INTERIM REPORT OF TVN CAPITAL GROUP FOR THE THREE MONTHS ENDED MARCH 31, 2013

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DEFINITIONS

We have prepared this interim 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 interim report "**we**", "**us**", "**our**", the "**TVN Group**", **"TVN Capital Group"** and the "**Group**" refer, as the context requires, to TVN S.A. and its consolidated subsidiaries; the "**Company**" refers to TVN S.A.; "**Grupa Onet**" refers to Grupa Onet.pl S.A., owner of the leading Polish Internet portal Onet.pl, which we acquired in July 2006 and continue to indirectly hold 25% stake following its sale to Ringier Axel Springer Media AG in November 2012; "**Mango Media**" refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; "**ITI Neovision**" refers to ITI Neovision Sp. z o.o., owner and operator of the 'n' DTH platform, which we controlled since March 11, 2009 till its contribution on November 30, 2012 to a merged DTH platform combining 'n' and Cyfra+ in which we hold 32% stake, "**TVN Finance II**" refers to our subsidiary, TVN Finance Corporation II AB, a limited liability company under the laws of Sweden; "**TVN Finance III**" refers to our subsidiary, TVN Finance Corporation III AB, a limited liability company under the laws of Sweden; "**PTH**" refers to Polish Television Holding, previously Strateurop International B.V.; **"TVN Media"** refers to TVN Media Sp. z o.o., a company which was created through the separation of Sales, Marketing and Brand Management departments from the TVN S.A. organizational structure; **"Stavka"** refers to Stavka Sp. z o.o. holder of the license for terrestrial broadcasting of the TTV channel. We acquired 25% shares of the company in September 2011 and additional 26% in December 2011; "**ITI Media Group**" refers to ITI Media Group N.V.; "**ITI Holdings**" refers to ITI Holdings S.A.; "**ITI Group**" refers to ITI Holdings together with the other entities controlled directly or indirectly by ITI Holdings, excluding TVN Group; "**DTH Poland Holding**" refers to DTH Poland Holding Coöperatief U.A., formerly Neovision Holding B.V.; "**Neovision Holding**" refers to Neovision Holding B.V. (currently DTH Poland Holding Coöperatief U.A.), a company registered in Amsterdam, the Netherlands and the sole shareholder of ITI Neovision; **"Onet Holding**" refers to Onet Holding Sp. z o.o. (up to April 2, 2013 r. Vidalia Investments Sp. z o.o.), the company holding 100% stake in Grupa Onet.pl; "**TVN Online Investments Holding B.V.**" (up to November 21, 2012 refers to Grupa Onet Poland Holding B.V.) refers to our subsidiary holding 25% stake in Onet Holding; "**TVN**" refers to our free-to-air broadcast channel; "**TVN 7**" refers to our free satellite and cable entertainment channel; "**TVN 24**" refers to our news and current affairs channel; "**TVN Turbo**" refers to our thematic channel aimed at male viewers; "**TVN Meteo**" refers to our weather channel; "**TVN Style**" refers to our thematic channel focused on life styles, health and beauty, aimed at female viewers; "**iTVN**" refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; "**Telezakupy Mango 24**" refers to our teleshopping channel and "**NTL Radomsko**" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "**TVN CNBC**" refers to our business channel which we 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;”**Revolving guarantee facility**” refers to a PLN 300,000 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.

INTRODUCTION

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

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

We are the leading 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 also operate 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 operates 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. operates Onet.pl - Poland's leading portal operating services such as: OnetVOD, Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt. The Group holds 25% interest in Onet Holding.

FORWARD-LOOKING STATEMENTS

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

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

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

PART I

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

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

IMPACT OF CHANGES IN OUR STRUCTURE ON THE REPORTED RESULTS

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

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

THE PRINCIPAL EVENTS OF THE THREE MONTHS ENDED MARCH 31, 2013

OPERATIONAL RESULTS:

- According to TVN estimates based on Starlink data the television advertising market in Poland in the three months ended March 31, 2013 decreased by 8.9% compared to the corresponding period of 2012.

- Our share in the net television advertising market, according to TVN estimates based on Starlink data, increased to 34.8% in three months ended March 31, 2013 from 34.2% in the corresponding period of 2012.

- All our channels in total increased its audience share in all-day nationwide audience share to 21.3% from 20.6% and in all-day basic commercial target group audience share increased to 22.3%, from 21.5%

- Our TVN Style channel 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 0.6%, all-day key target group audience share increased to 1.2%, from 1.0%, *prime time* basic commercial target group audience share increased to 0.7%, from 0.5%, *prime time* key target group audience share increased to 1.0%, from 0.8%, *peak time* basic commercial target group audience share increased to 0.7%, from 0.5% and *peak time* key target group audience share increased to 1.0%, from 0.8% in the corresponding period of 2012 according to NAM.

- Our TVN 7 increased its audience share in six out of seven categories. All-day nationwide audience share increased to 3.5%, from 2.1%, all-day basic commercial target group audience share increased to 3.6%, from 2.7%, all-day key target group audience share increased to 3.3%, from 3.1%, *prime time* basic commercial target group audience share increased to 3.1%, from 2.7%, *prime time* key target group audience share increased to 2.9%, from 2.8%, *peak time* basic commercial target group audience share increased to 3.0%, from 2.6% in the corresponding period of 2012 according to NAM. TVN 7 maintained its *peak time* key target group audience share at 3.0% according to NAM.

- Our Internet video on demand platform tvnplayer.pl had 1.4 million real users and 72.8 million page views in March 2013. Average monthly time spent per real user on tvnplayer.pl in March 2013 was ca. 12 hours, according to Megapanel PBI/Gemius.

PRINCIPAL EVENTS:

- On February 27, 2013, our Management Board has reduced the amount of the revolving guarantee facility valid till May 16, 2013 signed with Bank Pekao S.A. on December 17, 2010 from PLN 400,000 to PLN 300,000. Simultaneously on February 28, 2013 TVN and TVN Media have entered into agreement with Bank Pekao S.A. regarding revolving facility in the amount of up to PLN 100,000 effective from and including February 28, 2013 till August 28, 2013 with possible extension to February 28, 2014, that enables advance financing of trade receivables, documented by VAT/commercial invoices. Terms of the agreement are similar to those commonly used in this type of contracts.

- On March 4, 2013 our Management Board has 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 TVN S.A. The agreement is valid from January 1, 2013 until December 31, 2013.

- On March 18, 2013 our Supervisory Board granted its consent to the Management Board of TVN taking actions related to the early redemption and refinancing of all of the 10.75% Senior Notes issued by TVN Finance Corporation II AB (publ) due in 2017. For the purposes of refinancing the Notes, the Supervisory Board granted its consent to the issuance by TVN Finance Corporation III AB (publ) of Senior Notes with an aggregate principal amount from EUR 450,000 to EUR 500,000, a coupon rate of 6% to 7.25% per annum and a maturity date falling no later than on 31 December 2020. On March 20, 2013 Moody's and S&P assigned a provisional debt rating to the proposed new Senior Notes of TVN Group in line with the TVN's corporate credit rating (B1 from Moody's and B+ from S&P). On March 22, 2013 The Management of TVN announced that it postponed the offering of its proposed Senior Notes due to increased market uncertainty around the Cyprus financial crisis situation. TVN could not achieve the tight yield targets necessary to justify paying the cost associated with the early redemption of the existing Notes.

- On March 19, 2013 our Management Board proposed a dividend payment for the year 2012 of either PLN 0.72 (not in thousands) per share to be paid on December 9, 2013, in situation that TVN executes refinancing of Senior Notes maturing in 2017 before the General Shareholder Meeting conveyed for April 15, 2013 or PLN 0.59 (not in thousands) per share to be paid on May 8, 2013, in case the Company does not execute refinancing of Senior Notes before the General Shareholder Meeting conveyed for April 15, 2013. Following the postponement of refinancing Company's indebtedness for the purpose of optimal management of Company's liquidity, the Management Board resolved to correct the motion on allocation of profits achieved by the Company in the financial year 2012 and to recommend a dividend payment of PLN 0.64 (not in thousands) per share to be paid in instalments with proposed dividends payment on May 8, 2013 in the amount of

PLN 0.29 (not in thousands) per share and proposed dividends payment on November 5, 2013 in the amount of PLN 0.35 (not in thousands) per share.

- On March 20, 2013 the Supervisory Board appointed current Members of the Management Board of TVN S.A. to perform their duties within the Management Board of TVN S.A. for the next joint three-year term of office commencing as of the day of TVN Annual General Shareholders Meeting approving TVN's financial statement for the fiscal year 2012 held on April 15, 2013.

FINANCIAL RESULTS:

- Our Group reported revenue decreased by PLN 21,710, or 6.0% to PLN 343,146, from PLN 364,856 in the corresponding period of 2012.

- Our TV segment decreased its revenue by PLN 20,041, or 5.6% to PLN 335,995, from PLN 356,036 in the corresponding period of 2012.

- Our operating profit increased by PLN 4,507, or 6.2% to PLN 76,608, from PLN 72,101 in the corresponding period of 2012.

- Our EBITDA increased by PLN 8,191 to PLN 97,996, from PLN 89,805 in the corresponding period of 2012. Our EBITDA margin increased to 28.6% from 24.6% in the in the corresponding period of 2012.

- Our adjusted EBITDA (excluding share of profit of associates) amounted to PLN 85,105 comparing to PLN 89,805 in the corresponding period of 2012. Our adjusted EBITDA margin increased to 24.8% from 24.6% in the corresponding period of 2012.

- We recorded loss for the period from continuing operations of PLN 45,911 compared to the profit for the period from continuing operations of PLN 165,959 in in the corresponding period of 2012.

- We recorded a loss for the period of PLN 45,911 compared to a profit for the period of PLN 181,109 in 2012 (including PLN 15,150 of profit from discontinued operations recorded in the first quarter of 2012). Consequently, we recorded a loss attributable to the owners of TVN S.A. of PLN 43,818, compared to a profit attributable to the owners of TVN S.A. of PLN 184,927 in in the corresponding period of 2012.

- Our Net debt to EBITDA ratio as of March 31, 2013 was 4.1. Net debt calculation includes restricted cash of PLN 860,339 related to the disposal of Grupa Onet, whilst cash balance does not include restricted cash. As of March 31, 2013 we held in total PLN 469,214 of cash and cash equivalents including PLN 50,000 bank deposits with maturity over three months.

SUMMARY HISTORICAL FINANCIAL DATA

The following table sets out our unaudited consolidated financial information as of and for the three months ended March 31, 2013, for the three months ended March 31, 2012 and our audited consolidated financial information as of December 31, 2012. You should read the information in conjunction with the interim condensed consolidated financial statements and Operating and Financial Review presented in this interim report.

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

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

- złoty amounts as of December 31, 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 March 31, 2012 have been converted into euro at a rate of PLN 4.1750 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2012, February 29, 2012 and March 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.

Unaudited consolidated financial information as of and for the three months ended March 31, 2013 and 2012.

Income statement data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Revenue	364,856	87,390	343,146	82,214
Operating profit	72,101	17,270	76,608	18,354
(Loss) / profit before income tax	203,186	48,667	(66,028)	(15,820)
(Loss)/ profit attributable to the owners of TVN S.A.	**184,927**	**44,294**	**(43,818)**	**(10,498)**

Cash flow data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Net cash generated by operating activities	13,853	3,318	115,850	27,756
Net cash used in investing activities	(53,004)	(12,696)	(967)	(232)
Net cash used in financing activities	(163)	(39)	(6,273)	(1,503)
Increase / (Decrease) in cash and cash equivalents	**(39,314)**	**(9,417)**	**108,610**	**26,022**

Earnings per share data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Weighted average number of ordinary shares in issue (not in thousands)	343,876,421	343,876,421	343,876,421	343,876,421
Weighted average number of potential ordinary shares in issue (not in thousands)	344,161,295	344,161,295	343,919,333	343,919,333
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.54	0.13	(0.13)	(0.03)
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.54	0.13	(0.13)	(0.03)
Dividend paid or declared per share (not in thousands)	0.10	0.02	0.64	0.15

Other data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
EBITDA*	**89,805**	**21,510**	**97,996**	**23,479**
EBITDA margin	24.6%	24.6%	28.6%	28.6%
Operating margin	19.8%	19.8%	22.3%	22.3%

Balance sheet data

	As at December 31, 2012 PLN	As at December 31, 2012 EUR	As at March 31, 2013 PLN	As at March 31, 2013 EUR
Total assets	4,966,287	1,214,786	4,983,851	1,193,051
Current assets	2,020,466	494,219	2,020,411	483,653
Non-current liabilities	3,203,936	783,703	3,198,372	765,637
Current liabilities	403,284	98,646	468,573	112,169
Shareholders' equity	1,359,067	332,437	1,316,906	315,245
Share capital	68,775	16,823	68,775	16,464
Non-controlling interest	(16,390)	(4,009)	(18,483)	(4,425)

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

FINANCIAL REPORTING AND ACCOUNTING

Commencing January 1, 2005, public companies in Poland are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). As of March 31, 2013, there were no differences between IFRS as adopted by the European Union and IFRS as promulgated by the International Accounting Standards Board as applied to the TVN Group's consolidated financial statements.

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

Our interests in Tivien Sp. z o.o., El-Trade Sp. z o.o., NTL Radomsko, Mango Media, Thema Film Sp. z o.o., TVN Finance Corporation II, TVN Finance Corporation III, TVN Holding S.A. and Stavka Sp. z o.o. are fully consolidated in accordance with IFRS. Our interest in Onet Holding Sp. z o.o. Group (including Onet Holding Sp. z o.o. and its subsidiaries - Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation), Canal+ Cyfrowy S.A. Group (including Canal+ Cyfrowy S.A. and its subsidiaries - ITI Neovision Sp. z o.o., Cyfrowy Dom Sp. z o.o., Neovision UK Ltd and DTH Poland Holding B.V. and a joint venture MGM Chanel Poland Ltd) are accounted for under equity method.

Our fiscal year ends on December 31.

TELEVISION BROADCASTING AND PRODUCTION

Revenue

This segment primarily derives revenue from commercial advertising. During the three months ended March 31 2013, we derived 68.6%, of our total Group revenue from commercial television advertising, compared to 71.1% in the corresponding period of 2012 of our total revenue.

Commercial television advertising revenue

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

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

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

	Three months ended March 31,		
	2011	**2012**	**2013**
Our Rate-card pricing	59%	41%	43%
Our Cost per GRP pricing	41%	59%	57%

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three months ended March 31, 2013, we tended to sell over 99.7%, of peak time advertising spots on our TVN channel and over 82.2% of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three months ended March 31, 2013, 16.1% of our total Group revenue came from such fees compared with 14.8% in the corresponding period of 2012. 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.

Expenses

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 47.3%, of our Group operating expenses in the three months ended March 31, 2013, compared with 47.9% of our costs in the corresponding period of 2012. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three months ended March 31, 2013, we commissioned and produced locally through third parties 79% of broadcasted programming content on our TVN channel, compared with 80% in the corresponding period of 2012. During the three months ended March 31, 2013, we acquired 21% of our broadcasted programming content from third parties, compared with 20% in the corresponding period of 2012. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

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

TELESHOPPING

Revenue

Revenue in teleshopping, which primarily includes the sale of goods/teleshopping, accounted for approximately 2.4% of our Group revenue in the three months ended March 31, 2013, compared with 2.8% of revenue in the corresponding period of 2012. 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.

The Polish economy is expected to experience 1.5% GDP growth in 2013, according to a forecast by the World Bank expressed in its "EU11 Regular Economic Report" issued on January 2013. Starlink estimates that net television advertising expenditure in Poland was down by 5.6% in 2012 while, according to the GUS (Polish Central Statistical Office), GDP growth in 2012 stood at 1.9%.

TELEVISION BROADCASTING AND PRODUCTION

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

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

Seasonality of television advertising. Television viewing in Poland tends to be seasonal, with the second and fourth quarters attracting a greater number of viewers than the first and third quarters, when television competes with a large number of other leisure activities. During the summer months, when audiences tend to decline, advertisers significantly reduce expenditure on television advertising. Consequently, television advertising sales in Poland tend to be at their lowest during the third quarter of each calendar year. Conversely, advertising sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 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 21.3% of Poland's nationwide all-day audience in the three months ended March 31, 2013, and our TVN channel achieved 18.2%, of our key target audience during *peak time* in the three months ended March 31, 2013. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

Launch of new channels. The success of our thematic channels depends in large part on their ability to profile and target specific audiences that are attractive to advertisers. Accordingly, from time to time, we have launched new channels and disposed of existing channels in response to demand from advertisers. Since January 1, 2006, we have acquired the Telezakupy Mango 24 channel, launched the TVN CNBC channel, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med, TVN Lingua and TVN Warszawa channels. On January 2, 2012 launched TTV an interactive social-intervention channel co-owned and co-produced by TVN. In so doing we have sought to increase the size and to improve the profile of our audience by attracting more viewers from our target demographic groups in order to increase total net and improve year-on-year results.

OTHER FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Foreign exchange rate exposure

We generate revenue primarily in złoty, while a substantial portion of our operating expenses, borrowings and capital expenditures are denominated in foreign currencies, mainly in euro and U.S. dollars. The estimated net loss (post-tax) impact on the major euro and U.S. dollar denominated balance sheet items as of March 31, 2013 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 105,057 loss.

In February 2013 we entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 17,780, settlement dates between February 27, 2013 and December 30, 2013 and PLN/USD foreign exchange forward rates between 3.08 and 3.16. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Group has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

Acquisitions and disposals

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. On November 30, 2012 the transaction was finalized and the Group's control over ITI Neovision has been exchanged for an investment in nC+.

In addition on December 18, 2011, ITI Media Group Limited as a seller, Groupe Canal+ as a purchaser and International Trading and Investments Holdings S.A. as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement relating a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding an indirect 52,45% 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. (currently Onet Holding Sp. z o.o., "Onet Holding"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Onet Holding in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012, following the antitrust regulatory approval of the transaction, the Group and RAS finalized the transaction.

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.

Taxation

We are subject to corporate taxation in Poland. The corporate tax rate in Poland is 19% on our taxable income, which can and does differ significantly from our reported profit before tax due to, for example, the treatment of certain costs under the Polish tax laws versus the treatment of those costs for financial reporting purposes. Taxable items that enter our tax return either before or after they are accounted for in our IFRS financial reporting are treated as deferred tax assets or liabilities. Deferred tax assets represent those costs that, for tax purposes, we have not been able to deduct on our local tax return to date, however they will be deductible in the future. Deferred tax liabilities generally represent costs that have been deducted for tax purposes but are still deferred on our IFRS balance sheet, therefore as the tax deduction has been taken the Company will have financial reporting expense in the future but no additional tax deductions. Therefore deferred income taxes on our balance sheet relate to timing differences between the recognition of income and expenses for accounting and tax purposes as of the balance sheet date. Our deferred tax assets mainly relate to the tax deductible losses, the tax value of brands recognized by TVN Media and currently non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of the likelihood of future taxable profits with respect to which deductible temporary differences and tax-loss carry forwards can be applied.

FINANCIAL CONDITION

Our property, plant and equipment decreased by PLN 16,274 or 3.9% to PLN 398,271 as of March 31, 2013, from PLN 414,545 as of December 31, 2012 resulting mainly from its amortisation and depreciation.

Our goodwill maintained the level of PLN 144,127 as of March 31, 2013. Our brand maintained the level of PLN 30,612 as of March 31, 2013.

Our other intangible assets decreased by PLN 3,033, or 5.1%, to PLN 56,248 as of March 31, 2013, from PLN 59,281 as of December 31, 2012 resulting mainly from its amortisation and depreciation.

Our current and non-current programming rights inventory increased by PLN 2,726, or 0.6%, to PLN 433,467 as of March 31, 2013, from PLN 430,741 as of December 31, 2012. The increase is mainly due to higher local production and acquisition activity of our television broadcasting and production segment.

Our derivative financial assets increased to PLN 2,449 as of March 31, 2013, from PLN 0 as of December 31, 2012. The increase results from the USD exchange forward contracts we entered into in February 2013 in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets.

Our prepayments and other assets decreased by PLN 11,945, or 10.0%, to PLN 106,999 as of March 31, 2013, from PLN 118,945 as of December 31, 2012. The decrease results mainly from the last part of payment from sale of Onet to RAS in the amount of the PLN 38,005 and a decrease in clearing balance of Premium TV of PLN 11,090 offset by an increase of VAT and other non-CIT taxes recoverable by PLN 40,533.

Our restricted cash decreased by PLN 55,004, or 6.0%, to PLN 860,339 as of March 31, 2013, from PLN 915,343 as of December 31, 2012. The decrease results mainly from the repurchase of a part of our Senior Notes in February and March 2013, which amounted to PLN 77,451 and a positive impact of PLN/EUR exchange rate on cash held in EUR of PLN 19,260, partly offset by the last part of payment from RAS for Onet in the amount of PLN 38,005 and VAT payment for MBC building in the amount of PLN 34,818..

Our bank deposits with maturity over three months were maintained at the level of PLN 50,000 as of March 31, 2013.

Our share capital was maintained at the level of PLN 68,775 as of March 31, 2013. Our share premium was maintained at the level of PLN 672,876 as of March 31, 2013.

Our 10.75% Senior Notes, excluding accrued interest, amounted to PLN 2,446,507 as of March 31, 2013, compared to PLN 2,467,829 as of December 31, 2012. Our 7.875% Senior Notes, excluding accrued interest, amounted to PLN 691,142 as of March 31, 2013, compared to PLN 728,280 as of December 31, 2012. These decreases resulted primarily from higher PLN/EUR exchange rate as of March 31, 2013 in comparison to PLN/EUR exchange rate on December 31, 2012 supported by a repurchase of a part of our Senior Notes in February and March 2013.

Our current trade payables decreased by PLN 31,005 or by 18.2% to PLN 138,978 as of March 31, 2013, from PLN 169,983 as of December 31, 2012. The decrease results from settlement of our outstanding payment to ITI Group for MBC building.

Our other liabilities and accruals increased by PLN 13,340, or 7.2%, to PLN 198,407 as of March 31, 2013, from PLN 185,067 as of December 31, 2012. The increase results mainly from an increase of accrued sales and marketing costs of Premium TV by PLN 9,083.

Results of Operations

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Revenue. Our revenue decreased by PLN 21,710, or 6.0%, to PLN 343,146 in the three months ended March 31, 2013, from PLN 364,856 in the corresponding period of 2012. This decrease resulted mainly from lower advertising revenue of PLN 23,828 and lower sale of goods by PLN 1,595 partly offset by an increase in sponsoring revenues of PLN 3,987 and higher carriage fees from satellite and cable operators of PLN 1,237.

Our advertising revenue decreased by PLN 23,828, or 9.2%, to PLN 236,091 during the three months ended March 31, 2013, from PLN 259,919 in the corresponding period of 2012. This decrease results mainly from the decline in advertising revenue derived by our main TVN channel and TVN24 news channel partly compensated mainly by better performance of TVN 7 and TTV.

Our sale of goods decreased by PLN 1,595, or 19.0% to PLN 6,811 in the three months ended March 31, 2013 from PLN 8,406 in the corresponding period of 2012. This decrease resulted mainly from the change in broadcasting time for our teleshopping spots on the TVN channel to a less attractive day shift time resulting lower interest among our viewers.

Our sponsoring revenue increased by PLN 3,987, or 16.2% to PLN 28,551 in the three months ended March 31, 2013 from PLN 24,564 in the corresponding period of 2012. This increase resulted mainly from higher sponsoring revenue coming from TVN main channel and TVN24 news channel.

Our carriage fees increased by PLN 1,237, or 2.3% to PLN 55,112 in the three months ended March 31, 2013 from PLN 53,875 in the corresponding period of 2012. This increase results mainly from additional revenue coming from fees for our HD format versions of our channels.

Cost of revenue. Cost of revenue decreased by PLN 11,229, or 5.0%, to PLN 213,965 in the three months ended March 31, 2013, from PLN 225,194 in the corresponding period of 2012. The decrease results partly from lower programming expenses of PLN 13,462, or 7.1% reflecting mainly a decrease of our local production costs of PLN 8,072 or 10.8% and lower expenses on news production of PLN 3,328, or 11.8%. These decreases were partly offset by higher broadcasting expenses of PLN 2,233, or 6.2% reflecting mainly higher costs of digital terrestrial transmission of PLN 2,053, or 13.1% and an increase in depreciation and amortisation of PLN 2,145, or 94.6% partly offset by lower royalties of PLN 1,723, or 13.5%.

As a percentage of revenue, our cost of revenue increased in the three months ended March 31, 2013, to 62.4%, compared to 61.7% in the corresponding period of 2012.

Selling expenses. Our selling expenses decreased by PLN 873, or 2.8%, to PLN 30,029 for the three months ended March 31, 2013, from PLN 30,902 in the corresponding period of 2012. The decrease is a result of costs savings on marketing and research by PLN 3,432 combined with a decrease in staff expenses of PLN 1,503 and lower impaired account receivable of PLN 1,489 partly offset by an increase of other expenses by PLN 6,378 reflecting mainly Premium TV settlements.

As a percentage of revenue, our selling expenses increased to 8.8% in the three months ended March 31, 2013, from 8.5% in the corresponding period of 2012.

General and administration expenses. Our general and administration expenses decreased by PLN 3,577, or 9.4%, to PLN 34,361 in the three months ended March 31, 2013, compared with PLN 37,938 in the corresponding period of 2012. This decrease reflects mainly a decrease of consulting costs by 1,641 and of staff expenses by PLN 1,532 and lower rental costs by PLN 1,002.

As a percentage of revenue, our general and administration expenses decreased to 10.0% in the three months ended March 31, 2013 from 10.4% in the corresponding period of 2012.

Share of profit. Share of profit of associates increased to PLN 12,890 in the three months ended March 31, 2013 compared to PLN 0 in the corresponding period of 2012.

Operating profit. Operating profit increased by PLN 4,507, or 6.2%, to PLN 76,608 in the three months ended March 31, 2013, from an operating profit PLN 72,101 in the corresponding period of 2012. Our operating margin increased to 22.3% from 19.8% in the corresponding period of 2012.

Interest income. We recorded interest income of PLN 4,854 for the three months ended March 31, 2013, compared to interest income of PLN 6,148 in the corresponding period of 2012.

Finance expense. We recorded finance expense of PLN 93,900 for the three months ended March 31, 2013, compared to finance expense of PLN 88,194 in the corresponding period of 2012. The increase results mainly from an early call premium costs relating to repurchase of a part of our Senior Notes of PLN 5,441

Foreign exchange losses, net. We recorded foreign exchange losses, primarily unrealized, net of PLN 53,590 for the three months ended March 31, 2013, compared to foreign exchange gains, net of PLN 213,131 in the corresponding period of 2012. These losses consist of unrealized foreign exchange losses on our Senior Notes of PLN 69,193 in the three months ended March 31, 2013, compared to foreign exchange gains on our Senior Notes of PLN 198,728 in the corresponding period of 2012; fair value hedge impact of PLN 0 in the three months ended March 31, 2013, compared to fair value hedge impact of PLN 9,364 in the corresponding period of 2012; as well as other foreign exchange gains of PLN 15,603 in the three months ended March 31, 2013 (mainly valuation of our restricted cash), compared to PLN 5,039 in the corresponding period of 2012.

Loss before income tax. Our loss before income tax for the three months ended March 31, 2013 was PLN 66,028 compared to a profit before income tax of PLN 203,186 in the corresponding period of 2012. This decrease was mainly due to foreign exchange losses, net, primarily unrealized, that we recognized in the three months ended March 31, 2013, as compared with foreign exchange gains, primarily unrealized, recognized in the three months ended March 31, 2012.

Income tax. For the three months ended March 31, 2013, we recorded a total income tax benefit of PLN 20,117, compared to an income tax charge of PLN 37,227 in the corresponding period of 2012 due to a loss before income tax we recognized in the three months ended March 31, 2013 compared to a profit before income tax we recognized in the corresponding period of 2012.

Loss for the period from continuing operations. Our loss from continuing operations amounted to PLN 45,911 in the three months ended March 31, 2013 compared to the profit from continued operations of PLN 165,959 in the corresponding period of 2012.

Profit for the period from discontinued operations Our profit from discontinued operations was nil in the three months ended March 31, 2013 compared to the profit from discontinued operations of PLN 15,150 in the corresponding period of 2012.

Loss for the period. Our loss amounted to PLN 45,911 in the three months ended March 31, 2013, compared to a profit of PLN 181,109 in the corresponding period of 2012.

Loss attributable to the owners of TVN S.A. Our loss attributable to the owners of TVN S.A. was PLN 43,818 in the three months ended March 31, 2013, compared to a profit of PLN 184,927 in the corresponding period of 2012.

RESULTS BY BUSINESS SEGMENT

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

The table below sets forth the summarized financial results by segment and reconciliation of each segment result to EBITDA for the three months ended March 31, 2013 and 2012:

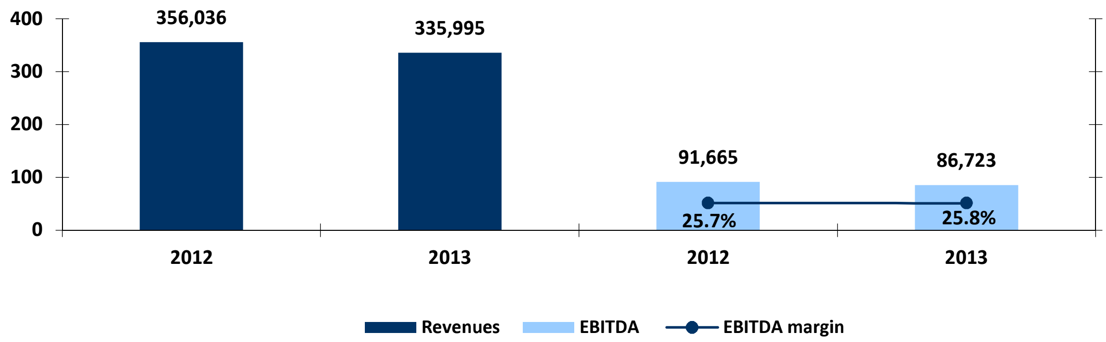
	Television Broadcasting & Production		Teleshopping		Other reconciling items		Total	
	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue from external customers	334,996	354,651	8,150	10,205	-	-	343,146	364,856
Inter-segment revenue	999	1,385	13	-	(1,012)	(1,385)	-	-
Total revenue	**335,995**	**356,036**	**8,163**	**10,205**	**(1,012)**	**(1,385)**	**343,146**	**364,856**
Operating profit/(loss)	65,389	74,037	(1,278)	(1,094)	12,497*	(842)*	76,608	72,101
EBITDA**	**86,723**	**91,665**	**(1,224)**	**(1,020)**	**12,497***	**(840)***	**97,996**	**89,805**
EBITDA margin**	**25.8%**	**25.7%**	**-**	**-**	**-**	**-**	**28.6%**	**24.6%**
Operating profit/(loss)	65,389	74,037	(1,278)	(1,094)	12,497*	(842)*	76,608	72,101
Depreciation, amortization and impairment charges	(21,334)	(17,628)	(54)	(74)	-	-(2)	(21,388)	(17,704)
EBITDA**	**86,723**	**91,665**	**(1,224)**	**(1,020)**	**12,497***	**(840)***	**97,996**	**89,805**

* Other reconciling items on EBITDA level for the three months ended March 31, 2013 include mainly the share of profit of associates (PLN 12,890) and other costs. Other reconciling items on EBITDA level for the three months ended March 31, 2012 include mainly other costs.

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

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the three months ended March 31, 2013 and 2012:



	Three months ended March 31,					
		2013			2012	
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	315,633	99,191	31.4%	337,028	99,546	29.5%
Other	20,362	(12,468)	-	19,008	(7,881)	-
Total segment	**335,995**	**86,723**	**25.8%**	**356,036**	**91,665**	**25.7%**

Television broadcasting and production revenue in the three months ended March 31, 2013, decreased by PLN 20,041 to PLN 335,995, compared to PLN 356,036 in the corresponding period of 2012.

Our TVN channels revenue decreased by PLN 21,395, or 6.3%, in the three months ended March 31, 2013. This decrease was primarily due to weaker advertising sales revenue of our TVN main channel and TVN24 news channel partly compensated by TVN 7 and TTV channels performance.

Our other revenue in the television, broadcasting and production segment increased by PLN 1,354, or 7.1%, in the three months ended March 31, 2013, mainly due to TVN Player performance.

Our TVN channels' EBITDA decreased by PLN 355, or 0.4%, to PLN 99,191 in the three months ended March 31, 2013, from PLN 99,546 in the corresponding period of 2012. TVN channels' EBITDA margin increased to 31.4% from 29.5% in the corresponding period of 2012.

EBITDA of television, broadcasting and production segment presented as 'Other' decreased by PLN 4,587, or 58.2% mostly due to costs related to development of Premium TV.

Teleshopping

The table below sets forth the summarized financial results of our Teleshopping segment for the three months ended March 31, 2013 and 2012.

	Three months ended March 31,					
	2013			2012		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	8,163	(1,224)	-	10,205	(1,020)	-
Total segment	**8,163**	**(1,224)**	**-**	**10,205**	**(1,020)**	**-**

Teleshopping revenue decreased by PLN 2,042, or 20.0%, to PLN 8,163 in the three months ended March 31, 2013, from PLN 10,205 in the corresponding period of 2012 primarily due to lower sales volumes generated by Mango Media.

Segment EBITDA decreased by PLN 204, to a loss at EBITDA level of PLN 1,224 in the three months ended March 31, 2013 from a loss at EBITDA level of PLN 1,020 in the corresponding period of 2012.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. Other reconciling items had a negative impact on our revenue of PLN 1,012 in the three months ended March 31, 2013, compared to a negative impact of PLN 1,385 in the corresponding period of 2012. Other reconciling items on EBITDA level in the three months ended March 31, 2013 include mainly share of profits of associates. Other reconciling items on EBITDA level in the corresponding period of 2012 include mainly other costs.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL OVERVIEW

The table below summarizes our consolidated cash flow for the three months ended March 31, 2012 and 2011.

	Three months ended March 31,		
	2012	2013	2013
	PLN	PLN	EUR (1)
Cash generated from operations....................................	26,209	120,607	28,896
Net cash generated by operating activities.....................	13,853	115,850	27,756
Net cash generated by/ (used in) investing activities.......	(53,004)	(967)	(232)
Net cash used in financing activities……………………..	(163)	(6,273)	(1,503)
Increase/ (decrease) in cash and cash equivalents……	(39,314)	108,610	26,022

(1) For the convenience of the reader, we have converted złoty amounts for the three months ended March 31, 2012 into euro at the rate of PLN 4.1738 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2013, February 28, 2013 and March 31, 2013). You should not view such translations as a representation that such złoty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

CASH FLOW FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

Cash Generated from Operations

Cash generated from operations increased by PLN 94,398 to PLN 120,607 in the three months ended March 31, 2013, from PLN 26,209 in the corresponding period of 2012. The increase results mainly from lower cash payments to acquire programming rights, which amounted to PLN 35,738 in the three months ended March 31, 2013 compared to an amount of PLN 75,200 for the corresponding period in 2012 and positive changes in working capital, which amounted to PLN 37,107 in the three months ended March 31, 2013 compared to a negative amount of PLN 50,978 primarily due to the settlement of 2012 CIT tax overpayment on VAT tax.

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 115,850 in the three months ended March 31, 2013, compared to PLN 13,853 generated by operating activities for the corresponding period in 2012. The increase is a result of cash generated from operations higher by 94,398 and lower tax paid by PLN 7,599.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 967 in the three months ended March 31, 2013, in comparison to net cash used in investing activities of PLN 53,004 in the corresponding period of 2012. The net cash generated from investing activities is primarily a function of cash outflow to acquire property, plant and equipment and intangible assets of PLN 40,497 (including PLN 34,818 VAT payment for MBC building) and PLN 1,588 respectively, mostly offset by the last part of proceeds from sale of Onet to Ringier Axel Springer of PLN 38,005.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 6,273 in the three months ended March 31, 2013, compared to net cash used in financing activities of PLN 163 in the corresponding period of 2012. In the three months ended March 31, 2013, we recorded a cash outflow of PLN 77,451 related to repurchase of the part of our Senior Notes which was mostly offset by cash inflow of PLN 74,264 related to the net transfer from restricted cash (proceeds from restricted cash were used for repurchase of a part of our Senior Notes and for VAT tax payment related to MBC building purchase (described in paragraph regarding net cash used in investing activities), simultaneously restricted cash increased by the last part of payment from sale of Onet to RAS.

Total cash and cash equivalents, that we held as of March 31, 2013 amounted to PLN 419,214 in comparison to PLN 577,136 as of March 31, 2012. We held cash and cash equivalents on bank deposit with maturity below three months in złoty and euro. As of March 31, 2013 we held PLN 50,000 bank deposits with maturity over three months denominated in złoty in comparison to PLN 37,871 bank deposits with maturity over three months denominated in euro as of March 31, 2012.

Sources of our cash flows

We do not rely on our subsidiaries as sources of cash flow, except for our subsidiary, TVN Media, which is expected to transfer cash to the Company in the form of dividends or through their participation in our cash pooling arrangement. Therefore, possible repayment of outstanding loans or dividend distributions by our subsidiaries, apart from TVN Media, does not impact our ability to meet our liquidity requirements.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

We expect that our principal future cash needs will be to fund dividends, capital expenditure relating to television and broadcasting facilities and debt service on the 10.75% Senior Notes, the 7.875% 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. We may from time to time seek to purchase our outstanding debt through one or more cash purchases, in open market transactions, privately negotiated or otherwise, either directly or indirectly through one or more agents. The amounts involved may be material.

FINANCING ACTIVITIES

The table below sets forth the components of our gross debt, cash and cash equivalents, of March 31, 2013:

	Value	Coupon/ effective interest	Maturity
7.875% Senior Notes (nominal value(1))………………	691,142	7.875%	2018
10.75% Senior Notes (nominal value(2))………………	2,446,507	10.75%	2017
Mortgage Loan (nominal value(3)………………	106,440	EURIBOR + 2.85%	2016
Accrued interest on long term debt…………………	119,035	-	-
Total debt………………………	**3,363,124**	**-**	**-**
Cash at bank and in hand…………..	419,214	-	-
Bank deposits with maturity over three months	50,000		
Cash and cash equivalents and bank deposits with maturity over three months………	**469,214**	-	-
Restricted cash (4)	**860,339**		
Net debt ……………………	**2,033,571**	**-**	**-**

(1) 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 4.1774 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2013). In 2013, we acquired EUR9,552 principal amount of 7.875% Notes in market transactions and the current outstanding principal amount of the 7.875% Notes is EUR 165,448.

(2) 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 4.1774 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2013). In 2013, we acquired EUR 7,347 principal amount of 10.75% Senior Notes in market transactions and the current outstanding principal amount of the 10.75% Notes is EUR 585,653.

(3) This value represents outstanding nominal value of Mortgage Loan, which amounts to EUR 25,480 multiplied by the rate of PLN 4.1774 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2013).

(4) Restricted cash represents mainly cash proceeds of “Asset Sales”, as defined in the 10.75% Senior Notes Indenture and the 7.875% Senior Notes Indenture in connection with the sale of Onet, the use of which is restricted by those indentures unless and until applied in ways prescribed by those indentures or until the issuer thereunder has offered to repurchase the notes issued thereunder.

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents and bank deposits with maturity over three months, to our consolidated shareholders’ equity (including non-controlling interest) was 1.5x as of March 31, 2013 and 1.5x as of December 31, 2012.

Our consolidated net debt (defined as above) to adjusted EBITDA ratio amounted to 4.1 as of March 31, 2013.

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 current liabilities amounted to PLN 468,573 at March 31, 2013, compared with PLN 403,284 at December 31, 2012.

Our borrowed funds excluding accrued interest as of March 31, 2013, consisted of PLN 2,446,507 of indebtedness represented by the 10.75% Senior Notes and of PLN 691,142 of indebtedness represented by 7.875% Senior Notes as well as Mortgage Loan in a total amount of PLN 106,440.

10.75% Senior Notes

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

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

Following repurchase of EUR 7,347 principal amount of 10.75% Senior Notes in February and March 2013, as of March 31, 2013, EUR 585,653 in aggregate principal amount of 10.75% Senior Notes were outstanding.

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 March 31, 2013 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.

Following repurchase of EUR 9,552 principal amount of 7.875% Senior Notes in February and March 2013, as of March 31, 2013, EUR 165,448 in aggregate principal amount of 7.875% Senior Notes were outstanding.

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 3.17%. The Mortgage Loan and interest are repaid in monthly instalments starting from January 31, 2013. The final repayment date is 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.

Revolving guarantee facility

On December 17, 2010 we entered into revolving guarantee facility agreement with Bank Pekao S.A. The agreement after amendments is a PLN 300,000 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 300,000 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 March 31, 2013, the Guarantee Facility had been used for the following bank guarantees and letter of credit issued at PLN 241,995:

- EUR 1,900 and PLN 1,351 in the form of guarantees issued on our behalf;
- EUR 24,500 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.

Revolving facility

On February 28, 2013 the Group entered into a revolving facility agreement with Bank Pekao S.A. in the amount of up to PLN 100,000. The agreement is effective up to August 28, 2013 with a possible extension to February 28, 2014. The revolving facility enables advance financing of trade receivables documented by VAT/ commercial invoices.

As of March 31, 2013 the revolving facility had not been used.

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes in złoty the contractual obligations, commercial commitments and principal payments we were obligated to make as of March 31, 2013 under our operating leases and other material agreements. The information presented below reflects the contractual maturities of our obligations. These maturities may differ significantly from their actual maturity.

	As of March 31,						
	2013	**2014**	**2015**	**2016**	**2017**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	27,254	41,373	38,621	38,477	38,132	35,020	218,877
Other technical leases………	15,538	15,538	15,538	15,538	15,538	-	77,690
Operating leases – other……	11,056	9,123	6,881	3,887	-	-	30,947
Programming rights……………	125,863	112,670	85,476	72,458	70,785	-	467,252
Total cash commitments …….	**179,711**	**178,704**	**146,516**	**130,360**	**124,455**	**35,020**	**794,766**

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. During the first three months of 2013 the złoty has depreciated against the euro and the U.S. dollar compared to the fourth quarter of 2012 but it has appreciated year-on-year as compared to the first three months of 2012. We cannot exclude that volatility of złoty exchange rates may continue in the market.

The inflation rate in Poland in March 2013 was 1.0% compared with 3.9% in March 2012, 2.4% in December 2012, 3.8% in September 2012, 4.2% in June 2012. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

DIVIDEND POLICY

Subject to our operating results, capital investment requirements, the terms of our Indenture and statutory distributable reserves, we intend to recommend that between 30% and 50% of our annual net profits, be used to pay dividends.

The General Shareholders Meeting of TVN held on April 15, 2013 decided to pay a dividend of PLN 0.64 (not in thousands) per share from the results of the Company for the year ended December 31, 2012 with payment in two installments (the first dividends installment to be paid on May 8, 2013 amounting to PLN 0.29 (not in thousands) per share and the second to be paid on November 5, 2013 is PLN 0.35 (not in thousands) per share).

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

We did not publish any forecasts.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of March 31, 2013:

Entity	Country of incorporation and residence	March 31, 2013 Ownership (%)	December 31, 2012 Ownership (%)
TVN S.A	Poland	n/a	n/a
Subsidiaries			
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
TVN Online Investments Holding B.V. (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
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
Associates			
Canal+ Cyfrowy S.A. Group (2)	Poland	32	32
Onet Holding Sp. z o.o. Group (3)	Poland	25	25

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

(2) 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)

(3) Onet Holding Sp. z o.o. Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation) and an associate (Polskie Badania Internetu Sp. z o.o.)

3. Changes in the Structure of the TVN Group

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

4. Shareholders Owning At Least 5% of Our Shares as of the Date of this Interim Report

The following table and graph presents shareholders that to our best knowledge own at least 5% of our shares as of as of May 8, 2013 - the date of this interim report.

The information included in the table is based on current reports filed with the Warsaw Stock Exchange, which reflect information received from shareholders pursuant to Art. 69, sec. 1, point 2 the Act on Public Offering, Conditions Governing the Introductions of Financial Instruments to Organized Trading and Public Companies and on the list of shareholders entitled to participate in the General Shareholders Meeting of TVN held on April 15, 2013 provided by Central Securities Depository Office.

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 (2)	5,415,781	1.57%	5,415,781	1.57%
ING OFE. (3)	28,000,000	8.14%	28,000,000	8.14%
Aviva OFE (3)	22,959,165	6.68%	22,959,165	6.68%
OFE PZU "Złota Jesień" (3)	19,000,000	5.53%	19,000,000	5.53%
Other shareholders	88,146,045	25.63%	88,146,045	25.63%
TOTAL:	**343,876,421**	**100.00%**	**343,876,421**	**100.00%**

(1) Polish Television Holding B.V. has pledged the majority of the Company's shares.
(2) Entities controlled by ITI Group.
(3) As of March 30, 2013 - based on the list of shareholders entitled to participate in the General Shareholders Meeting of TVN held on April 15, 2013 provided by Central Securities Depository Office

5. Changes in the Number of Shares or Share Options Owned by Supervisory and Management Board Members

5.1 Management Board Members

The following table presents share options (not in thousands) allocated to members of our Management Board, under the Stock Option Plans we introduced in December 2005 and July 2006, as of May 8, 2013.

Name	Total number of options granted up to May 8, 2013 (not in thousands)	Total number of options vested up to May 8, 2013 (not in thousands)	Total number of options vested and held as of May 8, 2013 (not in thousands)
Markus Tellenbach	-	-	-
John Driscoll	-	-	-
Piotr Korycki	187,945	187,945	103,100
Maciej Maciejowski	78,570	78,570	38,520
Edward Miszczak	526,290	526,290	148,735
Adam Pieczyński	314,115	314,115	94,965
Piotr Tyborowicz	336,030	336,030	262,980

The following table presents TVN S.A. shares (not in thousands) owned directly or indirectly by our Management Board as of May 8, 2013 and changes in their holdings since the date of publication of our previous quarterly report on February 27, 2013. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160, sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 27, 2013	Increases	Decreases	Balances as of May 8, 2013
Markus Tellenbach	-	-	-	-
John Driscoll	-	-	-	-
Piotr Korycki	-	-	-	-
Maciej Maciejowski	-	-	-	-
Edward Miszczak	184,011	-	-	184,011
Adam Pieczyński	-	-	-	-
Piotr Tyborowicz	-	-	-	-

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of May 8, 2013, and changes in their holdings since the date of publication of our previous quarterly report on February 27, 2013. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 27, 2013	Increases	Decreases	Balances as of May 8, 2013
Wojciech Kostrzewa	120,000	-	-	120,000
Bertrand Meheut	-	-	-	-
Arnold Bahlmann	-	-	-	-
Rodolphe Belmer	-	-	-	-
Michał Broniatowski	-	-	-	
Paweł Gricuk	-	-	-	-
Sophie Guieysse	-	-	-	-
Wiesław Rozłucki	-	-	-	-
Bruno Valsangiacomo	1,597,325	-	-	1,597,325
Piotr Walter	-	-	-	-
Aldona Wejchert	3,549,805*	-	-	591,634
Total:	**1,717,325**	-	-	**2,188,959**

**Concerns TVN S.A. shares in estate of the late Jan Wejchert, where Aldona Wejchert was one of the six heirs and co-owns fraction of these shares as their allocation as of February 27, 2013 was not completed*

6. Legal Proceedings

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

7. Related Party Transactions Concluded During the Three Months Ended March 31, 2013

We are party to various agreements and other arrangements with members of the ITI Group, indirect shareholders of such companies, or certain companies of such shareholders. During the three months ended March 31, 2013, we did not enter into any material transactions with related parties that are not on regular market conditions.

8. Discussion on Guarantees Granted to Third Parties by TVN Group During the Three Months Ended March 31, 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 234,206 as of March 31, 2013
- TVN Media granted guarantees for TVN S.A. liabilities in total of PLN 561,088 as of March 31, 2013
- TVN granted guarantee for TVN Media liabilities in total of PLN 100,000 as of March 31, 2013

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.

PART III

FINANCIAL INFORMATION

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

Interim Condensed Consolidated Financial Statements
for the three months ended March 31, 2013

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

Interim Condensed Separate Financial Statements
as of and for the three months ended March 31, 2013

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MANAGEMENT REPRESENTATIONS

These interim condensed consolidated financial statements of TVN S.A. and its subsidiaries (the “TVN Group”) as of and for the three months ended March 31, 2013 have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial statements of TVN Group as of and for the three months ended March 31, 2013 include: interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in shareholders’ equity, interim condensed consolidated cash flow statement and notes to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on May 7, 2013.

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

Warsaw, May 7, 2013

TVN Group

Interim Condensed Consolidated Financial Statements
As of and for the three months ended March 31, 2013

TVN Group

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Continuing operations			
Revenue	**5**	343,146	364,856
Cost of revenue	**6**	(213,965)	(225,194)
Selling expenses	**6**	(30,029)	(30,902)
General and administration expenses	**6**	(34,361)	(37,938)
Share of profits of associates	**17**	12,890	-
Other operating (expenses)/ income, net		(1,073)	1,279
Operating profit		**76,608**	**72,101**
Interest income	**7**	4,854	6,148
Finance expense	**7**	(93,900)	(88,194)
Foreign exchange (losses)/ gains, net	**7**	(53,590)	213,131
(Loss)/ profit before income tax		**(66,028)**	**203,186**
Income tax benefit/ (charge)	**14**	20,117	(37,227)
(Loss)/ profit for the period from continuing operations		**(45,911)**	**165,959**
Discontinued operations			
Profit for the period from discontinued operations	**16**	**-**	**15,150**
(Loss)/ profit for the period		**(45,911)**	**181,109**
(Loss)/ profit attributable to:			
Owners of the parent		(43,818)	184,927
Non-controlling interest		(2,093)	(3,818)
		(45,911)	**181,109**

(Losses)/ earnings per share from continuing and discontinued operations attributable to the owners of TVN S.A. (not in thousands)

Basic (losses)/ earnings per share		
- from continuing operations	(0.13)	0.50
- from discontinued operations	-	0.04
	(0.13)	**0.54**
Diluted (losses)/ earnings per share		
- from continuing operations	(0.13)	0.50
- from discontinued operations	-	0.04
	(0.13)	**0.54**

The interim condensed consolidated income statement for the three months ended March 31, 2012 has been reclassified in order to conform with the presentation requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
(Loss)/ profit for the period		**(45,911)**	**181,109**
Other comprehensive income:			
Foreign exchange forward contracts	**8**	922	966
Income tax relating to components of other comprehensive income	**14**	(175)	(231)
Share of other comprehensive income of associates - foreign exchange forward contracts	**17**	3,003	-
Other comprehensive income for the period, net of tax		3,750	735
Total comprehensive (loss)/ income for the period		**(42,161)**	**181,844**
Total comprehensive (loss)/ income attributable to:			
Owners of the parent		(40,068)	185,662
Non-controlling interest		(2,093)	(3,818)
		(42,161)	**181,844**
Total comprehensive (loss)/ income attributable to owners of the parent:			
- from continuing operations		(40,068)	170,450
- from discontinued operations		-	15,212
		(40,068)	**185,662**

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

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

	Note	As at March 31, 2013	As at December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment		398,271	414,545
Goodwill		144,127	144,127
Brand		30,612	30,612
Other intangible assets		56,248	59,281
Non-current programming rights		172,619	171,510
Investments in associates	**17**	1,881,537	1,865,644
Deferred tax asset	**14**	278,775	259,690
Other non-current assets		1,251	412
		2,963,440	**2,945,821**
Current assets			
Current programming rights		260,848	259,231
Trade receivables		320,562	317,239
Derivative financial assets	**8**	2,449	-
Prepayments and other assets		106,999	118,945
Corporate income tax receivable		-	51,144
Restricted cash	**9**	860,339	915,343
Bank deposits with maturity over three months		50,000	50,000
Cash and cash equivalents		419,214	308,564
		2,020,411	**2,020,466**
TOTAL ASSETS		**4,983,851**	**4,966,287**
EQUITY			
Shareholders' equity			
Share capital	**10**	68,775	68,775
Share premium		672,876	672,876
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(448,235)	(451,985)
Accumulated profit		1,018,672	1,062,490
		1,335,389	**1,375,457**
Non-controlling interest		(18,483)	(16,390)
		1,316,906	**1,359,067**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	**11**	3,154,690	3,151,655
Deferred tax liability	**14**	11,408	15,200
Non-current trade payables		11,593	13,050
Other non-current liabilities		20,681	24,031
		3,198,372	**3,203,936**
Current liabilities			
Current trade payables		138,978	169,983
Current borrowings	**11**	127,724	48,234
Corporate income tax payable		3,464	-
Other liabilities and accruals	**12**	198,407	185,067
		468,573	**403,284**
Total liabilities		**3,666,945**	**3,607,220**
TOTAL EQUITY AND LIABILITIES		**4,983,851**	**4,966,287**

The accompanying notes are an integral part of these interim condensed 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 interest	Total equity
Balance at January 1, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**(451,985)**	**1,062,490**	**1,375,457**	**(16,390)**	**1,359,067**
Total comprehensive income/ (loss) for the period	-	-	-	-	3,750	(43,818)	(40,068)	(2,093)	(42,161)
Balance at March 31, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**(448,235)**	**1,018,672**	**1,335,389**	**(18,483)**	**1,316,906**

(*) Other reserves and deficits

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

Included in accumulated profit as of March 31, 2013 is an amount of 2,380,470 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes (see Note 11) impose certain restrictions on payment of dividends.

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 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	-	-	-	-	735	184,927	185,662	(3,818)	181,844
Share issue cost [1]	-	-	(25)	-	-	-	(25)	-	(25)
Dividend declared [2]	-	-	-	-	-	(34,388)	(34,388)	-	(34,388)
Balance at March 31, 2012	**343,876,421**	**68,775**	**672,906**	**23,301**	**(451,050)**	**761,346**	**1,075,278**	**(4,376)**	**1,070,902**

(*) 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)**
Credit for the period	-	966	-	966
Deferred tax on credit for the period	-	(231)	-	(231)
Balance at March 31, 2012	**99,163**	**935**	**(551,148)**	**(451,050)**

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

(2) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands).

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Operating activities			
Cash generated from operations	**13**	120,607	26,209
Tax paid		(4,757)	(12,356)
Net cash generated by operating activities		**115,850**	**13,853**
Investing activities			
Proceeds from sale of subsidiaries	**17**	38,005	-
Payments to acquire property, plant and equipment		(40,497)	(65,736)
Proceeds from sale of property, plant and equipment		105	619
Payments to acquire intangible assets		(1,588)	(24,886)
Bank deposits with maturity over three months		-	28,271
Interest received		3,008	8,728
Net cash used in investing activities		**(967)**	**(53,004)**
Financing activities			
Acquisition of the Notes	**11**	(77,451)	-
Mortgage Loan	**11**	(2,172)	-
Restricted cash	**9**	74,264	-
Interest paid		(914)	(163)
Net cash used in financing activities		**(6,273)**	**(163)**
Increase/ (decrease) in cash and cash equivalents		**108,610**	**(39,314)**
Cash and cash equivalents at the start of the period		308,564	592,126
Effects of changes in cash and cash equivalents of disposal group classified as held for sale	**16**	-	22,145
Effects of exchange rate changes		2,040	2,179
Cash and cash equivalents at the end of the period		**419,214**	**577,136**

According to the requirements of IFRS 5 the interim condensed consolidated cash flow statement for the three months ended March 31, 2012 is presented jointly for continuing and discontinued operations. Details of cash flows of discontinued operations for the three months ended March 31, 2012 are disclosed in Note 16.

1. TVN

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 7, 2013.

TVN S.A. (the "Company", until July 29, 2004 TVN Sp. z o. o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange. The Company has its registered office at ul. Wiertnicza 166, 02-952 Warsaw, Poland.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is one of the largest media and entertainment groups in Poland.

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

Advertising sales in Poland tend to be lowest during the third quarter of each calendar year, which includes the summer holiday period, and highest during the fourth quarter of each calendar year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements as of and for the three months ended March 31, 2013 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2012 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2013. None of the standards, amendments to standards or IFRIC interpretations effective from January 1, 2013 had a significant impact on the Group's interim condensed consolidated financial statements.

These interim condensed consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group's consolidated financial statements for the year ended December 31, 2012 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of 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 to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including brand, has suffered any impairment. During the year the Group monitors cash-generating units against impairment indicators through the review of actual financial and operating results. As of March 31, 2013 the Group assessed that the operating and financial results of the teleshopping cash-generating unit do not indicate further impairment.

The last impairment test was carried out as at December 31, 2012. 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 required 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 were as follows:

	December 31, 2012
Terminal growth	3%
Discount rate	9.63%

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 for the year ended December 31, 2012. The impairment charge first reduced 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 was allocated to the carrying value of brand.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The Group believes that the key assumptions made in testing for impairment of the teleshopping cash-generating unit as at December 31, 2012 were reasonable and were 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) Estimated impairment of investments in associates

Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Investments in associates are separate cash generating units. As of March 31, 2013 the Group did not identify any impairment of its investments in associates.

(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 March 31, 2013 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, 2012: 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 March 31, 2013 the Group did not recognize a deferred tax asset in the amount of 210,943 (December 31, 2012: 217,821) related to the tax value of brands recognized by TVN Media.

As at March 31, 2013 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, 2012: 137,964) was not recognized as the Group concluded that as at March 31, 2013 the realization of the related tax benefit is not probable.

4. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production and teleshopping.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated and assess its performance.

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

The committee assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortization (EBITDA). For the Group's definition of EBITDA please refer to Note 21.1. Other information provided to the committee is measured in a manner consistent with that in the financial statements.

Operating segments are aggregated into a single operating segment if the segments have similar economic characteristics and have in particular a similar nature of products and services, type of customers, distribution methods and regulatory environment.

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 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.

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.

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

4. SEGMENT REPORTING (CONTINUED)

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
EBITDA from continuing operations	**97,996**	**89,805**
Depreciation of property, plant and equipment	(17,736)	(14,344)
Amortization of intangible assets	(3,652)	(3,360)
Operating profit from continuing operations	**76,608**	**72,101**
Interest income (see Note 7)	4,854	6,148
Finance expense (see Note 7)	(93,900)	(88,194)
Foreign exchange gains/ (losses), net (see Note 7)	(53,590)	213,131
Profit/ (loss) before income tax from continuing operations	**(66,028)**	**203,186**

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2013	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	334,996	8,150	-		343,146
Inter-segment revenue	999	13	(1,012)		-
Revenue from continuing operations	**335,995**	**8,163**	**(1,012)**		**343,146**
EBITDA from continuing operations	**86,723**	**(1,224)**	**12,497**	*	**97,996**
Depreciation of property, plant and equipment	(17,691)	(45)	-		(17,736)
Amortization of intangible assets	(3,643)	(9)	-		(3,652)
Operating profit/ (loss) from continuing operations	**65,389**	**(1,278)**	**12,497**		**76,608**
Additions to property, plant and equipment and other intangible assets	2,397	10	-		2,407
As at March 31, 2013					
Segment assets including:	**1,929,016**	**45,198**	**3,009,637**	**	**4,983,851**
Investment in associates	-	-	1,881,537		1,881,537

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

** Other reconciling items to segment assets include: investment in associates (1,881,537), restricted cash (860,339), deferred tax assets (278,775) and other assets and consolidation adjustments (deficit of 11,014)

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2012	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	354,651	10,205	-		364,856
Inter-segment revenue	1,385	-	(1,385)		-
Revenue from continuing operations	**356,036**	**10,205**	**(1,385)**		**364,856**
EBITDA from continuing operations	**91,665**	**(1,020)**	**(840)**	*	**89,805**
Depreciation of property, plant and equipment	(14,282)	(60)	(2)		(14,344)
Amortization of intangible assets	(3,346)	(14)	-		(3,360)
Operating profit/ (loss) from continuing operations	**74,037**	**(1,094)**	**(842)**		**72,101**
Additions to property, plant and equipment and other intangible assets	43,957	28	-		43,985
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 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)

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

5. REVENUE

	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue from advertising spot sales	236,091	259,919
Subscription fees	55,112	53,875
Revenue from sponsoring	28,551	24,564
Revenue from sales of goods	6,811	8,406
Other revenue	16,581	18,092
	343,146	**364,856**

Subscription fees include subscriptions receivable from DTH and cable operators. Other revenue includes mainly brokerage revenue, rental revenue and revenue generated from technical services, call television, text messages and sales of rights to programming content.

6. OPERATING EXPENSES

	Three months ended March 31, 2013	Three months ended March 31, 2012
Amortization of locally produced content	94,734	105,302
Amortization of acquired programming rights and co-production	36,980	35,551
Staff expenses	41,673	45,471
Depreciation and amortization	21,388	17,702
Broadcasting expenses	17,764	15,711
Royalties	11,035	12,757
Marketing and research	8,677	12,109
Rental	7,635	10,344
Cost of services and goods sold	6,941	8,632
Impaired accounts receivable	574	2,064
Other	30,954	28,391
	278,355	**294,034**

Included in the above operating expenses are operating lease expenses for the three months ended March 31, 2013 of 25,641 (the three months ended March 31, 2012: 28,659).

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

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Interest income		
Guarantee fees from related party (see Note 19 (v))	961	-
Other interest income	3,893	6,148
	4,854	**6,148**
Finance expense		
Interest expense on the Notes (see Note 11)	(83,338)	(83,788)
Interest expense on the Mortgage Loan (see Note 11)	(789)	-
Interest expense on foreign exchange forward contracts – fair value and cash flow hedges (see Note 8)	(261)	(2,917)
Premium on early repayment of the Notes (see Note 11)	(5,441)	-
Unamortized debt issuance costs of the Notes written off on early repayment (see Note 11)	(1,939)	-
Guarantee fees to related party	(201)	(362)
Bank and other charges	(1,931)	(1,127)
	(93,900)	**(88,194)**
Foreign exchange (losses)/ gains, net		
Foreign exchange (losses)/ gains on the Notes, including:	(69,193)	208,092
- unrealized foreign exchange (losses)/ gains on the Notes	*(69,193)*	*198,728*
- fair value hedge impact (see Note 8)	*-*	*9,364*
Other foreign exchange gains, net	15,603	5,039
	(53,590)	**213,131**

8. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2013	December 31, 2012
Derivative financial assets		
Foreign exchange forward contracts	2,449	-
	2,449	**-**

The fair value of foreign exchange forward contracts as at March 31, 2013 was based on valuations performed by the Group's banks.

In February 2013 the Group entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 17,780, settlement dates between February 27, 2013 and December 30, 2013 and PLN/USD foreign exchange forward rates between 3.08 and 3.16. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Group has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 Fitch):

	March 31, 2013	December 31, 2012
Derivative financial assets		
Bank rated A-	1,260	-
Bank rated BBB	1,189	-
	2,449	**-**

9. RESTRICTED CASH

	March 31, 2013	December 31, 2012
Restricted cash	860,339	915,343
	860,339	**915,343**

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

	March 31, 2013	December 31, 2012
Bank rated AA- *	860,339	880,713
Other **	-	34,630
	860,339	**915,343**

* Restricted cash related to the disposal of Onet Group

** Restricted cash related to the acquisition of MBC Building, bank rated BBB according to Fitch, no Standard and Poor's rating available

The carrying amounts of the Group's restricted cash is denominated in the following currencies:

	March 31, 2013	December 31, 2012
EUR	860,151	880,525
PLN	188	34,818
	860,339	**915,343**

10. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at March 31, 2013 was 343,876,421 (December 31, 2012: 343,876,421) with a par value of 0.20 per share.

10. SHARE CAPITAL (NOT IN THOUSANDS) (CONTINUED)

The shareholders structure:

	March 31, 2013		December 31, 2012	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
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 March 31, 2013 and December 31, 2012 were fully paid and registered by the Court. Number of shares held by each shareholder is the same as the number of votes.

11. BORROWINGS

	March 31, 2013	December 31, 2012
The Notes	3,057,438	3,054,397
Interest accrued on the Notes	119,035	39,619
Mortgage Loan	105,941	105,761
Interest accrued on Mortgage Loan	-	112
	3,282,414	**3,199,889**
Less: current portion of borrowings	(127,724)	(48,234)
Non-current portion of borrowings	**3,154,690**	**3,151,655**

The Notes

In 2009 and 2010 the Group issued EUR 593,000 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 2009 and 2010 are carried at amortized cost using an effective interest rates of 11.3% - 12%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2010 and mature on November 15, 2017.

In 2010 the Group issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018"). The 7.875% Senior Notes due 2018 are carried at amortized cost using an effective interest rate of 8.6%, they pay interest semi-annually (on May 15 and November 15) beginning May 15, 2011 and mature on November 15, 2018.

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.

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

11. BORROWINGS (CONTINUED)

In February and March 2013 the Group repurchased 10.75% Senior Notes due 2017 with a nominal value of EUR 7,347 for an amount of EUR 8,270 (including accrued interest) and 7.875% Senior Notes due 2018 with a nominal value of EUR 9,552 for an amount of EUR 10,334 (including accrued interest). The Group has accounted for the repurchases as a de-recognition of the corresponding part of the Notes liability. The difference between the consideration paid and the carrying amount corresponding to the Notes repurchased was recognized in the income statement within finance expense (see Note 7). The nominal value of the remaining 10.75% Senior Notes due 2017 is EUR 585,653 and the nominal value of the remaining 7.875% Senior Notes due 2018 is EUR 165,448.

The fair value of the Notes, excluding accrued interest, was estimated to be:

	March 31, 2013		**December 31, 2012**	
	PLN	**EUR**	**PLN**	**EUR**
10.75% Senior Notes due 2017	2,697,272	645,682	2,688,008	657,504
7.875% Senior Notes due 2018	725,698	173,720	769,093	188,125
	3,422,970	**819,402**	**3,457,101**	**845,629**

Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on March 31, 2013 and December 31, 2012 respectively. 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
- 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.

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

11. BORROWINGS (CONTINUED)

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"). 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 3.17%. The Mortgage Loan and interest are repaid in monthly installments starting from January 31, 2013. The final repayment date is 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. 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. The agreement after amendments is a PLN 300,000 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 300,000 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 March 31, 2013 the revolving guarantee facility had been used for the bank guarantees issued at 241,995 (December 31, 2012: 279,982).

Revolving facility

On February 28, 2013 the Group entered into a revolving facility agreement with Bank Pekao S.A. in the amount of up to PLN 100,000. The agreement is effective up to August 28, 2013 with a possible extension to February 28, 2014. The revolving facility enables advance financing of trade receivables documented by VAT/ commercial invoices.

As of March 31, 2013 the revolving facility had not been used.

12. OTHER LIABILITIES AND ACCRUALS

	March 31, 2013	**December 31, 2012**
Employee benefits	25,051	20,427
Accrued production and programming costs	16,983	14,039
Sales and marketing related costs	14,177	5,094
Deferred income	11,212	7,282
Satellites	5,382	4,872
VAT and other taxes payable	494	3,789
Other liabilities and accrued costs	125,108	129,564
	198,407	**185,067**

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

13. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
(Loss)/ profit for the period		(45,911)	181,109
Tax (benefit)/ charge		(20,117)	26,592
Depreciation and amortization		21,388	26,095
Amortization of acquired programming rights and co-production		36,980	53,297
Impaired accounts receivable		574	3,441
Loss on sale of property, plant and equipment		220	117
Interest income	**7, 16**	(4,854)	(8,690)
Finance expense	**7, 16**	93,900	89,100
Foreign exchange losses/ (gains), net	**7, 16**	53,590	(214,857)
Share of profits of associates	**16, 17**	(12,890)	(295)
Guarantee fee paid		(802)	(1,425)
Payments to acquire programming rights		(35,738)	(75,200)
Change in local production balance		(2,840)	(2,097)
Changes in working capital:			
Trade receivables		(3,897)	47,897
Prepayments and other assets		27,299	(51,405)
Trade payables		1,955	(22,395)
Other short term liabilities and accruals		11,750	(25,075)
		37,107	(50,978)
Cash generated from operations		**120,607**	**26,209**

Non-cash transactions

Barter costs, net	(200)	(462)

According to the requirements of IFRS 5 the interim condensed consolidated cash flow statement for the three months ended March 31, 2012 is presented jointly for continuing and discontinued operations. Details of cash flows of discontinued operations for the three months ended March 31, 2012 are disclosed in Note 16.

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

14. TAXATION

	Three months ended March 31, 2013	Three months ended March 31, 2012
Current tax charge	(2,935)	(11,029)
Deferred tax credit/ (charge)	23,052	(26,198)
	20,117	**(37,227)**
Reconciliation of accounting (loss)/ profit to tax credit		
(Loss)/ profit before income tax	**(66,028)**	**203,186**
Income tax credit/ (charge) at the enacted statutory rate of 19%	12,545	(38,605)
Impact of deferred tax asset recognized on tax value of brands recognized by TVN Media (see Note 3 (iii))	6,879	6,879
Impact of share of profits of associates	2,449	-
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(1,756)	(5,501)
Tax for the period	**20,117**	**(37,227)**

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 and tax loss carry-forwards can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of deductible temporary differences and tax losses. The deferred tax amounts were calculated using the enacted tax rate of 19% as at March 31, 2013.

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Movements in deferred tax asset		
Balance at beginning of period	259,690	43,056
Credit to the income statement	19,085	4,317
Balance at end of period	**278,775**	**47,373**
Movements in deferred tax liability		
Balance at beginning of period	(15,200)	(158,301)
Deferred tax charged to other comprehensive income, net	(175)	(231)
Credit/ (charge) to the income statement	3,967	(32,024)
Credit to the result of discontinued operations	-	13,325
Balance at end of period	**(11,408)**	**(177,231)**

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

15. COMMITMENTS

The Group has entered into a number of operating lease and other agreements. The commitments derived from these agreements are presented below.

(i) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming. These commitments are scheduled to be paid as follows:

	March 31, 2013	December 31, 2012
Due in 2013	125,863	184,778
Due in 2014	112,670	113,792
Due in 2015	85,476	81,168
Due in 2016	72,458	68,914
Due in 2017	70,785	67,323
	467,252	**515,975**

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

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

	Related parties	Non-related parties	Total
Due in 2013	292	10,764	11,056
Due in 2014	339	8,784	9,123
Due in 2015	289	6,592	6,881
Due in 2016	289	3,598	3,887
	1,209	**29,738**	**30,947**

Total future minimum payments relating to operating lease agreements signed as at December 31, 2012 were scheduled to be paid as follows:

	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 March 31, 2013 and December 31, 2012 respectively.

Contracts signed with non-related parties relate to the lease of office space and television studios.

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

15. COMMITMENTS (CONTINUED)

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the use of satellite capacity. Under these agreements the Group is obliged to pay annual fees as follows:

	March 31, 2013	December 31, 2012
Due in 2013	27,254	35,506
Due in 2014	41,373	40,142
Due in 2015	38,621	37,449
Due in 2016	38,477	37,307
Due in 2017	38,132	37,307
Due in 2018 and thereafter	35,020	34,336
	218,877	**222,047**

Additionally, the Group leases transmission sites and related services for an annual amount of 15,538 (the year ended December 31. 2012: 21,664).

16. DISCONTINUED OPERATIONS

	Three months ended March 31, 2013	Three months ended March 31, 2012
Profit for the period		
ITI Neovision Group	-	5,843
Onet Group	-	9,307
	-	**15,150**

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.

Following conclusion of the above agreements the assets and liabilities related to ITI Neovision Group were presented as held for sale and the operations of ITI Neovision Group were presented as discontinued operations up to the date of the finalization of the transaction. On November 30, 2012 the transaction was finalized and the Group’s control over ITI Neovision has been exchanged for an investment in nC+ (see Note 17).

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

16. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the result of discontinued operations – ITI Neovision Group

	Three months ended March 31, 2012
Revenue	191,136
Cost of revenue	(152,570)
Selling expenses	(37,467)
General and administration expenses	(10,379)
Other operating income, net	545
Operating loss	**(8,735)**
Interest income	401
Finance expense	(904)
Foreign exchange gains, net	2,037
Share of profit of associate	295
Loss before income tax	**(6,906)**
Income tax credit	12,749
Profit for the period from discontinued operations	**5,843**

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 – ITI Neovision Group

	Three months ended March 31, 2012
Net cash used in operating activities	(33,466)
Net cash used in investing activities	(36,252)
Net cash generated by financing activities	47,573
	(22,145)

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. (currently Onet Holding Sp. z o.o., “Onet Holding”), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Onet Holding in exchange for the remaining shares in Grupa Onet.pl.

Following conclusion of the above agreement the assets and liabilities related to Onet Group (Grupa Onet.pl and its subsidiaries) were presented as held for sale and the operations of Onet Group were presented as discontinued operations up to the date of the finalization of the transaction. The transaction was finalized on November 6, 2012 (see Note 17).

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

16. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the result of discontinued operations – Onet Group

	Three months ended March 31, 2012
Revenue	54,156
Cost of revenue	(25,349)
Selling expenses	(13,404)
General and administration expenses	(5,534)
Other operating expense, net	(276)
Operating profit	**9,593**
Interest income	2,141
Finance expense	(2)
Foreign exchange losses, net	(310)
Profit before income tax	**11,422**
Income tax charge	(2,115)
Profit for the period from discontinued operations	**9,307**

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

	Three months ended March 31, 2012
Net cash generated by operating activities	20,245
Net cash used in investing activities	(4,605)
Net cash used in financing activities	(145,000)
	(129,360)

17. INVESTMENTS IN ASSOCIATES

	Three months ended March 31, 2013	Year ended December 31, 2012
Beginning of period	1,865,644	-
Investment in associate nC+ recognized	-	1,556,160
Investment in associate Onet Holding recognized	-	318,750
Transaction costs capitalized	-	2
Share of profits/ (losses) of associates	12,890	(9,268)
Share of other comprehensive income of associates	3,003	-
End of period	**1,881,537**	**1,865,644**

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

nC+

On November 30, 2012 the strategic co-operation agreements with Canal+ Group (see Note 16) have been finalized and the combination of the Cyfra+ and 'n' platforms as a combined digital DTH platform nC+ has come into effect. 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+. Canal+ Group holds shares representing 51% of the share capital of Cyfra+ and LGI Ventures B.V. ("UPC") holds the remaining 17% of the shares 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+ is held subject to the terms of a shareholders' agreement, which includes provisions regarding the composition of the management and supervisory boards and the appointment of their members, an exit strategy and a list of matters which require the consent of TVN. Canal+ Group has a call option to acquire TVN's 32% of nC+ at market value, which is exercisable during the three month periods beginning November 30, 2015 and November 30, 2016. Additionally, TVN and Canal+ Group each has the right following the call option periods to sell its interest in nC+ (with Canal+ Group having the right to require TVN to sell its shares in nC+ on the same terms) and if not exercised, TVN has the right to require nC+ to undertake an initial public offering.

The fair value of the combined platform nC+ as at the transaction closing date amounted to 4,863,000 based on the valuation performed by the Group's investment banks. Accordingly the Group's 32% stake in the combined platform amounted to 1,556,160. As a result of the completion of the transaction on November 30, 2012 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.

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.

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Onet Holding

On November 6, 2012 the transaction of disposal of the majority stake in Onet Group to RAS (see Note 16) has been finalized and TVN Online Investments Holding (previously Grupa Onet Poland Holding), a wholly–owned subsidiary of the Group, sold to Onet Holding (previously Vidalia Investments), a wholly owned subsidiary of RAS, Grupa Onet.pl shares jointly representing 100% of Grupa Onet.pl share capital for both cash consideration and shares in Onet Holding'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. 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.

TVN Online Investments Holding contributed the remaining Grupa Onet.pl shares representing 25% of its share capital to Onet Holding in exchange for 25% shares in the Onet Holding's increased share capital representing, following the increase, 25% of Onet Holding's share capital. The stake of 25% in the increased share capital of Onet Holding was valued at 318,750.

After the transaction RAS holds 75% of Onet Holding's shares and TVN Online Investments Holding holds 25% of Onet Holding's shares. Onet Holding holds 100% of Grupa Onet.pl shares. The Group treats Onet Holding's shares as a long-term investment. As the Group has significant influence on, but not control over, Onet Holding, the investment is classified as investment in associate and accounted for using the equity method.

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

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

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

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

The provisionally determined fair values of assets and liabilities of the associate Onet Holding 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 Onet Holding which fair value is already final.

18. GROUP COMPANIES

These interim condensed consolidated financial statements as at March 31, 2013 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	March 31, 2013 Ownership %	December 31, 2012 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
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Associates			
Canal+ Cyfrowy S.A. Group (2)	Poland	32	32
Onet Holding Sp. z o.o. Group (3)	Poland	25	25

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

(2) 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)

(3) Onet Holding Sp. z o.o. Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., SunWeb Sp. z o.o. in liquidation) and an associate (Polskie Badania Internetu Sp. z o.o.)

The share capital percentage owned by the Group equals the percentage of voting rights in each of the above entities.

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

19. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Canal+ Cyfrowy Group	20,201	-
ITI Group	1,656	1,451
Onet Holding Group	151	-
Wydawnictwo Pascal	1	-
	22,009	**1,451**

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:

	Three months ended March 31, 2013	Three months ended March 31, 2012
ITI Group	6,041	11,693
Directors of ITI Group	1,023	867
Onet Holding Group	705	-
Canal+ Cyfrowy Group	599	-
	8,368	**12,560**

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

Directors of ITI Group provide consulting services to the Group.

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

	March 31, 2013	December 31, 2012
Receivables:		
Canal+ Cyfrowy Group	13,311	14,791
ITI Group	5,597	11,326
Wydawnictwo Pascal	733	733
Onet Holding Group	276	511
	19,917	**27,361**
Payables:		
ITI Group	9,900	44,356
Directors of ITI Group	1,612	1,333
Canal+ Cyfrowy Group	1,193	2,564
Onet Holding Group	1,036	1,517
Wydawnictwo Pascal	1	1
	13,742	**49,771**

Payables towards ITI Group as at December 31, 2012 include payables related to the acquisition of MBC Building.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Lease commitments with related parties

See Note 15 for further details.

(v) Other

As of March 31, 2013 the Group issued guarantees in the total amount of 234,206 on the Group's behalf relating to the liabilities of Canal+ Cyfrowy Group (December 31, 2012: 629,559). During the three months ended March 31, 2013 the Group recorded finance income related to these guarantees of 961 (the three months ended March 31, 2012: nil).

20. 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,
(ii) TVN Incentive Scheme II introduced on July 31, 2006 as part of the acquisition of Grupa Onet.pl.

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

The stock option plan was service related.

During the three months ended March 31, 2013 no options were exercised (the three months ended March 31, 2012: nil).

The remaining options are exercisable at the prices indicated below (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
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
	9,126,602		

The TVN Incentive Schemes expire on December 31, 2014.

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

21. FINANCIAL RISK MANAGEMENT

21.1. Capital risk management

The Group's objectives when managing capital risk are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 11) 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 March 31, 2013	Twelve months ended December 31, 2012
Net debt *	2,033,571	2,046,485
EBITDA	432,992	434,050
Impairment of Onet goodwill	216,029	216,029
Loss on disposal of Onet Group	19,351	19,351
Gain on exchange of Pay TV assets	(196,618)	(196,618)
Impairment of teleshopping unit	25,973	25,973
Share of (profits)/ losses of associates	(3,622)	9,268
EBITDA after adjustments	494,105	508,053
Net debt to EBITDA ratio	4.1	4.0

* Net debt as at March 31, 2013 and 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.

21. 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.

21.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be effective from cost and cash flow perspective.

Financial risk management is carried out by the Group under policies approved by the Management Board and Supervisory Board. The Group Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Group is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Vice-President of the Management Board 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 the Notes

The Notes are listed on the Luxembourg Stock Exchange. The price of the Notes depends on the Group's creditworthiness and on the relative performance of the bond market as a whole. The Group does not account for early 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.

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

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

The estimated profit/ loss for the period from continuing operations (post-tax) impact on balances as of March 31, 2013 and March 31, 2012 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 102,546 (a loss of 129,979 as of March 31, 2012) and is presented below:

	Three months ended March 31, 2013	**Three months ended March 31, 2012 ***
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
The Notes including accrued interest	(131,896)	(134,342)
Mortgage Loan	(4,311)	-
Trade payables	(748)	(404)
Other	(2,447)	(104)
Assets:		
Restricted cash	34,836	-
Cash and cash equivalents	1,989	3,280
Trade receivables	31	57
Bank deposits with maturity over three months	-	1,534
	(102,546)	**(129,979)**

* Excluding assets and liabilities of disposal groups classified as held for sale

The estimated profit/ loss for the period from continuing operations (post-tax) impact on balances as of March 31, 2013 and March 31, 2012 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 2,511 (a loss of 2,595 as of March 31, 2012).

The profit/ loss for the period from continuing operations impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group. Details of foreign exchange forward contracts which the Group had on March 31, 2013 are discussed in Note 8.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the Notes and the Mortgage Loan (see Note 11).

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 bears interest at a variable rate linked to EURIBOR and therefore exposes the Group to interest rate risk if interest rates increase. At March 31, 2013, if EURIBOR interest rates had been 50 b.p. higher/ lower with all other variables held constant, the post-tax loss for the period from continuing operations would have been 37 higher/ lower (December 31, 2012: 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 March 31, 2013 and as of December 31, 2012.

(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. 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 (81% of the total trade receivables as of March 31, 2013 and 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 15% and the single largest advertiser accounted for 2% of sales for the three months ended March 31, 2013 (16% and 3%, respectively, of sales for the three months ended March 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.

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

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	**March 31, 2013**	**December 31, 2012**
Receivables from advertising agencies	81%	78%
Receivables from individual customers	13%	13%
Receivables from related parties	6%	9%
	100%	**100%**

Credit concentration of the five largest counterparties measured as a percentage of the Group's total trade receivables:

Trade receivables (net)	**March 31, 2013**	**December 31, 2012 ***
Agency A	10%	9%
Agency B	10%	16%
Agency C	9%	7%
Agency D	6%	4%
Agency E	5%	6%
Sub-total	**40%**	**42%**
Total other counterparties	60%	58%
	100%	**100%**

* 2012 figures represent comparative data for each Agency

Certain advertising agencies operating in Poland as separate entities are part of international financial groups controlled by the same ultimate shareholders. Credit concentration of the Group aggregated by international agency groups, measured as a percentage of the Group's total trade receivables is presented below:

Trade receivables (net)	**March 31, 2013**	**December 31, 2012 ***
Agency Group F	23%	26%
Agency Group G	23%	19%
Agency Group H	15%	15%
Agency Group I	6%	5%
Agency Group J	5%	5%
Sub-total	**72%**	**70%**
Total other counterparties	28%	30%
	100%	**100%**

* 2012 figures represent comparative data for each Agency Group

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at March 31, 2013 and December 31, 2012.

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

21. 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 March 31, 2013 the Group had cash and cash equivalents and bank deposits with maturity over three months totaling 469,214 at its disposal (cash and cash equivalents and bank deposits with maturity over three months totaling 358,564 at December 31, 2012). As at March 31, 2013 the Group had also restricted cash in the amount of 860,339 (December 31, 2012: 915,343).

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 March 31, 2013			
Notes	317,428	317,428	4,144,361
Mortgage Loan	11,729	11,471	93,325
Trade payables	138,978	11,593	-
Other liabilities and accruals	161,650	19,137	-
Guarantees	139,797	94,409	-
	769,582	**454,038**	**4,237,686**
At December 31, 2012			
Notes	316,952	316,952	4,146,934
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**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.3. 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.

22. EVENTS AFTER THE REPORTING PERIOD

On April 15, 2013 the Company declared a dividend in the amount of 0.64 per share (not in thousands) to be paid. The total dividend will amount to 220,081 and will be paid in two installments: first installment will be paid on May 8, 2013 in the amount of 99,724 (PLN 0.29 per share (not in thousands)) and the second installment will be paid on November 5, 2013 in the amount of 120,357 (PLN 0.35 per share (not in thousands)).

MANAGEMENT REPRESENTATIONS

These interim condensed separate financial statements of TVN S.A. (the “Company”) as of and for three months ended March 31, 2013, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed separate financial statements of TVN S.A. as of and for three months ended March 31, 2013 include: interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate balance sheet, interim condensed separate statement of changes in shareholders’ equity, interim condensed separate cash flow statement and notes to the interim condensed separate financial statements.

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. on May 7, 2013.

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

Warsaw, May 7, 2013

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three months ended March 31, 2013

TVN S.A.

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue	**4**	309,058	336,765
Cost of revenue	**5**	(219,402)	(233,999)
Selling expenses	**5**	(11,704)	(14,119)
General and administration expenses	**5**	(31,326)	(35,974)
Other operating (expenses)/ income net		(748)	1,780
Dividend income		-	133,363
Operating profit		**45,878**	**187,816**
Interest income	**6**	2,284	4,406
Finance expense	**6**	(93,001)	(93,521)
Foreign exchange (losses)/gains, net	**6**	(54,313)	207,416
(Loss)/ profit before income tax		**(99,152)**	**306,117**
Income tax benefit / (charge)	**15**	19,349	(20,138)
(Loss)/ profit for the period		**(79,803)**	**285,979**
(Losses)/ earnings per share (not in thousands)			
- basic		(0.23)	0.83
- diluted		(0.23)	0.83

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

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

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
(Loss)/ profit for the period		**(79,803)**	**285,979**
Other comprehensive income:			
Foreign exchange forward contracts		922	904
Available for sale financial assets		454	-
Income tax relating to components of other comprehensive income	**15**	(261)	(230)
Other comprehensive income for the period, net of tax		1,115	674
Total comprehensive (loss)/ income for the period		**(78,688)**	**286,653**

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

	Note	As at March 31, 2013	As at December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment		393,269	411,014
Goodwill		144,127	144,127
Other intangible assets		43,232	44,430
Non-current programming rights		172,618	171,509
Investments in subsidiaries, associates and joint ventures	**7**	4,305,254	4,343,504
Non-current related party loans	**17 (v)**	35,284	28,037
Deferred tax asset		226,083	206,997
Other non-current assets		1,193	355
		5,321,060	**5,349,973**
Current assets			
Current programming rights		260,316	259,057
Trade receivables		195,779	166,233
Current related party loans	**17 (v)**	4,137	4,969
Available-for-sale financial assets	**9**	78,150	-
Derivative financial assets	**8**	2,449	-
Prepayments and other assets		74,310	19,900
Corporate income tax receivable		619	52,427
Restricted cash	**10**	860,339	915,343
Cash and cash equivalents		200,630	163,671
		1,676,729	**1,581,600**
TOTAL ASSETS		**6,997,789**	**6,931,573**
EQUITY			
Shareholders' equity			
Share capital	**11**	68,775	68,775
Share premium		672,876	672,876
8% obligatory reserve		23,301	23,301
Other reserves		98,833	97,718
Accumulated profit		2,382,300	2,462,103
		3,246,085	**3,324,773**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**12, 17 (ii)**	3,126,379	3,054,798
Non-current Mortgage Loan	**12**	97,252	97,258
Non-current trade payables		11,593	13,050
Other non-current liabilities		13,217	16,455
		3,248,441	**3,181,561**
Current liabilities			
Current trade payables		150,286	169,680
Current Mortgage Loan	**12**	8,689	8,503
Accrued interest on borrowings	**12, 17 (iii)**	130,653	42,771
Cash pooling liabilities	**17 (vii)**	115,959	97,729
Other liabilities and accruals	**13**	97,676	106,556
		503,263	**425,239**
Total liabilities		**3,751,704**	**3,606,800**
TOTAL EQUITY AND LIABILITIES		**6,997,789**	**6,931,573**

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

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2012	**343,876,421**	**68,775**	**672,931**	**23,301**	**97,718**	**253**	**2,493,449**	**3,356,427**
Total comprehensive income for the period	-	-	-	-	-	674	285,979	286,653
Share issue cost[1]	-	-	(25)	-	-	-	-	(25)
Dividend declared [2]	-	-	-	-	-	-	**(34,388)**	(34,388)
Balance at March 31, 2012	**343,876,421**	**68,775**	**672,906**	**23,301**	**97,718**	**927**	**2,745,040**	**3,608,667**

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

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**-**	**2,462,103**	**3,324,773**
Total comprehensive income/ (loss) for the period	-	-	-	-	-	1,115	(79,803)	(78,688)
Balance at March 31, 2013	**343,876,421**	**68,775**	**672,876**	**23,301**	**97,718**	**1,115**	**2,382,300**	**3,246,085**

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

(2) The dividend declared and paid in 2012 amounted to 0.10 per share (not in thousands).

Included in accumulated profit as of March 31, 2013 is an amount of 2,380,470 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).

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

	Note	Three months anded March 31, 2013	Three months anded March 31, 2012
Operating activities			
Cash generated from operations	**14**	37,370	(28,565)
Tax paid		(4,567)	(9,800)
Net cash generated /(used in) from operating activities		**32,803**	**(38,365)**
Investing activities			
Proceeds from sale of subsidiaries		38,005	-
Payments to acquire property, plant and equipment		(41,718)	(39,391)
Proceeds from sale of property, plant and equipment		490	1,280
Payments to acquire intangible assets		(3,413)	(16,352)
Bank deposits with maturity over three months		-	36,295
Loans granted to subsidiary	**17 (v)**	(5,760)	(42,422)
Dividend received		-	133,363
Interest received		1,690	3,682
Net cash (used in)/ generated from investing activities		**(10,706)**	**76,455**
Financing activities			
Purchase of available-for-sale financial assets		(78,150)	-
Mortgage Loan		(2,172)	-
Cash pooling with TVN Media		18,230	106,964
Issuance costs of TVN Finance Corporation II AB and TVN Finance Corporation III AB loans		-	(473)
Restricted cash	**10**	74,264	-
Interest paid		-	(29)
Net cash generated from financing activities		**12,172**	**106,462**
Increase in cash and cash equivalents		**34,269**	**144,552**
Cash and cash equivalents at the start of the period		163,671	218,935
Effects of exchange rates changes		2,690	(2,336)
Cash and cash equivalents at the end of the period		**200,630**	**361,151**

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

1. TVN

These interim condensed separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 7, 2013.

TVN S.A. (the "Company",until July 29, 2004 TVN Sp. z o.o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange. The Company has its registered office at ul. Wiertnicza 166, 02-952 Warsaw, Poland.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). The ITI Holdings is ultimately, jointly controlled by the members of the Wejchert, Walter, Valsangiacomo and Kostrzewa families. ITI Group has been active in Poland since 1984 and is the one of the largest media and entertainment group in Poland.

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

Advertising sales in Poland tend to be lowest during the third quarter of each calendar year, which includes the summer holiday period and highest during the fourth quarter of each calendar year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed separate financial statements as of and for the three months ended March 31, 2013 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2012 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2013. None of the standards, amendments to standards or IFRIC interpretations effective from January 1, 2013 had a significant impact on the Company's interim condensed separate financial statements.

These interim condensed separate financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These interim condensed 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 interim condensed consolidated financial statements for period ended March 31, 2013 are published together with these interim condensed separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the year ended December 31, 2012 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl

2.2. 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of the investment in Mango Media

The Company tests annually whether the investment in Mango Media has suffered any impairment. During the year the Company monitors investment in Mango Media against impairment indicators through the review of actual financial and operating results of Mango Media. As of March 31, 2013 the Company assessed that the operating and financial results of Mango Media do not indicate impairment.

The last impairment test was carried out as at December 31, 2012.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 required the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

During the year the Company monitors investment in Mango Media against impairment indicators through the review of actual financial and operating results of Mango Media. As of March 31, 2013 the Company assessed that the operating and financial results of Mango Media do not indicate impairment.

The key financial assumptions used for discounting free cash flows in 2012 were as follows:

	December 31, 2012
Terminal growth	3%
Discount rate	9.63%

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 for the year ended December 31, 2012. The impairment charge was presented within other operating expenses, net. The impairment charge reduced 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 were reasonable and were 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Estimated impairment of investments in associates

Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Investments in associates are separate cash generating units. As of March 31, 2013 the Company did not identify any impairment of its investments in associates.

(iii) 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, 2012: 403,710) as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As at March 31, 2013 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, 2012: 137,940) was not recognized as the Company concluded that as at March 31, 2013 the realization of the related tax benefit is not probable.

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

4. REVENUE

	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue from advertising spot sales	212,702	237,607
Subscription fees	54,952	53,875
Revenue from sponsoring	25,185	22,404
Revenue from sales of services	7,572	10,493
Other revenue	8,647	12,386
	309,058	**336,765**

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

5. OPERATING EXPENSES

	Three months ended March 31, 2013	Three months ended March 31, 2012
Amortization of locally produced content	92,748	98,884
Amortization of acquired programming rights and co-production	36,845	35,551
Staff expenses	29,262	33,289
Depreciation and amortization	20,493	16,728
Marketing and research	10,810	13,028
Royalties	25,443	29,269
Broadcasting expenses	14,946	14,482
Cost of services sold	5,557	10,384
Rental	6,724	8,412
Impaired accounts receivable	169	130
Other	19,435	23,935
	262,432	**284,092**

Included in the above operating expenses are operating lease expenses for the three months ended March 31, 2013 of 23,189 (three months ended March 31, 2012:27,269).

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

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

Interest income	**Three months ended March 31, 2013**	**Three months ended March 31, 2012**
Interest income on loans to related parties	705	1,786
Other interest income	1,579	2,620
	2,284	**4,406**

Finance expense		
Interest expense on loans from related party (see Note 17 (iii))	(90,064)	(92,872)
Interest expense on cash pooling transactions (see Note 17(vi))	(2,222)	-
Interest expense on Mortgage Loan (see Note 12)	(756)	-
Interest on foreign exchange forward contracts – fair value and cash flow hedges (see Note 12)	(261)	(2,917)
Income from guarantee fees from related parties (see Note 17 (vii))	3,019	3,761
Guarantee fees to related parties (see Note 17 (vii))	(201)	(362)
Bank and other charges	(2,516)	(1,131)
	(93,001)	**(93,521)**

Foreign exchange (losses)/gains, net		
Foreign exchange gains/ (losses) on loans from related party, including:	(69,447)	208,879
- unrealized foreign exchange gains/ (losses) *loans from related party*	*(69,447)*	*199,515*
- fair value hedge impact (see Note 12)	-	*9,364*
Other foreign exchange (losses)/ gains, net	15,134	(1,463)
	(54,313)	**207,416**

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

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	March 31, 2013	December 31, 2012
TVN Media Sp. z o.o.	2,393,111	2,393,111
Canal+ Cyfrowy S.A.	1,556,160	1,556,160
TVN Online Investments Holding B.V.	318,750	357,000
Mango Media Sp. z o.o.	28,862	28,862
Other investment in subsidiaries, joint ventures and associates	8,371	8,371
Total	**4,305,254**	**4,343,504**

* The recoverable value of TVN Online Investments Holding B.V. as at December 31, 2012 consisted of fair value of Onet Holding (previously Vidalia Investments) 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. In February 2013 TVN Online Investments Holding received a payment of 38,005 and transferred the amount to the Company in a form of redemption of shares.

	Country of incorporation	March 31, 2013 Ownership %	December 31, 2012 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
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Associates			
Canal+ Cyfrowy S.A. Group (2)	Poland	32	32
Onet Holding Sp. z o.o. Group (3)	Poland	25	25

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

(2) 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)

(3) Onet Holding Sp. z o.o. Group includes Onet Holding 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 Onet Holding (previously Vidalia Investments Sp. z o.o.) indirectly through TVN Online Investments Holding B.V.

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2013	December 31, 2012
Derivative financial assets		
Foreign exchange forward contracts	2,449	-
	2,449	**-**

The fair value of foreign exchange forward contracts as at March 31, 2013 was based on valuations performed by the Company's banks.

In February 2013 the Company entered into USD foreign exchange forward contracts in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets. The hedging strategy based on USD foreign exchange forward contracts had in total a notional value of USD 17,780, settlement dates between February 27, 2013 and December 30, 2013 and PLN/USD foreign exchange forward rates between 3.08 and 3.16. The periods when the cash flows relating to the firm commitments are expected to occur are the same as the maturity dates of the USD foreign exchange forwards. The Company has designated these USD foreign exchange forward contracts for cash flow hedge accounting.

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 6).

Foreign exchange forward contracts were contracted with banks rated as follows (by Fitch):

	March 31, 2013	December 31, 2012
Derivative financial assets		
Bank rated A-	1,260	-
Bank rated BBB	1,189	-
	2,449	**-**

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

9. AVAILABLE FOR SALE FINANCIAL ASSETS

	March 31, 2013	December 31, 2012
Balance at the beginning of the period	-	-
Acquisition of the Notes	77,451	-
Interest income accrued *	(25)	-
Foreign exchange differences	270	-
Fair value change credited/ (charged) to other comprehensive income	454	-
Balance at the end of the period	**78,150**	**-**

* Includes amortization of premium paid on acquisition

In February and March 2013 the Company purchased on the secondary market 10.75% Senior Notes due 2017 issued by its subsidiary TVN Finance Corporation II AB with a nominal value of EUR 7,347 for an amount of EUR 8,270 (including accrued interest) and 7.875% Senior Notes due 2018 issued by its subsidiary TVN Finance Corporation III AB with a nominal value of EUR 9,552 for an amount of EUR 10,334 (including accrued interest). 10.75% Senior Notes due 2017 and 7.875% Senior Notes due 2018 are collectively referred to as the “Notes”. Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on March 31, 2013. The change in fair value change of the Senior Notes purchased by the Company was recognized in other comprehensive income.

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

10. RESTRICTED CASH

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

	March 31, 2013	December 31, 2012
Bank rated AA- *	860,339	880,713
Other **	-	34,630
	860,339	**915,343**

The carrying amounts of the Company's restricted cash is denominated in the following currencies:

EUR	860,151	880,525
PLN	188	34,818
	860,339	**915,343**

* Restricted cash related to the disposal of Onet Group

** Restricted cash related to the acquisition of MBC Building, bank rated BBB according to Fitch, no Standard and Poor's rating available

11. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at March 31, 2013 was 343,876,421 (December 31, 2012: 343,876,421) with a par value of 0.20 per share.

The shareholders structure:

	March 31, 2013		December 31, 2012	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
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 March 31, 2013 and December 31, 2012 were fully paid and registered by the Court. Number of shares held by each shareholder is the same as the number of votes.

12. BORROWINGS

	March 31, 2013	December 31, 2012
Loans from related parties (see Note 17 (iii))	3,126,379	3,054,798
Interest accrued on loans from related parties (see Note 17 (iii))	130,653	42,659
Mortgage Loan	105,941	105,761
Interest accrued on Mortgage Loan	-	112
	3,362,973	**3,203,330**
Less: current portion of borrowings	(139,342)	(51.274)
Non-current portion of borrowings	**3,223,631**	**3,152,056**

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

12. BORROWINGS (CONTINUED)

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"). 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 3.17%. The Mortgage Loan and interest are repaid in monthly installments starting from January 31, 2013. The final repayment date is 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. 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. The agreement after amendments is a PLN 300,000 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 300,000 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 March 31, 2013 the revolving guarantee facility had been used for the bank guarantees issued at 241,995 (total amount of loan facility used as of December 31, 2012: 279,982).

Revolving facility

On February 28, 2013 the Company entered into a revolving facility agreement with Bank Pekao S.A. in the amount of up to PLN 100,000. The agreement is effective up to August 28, 2013 with a possible extension to February 28, 2014. The revolving facility enables advance financing of trade receivables documented by VAT commercial invoices.

As of March 31, 2013 the revolving facility had not been used.

13. OTHER LIABILITIES AND ACCRUALS

	March 31, 2013	December 31, 2012
Employee benefits	20,864	17,613
Accrued production costs	12,810	9,415
Satellites	4,624	4,871
Sales and marketing related costs	787	927
VAT and other taxes payable	-	3,317
Deferred income	160	161
Other liabilities and accrued costs	58,431	70,252
	97,676	**106,556**

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

14. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
(Loss)/ profit for the period		(79,803)	285,979
Tax (benefit)/ charge	**15**	(19,349)	20,138
Depreciation, amortization	**5**	20,493	16,728
Amortization of acquired program rights and co-production	**5**	36,845	35,551
Payments to acquire programming rights		(35,738)	(53,883)
Impaired accounts receivable	**5**	169	130
Loss on sale of property, plant and equipment		179	(15)
Interest income	**6**	(2,284)	(137,769)
Finance expense	**6**	93,001	93,521
Foreign exchange losses/ (gains), net	**6**	54,313	(207,416)
Guarantee fee		(201)	(362)
Change in local production balance		(2,595)	(867)
Changes in working capital:			
Trade receivables		(29,715)	(50,112)
Prepayments and other assets		1,469	(11,622)
Trade payables		13,747	8,686
Other short term liabilities and accruals		(13,161)	(27,252)
		(27,660)	(80,300)
Cash generated from operations		**37,370**	**(28,565)**

Non-cash transactions

Barter revenue, net		257	247

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

15. TAXATION

	Three months ended March 31, 2013	Three months ended March 31, 2012
Current tax charge	-	(10,329)
Deferred tax benefit / (charge)	19,349	(9,809)
	19,349	**(20,138)**

Reconciliation of accounting profit to tax charge

Profit before income tax	**(99,152)**	**306,117**
Income tax charge at the enacted statutory rate of 19%	18,839	(58,162)
Impact of non taxable dividend income	-	25,339
Impact of impairment of investment in ITI Neovision	-	13,324
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	510	(639)
Tax for the period	**19,349**	**(20,138)**

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 March 31, 2013.

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

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

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

	March 31, 2013	December 31, 2012
Due in 2013	124,463	184,334
Due in 2014	112,670	113,792
Due in 2015	85,476	81,168
Due in 2016	72,458	68,914
Due in 2017	70,785	67,323
	465,852	**515,531**

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

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

	Related parties	Non-related parties	Total
Due in 2013	292	10,005	10,297
Due in 2014	339	8,166	8,505
Due in 2015	289	6,019	6,308
Due in 2016	289	3,529	3,818
	1,209	**27,719**	**28,928**

Total future minimum payments relating to operating lease agreements signed as at December 31, 2012 were scheduled to be paid as follows:

	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**

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

16. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties") and Grupa Onet.pl. Poland Media Properties is a subsidiary of ITI Group.

Commitments in foreign currencies were calculated using exchange rates as at March 31, 2013 and December 31, 2012 respectively.

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:

	March 31, 2013	**December 31, 2012**
Due in 2013	20,902	29,269
Due in 2014	35,021	33,905
Due in 2015	32,269	31,212
Due in 2016	32,124	31,070
Due in 2017	31,779	31,070
Due in 2018 and thereafter	14,904	14,586
	166,999	**171,112**

Additionally, the Company leases transmission sites and related services for an annual amount of 15,538 (the year ended December 31. 2012: 21,664).

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

17. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2013	Three months ended March 31, 2012
TVN Media Sp. z o.o.	243,514	267,805
Canal+ Cyfrowy	21,692	28,800
ITI Group	735	1,190
Onet Holding Group*	734	273
Mango Media	334	314
El-Trade	31	31
Tivien	12	12
Film Miasto Sp. z o.o.	-	1
Stavka Sp. z o.o.	2,233	6,263
Poland Media Properties	-	2
Market Link	1	-
	269,286	**304,691**

* Previously Vidalia Investments Sp. z o.o.

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

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

Revenue from Grupa Onet 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.

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

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Three months ended March 31, 2013	Three months ended March 31, 2012
TVN Media Sp. z o.o.	24,616	28,593
ITI Group	5,102	9,915
Tivien	2,934	3,519
Onet Holding Group	778	1,184
Directors of ITI Group	1,023	867
Poland Media Properties	486	515
Canal+ Cyfrowy Group	422	339
NTL Radomsko	349	349
El-Trade	86	92
Stavka Sp. z o.o.	7	-
	35,803	**45,373**

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 Onet Holding Group 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 Canal+ Cyfrowy Group include mainly technical and production services.

Operating expenses from Poland Media Properties comprise rent of office premises

Directors of ITI Group provide consulting services to the Company.

(iii) Loans from related parties

	March 31, 2013	December 31, 2012
Loans from TVN Finance Corporation II AB	2,412,844	2,357,451
Loans from TVN Finance Corporation III AB	713,535	697,347
Interest accrued	130,653	42,659
	3,257,032	**3,097,457**

17. 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%.

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

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	March 31, 2013	December 31, 2012
Receivables:		
TVN Media Sp. z o.o.	149,011	111,684
Canal+ Cyfrowy Group	13,273	14,739
ITI Group	1,150	7,944
Mango Media	3,563	3,422
Onet Holding Group	110	266
El-Trade	13	13
Stavka Sp. z o.o.	2,509	4,604
Tivien	4	4
Poland Media Properties	-	11
	169,633	**142,687**
Payables:		
ITI Group	6,224	39,836
Canal+ Cyfrowy Group	993	2,419
TVN Media Sp. z o.o.	24,182	10,527
Onet Holding Group	330	542
Directors of ITI Group	1,612	1,333
Tivien	1,243	1,007
NTL-Radomsko	143	143
El-Trade	41	34
Stavka Sp. z o.o.	2	121
Poland Media Properties	74	1,127
	34,844	**57,089**

Payables towards ITI Group as at December 31, 2012 include payables related to the acquisition of MBC Building.

(v) Related party loans

	March 31, 2013	December 31, 2012
Thema Film	470	551
Stavka Sp. z o.o.	38,951	32,455
	39,421	**33,006**

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Lease commitments with related parties

See Note 17 (ii) for further details.

(vi) Cash pooling liabilities

During the year ended March 31, 2013 the Company recorded finance cost from cash pooling transactions with TVN Media of 2,222 (the three months ended March 31, 2012:1,033).Cash pooling liabilities amount to 115,959 (at December 31, 2012: 97,729).

(vii) Other

As of March 31, 2013 the Company issued guarantees in amount of 234,206 on the Company's behalf relating to the liabilities of Canal+ Cyfrowy Group and in amount of 190,000 relating to the liabilities of TVN Media.

During three months ended March 31, 2013 the Company recorded the revenue of 1,547 from TVN Finance Corporation II AB, 457 from TVN Finance Corporation III AB, 961 from Canal+ Cyfrowy Group and 54 from TVN Media relating to the guarantees provided (the three months ended March 31, 2012: 2,228 TVN Finance Corporation II AB, 658 TVN Finance Corporation III AB, 875 Canal+ Cyfrowy Group and TVN Media nil).

18. 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,

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

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

The stock option plan was service related.

During the three months ended March 31, 2013 no options were exercised (the three months ended March 31, 2012: nil).

The remaining options are exercisable at the prices indicated below (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
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
	9,126,602		

The TVN Incentive Schemes expire on December 31, 2014.

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

19. FINANCIAL RISK MANAGEMENT

19.1 Capital risk management

The Company's objectives when managing capital risk are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, draw borrowings or sell assets to reduce debt.

The Company monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings payable at the reporting date including accrued interest and cash pooling liabilities less cash and cash equivalents, bank deposits with maturity over three months and available-for-sale financial assets. 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.

	Three months ended March 31, 2013	**12 months ended December 31, 2012**
Net debt *	2,421,677	2,342,147
EBITDA	(157,807)	(18,590)
Dividend and other net distribution from subsidiaries	(897,776)	(1,031,139)
Loss on exchange of Pay TV assets	365,898	365,898
Impairment of Onet	1,017,759	1,017,759
Impairment on investment in Mango	26,000	26,000
EBITDA after adjustments	354,074	359,928
Net debt to EBITDA ratio	6.8	6.5

* Net debt as at December 31, 2012 includes restricted cash related to the disposal of Onet Group

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

19.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures when hedging instruments are assessed to be effective from cost and cash flow perspective.

Financial risk management is carried out by the Company under policies approved by the Management Board and Supervisory Board. The TVN Treasury Policy lays down the guidelines to manage financial risk and liquidity, through determination of the financial risk factors to which the Company is exposed and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within the Company's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the Vice-President of the Management Board 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.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 17 (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.

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 and available-for-sale financial assets, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Company enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures (see Note 8). 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 March 31, 2013 and March 31, 2012 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 105,682 (a loss of 126,968 as of March 31, 2012) and is presented below:

	Three months anded March 31, 2013	**Three months ended March 31, 2012**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
Loans from subsidiaries including accrued interest	(135,226)	(134,901)
Mortgage Loan	(4,311)	-
Trade payables	(622)	(401)
Other	(1,600)	(104)
Assets:		
Available-for-sale financial assets	3	-
Restricted cash	34,836	-
Loans to subsidiaries	-	3,811
Bank deposits with maturity over three months	-	1,534
Cash and cash equivalents	1,213	3,058
Trade receivables	25	35
	(105,682)	**(126,968)**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated profit for the period (post-tax) impact on balances as of March 31, 2013 and March 31, 2012 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 2,599 (a loss of 2,573 as of March 31, 2012).

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the loans from related parties, the loans to subsidiaries and the Mortgage Loan (see Note 12).

As loans from related parties are at a fixed interest rate, the Company is exposed to fair value interest rate risk in this respect if interest rates decline. Since loans from related parties are carried at amortised cost, the changes in fair value of these instruments do not have direct impact on valuation of loans from related partiesy 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 bears interest at a variable rate linked to EURIBOR and therefore exposes the Company to interest rate risk if interest rates increase. At March 31, 2013, 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 37 lower/higher (December 31, 2012: 15).

The Company did not consider it cost effective to hedge or otherwise seek to reduce interest rate risk as of March 31, 2013 and as of December 31, 2012.

(ii) Credit risk

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

The 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.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 (76% of the total trade receivables as of March 31, 2013) and relate to sales made through advertising agencies that manage advertising campaigns for advertisers and pay TVN Media once payment has been received from the customer. Therefore these interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency. The major players amongst the advertising agencies in Poland with whom the Company and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	**March 31, 2013**	**March 31, 2012**
Receivables from other customers	13%	9%
Receivables from related parties	87%	91%
- TVN Media Sp. z o.o	76%	57%
- Canal+ Cyfrowy Group	7%	25%
- Other related parties	4%	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.

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

19. 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 March 31, 2013.

(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 March 31, 2013 the Company had cash and cash equivalents totaling 200,630 at its disposal (cash and cash equivalents, of 163,671 as at December 31, 2012). As at March 31, 2013 the Company had also restricted cash in the amount of 860,339 (December 31, 2012: 915,343).

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 March 31, 2013			
Loans from subsidiaries	360,762	360,762	4,356,505
Mortgage Loan	11,729	11,471	93,325
Trade payables	150,286	11,593	-
Cash pooling liabilities	115,959	-	-
Other liabilities and accruals	76,652	11,382	-
Guarantees	239,085	194,409	-
	954,473	**589,617**	**4,449,830**
At December 31, 2012			
Loans from subsidiaries	353,060	353,060	4,263,486
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**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 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.

20. EVENTS AFTER THE REPORTING PERIOD

On April 15, 2013 the Company declared a dividend in the amount of 0.64 per share (not in thousands) to be paid. The total dividend will amount to 220,081 and will be paid in two installments: first installment will be paid on May 8, 2013 in the amount of 99,724 (PLN 0.29 per share (not in thousands)) and the second installment will be paid on November 5, 2013 in the amount of 120,357 (PLN 0.35 per share (not in thousands)).