**235,996**

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

16. TRADE RECEIVABLES (CONTINUED)

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

	December 31, 2012	December 31, 2011
PLN	159,072	228,638
EUR	896	1,262
USD	6,184	5,984
CAD	73	92
GBP	8	-
AUD	-	20
	166,233	**235,996**

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

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

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning of the period	1,651	6,140
Provision for receivables impaired, net change	2,867	908
Receivables written off as uncollectible	(1,395)	(2,916)
Provision transferred to TVN Media	-	(2,481)
End of the period	**3,123**	**1,651**

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

As of December 31, 2012, trade receivables of 20,006 were past due but not impaired. The balance includes mainly receivables from related parties and relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2012	December 31, 2011
Up to 30 days	12,279	34,874
31-60 days	649	13,052
Over 60 days	7,078	13,220
	20,006	**61,146**

The Company defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2012 was 166,233 (December 31, 2011: 235,996).

17. PREPAYMENTS AND OTHER ASSETS

	December 31, 2012	December 31, 2011
Employee settlements	5,310	5,390
Technical support	2,901	2,922
Prepayments for programming	4,812	2,272
Inventory, net of impairment provision	372	455
Other	6,860	25,578
	20,255	**36,617**
Less: current portion of other assets	**(19,900)**	**(31,547)**
Non-current portion of other assets	**355**	**5,070**

18. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2012	December 31, 2011
Cash at bank and in hand	163,671	218,935
	163,671	**218,935**
Bank deposits with maturity over three months	-	75,000
	-	**75,000**
Restricted cash *	915,343	-
	915,343	**-**

* Restricted cash includes restricted cash related to the disposal of Onet Group (see Note 13) and restricted cash related to the acquisition of MBC Building (see Note 26 (viii))

18. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH (CONTINUED)

Cash at bank and in hand (credit rating – Standard and Poor's)**:**

	December 31, 2012	December 31, 2011
Bank rated BBB+	19,236	160,382
Bank rated AA-	140,941	58,133
Banks rated BBB and other	3,494	420
	163,671	**218,935**

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

	December 31, 2012	December 31, 2011
Bank rated AA	-	75,000
	-	**75,000**

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

	December 31, 2012	December 31, 2011
EUR		-
PLN	-	75,000
	-	**75,000**

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

	December 31, 2012	December 31, 2011
Bank rated AA-	880,713	-
Other*	34,630	-
	915,343	**-**

* Bank rated BBB according to Fitch, no Standard and Poor's rating available

19. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2012 was 343,876,421 with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive plans (C and E series of shares) as soon as cash consideration is received.

The shareholders structure as at December 31, 2012:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polish Television Holding B.V. (1) (2)	180,355,430	52.45%	180,355,430	52.45%
Cadizin Trading&Investment (1)	5,415,781	1.57%	5,415,781	1.57%
Other shareholders	158,105,210	45.98%	158,105,210	45.98%
Total	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

(1) Entities controlled by ITI Group.

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

19. SHARE CAPITAL (NOT IN THOUSANDS) (CONTINUED)

All shares in issue as at December 31, 2012 are registered by the Court.

20. BORROWINGS

	December 31, 2012	December 31, 2011
Loans from related parties (see Note 26 (iii))	3,054,798	3,295,692
Interest accrued on loans from related parties (see Note 26 (iii))	42,659	47,680
Mortgage Loan	105,761	-
Interest accrued on Mortgage Loan	112	-
	3,203,330	**3,343,372**
Less: current portion of borrowings	(51.274)	(47,680)
Non-current portion of borrowings	**3,152,056**	**3,295,692**

Mortgage Loan

On December 13, 2012 the Company entered into a facility agreement for the amount of EUR 26,000 in order to partially finance the acquisition of MBC Building (the "Mortgage Loan") (see Note 26 (viii)). The Mortgage Loan 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 3.16%. The Mortgage Loan and interest will be repaid in monthly installments starting from January 31, 2013. The final repayment date will be December 19, 2016. The basic security for the Mortgage Loan are: mortgage on the MBC Building, assignment of rights from insurance policy relating to the MBC Building, financial and registered pledge over bank accounts held with the banks granting the loan. The carrying value of the Mortgage Loan is assumed to approximate its fair value.

Revolving guarantee facility

On December 17, 2010 the Company entered into a revolving guarantee facility agreement with Bank Pekao S.A. On May 17, 2011, on July 26, 2011, on September 30, 2011 and on March 13, 2012 the Company amended the revolving guarantee facility agreement. The amended agreement is a PLN 400,000 multicurrency guarantee facility available in EUR, USD and/ or PLN, valid until May 16, 2013. It may be used in an amount of up to PLN 400,000 for guarantees and letters of credit with tenors not exceeding thirty-six and thirteen months from issuance, respectively, and requires 50% cash collateral for guarantees with tenors greater than eighteen months.

As of December 31, 2012 the revolving guarantee facility had been used for the bank guarantees issued at 279,982 (total amount of loan facility used as of December 31, 2011: 203,943).

21. TRADE PAYABLES

	December 31, 2012	December 31, 2011
Acquired programming rights payables	74,613	88,994
Property, plant, equipment and intangible assets payables	7,614	20,379
Other trade payables	43,414	35,410
Related party payables (see Note 26 (iv))	57,089	35,729
	182,730	**180,512**
Less: current portion of trade payables	**(169,680)**	**(165,502)**
Non-current portion of acquired programming rights payables	**13,050**	**15,010**

22. OTHER LIABILITIES AND ACCRUALS

	December 31, 2012	December 31, 2011
Employee benefits	17,613	30,980
VAT and other taxes payable	3,317	54,549
Deferred income	161	227
Accrued production costs	9,415	7,687
Satellites	4,871	4,875
Sales and marketing related costs	927	3,690
Other liabilities and accrued costs	70,252	34,145
	106,556	**136,153**

23. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Profit for the period		3,042	1,331,183
Tax (benefit)/ charge	24	(245,963)	50,483
In-kind contribution to TVN Media	4	-	(2,124,790)
Impairment	4	26,000	1,013,496
Depreciation, amortization and impairment	6	78,271	62,474
Amortization of acquired program rights and co-production	6	144,106	148,389
Payments to acquire programming rights		(165,673)	(189,072)
Impaired accounts receivable	6	1,115	908
Loss on sale of property, plant and equipment		680	1,244
Gain on sale of available-for-sale financial assets		-	(527)
Loss on exchange of Pay TV assets		365,898	-
Loss on disposal of Onet Group		(13,380)	-
Gain on liquidation of the subsidiary		-	(2,921)
Interest income	7	(10,420)	(189,789)
Finance expense	7	396,509	368,091
Foreign exchange losses/ (gains), net	7	(240,029)	47,966
Guarantee fee		(1,425)	(1,273)
Change in local production balance		5,893	(16,170)
Dividend income			-
Changes in working capital:			
Trade receivables		68,648	(252,957)
Prepayments and other assets		14,072	(5,876)
Trade payables		6,591	47,567
Other short term liabilities and accruals		(64,853)	(44,840)
		24,458	(256,106)
Cash generated from operations		**369,082**	**243,586**

Non-cash transactions

Barter revenue, net		850	6,210

24. TAXATION

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax charge	(183)	(35,955)
Deferred tax benefit / (charge)	246,146	(14,528)
	245,963	**(50,483)**

Reconciliation of accounting profit to tax charge

Profit before income tax	**(242,921)**	**1,381,666**
Income tax charge at the enacted statutory rate of 19%	46,155	(262,517)
Impact of non taxable dividend income	195,916	-
Impact of gain on transfer of Sales & marketing operation to TVN Media *	-	403,710
Impairment of Onet	(193,374)	(192,564)
Impact of tax loss carry-forwards	211,869	-
Losses carry-forwards on which deferred tax asset was not recognized (see Note 4 (ii))	(137,940)	-
Tax impact of finalization of exchange of Pay TV assets and disposal of Onet Group transactions	119,147	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	4,190	888
Tax for the period	**245,963**	**(50,483)**

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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, tax loss carry-forwards and tax credits 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 December 31, 2012.

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

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

	December 31, 2012	December 31, 2011
Deferred tax asset / (liability), net		
- Deferred tax asset, net to be realized after more than 12 months	134,198	58,289
- Deferred tax asset / (liability), net to be recovered within 12 months	72,799	(97,497)
	206,997	**(39,208)**

24. TAXATION (CONTINUED)

Movements in deferred tax (liability) /asset, net	Year ended December 31, 2012	Year ended December 31, 2011
Balance at beginning of period	(39,208)	(16,427)
Deferred tax debited to other comprehensive income, net	59	(59)
Transfer of opening balance to TVN Media	-	(8,194)
(Benefit)/ charge to income statement for the period	246,146	(14,528)
Balance at end of period	**206.997**	**(39,208)**

24. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Available for sale investmen ts	Tax loss	Total
Deferred tax asset/(liability) at January 1, 2011	3,686	31,240	(16,756)	(6,320)	-	(29,476)	1,199	-	(16,427)
Credited/(charged)to net profit	3,082	(7,308)	1,641	24,866	(241)	(35,369)	(1,199)	-	(14,528)
Transfer of opening balance to TVN Media	355	(8,553)	-	4	-	-	-	-	(8,194)
Charged to other comprehensive income	-	-	-	-	(59)	-	-	-	(59)
Deferred tax asset/(liability) at December 31, 2011	**7,123**	**15,379**	**(15,115)**	**18,550**	**(300)**	**(64,845)**	**-**	**-**	**(39,208)**
Deferred tax asset/(liability) at January 1, 2012	7,123	15,379	(15,115)	18,550	(300)	(64,845)	-	-	(39,208)
Credited/(charged)to net profit	(641)	24,454	1,802	(10,383)	241	73,733	-	156,940	246,146
Charged to other comprehensive income	-	-	-	-	59	-	-	-	59
Deferred tax asset/(liability) at December 31, 2012	**6,482**	**39,833**	**(13,313)**	**8,167**	**-**	**8,888**	**-**	**156,940**	**206,997**

25. COMMITMENTS

The Company has entered into a number of operating lease and other agreements. The commitments derived from these agreements are presented below.

(i) Commitments to acquire programming

The Company has outstanding contractual payment commitments in relation to programming as of December 31, 2012. These commitments are scheduled to be paid as follows:

Due in 2013	184,334
Due in 2014	113,792
Due in 2015	81,168
Due in 2016	68,914
Due in 2017	67,323
	515,531

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2012:

	Related parties	**Non-related parties**	**Total**
Due in 2013	169	13,444	13,613
Due in 2014	120	7,995	8,115
Due in 2015	71	5,848	5,919
Due in 2016	71	3,421	3,492
	431	**30,708**	**31,139**

25. 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 December 31, 2012.

Contracts signed with non-related parties relate to lease of office space and television studios.

In addition to the lease agreements disclosed above, the Company has agreements with third parties for the use of satellite capacity. Under these agreements the Company is obliged to pay annual fees as follows:

Due in 2013	29,269
Due in 2014	33,905
Due in 2015	31,212
Due in 2016	31,070
Due in 2017	31,070
Due in 2018 and thereafter	14,586
	171,112

Additionally, the Company leases transmission sites and related services for an annual amount of 21,664.

(iii) Barter commitments

The Company has an outstanding service commitment to broadcast advertising of 474 to settle sundry amounts payable recorded as of December 31, 2012 (526 at December 31, 2011). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2012, the Company assumed contractual commitments of 100 to acquire property, plant and equipment and intangible assets (1,226 at December 31, 2011).

26. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2012	Year ended December 31, 2011
TVN Media Sp. z o.o.	1,159,208	109,136
Canal+ Cyfrowy	7,445	-
ITI Neovision	50,134	45,652
ITI Group	2,487	17,115
Grupa Onet Poland Holding	1,070	9,680
Vidalia Investments Group	254	-
Mango Media	1,125	5,578
El-Trade	122	122
Tivien	47	47
NTL Radomsko	-	31
Film Miasto Sp. z o.o.	2	14
Stavka Sp. z o.o.	18,654	13
Poland Media Properties	6	8
	1,240,554	**187,396**

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

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

Revenue from Grupa Onet Poland Holding and its subsidiaries includes mainly revenue from sale of airtime, production and technical services.

Revenue from Mango Media includes mainly revenue from sale of airtime and satellite transmissions.

Revenue from Stavka Sp. z o.o. includes mainly revenue from license fees, production and technical services and sale of airtime brokerage fees.

Revenue from ITI Group includes mainly revenue from the exploitation of film rights, license fees, production and technical services rendered and services of broadcasting advertising, net of commissions.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Year ended December 31, 2012	Year ended December 31, 2011
TVN Media Sp. z o.o.	98,525	11,690
ITI Group	38,647	40,168
Tivien	14,700	16,295
Grupa Onet Poland Holding	3,325	14,209
Vidalia Investments Group	521	-
Sieger & Sieger Ltd	2,789	2,832
Poland Media Properties	1,917	2,109
Canal+ Cyfrowy Group	300	-
ITI Neovision	1,062	1,930
NTL Radomsko	1,393	1,460
El-Trade	341	467
Stavka Sp. z o.o.	1	-
Mango Media	-	(31)
	163,521	**91,129**

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

Operating expenses from Grupa Onet Poland Holding include mainly marketing and production services.

Operating expenses from Tivien comprise technical and production services.

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

Operating expenses from ITI Neovision include mainly technical and production services.

Operating expenses from Poland Media Properties comprise rent of office premises

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

(iii) Loans from related parties

	December 31, 2012	December 31, 2011
Loans from TVN Finance Corporation II AB	2,357,451	2,543,025
Loans from TVN Finance Corporation III AB	697,347	752,667
Interest accrued	42,659	47,680
	3,097,457	**3,343,372**

26. RELATED PARTY TRANSACTIONS (CONTINUED)

On November 19, 2009, March 10, 2010 and April 30, 2010 TVN Finance Corporation II AB, the Company's subsidiary, issued 10.75% Senior Notes due 2017 in the aggregate principal amount of EUR 405,000, EUR 148,000 and EUR 40,000 respectively. Following each issue of 10.75% Senior Notes due 2017, TVN Finance Corporation II AB granted to the Company loans with the nominal of EUR 405,000, EUR 148,000 and EUR 40,000 respectively, bearing interest at 11.90% p.a. and due for repayment on November 15, 2017. Interest on these loans is paid semi-annually. The loans are carried at amortized cost using an effective interest rate of 13.25%, 12.73% and 12.53% respectively.

On November 19, 2010, TVN Finance Corporation III AB, the Company's subsidiary, issued 7.875% Senior Notes due 2018 in the aggregate principal amount of EUR 175,000. Following the issue of 7.875% Senior Notes due 2018, TVN Finance Corporation III AB granted to the Company a loan with the nominal of EUR 175,000, bearing interest at 9.025% p.a. and due for repayment on November 15, 2018. Interest on this loan is paid semi-annually. The loan is carried at amortized cost using an effective interest rate of 9.85%.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	December 31, 2012	December 31, 2011
Receivables:		
TVN Media Sp. z o.o.	111,684	134,242
Canal+ Cyfrowy Group	14,739	-
ITI Neovision Group	-	50,491
ITI Group	7,944	18,069
Mango Media	3,422	1,708
Grupa Onet Poland Holding	-	680
Vidalia Investments Group	266	-
El-Trade	13	25
Stavka Sp. z o.o.	4,604	4
Tivien	4	4
Poland Media Properties	11	3
	142,687	**205,226**
Payables:		
ITI Group	39,836	8,789
Canal+ Cyfrowy Group	2,419	-
ITI Neovision Group	-	5,217
TVN Media Sp. z o.o.	10,527	14,357
Grupa Onet Poland Holding	-	5,976
Vidalia Investments Group	542	-
Sieger & Sieger Ltd	1,333	920
Tivien	1,007	285
NTL-Radomsko	143	145
El-Trade	34	37
Stavka Sp. z o.o.	121	-
Poland Media Properties	1,127	3
	57,089	**35,729**

Payables towards ITI Group as at December 31, 2012 include payables related to the acquisition of MBC Building (see Note 26 (viii)).

(v) Related party loans

	December 31, 2012	December 31, 2011
TVN Online Investments Holding B.V. (formerly Grupa Onet Poland Holding)	-	110,130
Thema Film	551	528
Stavka Sp. z o.o.	32,455	599
	33,006	**111,257**

	December 31, 2012	December 31, 2011
Non-current assets classified as held for sale		
Loans for ITI Neovision and DTH Poland Holding Coöperatief U.A. (formerly Neovision Holding B.V.)	-	1,707,074

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Other non-current liabilities

Other non-current liabilities include a rental deposit paid to the Company by ITI Group in the amount of 900 and TVN Media in the amount of 266.

Lease commitments with related parties

See Note 25 (ii) for further details.

(vii) Cash pooling liabilities

During the year ended December 31, 2012 the Company recorded finance cost from cash pooling transactions with TVN Media of 5,689 (during the year ended December 31, 2011: nil) which is presented in other interest income (see Note 7). Cash pooling liabilities amount to 97,729 (nil at December 31, 2011).

(viii) Other

ITI Holdings has provided guarantees in the amount of USD 3,000 to Warner Bros. International Television Distribution and USD 8,483 to Universal Studios International in respect of programming rights purchased and broadcasted by the Company. During the year ended December 31, 2012, the Company recorded finance costs relating to ITI Holdings guarantees of 1,448 (during the year ended December 31, 2011:1,273).

As of December 31, 2012 the Company issued guarantees in amount of 449,700 on the Company's behalf relating to the liabilities of ITI Neovision and in amount of 90,000 relating to the liabilities of TVN Media.

As of December 31, 2012 the Company has provided guarantee in the amount of 1,000 to IBM in respect of services provided to ITI Neovision.

During the year ended December 31, 2012 the Company recorded the revenue of 6,753 from TVN Finance Corporation II AB, 2,031 from TVN Finance Corporation III AB, 3,354 from ITI Neovision and 115 from TVN Media relating to the guarantees provided (during the year ended December 31, 2011: 12,457 TVN Finance Corporation II AB, 3,668 TVN Finance Corporation III AB, 2,219 ITI Neovision and TVN Media nil).

In February 2012 the Company acquired from Poland Media Properties a building and perpetual usufruct of land for a total consideration of 27,155.

In December 2012 the Company acquired from MBC Real Estate land and building located in Warsaw at 166 Wiertnicza Street ("MBC Building") for a total consideration of 183,139. MBC Real Estate is a subsidiary of ITI Group.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(ix) Management Board compensation

Management Board cash compensation for the year ended December 31, 2012 amounted to 15,021 (year ended December 31, 2011: 19,365).

	Year ended December 31, 2012	Year ended December 31, 2011
Markus Tellenbach	6,368	7,309
John Driscoll	3,194	2,742
Piotr Walter	4,978	4,549
Piotr Korycki	104	-
Maciej Maciejowski	48	-
Edward Miszczak	190	-
Adam Pieczyński	139	-
Piotr Tyborowicz	-	-
Robert Bednarski	-	-
Jan Łukasz Wejchert		4,765
	15,021	**19,365**

(x) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2012 amounted to 1,074 (year ended December 31, 2011: 1,092).

	Year ended December 31, 2012	Year ended December 31, 2011
Wojciech Kostrzewa	156	156
Bruno Valsangiacomo	84	97
Arnold Bahlmann	108	108
Rodolphe Belmer	-	-
Michał Broniatowski	72	72
Paweł Gricuk	144	144
Sophie Guieysse	-	-
Bertrand Meheut	-	-
Wiesław Rozłucki	132	132
Aldona Wejchert	72	72
Romano Fanconi	108	95
Paul H. Lorenz	66	72
Andrzej Rybicki	66	72
Gabriel Wujek	66	72
	1,074	**1,092**

27. SHARE-BASED PAYMENTS

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

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

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

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

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

	Year ended December 31, 2012		Year ended December 31, 2011	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
At 1 January	PLN 10.88	**9,126,602**	PLN 10.86	**10,648,831**
Exercised	-	-	PLN 10.75	(1,522,229)
At 31 December	PLN 10.88	**9,126,602**	PLN 10.88	**9,126,602**

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumes that dividends would be paid in the future in accordance with the Company's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	252,490	PLN 8.66	Vested
C2	882,479	PLN 9.58	Vested
C3	2,043,266	PLN 10.58	Vested
	3,178,235		

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

The TVN Incentive Schemes expire on December 31, 2014.

Between January 1, 2013 and the date when these financial statements were prepared no options were exercised.

28. EXCHANGE RATES AND INFLATION

	PLN Exchange Rate to USD	PLN Exchange Rate to EUR
December 31, 2012	3.0996	4.0882
December 31, 2011	3.4174	4.4168

The movement in the consumer price index for the year ended December 31, 2012 amounted 2.4% (year ended December 31, 2011: 4.6%).