ANNUAL REPORT OF TVN CAPITAL GROUP FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

PUBLICATION DATE: FEBRUARY 6TH, 2015

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

2014 was a year of full turnaround and recovering momentum. The economy accelerated as expected and almost doubled its growth rate driven by domestic demand and investments. Consumers are strengthening with disposable income rising while inflation and unemployment decline. Such favourable macro environment translated into long awaited increase in advertising budgets and recovery of television advertising market. Last year it has grown by nearly 5% - in line with the guidance I have communicated to you a year ago.

TVN was well advanced in preparations to benefit from improving demand for advertising. First, we have introduced TVN24 Biznes i Świat – business and international news channel that replaced TVN CNBC and achieved significantly higher audience shares compared to its predecessor. Second, TVN implemented new pricing policy eliminating excessive discounts and creating a level playing field for advertisers with full transparency on net advertising prices depending on a value of allocated budgets. The policy is audited by an independent international firm and the audit confirmed the full compliance of our advertising sales with published terms and conditions. And then we came to the market with our programming schedules. Our main TVN channel's content propositions for spring and autumn seasons dominated the audience share market, outperforming other main channels. At the same time our portfolio of thematic channels, both free-to-air and encrypted, generated higher year-on-year audience shares across all categories based on strengthened programming offers and increased technical reach.

We accelerated our non-linear video content offerings. Their usage increased by 39% compared to 2013 and exceeded 800 million videos streamed in 2014 with double digit growth achieved in all video categories: long and short forms, news and video embedded on third party sites. We have also made the first inroads into subscription video on demand (SVOD) offer launching such service at the end of 2014 in cooperation with T-Mobile. At the same time we continued expansion of our sales representation service. Premium TV further contributed to our strong results based on steady increase in represented TV advertising inventory and improving pricing, while the outlook is even stronger with all represented channels extending their cooperation and five additional stations having joined the service from the beginning of this year.

Altogether we have delivered upon the guidance: our advertising related revenue growth was 5.1% - in the mid-single digit range, our consolidated revenue increased by 3.6% - in the low-single digit range, while the adjusted EBITDA arrived at PLN 530 million – above our guidance target. These financial measures confirm the impressive operating strengths of our businesses.

2015 is expected to deliver further improvements across all business metrics. Economy should continue accelerating and we envisage this translating into the television advertising market. TVN's leadership position will benefit us with revenue growth expected to exceed the market and profitability to gradually improve further – in line with our medium term outlook.

Best regards,

Markus Tellenbach

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This Annual Report of TVN Group was authorized by the Management Board of TVN S.A. on February 5th, 2015.

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

Warsaw, February 5th, 2015

DEFINITIONS

We have prepared this annual report as required by Section 4.16 of the Indentures for our 7.875% Senior Notes and the 7.375% Senior Notes, dated November 19, 2010 and September 16, 2013 respectively. We have also included information we are required to disclose to our shareholders as a public company in Poland in order to ensure consistent disclosure to both bondholders and shareholders.

In this annual report "**we**", "**us**", "**our**", the "**TVN Group**", **"TVN Capital Group"** and the "**Group**" refer, as the context requires, to TVN S.A. and its consolidated subsidiaries; the "**Company**" refers to TVN S.A.; "**Grupa Onet**" refers to Grupa Onet.pl S.A., owner of the leading Polish Internet portal Onet.pl, which we acquired in July 2006 and continue to indirectly hold 25% stake following its sale to Ringier Axel Springer Media AG in November 2012; "**Mango Media**" refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; "**ITI Neovision**" refers to ITI Neovision S.A. (previously ITI Neovision Sp. z o.o.), owner and operator of the 'n' DTH platform, which we controlled since March 11, 2009 until its contribution on November 30, 2012 to a merged DTH platform combining 'n' and Cyfra+ in which we hold 32% stake; "**ITI Neovision Group**" (previously Canal+ Cyfrowy S.A. Group) refers to ITI Neovision S.A. and its subsidiaries (Cyfrowy Dom Sp. z o.o., Neovision UK Ltd) and a joint venture (MGM Chanel Poland Ltd); "**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% stake of the company in September 2011, additional 26% in December 2011 and remaining 49% in October 2014; "**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; "**TVN DTH Holdings**" refers to TVN DTH Holdings S.a.R.L., a company registered in Luxembourg, being a subsidiary of TVN Media and the direct shareholder of ITI Neovision holding a 32% stake; **"Onet Holding Group**" 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, and its subsidiaries; "**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-to-air broadcast entertainment, movies and series channel; "**TVN 24**" refers to our news and current affairs channel; "**TVN Turbo**" refers to our thematic channel aimed at male viewers; "**TVN Meteo**" refers to our weather channel; "**TVN Style**" refers to our thematic channel focused on life styles, health and beauty, aimed at female viewers; "**iTVN**" refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; "**Telezakupy Mango 24**" refers to our teleshopping channel and "**NTL Radomsko**" refers to the local television channel. We purchased these channels in 2007 and 2005, respectively; "**TVN CNBC**" refers to our business channel which we operated in cooperation with CNBC Europe (TVN CNBC was replaced by TVN24 BiŚ in January 2014); "**TVN24 BiŚ**" refers to our business and international news channel; "**TVN Warszawa**" refers to our television channel targeted at Warsaw inhabitants, which we decided to cease broadcasting and to transfer its content to online presence only on March 25, 2011; "**TTV**" refers to our interactive social-intervention channel which was launched on January 2, 2012; "**Player**" refers to our video on demand platform launched in August 2011; "**TVN24.pl**" refers to our Internet news vortal launched in March 2007; "**Onet.pl**" refers to the Internet portal Onet.pl; "**VoD.pl**" refers to video-on-demand Internet service launched on February 14, 2010, by Onet.pl; "**nC+"** refers to Poland's leading Premium Pay-TV platform being a result of the merger of 'n' platform owned by TVN Group and Cyfra+ DTH platform owned by ITI Neovision Group, where TVN holds

32% stake in the combined operation; “**TNK**” refers to a pre-paid digital television service in standard definition, “Telewizja na kartę”, owned and operated by ITI Neovision, launched in October 2008; ”**TNK HD**” refers to a pre-paid digital television service in high definition launched on May 17, 2010 by ITI Neovision; “**NNK**”, refers to “n na kartę”, rebranded in June 2011 version of TNK HD; “**10.75% Senior Notes**” refer to the 10.75% Senior Notes that TVN Finance Corporation II AB issued on November 19, 2009, March 10, 2010 and April 30, 2010 and finally redeemed on October 16, 2013; “**7.875% Senior Notes**” refer to the 7.875% Senior Notes that TVN Finance Corporation III AB issued on November 19, 2010; ; “**7.375% Senior Notes**” refer to the 7.375% Senior Notes that TVN Finance Corporation II AB issued on September 16, 2013; “**Indentures**” refers to the indenture dated November 19, 2009 governing the 10.75% Senior Notes, the indenture dated November 19, 2010 governing the 7.875% Senior Notes and the indenture dated September 16, 2013 governing the 7.375% Senior Notes; “**Promissory Notes**” refers to the two promissory notes in the aggregate principal amount of EUR 40,000 we issued on March 10, 2010. On April 30, 2010, these Promissory Notes were exchanged for like principal amount of 10.75% Senior Notes and cancelled; “**PLN Bonds**” refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008 and fully redeemed by June 14, 2011; ”**Revolving guarantee facility**” refers to a PLN 250,000 revolving guarantee facility agreement with Bank Pekao S.A. which expired on May 16, 2013, “**Revolving credit facility and cash loan**” refers collectively to a PLN 300,000 revolving credit and EUR 25,000 cash loan facilities signed with Bank Pekao S.A. on June 10, 2013, “**guarantors**” refers collectively to the Company, TVN Media, Mango Media, TVN Finance Corporation III AB (in relation to our 10.75% Senior Notes), and the Company, TVN Media, TVN Online Investments Holding B.V., TVN DTH Holdings S.a.R.L (in relation to our 7.375% Senior Notes), and TVN, TVN Media, Mango Media, TVN Online Investments Holdings B.V. (in relation to our 7.875% Senior Notes); “**guarantor**” refers to each of them individually and “**Shares**” refers to our existing ordinary shares traded on the Warsaw Stock Exchange; “**EBITDA**” is defined as a profit /(loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, interest income, finance expense, foreign exchange gains and losses and income taxes, “**adjusted EBITDA**” is defined as EBITDA excluding impairment, share of profits/ losses of associates and one-off costs of transactions but including dividends and other distributions received from associates.

FORWARD-LOOKING STATEMENTS

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

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

We disclose important risk factors that could cause our actual results to differ materially from our expectations under Item 3 “Key Information”, Item 5 “Operating and Financial Review and Prospects”, and elsewhere in this annual report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations and ability to make payments on the 7.875% Senior Notes and 7.375% Senior Notes.

Industry and Market Data

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

- Nielsen Audience Measurement ("NAM"), which is a primary third party source of market share and industry data relating to the Polish television broadcasting industry. NAM is the principal supplier of audience survey and advertising data in Poland. NAM records and analyzes audience preferences with the help of "people meters," which are electronic devices attached to television sets that measure the viewing habits of people. Consistent with market research conducted for the television industry in other countries, NAM monitors the viewing habits of people who are considered to be representative of Polish television in general;
- Starlink, a Polish media house which provides estimates of the net advertising market;
- Central Statistical Office of Poland ("GUS"), Poland's chief government executive agency charged with collecting and publishing statistics related to Poland's economy, population and society, at both national and local levels;
- Megapanel PBI/Gemius, a primary source of information regarding website traffic conducted by Polskie Badania Internetu Sp. z o.o, or "PBI"; and
- Egta, a Brussels based trade association of television and radio sales houses that market the advertising space of both public and private broadcasters across Europe.

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

Presentation of Financial Information

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

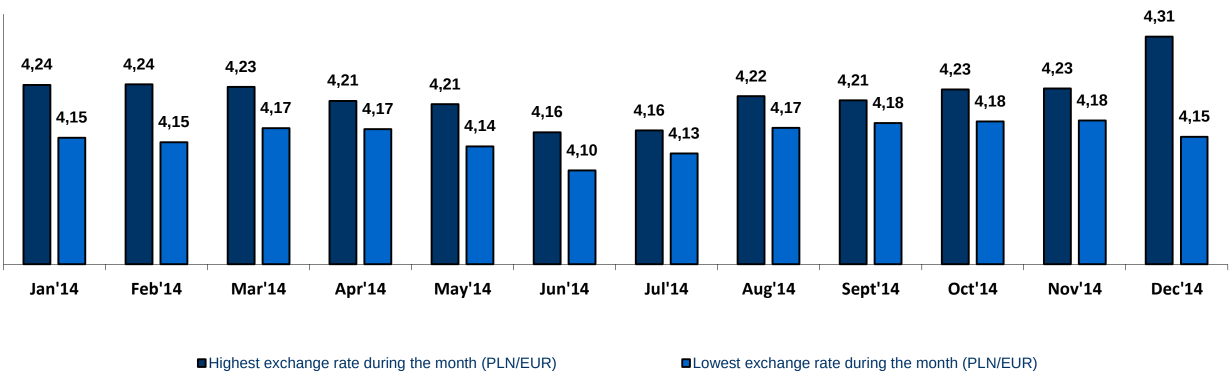
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

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

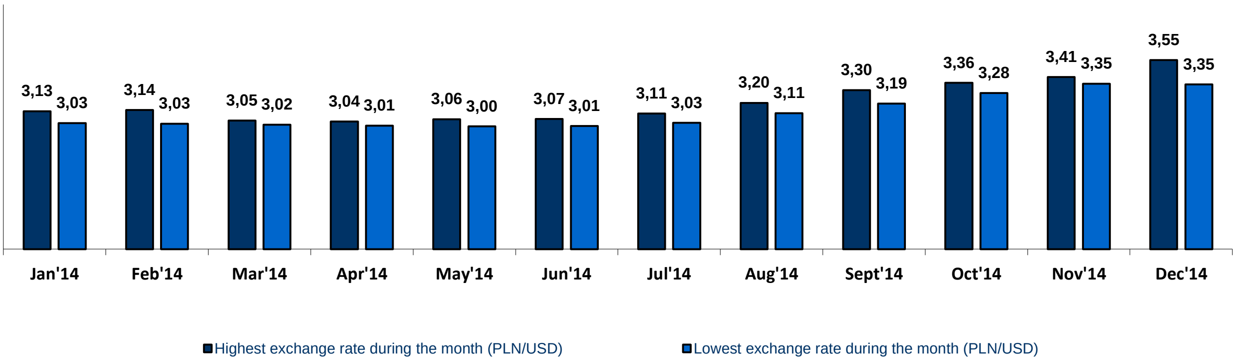
	Year ended December 31,				
Year (Złoty per Euro)	**2010**	**2011**	**2012**	**2013**	**2014**
Exchange rate at end of period	3.96	4.42	4.09	4.15	4.26
Average exchange rate during period(1)	4.00	4.14	4.17	4.21	4.19
Highest exchange rate during period	4.18	4.56	4.51	4.34	4.31
Lowest exchange rate during period	3.84	3.84	4.05	4.07	4.10

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



Year (Złoty per Dollar)	Year ended December 31, 2010	2011	2012	2013	2014
Exchange rate at end of period	2.96	3.42	3.10	3.01	3.51
Average exchange rate during period(1)	3.04	2.97	3.23	3.17	3.18
Highest exchange rate during period	3.49	3.51	3.58	3.37	3.55
Lowest exchange rate during period	2.74	2.65	3.07	3.01	3.00

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



SELECTED FINANCIAL DATA

The following tables set forth our selected historical financial data for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 and should be read in conjunction with Item 5 "Operating and Financial Review and Prospects", and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements. No amendments have resulted in changes to previous presented net results or shareholders' equity.

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

- Złoty amounts as of December 31, 2014 have been converted into Euro at a rate of PLN 4.2623 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2014).
- Złoty amounts for the year ended December 31, 2014 have been converted into Euro at a rate of PLN 4.1893 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2014, February 28, 2014, March 31, 2014, April 30, 2014, May 31, 2014, June 30, 2014, July 31, 2014, August 31, 2014, September 30, 2014, October 31, 2014, November 30, 2014 and December 31, 2014).

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

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

On June 4, 2012, we reached an agreement with Ringier Axel Springer Media AG ("RAS"), with its registered office in Zurich, Switzerland to form a strategic partnership for Grupa Onet.pl S.A. The Agreement provided for the disposal of 100% of the shares in Grupa Onet.pl to a wholly owned subsidiary of RAS, which was subsequently established under the name of Vidalia Investments Sp. z o.o. ("Vidalia"), for consideration consisting of cash for 75% of shares in Grupa Onet.pl and 25% of shares in Vidalia in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we closed this agreement with Ringier Axel Springer. See "Material contracts" for "Closing the sale of Grupa Onet.pl S.A.'s shares to Ringier Axel Springer". The operations of Grupa Onet.pl are presented as discontinued for the full year 2011 and for period from January 1 till October 31, 2012 while the assets and liabilities related to Grupa Onet.pl are not presented as held for sale as at December 31, 2011.

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

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

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

The consolidated cash flow statement for the year ended December 31, 2012, 2011, 2010 is presented jointly for continuing and discontinued operations.

Income statement data

(in thousands)	2010 PLN	2011 PLN	2012 PLN	2013 PLN	2014 PLN	2014 EUR
Revenue	1,716,702	1,718,163	1,584,263	1,538,499	1,593,804	380,446
Operating profit	538,721	502,603	374,268	297,158	477,337	113,942
Profit/ (loss) before income tax	264,189	(137,858)	267,752	(269,766)	197,050	47,036
Profit/ (loss) from continuing operations	209,030	(89,891)	520,077	(206,881)	189,350	45,198
Profit/ (loss) attributable to the owners of TVN S.A.	**42,754**	**(317,365)**	**486,071**	**(197,763)**	**194,745**	**46,486**

Cash flow data

(in thousands)	2010 PLN	2011 PLN	2012 PLN	2013 PLN	2014 PLN	2014 EUR
Net cash generated by operating activities	504,060	435,232	325,246	596,056	610,461	145,719
Net cash (used in) / generated by investing activities	(231,081)	48,145	530,114	21,737	(101,171)	(24,150)
Net cash generated by / (used in) financing activities	(174,391)	(319,429)	(1,207,519)	(527,037)	(636,223)	(151,869)
Increase / (decrease) in cash and cash equivalents	**98,588**	**163,948**	**(352,159)**	**90,756**	**(126,933)**	**(30,299)**

Earnings per share data

(not in thousands)	2010 PLN	2011 PLN	2012 PLN	2013 PLN	2014 PLN	2014 EUR
Weighted average number of ordinary shares in issue	341,292,193	343,336,965	343,876,421	344,345,683	345,987,750	345,987,750
Weighted average number of potential ordinary shares in issue	345,511,104	343,336,965	343,884,522	344,909,301	347,056,964	347,056,964
Earnings / (losses) per share from continuing operations	0.60	(0.26)	1.51	(0.57)	0.56	0.13
Earnings / (losses) per share attributable to the owners of TVN S.A.	0.13	(0.92)	1.41	(0.57)	0.56	0.13
Diluted earnings / (losses) per share attributable to the owners of TVN S.A.	0.12	(0.92)	1.41	(0.57)	0.56	0.13
Dividend paid or declared per share	0.31	0.04	0.10	0.64	-	-

Other data

(in thousands)	2010 PLN	2011 PLN	2012 PLN	2013 PLN	2014 PLN	2014 EUR
EBITDA*	606,633	565,880	456,037	372,355	548,844	131,011
EBITDA margin	35.3%	32.9%	28.8%	24.2%	34.4%	34.4%
Operating margin	31.4%	29.3%	23.6%	19.3%	29.9%	29.9%

Balance sheet data

(in thousands)	December 31, 2010 PLN	December 31, 2011 PLN	December 31, 2012 PLN	December 31, 2013 PLN	December 31, 2014 PLN	December 31, 2014 EUR
Total assets	5,191,482	5,111,958	4,966,287	3,899,259	3,814,767	895,002
Current assets	1,559,090	1,357,701	2,020,466	1,058,477	981,879	230,364
Non-current liabilities	3,261,207	3,478,473	3,203,936	2,520,141	2,348,667	551,033
Current liabilities	691,590	456,414	403,284	421,829	498,049	116,850
Shareholders equity**	1,238,685	924,029	1,375,457	982,797	968,051	227,119
Share capital	68,471	68,775	68,775	69,299	70,550	16,552
Non-controlling interest	-	(558)	(16,390)	(25,508)	-	-

* We define EBITDA as profit/ (loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and 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. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/ (loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. 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.

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

The following table provides a reconciliation of our operating profit to EBITDA for the years ended December 31, 2014, 2013, 2012, 2011 and 2010.

	Year ended December 31,					
	2010	2011	2012	2013	2014	2014
	PLN	PLN	PLN	PLN	PLN	EUR
Operating profit	538,721	502,603	374,268	297,158	477,337	113,942
Depreciation, amortization and impairment charges	67,912	63,227	81,769	75,197	71,507	17,069
EBITDA	606,633	565,880	456,037	372,355	548,844	131,011

RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

Our operating results depend on general economic conditions and would be affected by a deterioration in the Polish and global economy

We conduct our operations in Poland, where substantially all of our revenue is generated. The Polish economy has reacted adversely to weakening economic conditions and turmoil in the global financial markets that have taken place in the last several years. Such turmoil has resulted in a tightening of credit, lower levels of liquidity and a widespread withdrawal of investment funding in Poland's neighbouring countries across Central and Eastern Europe. This had an adverse impact on their economic growth and caused many of these countries to fall into recession. As a consequence of such global economic crisis, Polish GDP increased by 1.6% in 2009, 3.9% in 2010, 4.3% in 2011, 3.9% in 2012, 1.6% in 2013 and 3.3% in 2014, as compared to a 6% GDP growth in each of 2006 and 2007, according to data from the Polish Central Statistical Office (Główny Urząd Statystyczny or "GUS"). The unfavourable trends in the Polish economy resulted in a deterioration of the employment market and an increase in unemployment rates (from 9.5% in December 2008 to 11.4% in December 2014, according to data from GUS). We cannot also rule out that the recent geopolitical instability in the neighbouring countries could have negative impact on Polish economy. Additionally, significant fluctuation of currency exchange rates and reduced availability of funding may adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. Therefore, macroeconomic factors applicable to Poland may have a material impact on our business, financial condition, results of operations and cash flow.

The results of our operations depend to a large extent on advertising revenue, and demand for advertising is affected by general and regional economic conditions. Adverse economic conditions in the region generally and a downturn in the Polish economy specifically has had a negative impact on the Polish advertising industry. Even if the Polish economy has not suffered declines as deep as those experienced in other neighbouring countries, our advertising customers, many of whom are global companies, have reduced their global or regional advertising budgets in recent years and, if they continue to do so or they perceive that local weaknesses still exist, demand for local advertising could be adversely affected. Declines in the level of business activity of our advertising customers may in the future have a material adverse effect on our revenue and results of operations.

Any decrease in our advertising revenue may result in a decreased quality of our programming or force us to reduce the amount of programs that we make available, either through direct production or acquisition. A decrease in our program quality or a reduction in number of programs we offer could cause us to lose audience share, either to our competitors or to alternative entertainment and leisure activities, which would make us less attractive to potential advertisers and sponsors, which in turn may have a material impact on business, financial condition, results of operations and cash flow.

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

We generate the majority of our revenue from the sale of advertising airtime and sponsoring slots on television channels in Poland. For the twelve months ended December 31, 2014, we derived 71.7% of our total revenue from television advertising spot sales. In the advertising market, television competes with various other advertising media, such as the Internet, newspapers, magazines, radio and outdoor advertising (such as billboard advertising, logo signs and transit advertising). However, there can be no assurances that the television advertising market will maintain its current position in the Polish advertising market or those changes in the regulatory environment or improvements in technology will not favour other advertising media or other television broadcasters. A further increase in competition from online advertising (and from other advertising media) in Poland and the development of new forms of advertising media could have an adverse effect on the maintenance and development of our advertising revenue and, consequently, on business, financial condition, results of operations and cash flow.

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

We face intense competition in all of the market segments in which we operate, and we cannot guarantee that in the future subscribers and advertisers will choose to purchase or to continue purchasing the services we provide rather than those provided by our competitors

In Poland, the television broadcasting market is highly competitive and we cannot guarantee that we will be successful in generating sufficient advertising revenue in the future in light of the competition we face. We compete for programming content and audience share with other Polish private television channels, the state-owned and operated terrestrial television channels and other television channels distributed via cable and digital platforms. We compete for television advertising revenue on the basis of our television channels' broadcast reach, popularity of programming, audience structure and the pricing of advertising airtime. Other television channels may change their content or format, or upgrade their technology (to high definition, for example), to compete directly with our channels for audiences and advertisers.

We compete with existing television broadcasters and potential new market entrants for the grant of terrestrial broadcasting licenses and satellite broadcasting licenses in Poland.

These competitors may include larger broadcasters, in particular those from member states of the EU, with better brand recognition and resources than us. Our primary competitors for TV advertising revenue in Poland are the other TV broadcasters, Polsat and TVP. TVP is a state-owned broadcaster, which is publicly funded and which fulfils a public service broadcasting mandate. As a result of this public service broadcasting mandate, TVP is not permitted to interrupt individual programs with commercial spots. Any change to this restriction on TVP's ability to broadcast advertising could increase the competition we face from TVP and reduce our advertising revenue.

Also, new entrants may be attracted to the Polish TV market for several reasons, including changes in laws and regulations. For example, the Broadcasting Law has been amended to allow for greater product placement in TV programs and movies broadcast in Poland as well as expand other permitted advertising activities. Regulatory changes such as these proposed amendments could attract additional TV broadcasters to the Polish TV broadcasting market. For example, currently the Polish telecommunications regulator, the President of the Office of Electronic Communications plans to launch the procedure of making available frequencies from the 174 MHz - 230 MHz range for television broadcasting which could potentially result in the launching of 4 to 7 new channels. Finally, the increasing success in Poland of DTH, cable and DTT providers will likely result in the increasing fragmentation of Polish TV viewing audiences, which may make it more difficult for us to persuade advertisers to purchase airtime on our channels. Due in part to fragmentation in the Polish TV market, the all-day audience share in commercial target group for our main channel, TVN main channel, decreased from 16.4% in 2010 to 13.0% in the twelve months ended December 31, 2014. This trend was offset by an increase in our thematic channels audience share from 6.0% to 9.1% over the same period. Loss of subscribers and advertisers to our competitors would have a material adverse effect on our business, financial condition, results of operations and cash flow.

The Polish Internet market is also highly competitive. It is attractive to new entrants due to the growing number of Internet users, the increasing interest of users in online segment offerings and the increasing interest of advertisers in online marketing services. Competitors to our Player.pl, such as IPLA, VoD.pl, Google, MSN or Yahoo, may have significantly greater resources than we have to build their market position. The policies and behaviour of our current and prospective competitors relating to pricing and introduction of new offerings in online advertising services may result in changes in our own pricing and offered services, and this may affect our revenue.

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

We may not be able to produce or acquire programming content that is appealing to our audience and such content may not be available on commercially favorable terms or at all

The commercial success of our television channels depends substantially on our ability to develop, produce or acquire programming that satisfies audience tastes and attracts high audience shares. The audience share for the programs we broadcast directly affects the attractiveness of our channels to existing and potential advertisers, as well as the price that we can charge for advertising airtime. We also generate revenue through the production and sale of programming to third parties in Poland and, to a lesser extent, internationally. The price that we are able to charge potential purchasers of the programs we produce directly correlates with the audience acceptance of these programs, as the third party purchasers are reliant on audience acceptance of this content to generate advertising revenue.

We cannot assure you that we will continue to develop, produce or acquire successful content. Programming preferences change frequently, and we constantly face the challenge of anticipating what programs and formats will be successful and at what times. It is likely that our revenue from advertising would decrease if we were to suffer a decrease in audience market share. We may be unable to attract high audience shares if we are not able to successfully anticipate program demand or changes in programming tastes, or if our competitors anticipate such demand or changes in tastes more effectively than we do. The costs of acquiring content attractive to our audiences may increase as a result of increased competition. Any such increase could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We face competition from other forms of media content and non-media leisure activities

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

We rely on intellectual property and proprietary rights, including in respect of content, which may not be adequately protected under current laws or which may be subject to unauthorized use

Our products are largely comprised of content in which we own, or have license to, the intellectual property rights, delivered through a variety of media, including among others broadcast programming, interactive television services and the Internet. We rely on trademark, copyright and other intellectual property laws to establish and protect our rights over this content. However, we cannot be certain that our intellectual property rights will not be challenged, invalidated or circumvented or that we will successfully renew our intellectual property rights to our content. Even if our intellectual property rights applied, there can be no assurance that the highest levels of security and anti-piracy measures will prevent piracy. Third parties may be able to copy, infringe or otherwise profit from our rights or content which we own or license, without our, or the right holders', authorization. Media piracy occurs in many parts of the world, including Poland, and is made easier by technological advances and the conversion of media content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set top boxes and through unlicensed broadcasts on free TV and the Internet. In addition, the lack of Internet-specific legislation relating to trademark and copyright protection creates an additional challenge for us in protecting our intellectual property rights. The unauthorized use of our content may adversely affect our business by diminishing our reputation in the market, making our media content, including legitimate content, less attractive to advertisers which could, in turn, lead to decreased revenue from our legitimate products.

Even if our intellectual property rights remain intact, we cannot assure upon that security and anti-piracy measures will prevent unauthorized access to our services and piracy of our content. We use various security and anti-piracy measures, including encryption and copy-protection techniques, but there can be no assurance that such measures will be effective and will prevent unauthorized access.

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

Furthermore, a significant part of our revenue is derived from products and services marketed under our "TVN" brand name. We rely upon a combination of trademark and copyright laws, database protections and contractual arrangements, where appropriate, to establish and protect our intellectual property rights. We may be required to bring claims against third parties in order to protect our intellectual property rights, and we may not succeed in protecting such rights. As a result, we may not be able to use intellectual property that is material to the operation of our businesses.

Failure to maintain the historical reputation of our brand or impairment of our key intellectual property rights would adversely affect our businesses

Some of our intellectual property rights, including our key trademarks, which are well known in the TV broadcasting market, are important to our businesses. The brand name "TVN" and currently used figurative trademark are extremely important assets.

If we are unable to maintain the reputation of and value associated with our "TVN" brand name, we may not be able to successfully retain and attract customers. Any damage to our reputation or to the value associated with our "TVN" brand name could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We may be adversely affected by claims of third parties connected with the potential unauthorized use of intellectual property rights

Within our business activity, we use substantial amounts of copyrighted works that are either developed by us or licensed by third parties. Although we have entered into the respective license or similar agreements with third parties, including agreements with collective copyrighted management organizations, authorizing us to use such copyrighted works, there is a risk that we are using some of the copyrighted works without the respective legal title and may be subject to third-party claims in this respect. Any alleged breach could expose us to liability claims from third parties and protracted, expensive litigation. In addition, we might be required to obtain a license or acquire new solutions that allow us to conduct our business in a manner that does not breach such third party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of management's time and resources along with potentially significant expenses that could be involved could materially adversely affect our business, financial condition, results of operations and prospects. Moreover, if there are many such claims or if the outstanding royalties which we may be required to pay are substantial, this may have a material adverse effect on our business, financial condition, results of operations and cash flow.

In addition, the European Commission noted in its review of the implementation by the member states of Directive 2004/48/EC of the European Parliament and the Council of April 29, 2004 on the enforcement of intellectual property rights, the potential need to increase the responsibility of intermediaries in relation to the prevention of the infringement of intellectual property rights. This could potentially lead to new legislation or other legal initiatives causing intermediaries, like us, to be subject to extended liability for successful claims for injunctions, damages and/or criminal responsibility for such infringement. While it is at this stage uncertain whether such legislation or other regulatory initiatives will in fact come into place and, if so, the likely time frame for this, should it come into place, it could have an adverse effect on our business, financial condition, results of operations and cash flow.

We may not be able to source programming content from external suppliers, particularly U.S. studios, if they perceive us or the Polish market as failing to satisfactorily protect against unauthorized uses of media content

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

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

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

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our viewers. We do not produce all of the programming content that we broadcast and depend upon other broadcasters for programming. We have licensing agreements with several third parties for the distribution of their programs via our television channels. These licenses are often renewed on a yearly basis which gives broadcasters considerable power to renegotiate the fees we pay to license their programs, especially if their programs command high audience shares, and may result in an increase in our programming costs. In addition, program providers may elect to distribute their programming through other distribution platforms, such as satellite, digital terrestrial broadcasting or Internet-based platforms, or may enter into exclusive arrangements with other distributors.

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

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

Our interest bearing liabilities constitute an important component of our financing. As of December 31, 2014, we had total outstanding debt of PLN 2,382,890 (nominal value). Our debt service obligations and our leverage may limit our ability to contract new debt on favourable terms and may restrict our ability to finance potential acquisitions or new developments, which could have an adverse effect on our business, financial condition, results of operations and cash flow.

In addition, our commercial and financial flexibility is restricted as a result of the obligations contained in the indentures governing our Senior Notes, as they each contain customary covenants that could adversely affect our ability to finance our future operations and continue to enter into transactions necessary to pursue our business strategy. Any breach of the restrictions or the covenants contained in our indentures may result in either acceleration of the repayment of the 7.875% Senior Notes or 7.375% Senior Notes, which may result in our insolvency.

Technology in the market in which we operate is constantly changing and any failure by us to anticipate and adapt to such changes could render the services we provide undesirable or obsolete

The television broadcasting industry may be affected by rapid and significant changes in technology. We cannot assure you that we will be able to adapt the services we provide to keep up with this rapid development, or that the technologies we currently employ will not become obsolete. We face constant pressure to adapt to changes in the way programming content is distributed and viewed.

This rapid evolution of technology means we cannot guarantee that we will correctly predict and therefore devote appropriate amounts of capital and resources to develop the necessary technologies. If new developments in the television or media industry occur earlier than we expect, we may be required to commit substantial financial and other resources to the implementation of new technologies and we may not have the resources to make such an investment. We may not be able to obtain the additional debt or equity required to finance the capital expenditures necessary on reasonable terms or at all. Additionally, the new or enhanced technologies, services or products we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. We may not recover the investments we have made or may make to deploy these technologies, services and products.

The introduction of new technologies and broadcasting distribution systems other than analogue terrestrial broadcasting, such as digital terrestrial broadcasting, DTH, cable distribution systems, the Internet, VOD and the availability of television programming on portable digital devices, have fragmented television audiences in more developed markets and could adversely affect our ability to retain audience share and attract advertisers as such technologies penetrate our markets. New technologies that enable viewers to choose when and what content to watch, as well as to fast-forward or skip advertisements, may cause changes in consumer behaviour and advertising expenditures that could impact our business. These technologies are gaining in popularity and ease of use and the resulting audience fragmentation could lead to a general decline in our TV advertising revenue. In addition, compression techniques and other technological developments allow for an increase in the number of channels that may be broadcast in our markets and expanded programming offerings that may be offered to highly targeted audiences. Reductions in the cost of launching additional channels could encourage the development of increasingly targeted niche programming on various distribution platforms. We must identify ways to maintain audience and advertiser demand for the channels we broadcast. Any failure to adapt to the changing lifestyles and preferences of our target audiences and adjust our broadcasting business model to capitalize on technological advances could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Even if we dedicate considerable resources to continue to diversify our revenues, we may not be successful in generating significant revenue

We continue to diversify our revenues by launching new services. The development cycles for the technologies involved in providing these new services may be long and require significant investments by us. While we believe we need to continue to provide new services that are attractive to our users, we need to do so in a way that generates revenue for such services. In addition, any failure to keep up with advancements in technology or offer new services in line with our competitors may adversely affect our ability to both retain existing viewers and advertising customers and to attract new viewers and advertising customers. If we do not offer new competitive services or if the revenue from these new services does not exceed the costs of providing such services, we may experience a material adverse effect on our business, financial condition, results of operations and cash flow.

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

Our business and operations may grow in part through acquisitions. The acquisition and integration of businesses that we may acquire may pose significant risks to our existing operations, including:

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

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

In addition, prospective competitors may have greater financial resources than we do, and increased competition for target companies may reduce the number of potential acquisitions that are available on acceptable terms.

Our failure to manage the IT and staff necessary for the continued growth and diversification of our sources of revenue could harm us

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

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

Our ability to expand our business may be limited by certain non-competition agreements

The agreements that we entered into in connection with the nC+ and Grupa Onet.pl transactions contain non-competition clauses that limit our ability to engage in certain businesses that may be competitive to the business conducted by such companies. Such limitations may restrict our ability to diversify our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attack and similar events. We rely heavily on IT systems to manage advertising airtime, program broadcasting and relationships with our advertising customers and, despite our implementation of network security measures, our services are vulnerable to computer viruses, worms, physical and electronic disruptions, sabotage and unauthorized tampering with our computer systems. We may also experience a coordinated "denial of service" attack in the future. We do not have multiple site capacity for all of our services, and some of our systems are not fully redundant in the event of any such occurrence.

If any of our IT systems fail, we could be prevented from effectively operating our business or we may be required to make significant capital expenditures to restore operations. If repairs were required, we may not be able to complete such repairs, or may not be able to do so in a timely manner. Further, we may be held liable by advertising customers for any disruptions or suspensions resulting from any failures in our information technology systems.

We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any such events, which cause interruptions in our service.

Any such actions could materially adversely affect our business, financial condition, results of operations and cash flow.

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

Poland completed the migration from analogue terrestrial broadcasting to digital terrestrial broadcasting on July 23, 2013. We cannot predict the effect of the migration on our existing operations. This would likely result in an increase in the number of digital channels available in the Polish TV market, which could lead to a corresponding decrease in our audience share.

Although the migration process has been completed, we may still be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting. The availability of competing — alternative distribution systems, such as DTH platforms, may require us to acquire additional distribution and content rights or result in an increase of competition for existing distribution and content rights. We may not have access to sufficient resources to make such investments when required.

In June 2010, the National Broadcasting Council, which we refer to as “KRRiT”, amended the TVN channel license, granting TVN new frequencies available on the Second Terrestrial Digital Multiplex (“MUX2”). The TVN channel is located on the MUX2 together with the following free-to-air commercial television channels: Polsat, TV4, TV Puls, TVN7, TV Puls 2, TV6 and Polsat Sport News. On July 7, 2010, the Office of Electronic Communications reserved frequencies for us on the MUX2 until July 2025. Furthermore on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN7 channel on the MUX2 and on July 29, 2011, KRRiT issued a decision granting us the right to distribute the TTV channel on the MUX1. The process of switching off the analogue signal was completed on July 23, 2013. However, at this point we cannot assure you that the process of converting from analogue to digital terrestrial television will result in gaining additional audience share.

Moreover, it is expected that contest procedure for launch of next mulitplex (MUX8) will be initiated in 2015. New channels that could be broadcast on this multiplex may increase competitiveness in the digital terrestrial channels market.

Our broadcasting licenses may not be renewed and may be subject to revocation and restrictive regulations may be enacted to comply with EU requirements

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, our Polish licenses have been issued for a fixed term. Our terrestrial analogue television license for the TVN channel was converted into a digital terrestrial license in June 2010, and will expire in 2024, while our satellite licenses will expire between 2017 and 2024.

The Broadcasting Law regulates the procedures and requirements for the renewal of expired licenses, but is unclear on whether licenses to current license holders will be automatically reissued following the expiry action of such licenses. Consequently, we cannot assure you that our broadcasting licenses will be reissued to us when their terms expire. The loss of any of our licenses or other authorizations or a material modification of the terms of any renewed licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

Broadcasting regulations are generally subject to periodic and on-going governmental review. There can be no assurance that more restrictive laws, rules, regulations or policies will not be adopted in the future, including further changes to enable Poland to comply with EU requirements. Changes to laws, rules, regulations or policies could make compliance more difficult and may force us to incur additional capital expenditures or implement other changes that may adversely affect our business, financial condition, results of operations and cash flow.

Under the Broadcasting Law, broadcasting licenses are generally non-transferable. The KRRiT may revoke a broadcasting license as a result of a direct or indirect change of control of the broadcaster. Pursuant to the official announcement of the KRRiT dated June 12, 2007, a broadcaster is required to submit a formal notification to the KRRiT providing information on any changes in information provided by the broadcaster in its initial license application, including any changes in the ownership structure of the broadcaster. This announcement further states that the term “change of control” is not defined under the Broadcasting Law and shall be interpreted within the meaning of the definition included in the Act on Competition and Consumer Protection dated February 16, 2007, as amended. Any potential change of control of a broadcaster will be analysed by KRRiT on an individual basis.

Broadcasting regulations affect the content of our programming and advertising

We are subject to regulations promulgated under the Broadcasting Law, which governs, among other laws, regulations and applicable requirements, the content of television programs and the content and timing of advertising aired on our channels. In particular, the Broadcasting Law requires that a specific portion of the programming content be represented by programs originally produced in the Polish language (33% of the programming content broadcasted in a given quarter) and European programs (50% of the programming content broadcasted in a given quarter). There can be no assurance that more restrictive laws, rules, regulations or policies will not be adopted in the future, including further changes in order to comply with European Union requirements. Changes to laws, rules, regulations or policies could make compliance more difficult and may force us to incur additional capital expenditures or implement other changes that may adversely affect our business, financial condition, results of operations and cash flow.

The Broadcasting Law limits the ownership of Polish television broadcasters

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

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

The nC+ merged entity (currently operating under the name ITI Neovision S.A.) combines the Cyfra+ and 'n' DTH platforms into a single DTH service provider. Realization of the benefits of the combination will require the integration of some or all of the sales and marketing, information technology systems and administrative operations of the two DTH platforms. If the two DTH platforms cannot be successfully integrated within a reasonable time, we may not be able to realize the anticipated benefits from the merged entity, which in turn may adversely impact dividends to be received from and the long term nature of our investment in nC+. Furthermore, even if the two DTH platforms are successfully integrated, they may not be able to realize the cost saving and other synergies that are anticipated from the merged entity, either in the amount or within the timeframe that is currently anticipated, and the costs of achieving these benefits may be higher than, and the timing may differ from, what is expected. The ability of the merged entity to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including the following:

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

Failure in the successful integration of the two DTH platforms could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Following the completion of the merger of nC+ and the sale of Grupa Onet.pl, we do not have control over these entities and therefore actions taken by our partners in respect of such entities could materially adversely affect our business

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

Furthermore, we have successfully consummated the sale of Grupa Onet.pl to Ringer Axel Springer concerning the sale of Grupa Onet.pl. Since we are not the majority controlling shareholder of Onet Holding, the entity that owns Grupa Onet.pl, we are dependent on our partner to cooperate with us in making decisions regarding the business of Onet.pl and the day-to-day operation of the online business operated by Grupa Onet.pl. This means that we may be unable to prevent actions that we believe are not in the best interests of Grupa Onet.pl or our Group as a whole. Any such actions could materially adversely affect our business, results of operations, financial condition and cash flow.

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

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

We are subject to risks relating to fluctuations in exchange rates

A substantial portion of our operating expenses, finance expenses and capital expenditures is, and will be, subject to exchange rate fluctuations. A large proportion of our liabilities and expenses are denominated in foreign currencies, mainly in euro and dollars. Since our revenue is generated primarily in złoty, we are exposed to foreign exchange rate risk with respect to any current or future debt or other liability or expense denominated in any currency other than złoty. If the złoty decreases in value against the currencies in which we have to make payments, our operating and finance expenses and capital expenditures may increase as a percentage of net sales, thereby decreasing our net margins and net profit. The effect of the currency appreciation is to increase the value of our indebtedness in relation to our ability to make payments on our indebtedness. While we may seek to hedge our foreign currency exposure, we may be unable to enter into such hedging arrangements or may be unable to enter into them at a cost effective rate. Furthermore, in 2014 attention in global financial markets was further focused on the ability of several members of the group of countries using the euro to continue using the euro as their national currency. This has caused a higher degree of uncertainty in foreign exchange markets as to expectations about the value of the euro and it is possible that hedging foreign exchange exposure could become even more expensive or difficult in the future, which may affect our ability to remain in compliance with our current debt obligations.

Our success depends on attracting and retaining key personnel

The successful operation of our businesses as well as the successful implementation of our strategy is dependent on the experience of our management and the contributions of our key personnel. Our management team has significant experience in the Polish television broadcasting and has made an important contribution to our growth and success. Our future success depends in part on our ability to retain the current members of our management, as well as on our ability to attract and retain skilled employees able to effectively operate our businesses. There is intense competition for skilled personnel in the Polish and the global TV broadcasting industry. We cannot guarantee that we will be able to attract and retain such managers or skilled employees in the future. The loss of any of our key managers, or the inability to attract and appropriately train, motivate and retain qualified professionals, or any delay in doing so, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

A lack of stability and frequent changes in tax regulations may have an adverse effect on our results of operations and financial condition

The Polish tax system is subject to change. Tax regulations are frequently amended, often to the detriment of the taxpayers. The frequent changes in regulations governing the taxation of business activities can be unfavourable to us and may, consequently, have a material adverse effect on our business, financial condition, results of operations and cash flow.

Furthermore, the lack of stability in Polish tax regulations may hinder our ability to effectively plan for the future and to implement our business plan. The instability of the Polish tax system stems not only from changes in the law, but also from varying interpretations of tax law made by tax authorities or administrative courts and, therefore, it cannot be excluded that tax authorities will make interpretations of the tax laws that may be unfavourable to us (as taxpayer and/or the tax remitter), or that individual interpretations of tax laws obtained will not be repealed, which, potentially, may have an adverse effect on our business, financial condition, results of operations and cash flow.

Taxes and other similar payments, including custom duties and foreign currency payments, may be audited by the tax authorities and, should any discrepancy be found, interest and penalties may be imposed. Also, customs authorities can audit promotional activities conducted by us in the context of their compliance with legal provisions regulating gambling. Although we take all the measures required to ensure that related party transactions are executed on an arm's length basis, no assurance can be given that there will be no disputes with the tax authorities in this respect, or that the tax authorities will arrive at different conclusions regarding the terms and legal consequences of our related party transactions and that we will be subject to certain additional tax liabilities. Moreover, there is a risk that the tax authorities may review the tax implications of the various transactions that we have entered into, many of which involved complex structures, and as a result of such review we may be required to dedicate time and resources with respect to such reviews or become subject to certain additional tax liabilities, which may have an adverse effect on our business, financial condition, results of operations and cash flows.

We may become involved in disputes and legal proceedings that, if determined unfavorably to us, could have a material adverse effect on our businesses, financial condition and results of operations

We are subject to various legal proceedings and claims, and may in the future become involved in commercial disputes as well as legal and arbitration disputes, with public authorities or private parties, which involve substantial claims for damages or other sanctions, for instance arising out of acquisitions or disposals of subsidiaries or out of other material contracts entered into by us. In the event of a negative outcome of any material proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments or accept other sanctions, which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant.

We are party to a number of related party transactions

We currently depend on ITI Holdings for a number of services and therefore engage in a range of related party transactions. In the twelve months ended December 31, 2014 we entered into related party transactions for which we incurred costs from ITI Group and its related parties of PLN 29,690. These expenses comprise the provision of certain management, sales and financial advisory services, real estate maintenance services, rent of office premises and other services. In exchange for these payments, we received the benefit of general advisory services, the guarantee of certain of our contractual obligations, leases of office space, rental of equipment, purchases and sales of programming and the services of individuals who are affiliates of ITI Holdings.

Following the conclusion of the agreement to effect the strategic cooperation with Groupe Canal+ and the merger of our 'n' platform with Cyfra+ digital platform and the closing of the sale of Grupa Onet.pl shares to Ringier Axel Springer, we no longer control our online business previously operated by Grupa Onet.pl and our Pay-TV unit. In exchange for contributing these assets, we have entered into related party relationship with ITI Neovision Group (operator of nC+ DTH platform) and Onet Holding Group (owner of Grupa Onet.pl).

All transactions concluded between TVN Group entities and ITI Group entities require the consent of the supervisory board of the Company. Furthermore, transactions entered into by the TVN Group companies with related parties other than the ITI Group entities with a value of more than €5,000 and/or crucial to the entity's operations (excluding transactions with entities in which TVN owns 100% of shares) require the consent of the supervisory board of the Company, unless they have been approved by the supervisory board in the annual budget of the TVN Group. Ventures involving investments or their disposals, establishing of a company, and other joint ventures including purchases of programming licenses, with value exceeding PLN 100,000 made between the entities of the TVN Group require the approval of the supervisory board, unless they were included in the approved annual budget or are required under the terms governing our Senior Notes. Moreover, certain related party transaction with value in excess of €10,000 requires a fairness opinion, pursuant to the indentures governing our Senior Notes.

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

It is possible that in the future the Polish tax authorities could determine that one or more of such related party transactions was not conducted on an arms' length basis or that statutorily required documentation was not sufficient or properly prepared. If Polish tax authorities were to make such a determination, they could assess income and/or tax-deductible expenses at values that differ from the values declared by us, and consequently, assess the values of the taxable base and the amounts of income tax due that are higher than were declared and paid. If so, we would be liable for additional tax amounts and interest on tax arrears, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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

RISKS RELATED TO THE 7.875% SENIOR NOTES AND THE 7.375% SENIOR NOTES

Our debt service obligations under the 7.875% Senior Notes and the 7.375% Senior Notes may restrict our ability to fund our operations

We are a highly leveraged company and have significant debt service obligations under the 7.875% Senior Notes and 7.375% Senior Notes. We cannot guarantee that we will be able to generate sufficient cash flow from operations to service our debt obligations on an ongoing basis. As of December 31, 2014 our total indebtedness amounted to PLN 2,382,890 (nominal value).

Our high leverage has important consequences for our business and results of operations, including but not limited to restricting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements. We may also have a proportionally higher level of debt than certain of our competitors, which may put us at a competitive disadvantage.

Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate may be limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and would therefore have potentially harmful consequences for the development of our business and the implementation of our strategic plans.

Despite our substantial leverage, we may still be able to incur more debt under the Indenture, which could further exacerbate the risks described above. Any debt that we incur at a non-guarantor subsidiary level would be structurally senior to the Notes. Additionally, we could raise additional debt that could be secured or could mature prior to the Notes. Although indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

The issuers are special purpose vehicles that have no revenue generating operations of their own and will depend on cash received by us to make payments on the 7.375% Senior Notes and the 7.875% Senior Notes

The issuers are special purpose vehicles with the purpose of issuing the 7.875% Senior Notes and the 7.375% Senior Notes that were issued pursuant to the indentures governing the 7.875% Senior Notes and the 7.375% Senior Notes. The issuers have no operations of their own and will not be permitted to engage in any activities other than the issuance of the 7.875% Senior Notes and the 7.375% Senior Notes to the extent permitted under the indentures, the on-lending of the proceeds from the issuance of the 7.875% Senior Notes and the 7.375% Senior Notes to us, the servicing of their obligations under the 7.875% Senior Notes and the 7.375% Senior Notes and certain other activities expressly permitted by the indentures governing the 7.875% Senior Notes and the 7.375% Senior Notes. The issuers rely on payments under the intercompany loans made by the issuers to us to make payments of interest and principal when due on the 7.875% Senior Notes and the 7.375% Senior Notes. Other than the intercompany loans to us, the issuers have no assets.

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

We are subject to the normal risks associated with debt financings, including the risk that our cash flow will be insufficient to meet required payments of principal and interest on debt and the risk that indebtedness will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favourable as the terms of such indebtedness. This risk is exacerbated by the recent global economic downturn which has resulted in tightened lending requirements and in some cases the inability to refinance indebtedness. We also may need to raise capital in the future if our cash flow from operations is not adequate to meet our liquidity requirements or to pursue new projects. Depending on capital requirements, market conditions and other factors, we may need to raise additional funds through debt or equity offerings. If we were unable to refinance indebtedness on acceptable terms, or at all, we might be forced to dispose of assets on disadvantageous terms, or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations. If we cannot obtain financing for new projects, we would decline to pursue them and this may be disadvantageous to us or our competitive position.

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

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

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

Our ability to make debt service payments under the 7.875% Senior Notes and 7.375% Senior Notes and other indebtedness, or to refinance any such indebtedness, will depend on our future operating performance and our ability to generate sufficient cash, which, to a certain extent, is subject to the success of our business strategy as well as factors that are not within our control, including general economic, financial, competitive, market, legislative, regulatory and other factors.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated revenue growth, cost savings and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other liquidity needs.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditure;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt.

Any failure to make payments on the 7.875% Senior Notes and 7.375% Senior Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the 7.875% Senior Notes and 7.375% Senior Notes and the indentures, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

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

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

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards (subject to certain conditions), rendered in civil and commercial matters with Sweden or the Netherlands. There is, therefore, doubt as to the enforceability of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in Sweden. In addition, the enforcement in Sweden or in the Netherlands of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Sweden or in the Netherlands would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdiction on the basis of U.S. securities laws violations.

The insolvency laws to which we are subject may not be favorable to unsecured creditors and may limit your ability to enforce your rights under the 7.875% Senior Notes and the 7.375% Senior Notes and the Guarantees. Enforcing your rights under the 7.875% Senior Notes and the 7.375% Senior Notes and the Guarantees across multiple jurisdictions may prove difficult

The Issuer of the 7.875% Senior Notes and the 7.375% Senior Notes is formed under the laws of Sweden. The Guarantors of the 7.875% Senior Notes and the 7.375% Senior Notes are organized under the laws of Poland and the Netherlands. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the 7.875% Senior Notes and the 7.375% Senior Notes and the Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

The bankruptcy, insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or conflict with, each other and those in other jurisdictions with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affecting your ability to enforce your rights under the Guarantees in these jurisdictions or limiting any amounts that you may receive.

Insolvency proceedings by, or against, the Issuer are likely to be based on Swedish insolvency laws. An unsecured claim under Swedish law will in a bankruptcy situation rank behind claims with a right of priority according to the Swedish Rights of Priority Act (Sw. Förmånsrättslagen (1970:979)).

If, following the insolvency of any of the Polish Guarantors insolvency proceedings were initiated in Poland under Polish insolvency law, considering the unsecured nature of your claim against the Polish Guarantors, their liabilities under the Guarantees would be paid only after payment of those of their preferred claims under Polish insolvency law. Such preferred claims would include, among others, all claims which are secured, certain commercial transactions which are given priority under the applicable law, unpaid taxes, social security contributions, employee wages and insolvency procedure costs.

Notwithstanding the above, the Guarantees issued by the Polish Guarantors could be deemed (or could be declared, as appropriate) ineffective in relation to the bankruptcy estate of such Guarantor if the motion for the declaration of bankruptcy of such Guarantor is filed during the 30 applicable hardening period, which may range from two to up to twelve months. Furthermore, the effectiveness of the Guarantee will be subject to the limitations which arise under various provisions and principles of corporate law, which can require sister or subsidiary Guarantors to receive adequate corporate benefit from the financing and govern fraudulent transfer laws.

If, following the insolvency of the Guarantor incorporated under the laws of the Netherlands, insolvency proceedings were initiated in the Netherlands, under Dutch insolvency laws, considering the unsecured nature of your claim against such Guarantor, its liabilities under the Guarantee would be paid only after payment of those of its preferred claims under Dutch insolvency laws. Such preferred claims would include, among others, all claims which are secured, unpaid taxes, social security contributions, employee wages and insolvency procedure costs.

Fraudulent conveyance laws and other limitations on the guarantees securing the 7.875% Senior Notes and the 7.375% Senior Notes may also have a material adverse effect on the guarantees' validity and enforceability, and may not be as favourable to creditors as laws of other jurisdictions with which you are familiar

The guarantors of the 7.875% Senior Notes and the 7.375% Senior Notes are organized under the laws of Poland and the Netherlands. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, in certain jurisdictions a court could subordinate or void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the guarantee was incurred with actual intent or knowledge to hinder, delay or defraud current or future creditors or shareholders of the guarantor or, in certain jurisdictions, the recipient was aware that the guarantor was insolvent when it issued the guarantee;
- the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the guarantor (i) was insolvent, was rendered insolvent, or increased its insolvency as a result of having granted the guarantee, (ii) in certain jurisdictions, was undercapitalized or became undercapitalized because of the guarantee or (iii) in certain jurisdictions, intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the guarantee was held not to be in the best interests or not to be for the corporate benefit of the guarantor; or
- the aggregate amounts paid or payable under the guarantee were in excess of the maximum amount permitted under applicable law.

The liability of each guarantor under its guarantee will be subject to certain limitations provided for in applicable law and will be limited in accordance with the provisions of the indentures to the amount that, among other things agreed in the indentures, will result in such guarantee not constituting a preference, fraudulent conveyance, improper corporate distribution or otherwise being set aside and not causing the guarantor to be insolvent. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each guarantor. There is a possibility that the guarantee may be set aside notwithstanding the aforementioned limitations, in which case the entire liability may be extinguished.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, a guarantor would be considered insolvent if it could not pay its debts as they become due and payable, it has no access to new credit and/or if its liabilities exceed its assets. If a court decided any guarantee was a fraudulent conveyance and voided the guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of the guarantor and would be a creditor solely of the Issuer and the remaining guarantors. In the event that any guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable guarantor, and if we cannot satisfy our obligations under the Notes or any guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the 7.875% Senior Notes and the 7.375% Senior Notes.

Additionally, in Poland, in accordance with Polish bankruptcy regulations, if the guarantor is declared bankrupt, legal transactions involving the disposal of the bankrupt's assets performed by it within one year before filing the bankruptcy petition would have no effect if they were performed gratuitously or for consideration which is significantly below that provided by the guarantor. Also, the guarantees issued by the Polish guarantors to secure the debt which is not yet due and payable may be ineffective towards the bankrupt's assets if issued within two months before the filing of the bankruptcy petition. Furthermore, acts in law performed for consideration by the bankrupt within six months before the filing of the bankruptcy petition are ineffective towards the bankrupt's assets if made by the bankrupt entity with its partners or shareholders, their representatives or spouses of the same, or affiliates, their partners or shareholders, representatives, or spouses of the same as well as with another company, in the event of being either a dominant company or partnership.

The above-mentioned risks exist in the case of a guarantee made for the benefit of a shareholder or an affiliate, especially if it is executed gratuitously.

With regard to the guarantor incorporated under the laws of the Netherlands, it is noted that the validity and enforceability of a guarantee may be successfully contested by a Dutch company (or its administrator in suspension of payments or its bankruptcy trustee) on the basis of an *ultra vires* claim, which will be successful if both (i) the granting of the guarantee does not fall within the scope of the objects clause as set out in the company's articles of association (*doeloverschrijding*) and (ii) the company's counterparty knew or ought to have known (without inquiry) of this fact.

Both the laws of Poland and the Netherlands, the jurisdictions in which the guarantors are organized, may limit their ability to guarantee debts to ensure that the granting of guarantees is in their corporate interest. If such limitations were not observed, the guarantees of the Notes would be subject to legal challenge. In connection with potential local law restrictions, the guarantees will contain language limiting the amount of debt guaranteed. However, it is not clear under Polish and Dutch law to what extent such contractual limitations can remove the risks connected with upstream, cross-stream and third party guarantees.

To the extent that Dutch law applies, a guarantee granted by a legal entity may, under certain circumstances, be nullified by any of its creditors, if (i) the guarantee was granted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned was/were prejudiced as a consequence of the granting of the guarantee (irrespective of whether a creditor's claim arose prior to or after the granting of the guarantee) and (iii) at the time the guarantee was granted both the legal entity and, unless the guarantee was granted for no consideration (*om niet*), the beneficiary of the guarantee knew or should have known that one or more of the entities' creditors would be prejudiced (*actio pauliana*).

Pursuant to Dutch insolvency law, the delegated judge (*rechter-commissaris*) may declare, at his or her discretion, a "stay/cooling-off period" (*afkoelingsperiode*) during the bankruptcy proceedings. Such order may be issued for a period of two months, which may be extended for another two months. As a result, inter alia, creditors may, during such period, be delayed from enforcing their rights.

In addition, pursuant to Dutch fraudulent conveyance rules (*actio pauliana*):

- any legal act performed without obligation by a bankrupt entity prior to the filing of a motion for bankruptcy, whereby such bankrupt entity was or should have been aware that such legal act would result in prejudice to its creditors, may be voided by the bankruptcy trustee; however, if such legal act was multilateral or (albeit unilateral) directed towards other parties and performed against some consideration, the bankruptcy trustee may only void such act if he can demonstrate that the other party was aware or should have been aware that such act would result in prejudice to other creditors of the bankrupt entity;

- for the purpose of the Dutch fraudulent conveyance rules, if a bankrupt entity has performed a legal act without obligation and for no consideration within one year prior to the filing of a motion for bankruptcy, the bankrupt entity is deemed to have been aware that such legal act would result in prejudice to its creditors; and
- for the purpose of the Dutch fraudulent conveyance rules, if a bankrupt entity has performed a legal act within one year prior to the filing of a motion for bankruptcy, and the bankrupt entity had not committed itself to perform such act prior to the commencement of that period, both the bankrupt entity and the other party are deemed to have been aware that such act would result in prejudice to the other creditors if the legal act belongs to certain categories (including contractual agreements for which the bankrupt entity did not receive consideration or in relation to which the value of the consideration paid by the bankrupt entity was significantly higher than the consideration received by it, payment of, or provision of security for an obligation that was not due and payable, legal acts performed amongst the bankrupt entity and its (supervisory) directors or their close relatives).

The 7.875% Senior Notes and the 7.375% Senior Notes are structurally subordinated to all obligations of our subsidiaries which are not guarantors of the 7.875% Senior Notes and the 7.375% Senior Notes

The 7.875% Senior Notes and the 7.375% Senior Notes are obligations of the issuers and are effectively subordinated to all debt and other obligations, including trade payables of our subsidiaries which are not guarantors of the 7.875% Senior Notes and the 7.375% Senior Notes. As of December 31, 2014, our subsidiaries which are not guarantors of the 7.875% Senior Notes and the 7.375% Senior Notes had PLN 34,501 of total outstanding liabilities, consisting primarily of Stavka’s liability to KRRiT for broadcasting license.

The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving a subsidiary which is not a guarantor of the 7.875% Senior Notes or 7.375% Senior Notes, the assets of the affected entity could not be used to pay you until after all other claims against that subsidiary, including trade payables, have been fully paid.

Covenant restrictions under the indentures impose significant operating and financial restrictions on us and may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities

The indentures contain covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make investments or other restricted payments;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- create liens on assets to secure indebtedness;
- transfer or sell assets;
- engage in certain transactions with affiliates;
- enter into agreements that restrict our restricted subsidiaries’ ability to pay dividends; and
- merge or consolidate with or into another company.

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

We may not be able or required to repurchase the 7.875% Senior Notes and the 7.375% Senior Notes upon a change of control and rating decline

Upon the occurrence of a change of control triggering event, we will be required to make an offer to noteholders in cash to repurchase all or any part of your 7.875% Senior Notes and the 7.375% Senior Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If a change of control triggering event occurs, we may not have sufficient funds at that time to pay the purchase price for all tendered Senior Notes, particularly if that change of control triggering event triggers a similar repurchase requirement for, or results in the acceleration of, any of our other debt, or if any other of our then existing contractual obligations would allow us to make such required repurchases. Any debt agreements we enter into in the future may contain similar provisions. Certain transactions that constitute a change of control and rating decline under our existing and future debt instruments may not constitute a change of control and rating decline under the indentures governing the 7.875% Senior Notes and the 7.375% Senior Notes.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect the value of the Notes

As a result of the credit crisis in Europe, in particular in Portugal, Italy, Ireland, Greece and Spain, on February 2, 2012, the Treaty Establishing the European Stability Mechanism (the “ESM Treaty”) was signed by each Member State of the Eurozone. The ESM Treaty includes a package of measures, including the provision of financial assistance to its signatories experiencing or being threatened by severe financing problems, where such financial assistance is necessary for the safeguarding of financial stability in the Eurozone as a whole, and entered into force on September 27, 2012. On March 2, 2012, a new fiscal compact, the Treaty on Stability, Coordination and Governance in the Economic Monetary Union (the “Fiscal Compact”), was signed by all Member States of the European Union (the “Member States”) (except the Czech Republic and the United Kingdom) and entered into force on January 1, 2013 following its ratification by the twelfth Eurozone country - Finland. The Fiscal Compact places deficit restrictions on Member State budgets (other than the budgets of the United Kingdom and the Czech Republic), with associated sanctions for those Member States that violate the specified limits.

Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states. These and other concerns could lead to the reintroduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

Any event of default under any of our debt instruments may limit our ability to repay our obligations under the 7.875% Senior Notes and the 7.375% Senior Notes

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments, including the 7.875% Senior Notes and the 7.375% Senior Notes. Our ability to make principal or interest payments when due on our indebtedness, including the 7.875% Senior Notes and the 7.375% Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the 7.875% Senior Notes and the 7.375% Senior Notes in such an event.

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

PTH, our direct majority shareholder and a subsidiary of ITI Holdings, has substantial indebtedness, secured by a pledge over the Company's shares. PTH is dependent on dividends and other proceeds from the Company in order to service interest payments on its indebtedness. Accordingly, if the Company for any reason reduces, delays, fails or is otherwise unable to pay dividends or other payments to PTH, including pursuant to the terms of the 7.875% Senior Notes and the 7.375% Senior Notes, PTH could default on its obligations. Any default by PTH under the agreements governing its indebtedness could ultimately trigger a change of control under the 7.875% Senior Notes and the 7.375% Senior Notes as a result of the exercise of enforcement rights by PTH's creditors. A change of control triggering event would entitle the investors in the 7.875% Senior Notes and the 7.375% Senior Notes to require us to repurchase the 7.875% Senior Notes and the 7.375% Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase and could result in us breaching our broadcasting license. We may not be able to repurchase the Notes upon a change of control and rating decline.

The interests of our principal shareholder may conflict with your interests as a holder of the 7.875% Senior Notes and the 7.375% Senior Notes

ITI Holdings, through other entities that it directly or indirectly controls, together with Groupe Canal+, owned, as of February 6, 2015, 52.7% of our issued voting share capital. In addition several members of our supervisory board are also executives of ITI Holdings or of other companies in the ITI Group or of Groupe Canal+. As a result, ITI Holdings, Groupe Canal+ and these individuals, through their shareholdings or their positions on our supervisory board, have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders. The interests of the ITI Group could conflict with interests of holders of the 7.875% Senior Notes and the 7.375% Senior Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The ITI Group could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of the 7.875% Senior Notes and the 7.375% Senior Notes.

You may face foreign exchange risks or tax consequences by investing in the 7.875% Senior Notes and the 7.375% Senior Notes

The 7.875% Senior Notes and the 7.375% Senior Notes are denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euros, an investment in the 7.875% Senior Notes and the 7.375% Senior Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the 7.875% Senior Notes and the 7.375% Senior Notes below their stated coupon rates and could result in a loss to investors when the return on the 7.875% Senior Notes and the 7.375% Senior Notes is translated into the currency by reference to which the investors measure the return on their investments. Investment in the 7.875% Senior Notes and the 7.375% Senior Notes may also have important tax consequences.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time

One or more independent credit rating agencies may assign credit ratings to the 7.875% Senior Notes and the 7.375% Senior Notes. The credit ratings address our ability to perform our obligations under the terms of 7.875% Senior Notes and the 7.375% Senior Notes and credit risks in determining the likelihood that payments will be made when due under 7.875% Senior Notes and the 7.375% Senior Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of 7.875% Senior Notes and the 7.375% Senior Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. In the event our debt or corporate credit ratings are suspended, withdrawn or lowered by the ratings agencies, our ability to raise additional indebtedness may be impaired and we may have to pay higher interest rates, which may have an adverse effect on our financial position, results of operations and cash flows.

Transfers of the Notes will be restricted, which may adversely affect the value of the 7.875% Senior Notes and the 7.375% Senior Notes

The 7.875% Senior Notes and the 7.375% Senior Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to effect any exchange offer for the 7.875% Senior Notes and the 7.375% Senior Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of, the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The 7.875% Senior Notes and the 7.375% Senior Notes and the Indenture will contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions, under the U.S. Securities Act. Furthermore, we have not registered the 7.875% Senior Notes and the 7.375% Senior Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

An active trading market may not develop for the 7.875% Senior Notes and the 7.375% Senior Notes, in which case your ability to transfer the 7.875% Senior Notes and the 7.375% Senior Notes will be more limited

The 7.875% Senior Notes and the 7.375% Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, we cannot assure you that the Notes will remain listed.

We cannot assure you as to the liquidity of any market for the 7.875% Senior Notes and the 7.375% Senior Notes, the ability of holders of the 7.875% Senior Notes and the 7.375% Senior Notes to sell them or the price at which holders of the 7.875% Senior Notes and the 7.375% Senior Notes may be able to sell them.

The liquidity of any market for the 7.875% Senior Notes and the 7.375% Senior Notes depends on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. The initial purchasers have informed us that they intend to make a market in the Notes. However, they are not obliged to do so and may discontinue such market making at any time without notice. As a result, we cannot assure you that an active trading market for the 7.875% Senior Notes and the 7.375% Senior Notes will be maintained. The liquidity of, and trading market for, the 7.875% Senior Notes and the 7.375% Senior Notes may also be hurt by declines in the market for high yield securities generally. Such a general decline may be caused by a number of factors, including but not limited to the following:

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

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

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF TVN GROUP AND BUSINESS OVERVIEW

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

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

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

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

Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. As a direct result of our high quality and innovative programming, for the twelve months of the year 2014, our channels had 22.0% of the all-day commercial target audience share.

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

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

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

We have concluded two strategic transactions. On December 18, 2011, ITI signed a strategic cooperation agreement with Groupe Canal+ as a result of which Groupe Canal+

became a minority owner of TVN. Simultaneously, our satellite platform 'n' was contributed to the Cyfra+ platform with the objectives of creating the leading premium pay TV operator in Poland, called nC+, and providing significant synergies and opportunities for growth over next few years of operation. We own a 32% stake in the combined nC+.

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

We believe that we have distinguished ourselves among television broadcasters by the quality and innovative character of our programming and Internet content. Through our principal channel, TVN, we select and schedule programming to attract and retain audiences between the ages of 16 and 49 living in cities with a population in excess of 100,000, which audience we refer to as our key target audience for TVN, in particular during peak – television viewing – time, from 6:00 p.m. to 11:00 p.m. TVN 7 is complementary to TVN and gives us the ability to meet our advertising customers' need to have advertising messages displayed with a certain frequency. In addition, in order to meet the specific communication needs of our advertising customers, we introduced thematic channels directed at those sections of the audience who might be expected to have a particular interest in products offered by our advertising customers. According to NAM, for the year ended December 31, 2014, all of our channels obtained a nationwide all-day audience share of 20.9%, and our TVN channel achieved a peak-time audience share in its key target group of 15.1%. This high market share of our key target audience makes us attractive to advertisers

Our ability to successfully convert audience share into advertising revenue, combined with our focus on cost management, has resulted in a strong financial performance. For the twelve months ended December 31, 2014, we generated revenue from continuing operations of PLN 1,593,804 and EBITDA from continuing operations of PLN 548,844 with an EBITDA margin of 34.4%.

TELEVISION BROADCASTING AND PRODUCTION SEGMENT

INDUSTRY OVERVIEW

Polish television broadcasting industry

Poland has the largest population in Central Europe, with approximately 38 million residents. According to NAM, in 2014 almost 100% of the country's 13.0 million households had at least one television set, and approximately 22.5% of households had at least a second television set.

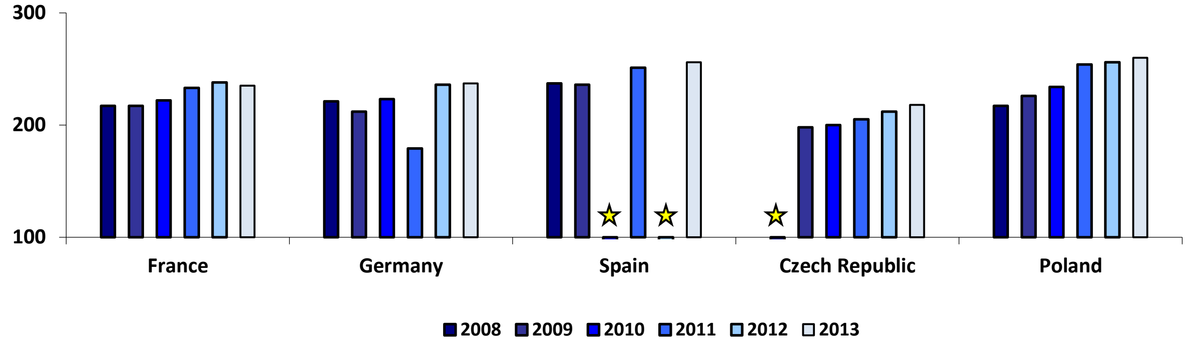
The Polish television broadcasting market consists of state-owned and private commercial broadcasting sectors. As of December 31, 2014, satellite operators served with premium DTH services 4.5 million households, representing a penetration rate of 35.3%, while cable networks reached 4.0 million households and had a total cable penetration rate of 31.0%. Based on Nielsen Audience Measurement research in 2014, we estimate that 33.8% of Polish households receive only terrestrial television signal. Poland started its digitalization process in 2010. The process of switching off the analogue signal was completed on July 23, 2013. Currently terrestrial viewers receive 24 free-to-air Polish language channels through DTT (in some areas additional channels are available from local DTT transmitters, for example NTL Radomsko), whereas cable and satellite platform operators may choose from nearly 200 Polish language channels to offer their viewers.

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

Until 1992, TVP was the sole Polish television broadcaster. Since then, with the opening of the Polish television market to private commercial broadcasters, the number of television channels has increased substantially. Today, the Polish television broadcasting sector is comprised of four national broadcasters, a number of smaller regional broadcasters, locally available through satellite and cable, and foreign broadcasters that distribute foreign language (predominantly German and English) channels. For the year ended December 31, 2013, TVP derived approximately 19.0% of its revenue from mandatory license fees that are levied on all households with a television set, with the remainder generated primarily from advertising. The remaining channels are mainly financed through advertising and cable and satellite subscription fees.

According to Egta, watching television is a popular leisure activity in Poland with the average viewer watching approximately 260 minutes of television per day in 2013. The following table sets out the average daily television watching time, measured in minutes per person per day, for Poland and for four comparable countries in Europe since 2008 to 2013. Indicated data shows that consumption of a television content is still growing across Europe and the attitude of Polish viewers rest in line with the majority of the biggest European countries.

Average daily television watching time (in minutes) across Europe



Source: Egta, audience 15+
☆data for Spain and Czech Republic not available in Egta database

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

TV digitalization process in Poland

Poland started its digitalization process in 2010. The process of switching off the analogue signal was completed on July 23, 2013. Currently terrestrial viewers receive 24 free-to-air Polish language channels through DTT (in some areas additional channels are available from local DTT transmitters, for example NTL Radomsko), whereas cable and satellite operators can build their programming offer from nearly 200 Polish language channels.

Polish DTT is divided into four multiplexes, three free-to-air and one (MUX-4) Pay TV. MUX1 and MUX2 have reached their goal of technical coverage of approximately 96% of the Polish population. TVN channels are available through MUX1, including our TTV channel, and through MUX2, including our TVN main channel and TVN7. In accordance with the act on the implementation of DTT on June 30, 2011, MUX3 is wholly dedicated to the public broadcaster.

Usage of digital terrestrial TV multiplexes (MUX'es) in Poland as of February 5th, 2015.

MUX 1	MUX 2	MUX 3	MUX 4
TVP ABC	Polsat	TVP1 HD	
TV Trwam	Polsat Sport News	TVP2 HD	Pay TV
Polo TV	TVN	TVP Regionalna	(encrypted)
ESKA TV	TVN 7	TVP Kultura	operated by
ATM Rozrywka	TV Puls	TVP Historia	INFO TV FM,
TTV	TV Puls 2	TVP Rozrywka	subsidiary
Stopklatka TV	TV 4	TVP Info	of Cyfrowy Polsat
Fokus TV	TV 6	TVP Polonia	

Source:Emitel

Moreover, it is expected that contest procedure for the launch of the next mulitplex (MUX8) will be initiated in 2015. New channels that could be broadcast on this multiplex may increase competitiveness in the digital terrestrial channels market.

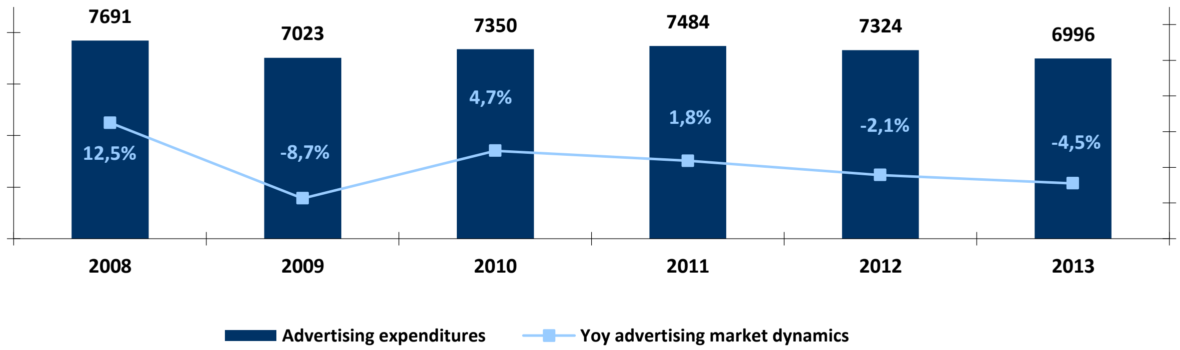
We have improved the distribution of our content through the use of digital signals that is used for three of our channels. As a result of the analogue switch off in July 23, 2013 and thanks to wider coverage and the improved distribution of our content, we improved our audience share, especially in TVN7 and TTV. According to NAM, for the year ended December 31, 2014, TVN7 all-day nationwide audience share was stable at 3.5% and TTV increased its all-day nationwide audience share to 1.3%, from 1.0%.

Polish cable and satellite market

The cable television market is undergoing continued consolidation, but it still consists of about 480 operators (including IPTV operators, affiliated companies are counted as one operator). UPC, Vectra and Multimedia are Poland's largest cable operators with an aggregate 67% share of the Polish cable market as of December 2014. The Polish pay digital satellite market is split between three digital platform operators: (1) ITI Neovision S.A., operating NC+ platform (merged Cyfra+ and n platforms), (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) Orange Polska S.A., operating in cooperation with ITI Neovision S.A. the Orange DTH platform.

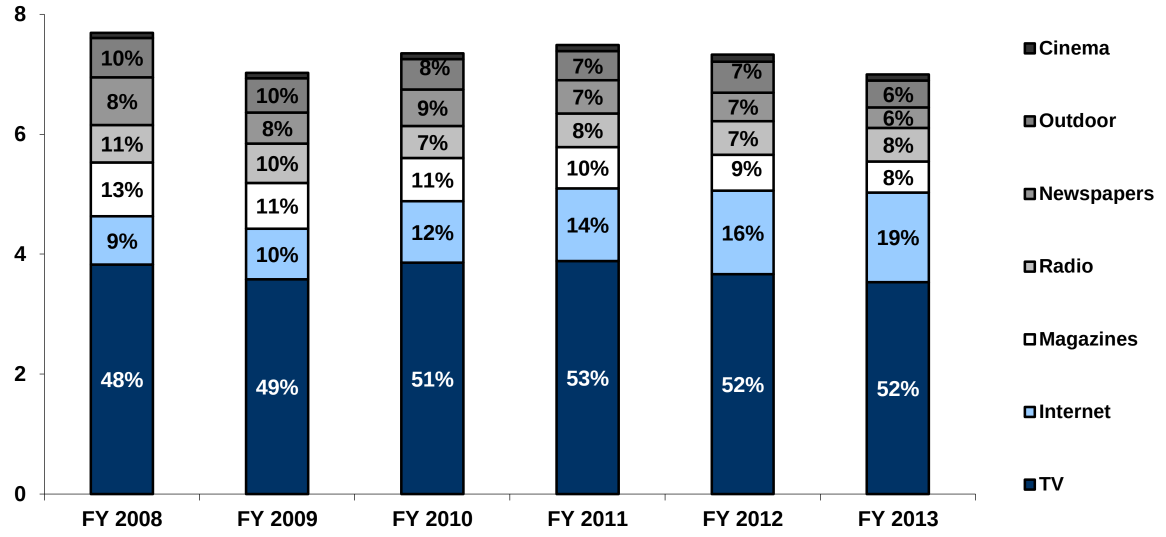
Polish television advertising market

Poland is one of the largest advertising markets in Central and Eastern Europe.



Source: Starlink

Television advertising maintains its dominant share among advertising mediums in Poland despite Internet advertising growth that is realized on expense of traditional, mainly printed media. According to Starlink, in 2013 it accounted for approximately 52% of the total net advertising expenditures and we do not expect material change in 2014. In our view total television advertising market in 2014 was nearly 5% higher than in 2013.



Source: Starlink

Television in Poland remains still a key media providing the advertisers with the highest reach.

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

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

Polish television advertising market performance in 2014

Polish advertising market continued its upward trend started at the end of year 2013, while its TV segment, still representing more than half of the entire market, was one of the growth drivers.

The highest increase was recorded among thematic channels, mainly those broadcasted on digital terrestrial television, by which they achieved a significant increase in reach, and consequently also in the audience shares, while growing demand was accommodated at still relatively low prices. As a result, the main channels of the largest broadcasters - TVN, Polsat and Polish Television, in year 2014, were still under pressure of lower demand generated by advertisers, which was compensated by growth on the side of thematic channels, but also by gradual raising of advertising airtime prices.

Already the first three months of 2014 showed improvement in the television advertising market. According to our estimates television advertising revenues increased year on year by 1.8% in the first quarter of 2014, accelerating to 4.9% and 9.5% in the second and third quarters, respectively, as a result of the popularity of World Championships: Football in Brazil and Volleyball in Poland. The fourth quarter brought a further, though lower improvement of Polish television advertising market and according to our estimates, the increase was only by 3.9%, mainly due to the comparison to significantly growing months of the end of year 2013.

For the full year 2014 TV advertising market grew by 4.8% as compared to 2013.

Long-term market outlook for television advertising in Poland

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

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

Our television channels

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

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

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

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

We obtained consent from the National Broadcasting Council to operate new channel TVN24 Biznes i Świat that as of January 1, 2014 replaced TVN CNBC. Its programming offer includes business headlines and the coverage of international news. In addition to the full scope of presently covered business and financial news, its programming offer encompasses an extensive range of news from abroad.

Channel	Launch date	Focus	Signal distribution	Availability	Household coverage [1]
TVN	1997	Entertainment and news	Free-to-air (FTA) terrestrial, MUX channel, encrypted digital satellite, cable and DSL	free-to-air	100%
TVN 7	2002	Entertainment	Free-to-air (FTA), MUX channel and encrypted digital satellite platforms, cable and DSL	free-to- air	99%
TTV [2]............	2011	News and social-intervention	Free-to-air (FTA), MUX channel, Encrypted digital satellite platforms, cable and DSL	free-to-air	92%
TVN 24	2001	News	Encrypted digital satellite platforms, cable and DSL, Internet	license fee based	61%
TVN Style	2004	Lifestyle	Encrypted digital satellite platforms, cable and DSL	license fee based	61%
TVN Turbo	2003	Male oriented	Encrypted digital satellite platforms, cable and DSL	license fee based	61%
TVN Meteo	2003	Weather	Encrypted digital satellite platforms, cable and DSL	license fee based	60%
TVN 24 Biznes i Świat [3]........	2007	Business	Encrypted digital satellite platforms, cable and DSL, Internet	license fee based	58%
iTVN	2004	Entertainment	Satellite transmitters abroad cable networks abroad	subscription based	n/a[4]
NTL Radomsko[5]......	1995	Regional	Local channel, cable	free-to-air	n/a[6]
Telezakupy Mango 24	2003	Teleshopping	Encrypted digital satellite platforms, cable and DSL	license fee based	63%

(1) Household coverage represents the percentage of households in Poland that are able to receive the relevant channel.
(2) We launched TTV channel in cooperation with Stavka Sp. z o.o. where we were a major stakeholder – 50.55% stake in Stavka Sp. z o.o. was owned by TVN Group till October 16, 2014 when we acquired remaining stake and became a sole stakeholder. TTV channel has started to be broadcasted on January 2, 2012.
(3) Before January 1, 2014 – TVN CNBC.
(4) Statistics reflecting household coverage in the countries in which TVN International is broadcast are not available.
(5) Acquired by us in 2005.
(6) Statistics reflecting household coverage in the regions in which NTL Radomsko is broadcast are not available.

TVN

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

The following table sets out the highest nationwide audience share of what we believe were some of TVN's most successful programs broadcast during 2014, demonstrating the strength of both our locally produced and acquired programming content:

Top programs by Nationwide Audience Share in 2014

Date	Title	Description	Nationwide audience share (%)
March 27	Fakty	Main news bulletin	31.2
November 3	Szpital (Hospital)	Medical documentary	27.0
September 27	Mam talent (Got Talent!)	Entertainment	26.6
February 23	Uwaga!	Current affairs	26.3
April 3	Kuchenne Rewolucje	Reality show	25.8
April 8	Kuba Wojewódzki	Talk show	25.0
January 15	Na Wspólnej	Soap Opera	24.8
March 29	X-Factor	Entertainment	24.2
December 7	Masterchef	Reality show	23.8

Source: NAM

Scheduling in TVN

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

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

TVN's programming schedule is designed to maintain viewer loyalty and promote audience flow from program to program, from day to day and from "access prime time" to "prime time". For example, "access prime time", from 3:00 p.m. to 7:00 p.m., is "strip programmed," meaning that a particular program is shown at the same time on each weekday, with a view to securing day-to-day loyalty and increasing audience flow from access prime time to "prime time", the most commercially attractive programming period. Daily programming includes talkshows, drama and scripted-docu programs, followed by news and current affairs magazine. These daily slots are being re-arranged from season to season to follow the programming trends and audience tastes.

Additionally, early prime time, from 7:00 p.m. to 9:30 p.m., is also based on stripped programming, with daily drama and docu-crime series broadcast Monday through Thursday. These stripped programs help to build long-term loyalty of our viewers and an increasingly stable audience share.

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

TVN 7

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

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

TVN 24

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

TVN 24 is available to 8.9 million subscribers of digital satellite platforms operating in Poland and approximately 480 cable and DSL operators. The major cable operators offering the TVN 24 channel include UPC, Multimedia Polska and Vectra.

TTV

We launched TTV channel in cooperation with Stavka Sp. z o.o. where we were a major stakeholder – 50.55% stake in Stavka Sp. z o.o. was owned by TVN Group till October 16, 2014 when we acquired remaining stake and became a sole stakeholder. TTV is a free-to-air (FTA) channel focusing on current affairs, news and social interest documentaries. The TTV channel provides programs exploring subjects of contemporary life and matters of importance for local communities across Poland as well as entertainment shows, such as talk shows.

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

TTV is our fastest-growing television channel. It began broadcasting on January 2, 2012 with all-day nationwide audience share of 0.1% to reach an all-day basic commercial target group audience share of 1.5% in the last quarter of 2014.

Audience market share

During the year ended December 31, 2014 we derived approximately 71.7% of our total revenue from television advertising. We have been able to diversify our advertising revenue stream by developing additional revenue sources, including subscription revenues from the pay-TV platforms, licensing fees, call TV, teleshopping, e-commerce and hosting services.

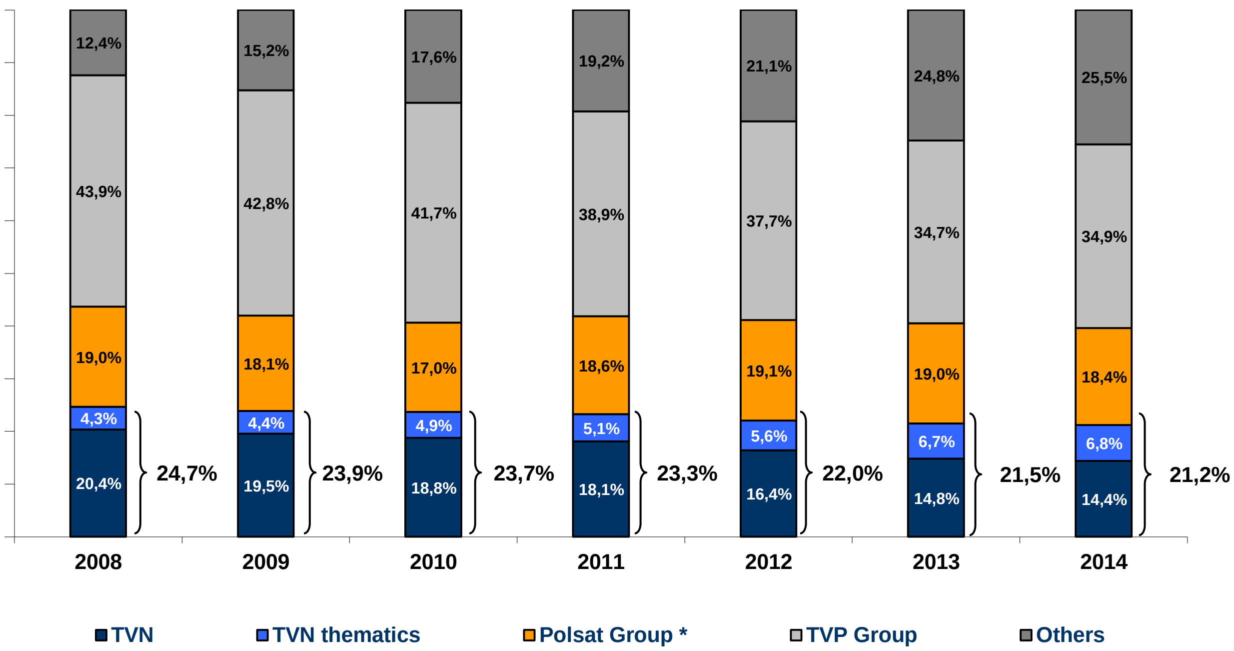
In the current television advertising market environment in Poland, advertisers generally allocate their expenditure among channels based on each channel's targeted audience market share, the demographic audience profile and pricing. In order to maximize our advertising revenue, we seek to increase our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

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

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

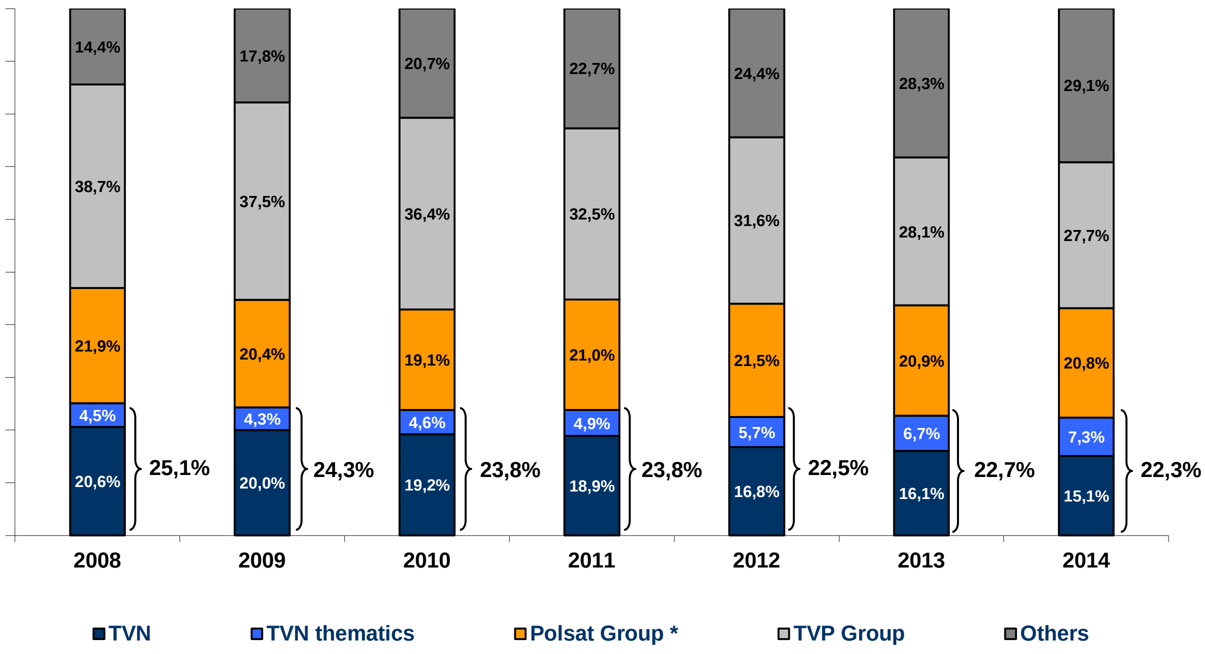
Following graphs show our audience share performance of TVN main channel and our thematic for nationwide population (defined as viewers aged four and older) during peak time and our audience share for mentioned groups of channels during peak time among viewers aged 16-49 compared to the audience share results of our major competitors groups for each year since 2008:

Nationwide peak time audience share



**Data for Polsat Group does not include results of TV4 and TV6 channels bought by Polsat Group on August 30, 2013.*
Source: NAM

16-49 peak time audience share

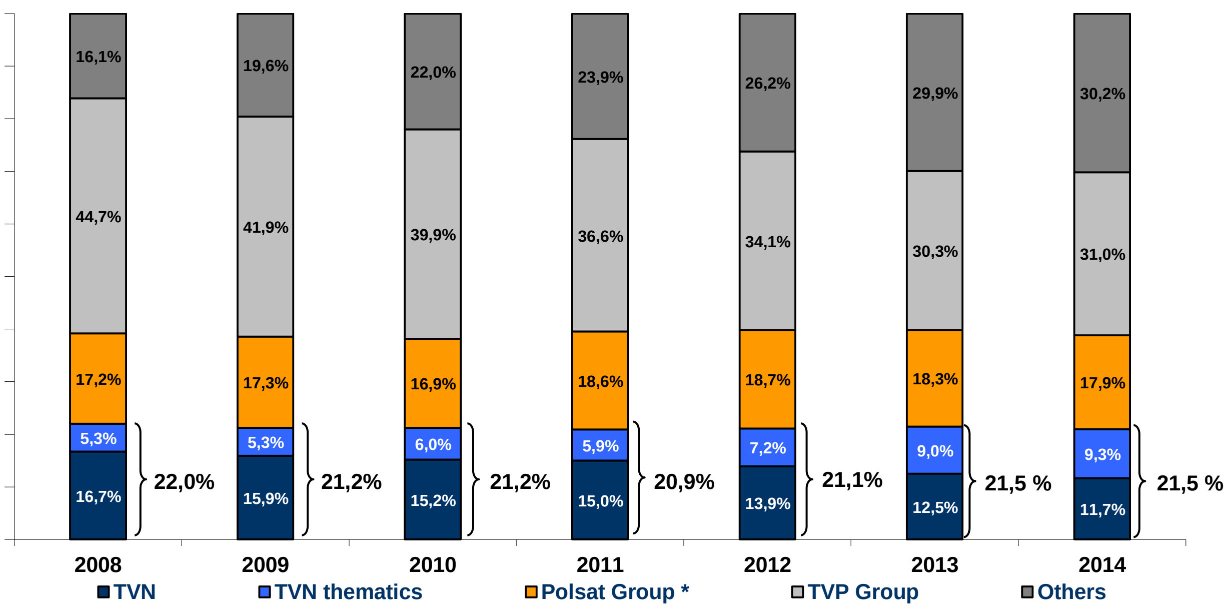


**Data for Polsat Group does not include results of TV4 and TV6 channels bought by Polsat Group on August 30, 2013.*
Source: NAM

According to NAM, in 2014, our channels captured an aggregate average of 21.5% of Poland's nationwide all-day television audience.

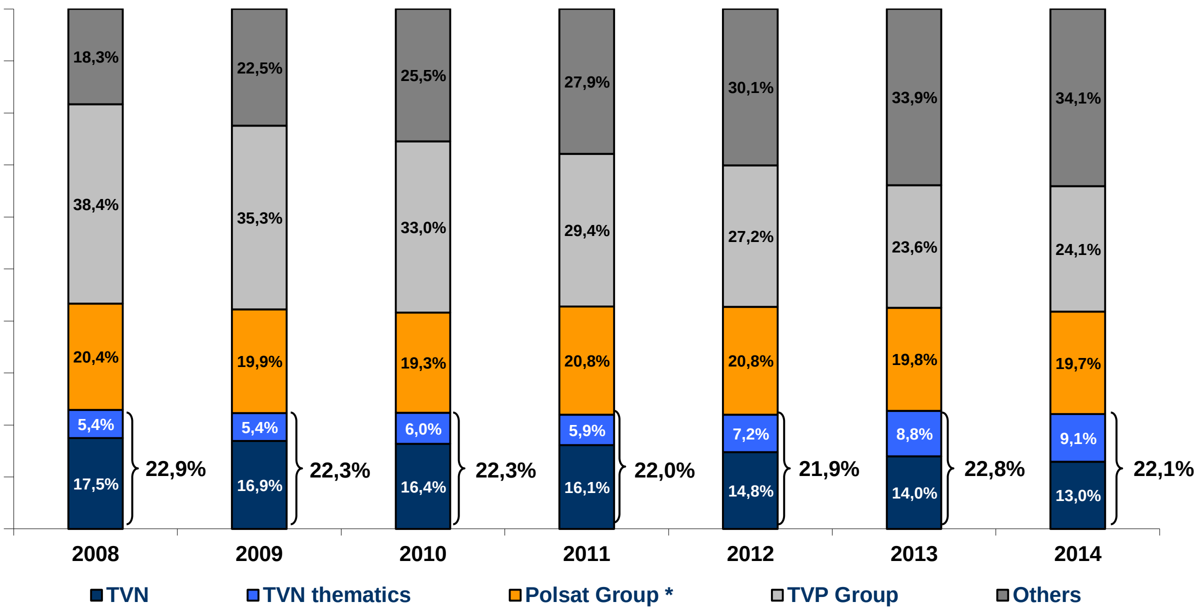
Following graphs show our all-day audience share performance of TVN main channel and our thematic channels for nationwide population (defined as viewers aged four and older) and our all-day audience share for mentioned groups of channels among viewers aged 16-49 compared to the audience share results of our major competitors groups for each year since 2008:

Nationwide all day audience share



**Data for Polsat Group does not include results of TV4 and TV6 channels bought by Polsat Group on August 30, 2013.*
Source: NAM

16-49 all day audience share



**Data for Polsat Group does not include results of TV4 and TV6 channels bought by Polsat Group on August 30, 2013.*
Source: NAM

Our channels have maintained a leading position among commercial broadcasters despite the further fragmentation process. Ongoing growth of thematic channels across all audience share categories successfully offsets pressure on our TVN main channel. The biggest growth of our thematic audience share is most visible in all day basic commercial target group. The compilation of both tendencies shows the long term and broadly stable audience share of our channels.

Television advertising sales

We sell advertising airtime to a broad and diverse group of advertisers that includes multinational and national companies. The majority of our advertising revenue generated in 2014 came from media houses representing multiple advertisers, with the balance generated directly pursuant to agreements with individual advertisers. For the year ended December 31, 2014, our ten largest individual advertisers collectively accounted for approximately 22% of our advertising revenue with no single advertiser accounting for more than 3.1% of our net advertising revenue.

In order to provide flexibility to our advertising customers, we offer advertising priced on (i) cost per GRP, and (ii) rate-card basis. In 2014, almost 50% of our advertising sales on our TVN channel were package sales priced on the basis of cost per GRP compared to 54% in 2013.

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

Premium TV – TVN's sales consolidation concept

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

Premium TV is focused on co-operation with external companies interested in building successful advertising product dedicated to demanding advertisers' targets. Premium TV channels representation consists of DTT MUX channels as well as those of cab-sat distribution giving advertisers opportunity to achieve successful campaigns parameters. Since 2012 and 2013 (besides TVN's own channels) we have become an exclusive representative of DTT channels TV Puls and PULS 2 which with our own MUX's channels (in particular TVN7 and TTV) constitutes a high potential growth portfolio. The Premium TV concept has developed and the advertising time sales representation for 2015 covers channels belonging to multinational corporation as well as domestic ones: TVN thematic portfolio: TVN7, TTV, TVN Style, TVN Turbo, TVN24, TVN24 BiŚ, TVN Meteo; ITI Neovision: Canal+ Sport, nSport+, Ale kino+, Planete+, Kuchnia+, Domo+, MiniMini+, teleTOON+; Telewizja Puls: TV Puls, PULS 2; 4fun Media: 4fun.tv, mjuzik.tv, TV.DISCO; Viacom International Media Networks : MTV, VIVA, Comedy Central, Comedy Central Family, Paramount Channel HD (replacing Viacom Blink!), Nickelodeon, VH1; The Walt Disney Company: Disney Channel, Disney XD, Disney Junior; Discovery Communications: Discovery Channel, TLC, Discovery Life, Animal Planet HD, ID, Discovery Turbo Xtra, Discovery Science, Discovery Historia; Fox International Channels: National Geographic Channel, Nat Geo WILD; FOX, FOX Comedy; AXN Europe: AXN, AXN White, AXN Black, AXN Spin, Telestar: iTV, TVS: TVS, Michał Winnicki Entertainment: Power TV, Adventure HD; Mainstream Networks Holding: Romance TV; Orange Polska: Orange sport.

Television advertising sales team

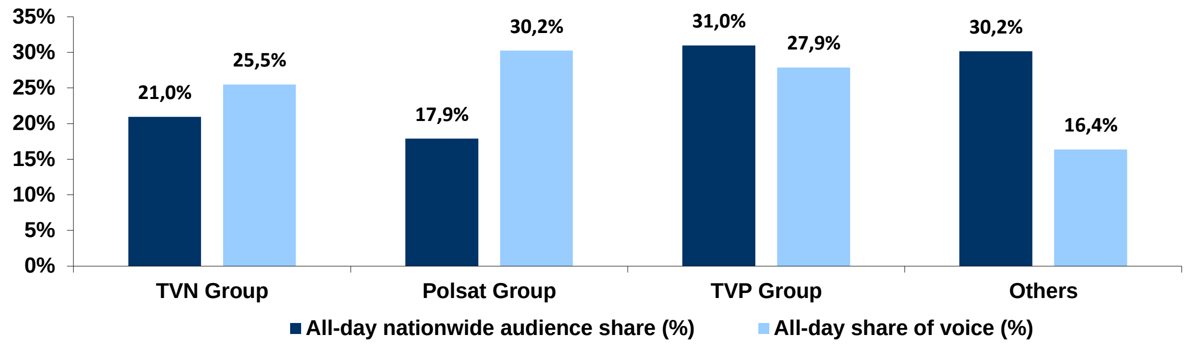
Our television advertising sales team consists of approximately 225 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, our sales teams works closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross- promotional opportunities.

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

Development of our television advertising market share

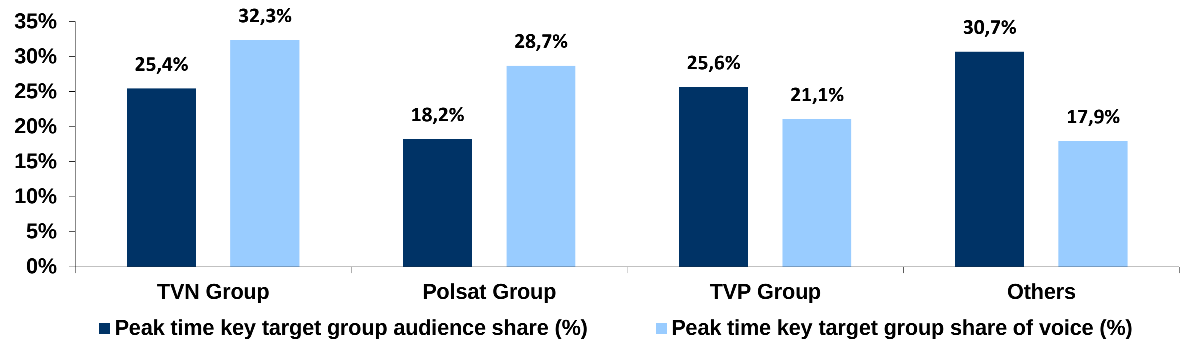
As evidenced by our peak time key target audience market share, we attempt to schedule our programming to attract and retain that group of viewers. Our market share of net television advertising expenditure in Poland reflects our ability to consistently attract key target audiences. According to NAM, TVN Group achieved a 32.3% share of the television advertising market (share of voice, ages 16 through 49, in cities with populations over 100.000 from 6:00 p.m. until 11:00 p.m.) in 2014. During the same period, we had a peak time key target audience share of 25.4%. We believe that this success is due to the combined strength of our peak time key target audience share and our in-house advertising sales and marketing efforts. With the introduction of thematic channels we are able to deliver specific viewers within the key target audience to our advertising customers, which we believe makes their advertising messages more efficient.

The table below compares our nationwide all-day audience share and our share of total GRP delivery ("share of voice") to that of our main competitors in 2014:



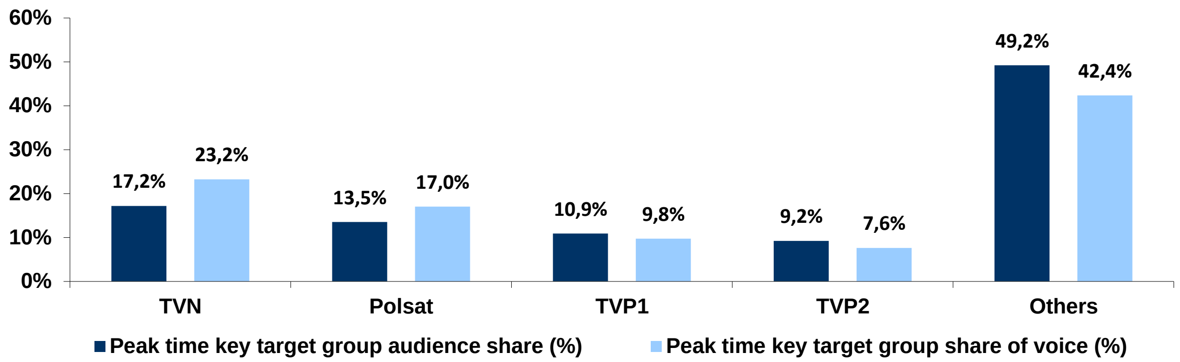
Source: NAM, target 4+

The table below compares our peak time key target group audience share and our peak time key target group share of total GRP delivery (share of voice) to that of our main competitors in 2014:



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

The table below compares peak time key target group audience share and peak time key target group share of total GRP delivery (share of voice) of the TVN channel to that of its main competitors in 2014:



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

Programming sources

Programming produced by TVN Group

We produce a wide variety of television content, including news and current affairs programs, documentaries, reality shows, talk and game shows, soap operas, movies and drama series. In 2014, we produced and broadcasted approximately 6,473 hours of our own programming for TVN channel. To the extent possible, we use our own employees for the production of our programs, but we also hire temporary staff (including screen writers, actors, producers and directors) on a project-by-project basis. Sub-contracting to third party production companies provides us with additional production capacity when needed, thereby reducing overhead costs related to production facilities and equipment. We outsource the production of certain entertainment shows, reality shows and drama series. We tend to work closely with the Polish subsidiaries of internationally recognized programming content producers such as Fremantle Polska Sp. z o.o., Constantin Entertainment, Rochstar Sp. z o.o. as well as a wide range of Polish independent programming content producers.

In addition to our main news studio in Warsaw, we operate nine regional news offices and provide comprehensive news coverage of Poland. Each regional office can send its reporting crews to any location in Poland and is equipped with the latest transmission facilities. This enables the prompt transfer of video and live coverage of newsworthy events. For the coverage of international events outside Poland, we have entered into agreements with international news agencies such as Reuters, CNN and we have also entered into an agreement with European News Exchange (ENEX), a non-profit organization for the exchange of news footage and transmission services between more than 40 television broadcasters. We deployed our own news teams to cover key events such as the Ukraine protests and the Ukraine – Russia conflict. TVN 24 also has permanent foreign correspondents in Moscow, Brussels, London and Washington D.C.

Acquired foreign programming

Broadcasting rights are generally acquired under one of three types of contractual arrangements: (1) output, (2) volume or (3) spot contracts. Output contracts involve the acquisition of the right to broadcast all current and future releases of a particular film studio. Volume contracts involve the acquisition of a specified volume of television programming content. Spot contracts involve the acquisition of the right to broadcast individual series or films. We have contracts concluded with the major Hollywood studios, including Warner Brothers and Paramount Pictures. We are not dependent on any particular distributor, and none of our suppliers accounts for more than 5.0% of our operating costs of continuing operations.

Competition

Our main channel, TVN, competes for audiences and, consequently, advertisers with the nationwide channels TVP1, TVP2 and Polsat. Our other channels compete with small regional channels operating in Poland and with channels distributed through satellite and cable. The following table sets out the household penetration of TVN and those of its principal competitors as of December 31, 2014. Household penetration is measured by the ability of a household to detect a television signal, regardless of quality.

Channel	**Approximate household penetration**
TVP1	100%
TVP2	100%
Polsat	100%
TVN	100%

Source: NAM

For the year ended December 31, 2013 TVP generated approximately 19% of its revenue from mandatory license fees with the balance primarily from advertising. Therefore, we regard TVP as one of our major competitors. However, unlike other television broadcasters, Polish regulations do not permit TVP to interrupt its programs with advertising.

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

The remaining Polish audience share is split among nearly 200 other Polish language cable and satellite channels. According to NAM, these other market participants collectively captured 54.8% of the nationwide all-day audience share in 2014.

ASSOCIATES

'N' PLATFORM – DISCONTINUED OPERATIONS

Our pay-TV arm – 'n' platform has been successfully contributed in exchange for a 32% stake in a new platform nC+, formed in strategic cooperation with Groupe Canal + (See "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group). As a result we ceased to operate in the pay-TV segment.

INDUSTRY OVERVIEW

Polish pay TV market

The pay TV market in Poland consists primarily of cable TV operators and satellite DTH operators. The cable television market is undergoing continued consolidation, but it still consists of about 480 operators (including IPTV operators, affiliated companies are counted as one operator). Cable networks in Poland are undergoing a gradual process of digitalization, conducted primarily by the largest operators, which is necessary for the cable operators to offer a range of premium services, including HD channels and VOD. In addition, cable operators are offering pay TV services together with telephony and Internet access services, with the aim of attracting new customers, as well as growing ARPU and reducing churn among existing customers. UPC, Vectra and Multimedia Polska are Poland's largest cable operators with an aggregate 67% share of the Polish cable market as of December 31, 2014. The Polish pay digital satellite market is split between three digital platform operators: (1) ITI Neovision S.A., operating nC+ platform (merged Cyfra+ and n platforms), (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) Orange Polska S.A., operating in cooperation with ITI Neovision S.A. the Orange DTH platform.

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

The 'n' acquisition

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

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

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

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

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

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

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

'n' DTH platform evolution

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

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

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

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

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

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

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

Competition

The Polish pay digital satellite market is split between three digital platform operators: (1) NC+ formed by the merger of Canal+ Cyfrowy S.A. and ITI Neovision Sp. z o.o. platforms, (2) Cyfrowy Polsat S.A., operating the Cyfrowy Polsat platform, (3) Orange Polska S.A., operating the Orange DTH platform. The table below presents the number of subscribers of all platforms as of the end of 2009, 2010, 2011, 2012, 2013 and 2014:

Number of subscribers (in thousands)

Platform	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
nC+ (1)	-	-	-	-	2,197	2,146
'n' and TNK	*957*	*1,127*	*1,275*	*1,280*	-	-
Cyfra +	*1,500*	*1,550*	*1,550*	*1,550*	-	-
Cyfrowy Polsat (2)	3,200	3,434	3,506	3,558	3,492	3,539
Orange (3)	372	544	612	623	584	580
Total market	**6,029**	**6,655**	**6,943**	**7,011**	**6,273**	**6,265**

(1) TVN Group internal data, as of December 31, 2014;
(2) Cyfrowy Polsat Investors' Center data, no. of subscribers for 2014 relates to the end of third quarter of 2014;
(3) Data for Orange includes DTH and IPTV subscribers excl. 'n' packages and comes from the Orange Polska results centre, data for the end of third quarter of 2014;

ONET – DISCONTINUED OPERATIONS

We have successfully sold Grupa Onet.pl S.A. The transaction was completed at the beginning of November 2012 (See “Material contracts” for “Conclusion of a material agreement between TVN Group and Ringier Axel Springer). As a result of the above we ceased to operate in online segment.

INDUSTRY OVERVIEW

Polish Internet industry

Poland has one of the largest populations of Internet users aged seven and older in Central and Eastern Europe, with 21.4 million users, as of November 2014, based on estimates of Megapanel PBI/ Gemius. According to ‘The use of information technologies in households’ report published by Central Statistical Office, in 2014, approximately 74.8% of Polish households with 16-74 years old persons had an internet-connected computer, and 64.4% of polish citizens used the Internet at least once a month.

The Polish Internet market consists of private commercial content destination sites, thematic vortals, social media and countless e-commerce pages. The majority of these services are targeted to Polish people living in Poland or the Polish community living abroad. Usually the Internet is accessed through personal computers, but Internet access through mobile devices is also growing. According to We Are Social research, 41% of Polish population (15.9 million) regularly accessed the Internet in 2014 using mobile devices.

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

Polish Internet advertising market

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

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

Competition

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

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

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

The following tables set out the reach and number of real users of Onet.pl and those of the other top eight Polish websites as of November 2014, and the average number of users during seven-day periods during that month. Reach reflects the percentage of the total population of Internet users visiting a website at least once during a particular period. The number of real users reflects the number of unique visitors who visited a website at least once during a particular period. The following table presents reach and the number of real users as of November 2014:

Websites	**Type**	**Reach** (%)	**Real users** (in thousands)
Google.pl..	search engine	91.7	19,661
Onet.pl..	**portal**	**63.7**	**13,669**
Allegro.pl..	online auction	57.1	12,239
WP.pl...	portal	52.7	11,309
Gazeta.pl……………………………..	portal	36.8	7,892
Interia.pl………………………………	portal	34.1	7,310
olx.pl…………………………………	classifieds	33.8	7,243
Ceneo.pl……………………………..	price comparator	28.8	6,171
nasza-klasa.pl…………................	social network website	22.8	4,892

Source: Megapanel PBI/Gemius, November 2014

The following table sets out the total time spent by users per month on Onet.pl and the other top five Polish websites as of November 2014. For reference it also includes information on the average time spent by a user on a website during the month. The total time spent represents the sum of all of the time the real visitors to a respective website spent there during a month.

Websites	**Type**	**Total time** (in thousands hours)	**Average time per user** (in hours : minutes)
Onet.pl..	**portal**	**75,551**	**4:56**
WP.pl...	Portal	65,706	5:19
Allegro.pl..	online auction	42,930	3:20
Interia.pl………………………………	Portal	27,945	3:34
o2.pl…………………………………..	Portal	20,365	5:30
player.pl………………………………	VOD	18,372	9:10

Source: Megapanel PBI/Gemius, November 2014

THE COMPANIES DEVELOPMENT TARGETS

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

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

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

- ***Identify and further exploit expansion of our activities and revenue diversification*** — We will continue to identify opportunities to expand our activities in the advertising market mainly by evaluating the development of new channels either in Poland, or abroad. Moreover, maintaining electronic media concentration, we intend to further analyse opportunities to expand our business in a manner assuring further revenue diversification. We also intend to further develop our teleshopping activities through the introduction of new, well targeted and well promoted products. We embrace the new opportunities provided by national coverage due to the introduction of the DTT network, allowing TVN and TVN7 to increase their reach to 100% and we acquired TTV, to broaden our demographic offer in all Polish TV homes. Under our strategy we will continue to deliver our own content to a broader and wider audience. A first successful example is the Player. We also intend to develop new products, which will maximize the effectiveness and efficiency of advertising on television and via the Internet at the same time. The first significant step in preparing a wider approach to the advertising community has been accomplished with the TVN Media Company, serving both TVN and third party channels, allowing us to broaden our sales and marketing activities and respond to the current and future needs of our customers. We also intend to launch additional vortals and services targeting sections of the advertising market, where they are currently underrepresented or not represented at all, and where we can provide access to news, clips and entertainment content produced by our broadcasting segment.

- ***Successfully exploit TVN's minority positions in nC+ and Onet*** — We expect to drive increasing profits and shareholder distributions from our two major associates.

OTHER ASPECTS OF OUR BUSINESS

CAPITAL EXPENDITURE

We continue to invest consistently in the capital expenditures required to support our growth strategies. Our total capital expenditure amounted to PLN 70,325 in 2014.

Our total capital expenditure amounted to PLN 82,357 in 2013.

Our total capital expenditure amounted to PLN 363,546 in 2012. This amount was highly influenced by purchase from MBC Real Estate of our headquarter building and land located in Warsaw at 166 Wiertnicza Street for a total consideration of PLN 183,139 and capex on purchasing set top decoders amounted to PLN 29,379.

INTELLECTUAL PROPERTY

We protect the program content that we develop against illegal exploitation by third parties. We protect our trademarks by registering them with the Polish Patent Office. We have registered the following trademarks: (1) TVN, as a verbal and three verbal-graphic trademarks and an international verbal-graphic trademark; (2) TVN24, as a verbal and two verbal-graphic trademarks; (3) TVN 7, as a verbal and two verbal-graphic trademark; (4) TVN Siedem, as a verbal and verbal-graphic trademarks, (5) iTVN, as a verbal-graphic trademark (which is registered also in Canada and USA); (6) TVN Meteo, as a verbal and verbal-graphic trademark; (7) TVN Turbo, as a verbal and verbal-graphic trademark (two versions); (8) TVN Style, as a verbal and verbal-graphic trademarks (four versions); (9) TVN Med, as a verbal and verbal-graphic trademarks; (10) TVN Warszawa, as a verbal and verbal-graphic trademarks (two versions); (11) TVN Lingua, as a verbal and verbal-graphic trademarks; (12) TVN Gra, as a verbal and verbal-graphic trademarks.

We protect as well about 300 trademarks related to our TV programs, series and shows for example the trademark of our daily morning show "Dzień dobry TVN" or our very popular soap opera production "Na Wspólnej" and many other, by registering them with the Polish Patent Office.

We have filed for the registration of the following trademarks: (1) Premium TV, as a verbal-graphic trademark; (2) Premiumtv TVN, as a verbal-graphic trademark; (3) TVN Fabuła, as a verbal trademark; (4) TVN Sportive, as a verbal trademark; (5) Transfer TVN Media, as a verbal trademark.

PROPERTIES

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

INSURANCE

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

LEGAL PROCEEDINGS

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

REGULATION

General

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

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

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

Broadcasting licenses

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

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

In June 2010, KRRiT amended the TVN channel license, granting TVN new digital terrestrial frequencies available on the MUX2. TVN channel is located on the MUX2 together with the following free-to-air commercial television channels: Polsat, TV4, TV Puls, TVN7, TV Puls 2, TV6 and Polsat Sport News. On July 7, 2010, the Office of Electronic Communications reserved frequencies for us on the MUX2 until July 2025.

Furthermore, on December 2, 2010, KRRiT issued a decision granting us the right to distribute the TVN 7 channel on the MUX2.

The licenses for distribution of the TVN 7 and TVN channels have been renewed for the next ten year period.

The process of switching off the analogue signal in Poland was completed on July 23, 2013.

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

Channel	Type of license	License holder	Licensing body	Date of expiration
TVN	Terrestrial broadcast license	TVN	KRRiT	April 14, 2024
TVN International West	Satellite broadcast license	TVN	KRRiT	May 5, 2018
TVN 24 Biznes i Świat [(1)]	Satellite broadcast license	TVN	KRRiT	August 30, 2017
TVN Style	Satellite broadcast license	TVN	KRRiT	July 28, 2024
TVN Turbo	Satellite broadcast license	TVN	KRRiT	February 12, 2024
TVN International	Satellite broadcast license	TVN	KRRiT	February 10, 2024
TVN Meteo	Satellite broadcast license	TVN	KRRiT	June 26, 2023
TVN 7	Satellite broadcast license Terrestrial broadcast license	TVN	KRRiT	February 25, 2022
TVN 24	Satellite broadcast license	TVN	KRRiT	September 26, 2021
NTL Radomsko	Terrestrial broadcast license	NTL Radomsko	KRRiT	February 8, 2025
Telezakupy Mango 24	Satellite broadcast license	Mango Media Sp. z o.o.	KRRiT	January 27, 2023
TTV	Satellite broadcast license Terrestrial broadcast license	Stavka Sp. z o.o.	KRRiT	February 23, 2021

[(1)] *As of 1 January 2014 the TVN CNBC license was changed into TVN 24 Biznes i Świat.*

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

Restrictions on foreign ownership

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

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

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

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

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

Restrictions on programming and advertising

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

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

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

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

ORGANIZATIONAL STRUCTURE

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

Entity	Country of incorporation and residence	December 31, 2014 Ownership (%)	December 31, 2013 Ownership (%)
TVN S.A	Poland	n/a	n/a
Subsidiaries			
Tivien Sp. z o.o.	Poland	100	100
El-Trade Sp. z o.o.	Poland	100	100
NTL Radomsko Sp. z o.o.	Poland	100	100
Mango Media Sp. z o.o.	Poland	100	100
Thema Film Sp. z o.o.	Poland	100	100
TVN Finance Corporation II AB	Sweden	100	100
TVN Finance Corporation III AB	Sweden	100	100
TVN Online Investments Holding B.V.	The Netherlands	100	100
TVN Holding S.A.	Poland	100	100
TVN Media Sp. z o.o.	Poland	100	100
Stavka Sp. z o.o.	Poland	100	51
TVN DTH Holding S.à.r.l. (1)	Luxembourg	100	-
Veedo Sp. z o.o. (2)	Poland	100	-
Joint ventures			
Polski Operator Telewizyjny Sp. z o.o	Poland	50	50
Associates			
ITI Neovision Group (3)	Poland	32	32
Onet Holding Group (4)	Poland	25	25

(1) Established on June 30, 2014.

(2) Established on September 11, 2014 – operator of online video entertainment portal Veedo.pl

(3) Up to June 2, 2014 Canal+ Cyfrowy Group, ITI Neovision Group includes ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), its subsidiaries (Cyfrowy Dom Sp. z o.o., Neovision UK Ltd) and a joint venture (MGM Chanel Poland Ltd)

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

IMPACT OF CHANGES IN OUR STRUCTURE ON THE REPORTED RESULTS

On August 29, 2011 we entered into a cooperation agreement with Stavka. Stavka holds the license for terrestrial broadcasting of the TTV channel (previously named 'U-TV'). The agreement covers the areas of technology, advertising and programming. The TTV is one of the channels broadcasted via the first DTT multiplex. As part of the agreement, we acquired 25% stake in Stavka. On December 21, 2011 we acquired additional 25.55% stake in Stavka. As a result, we obtained control over Stavka. On October 16, 2014 we acquired remaining stake in Stavka and became its sole stakeholder.

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

On December 18, 2011 we signed an agreement with Group Canal+ concerning the merger of 'n' platform and Canal+ DTH platform "Cyfra+" resulting in the creation of the second largest DTH operator in Poland, serving approximately 2.5 million clients. On November 30, 2012 we completed a strategic partnership transaction with Groupe Canal Plus resulting in the combination of the Cyfra+ and 'n' platforms in nC+ platform. As a result we exchanged our 100% stake in 'n' for a 32% stake in the combined operation. (see "Material contracts" for "Conclusion of a material agreement between ITI Group and TVN Group with Canal + Group). Due to the fact that the transaction was completed on November 30, 2012, we have included certain operating information for this business for the first 11 months of 2012, as for this period its results are presented as discontinued operations in the consolidated income statement.

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

Axel Springer). As a consequence operating results of Grupa Onet.pl for the first 10 months of 2012 are presented as discontinued operations in the consolidated income statement.

Our fiscal year ends on December 31. References to "2012", and "2013" and "2014" are to the years ended December 31, 2012, 2013 and 2014 respectively. Unless we indicate otherwise, references to PLN, Dollars and Euro are in thousands.

THREE MONTHS ENDED DECEMBER 31, 2014

OPERATIONAL RESULTS

- Our main channel TVN maintained its peak time nationwide audience share at 14.5%, according to NAM.

- Our TVN7 channel increased its audience share in six out of nine categories. Peak time nationwide audience share increased to 2.8%, from 2.7%, peak time basic commercial target group audience share increased to 3.3%, from 3.1%, peak time key target group audience share increased to 3.4%, from 3.0%, prime time nationwide audience share increased to 2.8%, from 2.7%, prime time basic commercial target group audience share increased to 3.3%, from 3.1% and prime time key target group audience share increased to 3.4%, from 3.0% in the corresponding period of 2013 according to NAM.

- Our TVN24 channel maintained its all-day basic commercial target group audience share at 2.1% and increased its audience share in four out of remaining eight categories. Peak time basic commercial target group audience share increased to 1.3% from 1.1%, peak time key target group audience share increased to 2.2% from 2.0%, prime time basic commercial target group audience share increased to 1.2% from 1.0%, and prime time key target group audience share increased to 2.0% from 1.8% in the corresponding period of 2013 according to NAM.

- Our TVN Style channel maintained its peak time audience shares at 0.6% nationwide, at 0.8% in basic commercial target group and at 1.0% in key target group, as well as its prime time nationwide audience share at 0.6% and prime time basic commercial target group audience share at 0.8%.

- Our TVN Turbo channel increased its audience share in three out of nine categories. All-day basic commercial target group audience share increased to 0.8% from 0.7%, peak time basic commercial target group audience share increased to 0.7% from 0.6%, and prime time basic commercial target group audience share increased to 0.7% from 0.5% in the corresponding period of 2013 according to NAM.

- Our TTV channel increased its audience share in seven out of nine categories. All-day nationwide audience share increased to 1.3% from 1.2%, all-day basic commercial target group audience share increased to 1.5% from 1.3%, all-day key target group audience share increased to 1.3% from 1.2%, peak time nationwide audience share increased to 0.9% from 0.8%, peak time basic commercial target group audience share increased to 1.2% from 1.0%, peak time key target group audience share increased to 1.0% from 0.9%, prime time basic commercial target group audience share increased to 0.7% from 0.5% in the corresponding period of 2013 according to NAM.

- Our TVN24 BiŚ channel, compared to TVN CNBC channel, increased its audience share its audience share in all nine categories. All-day nationwide audience share increased to 0.2% from 0.1%, all-day basic commercial target group audience share increased to 0.2% from 0.1%, all-day key target group audience share increased to 0.3% from 0.1%, peak time nationwide audience share increased to 0.2% from 0.0%, peak time basic commercial target group audience share increased to 0.2% from 0.0%, peak time key target group audience share increased to 0.3% from 0.1%, prime time nationwide audience share increased to 0.2% from 0.0%, prime basic commercial target group audience share increased to 0.2% from 0.0%, prime time key target group audience share increased to 0.3% from 0.1% in the corresponding period of 2013 according to NAM.

- Our Internet video on demand platform player.pl had 1,994,170 real users and 51.3 million page views in November 2014. Average monthly time spent per real user on player.pl in November 2014 was ca. 9:10 hours, according to Megapanel PBI/Gemius.

PRINCIPAL EVENTS

- On October 16, 2014 ITI Group and Canal+ Group, who together control 51% of the Company, announced their intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the Company. In connection with this announcement, the Company has appointed financial and legal advisors to support the Company during this process, and has also agreed to manage and finance the necessary due diligence processes over the course of the next few months.

- On November 3, 2014 TVN S.A. and T-Mobile Polska entered into a strategic partnership and launched a new Subscription Video on Demand (SVOD) service for T-Mobile customers. T-Mobile Zone within Player will feature for the first time ever, the signature programs of TVN. The service is accessible for mobile devices on Android, IOS and Windows Phone operating systems and in a web version.

- On November 6, 2014 we announced the offer of purchase of no more than 7.5 million shares in the Company which constitute no more than 2.14% of the Company's share capital. The price offered for the purchase of one share was PLN 20.00. We have allotted a maximum of PLN 150 million for the buyback of the shares under the Offer.

- On November 18, 2014 after reviewing the macroeconomic forecasts for Poland and the TVN Group results achieved in the first nine months of 2014, our Management issued a financial forecast. TVN Management expects GDP growth in Poland of approximately 3.0% to 3.5% for the period from 2014 to 2016 and therefore a relatively stable TV advertising market, remaining in the low to mid-single digits with online advertising market growth rates in the high-single digits. In light of the above expectations full year consolidated revenue of the TVN Group is likely to grow by low-single digits for all of 2014, and accelerate mid- to high-single digits of between 5% to 9% in both 2015 and 2016. Based on such assumptions, together with continued positive developments in associate distribution expectations, the management forecasts full year consolidated adjusted EBITDA of approximately PLN 520 million in 2014, PLN 590 million in 2015 and PLN 630 million in 2016.

- On December 5, 2014 we completed the second stage of share buyback successfully purchasing a total of 7.5 million shares, including 3,668,250 ordinary bearer shares and 3,831,750 ordinary registered shares, each with a nominal value of PLN 0.20, which in total represent 2.14% of the Company's share capital and 7.5 million votes at the general meeting of the Company, which represented 2.14% of the votes at the general meeting of the Company. The purchase price was PLN 20.00 per one Purchased Share and PLN 150 million for all the Purchased Shares. The Purchased Shares were acquired with the aim of being redeemed.

- On December 8, 2014 we announced that TVN Finance Corporation III AB a subsidiary of the Company has repurchased before their maturity date part of the Senior Notes due in 2018 in the aggregate principal amount of EUR 23.38 million which were issued on 19 November 2010. The aggregate amount paid for the Notes, including the accrued interest, amounted to EUR 24.42 million. The Notes were repurchased in order to further reduce the long-term debt of the TVN Group. As a result of the repurchase, on December 8, 2014, the Notes were redeemed.

FINANCIAL RESULTS

- Our Group revenue increased by PLN 20,988, or 4.6%, to PLN 480,980 from PLN 459,992 in the corresponding period of 2013.

- TV segment increased its revenue by PLN 19,835, or 4.4%, to PLN 472,474 from PLN 452,639 in the corresponding period of 2013.

- Our operating profit increased by PLN 143,034 to PLN 161,481 from PLN 18,447 in the corresponding period of 2013.

- Our EBITDA increased by PLN 145,940 to PLN 180,317 from PLN 34,377 in the corresponding period of 2013. Our EBITDA margin increased to 37.5% from 7.5% in the in the corresponding period of 2013.

- Our adjusted EBITDA increased by PLN 25,793, or 16.3%, to PLN 183,934 from PLN 158,141 in the corresponding period of 2013. Our adjusted EBITDA margin increased to 38.2% from 34.4% in the in the corresponding period of 2013.

- We recorded a profit for the period of PLN 50,540 compared to a profit for the period of PLN 42,546 in the corresponding period of 2013. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 51,335 compared to a profit attributable to the owners of TVN S.A. of PLN 45,776 in the corresponding period of 2013.

- Our consolidated net debt to adjusted EBITDA ratio as of December 31, 2014 was 3.9. As of December 31, 2014 we held in total PLN 269,993 of cash and cash equivalents and 45,000 of bank deposits with maturity over three months.

TWELVE MONTHS ENDED DECEMBER 31, 2014:

OPERATIONAL RESULTS

- Our TVN7 channel maintained its all-day nationwide audience share at 3.5% and also maintained peak time nationwide audience share at 2.7% as well as peak time basic commercial target group at 3.1%. Similarly audience share in prime time nationwide and prime time basic commercial target groups was maintained at 2.9% and 3.2% respectively. Prime time key target group audience share increased to 3.1% from 3.0% in the corresponding period of 2013 according to NAM.

- TVN24 channel maintained all-day basic commercial target group audience share at 2.4% and increased its audience share in five out of remaining eight categories. All-day key target group audience share increased to 3.7% from 3.5%, peak time basic commercial target group audience share increased to 1.4% from 1.3%, peak time key target group audience share increased to 2.2% from 2.1%, prime time basic commercial target group audience share increased to 1.3% from 1.2%, prime time key target group audience share increased to 2.0% from 1.9% in the corresponding period of 2013 according to NAM.

- TVN Style channel maintained its audience share across all target groups in all of categories except for prime time basic commercial target group audience share which increased to 0.8%, from 0.7%, in corresponding period of 2013 according to NAM.

- TVN Turbo maintained its all-day nationwide audience share at 0.5% and prime time key target group audience share at 0.6%. All-day basic commercial target group audience share increased to 0.8% from 0.7%, all-day key target group audience share increased to 0.8% from 0.7%, peak time key target group audience share increased to 0.7% from 0.6%, prime time basic commercial target group audience share increased to 0.6% from 0.5% in the corresponding period of 2013 according to NAM.

- Our TTV channel increased its audience share in all of nine categories. All-day nationwide audience share increased to 1.3% from 1.0%, all-day basic commercial target group audience share increased to 1.5% from 1.1%, all-day key target group audience share increased to 1.3% from 0.9%, peak time nationwide audience share increased to 0.9% from 0.8%, peak time basic commercial target group audience share increased to 1.2% from 0.8%, peak time key target group audience share increased to 1.0% from 0.7%, prime time nationwide audience share increased to 1.0% from 0.9%, prime time basic commercial target group audience share increased to 1.2% from 0.9% and prime time key target group audience share increased to 1.0% from 0.7% in the corresponding period of 2013 according to NAM.

- Our TVN24 BiŚ channel, compared to TVN CNBC channel, increased its audience share its audience share in all nine categories. All-day nationwide audience share increased to 0.2% from 0.1%, all-day basic commercial target group audience share increased to 0.2% from 0.1%, all-day key target group audience share increased to 0.3% from 0.1%, peak time nationwide audience share increased to 0.2% from 0.0%, peak time basic commercial target group audience share increased to 0.2% from 0.0%, peak time key target group audience share increased to 0.3% from 0.1%, prime time nationwide audience share increased to 0.2% from 0.0%, prime time basic commercial target group audience share increased to 0.2% from 0.0%, prime time key target group audience share increased to 0.3% from 0.1% in the corresponding period of 2013 according to NAM.

- Our Internet video on demand platform player.pl had 1,994,170 real users and 51.3 million page views in November 2014. Average monthly time spent per real user on player.pl in November 2014 was ca. 9:10 hours, according to Megapanel PBI/Gemius.

PRINCIPAL EVENTS

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

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

- On May 14, 2014 we announced the offer of purchase of no more than 5.0 million shares in the Company which constitute no more than 1.44% of the our share capital. The price offered for the purchase of one share was PLN 20.00 (twenty). We allot a maximum of PLN 100 million for the buyback of the shares under the Offer.

- On 11 June 2014 we completed the first stage of share buyback successfully purchasing a total of 5 million shares, including 2,445,500 ordinary bearer shares and 2,554,500 ordinary registered shares, each with a nominal value of PLN 0.20, which in total represented 1.43% of our share capital and 5.0 million votes at the general meeting of the Company, which represents 1.43% of the votes at the general meeting of the Company. The purchase price was PLN 20.00 per one purchased share and PLN 100 million for all the purchased shares. The Purchased Shares were acquired with the aim of being cancelled.

- On July 9, 2014, we concluded an agreement regarding the disposal of shares in ITI Neovision S.A. as a contribution in kind to a limited partnership company TVN DTH Holding S.E.C.S. with its seat in Luxembourg, which stakeholders are entities of TVN Group. The Agreement concerns a contribution to TVN DTH Holding S.E.C.S. of the our 32% stake in ITI Neovision S.A., the operator of satellite television platform nc+. The value of the contribution amounts to PLN 1,560,000,000 (not in thousands). The transaction is a part of restructuring of TVN Group, initiated by disposals of ITI Neovision Sp. z o.o. and of Group Onet.pl S.A.

- On August 21, 2014, our subsidiary TVN Media Sp. z o.o. and the Bloomberg Content Service have formed an agreement to distribute Bloomberg Media's video content to thousands of media organizations across Poland via TVN’s x-news service. The videos, focused on Europe's key economic issues and technology and luxury sectors, are translated into Polish and can be used for television as well as web and mobile experiences.

- On September 8, 2014, TVN Media Sp. z o.o., our subsidiary and the largest advertising brokerage office in Poland, announced that it has partnered with Microsoft, the global IT leader, to make the content produced by tvn24.pl, available on MSN, an innovative platform offering news and entertainment.

Please refer also to “Three months ended December 31, 2014”

FINANCIAL RESULTS

- Our Group revenue increased by PLN 55,305, or 3.6%, to PLN 1,593,804 from PLN 1,538,499 in the corresponding period of 2013.

- TV segment increased its revenue by PLN 50,664, or 3.4%, to PLN 1,561,269 from PLN 1,510,605 in the corresponding period of 2013.

- Our operating profit increased by PLN 180,179 to PLN 477,337 from PLN 297,158 in the corresponding period of 2013.

- Our EBITDA increased by PLN 176,489, or 47.4%, to PLN 548,844 from PLN 372,355 in the corresponding period of 2013. Our EBITDA margin increased to 34.4% from 24.2% in the in the corresponding period of 2013.

- Our adjusted EBITDA increased by PLN 24,936, or 4.9%, to PLN 530,441 from PLN 505,505 in the corresponding period of 2013. Our adjusted EBITDA margin increased to 33.3% from 32.9% in the in the corresponding period of 2013.

- We recorded a profit for the period of PLN 189,350 compared to a loss for the period of PLN 206,881 in the corresponding period of 2013. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 194,745 compared to a loss attributable to the owners of TVN S.A. of PLN 197,763 in the corresponding period of 2013.

- Our consolidated net debt to adjusted EBITDA ratio as of December 31, 2014 was 3.9. As of December 31, 2014 we held in total PLN 269,993 of cash and cash equivalents and 45,000 of bank deposits with maturity over three months.

RESULTS OF OPERATIONS

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

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

- Złoty amounts as of December 31, 2014 have been converted into Euro at a rate of PLN 4.2623 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2014).
- Złoty amounts for the three months ended December 31, 2014 have been converted into Euro at a rate of PLN 4.2160 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2014, November 30, 2014 and December 31, 2014);
- Złoty amounts for the year ended December 31, 2014 have been converted into Euro at a rate of PLN 4.1893 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2014, February 28, 2014, March 31, 2014, April 30, 2014, May 31, 2014, June 30, 2014, July 31, 2014, August 31, 2014, September 30, 2014, October 31, 2014, November 30, 2014 and December 31, 2014).

- Złoty amounts as of December 31, 2013 have been converted into Euro at a rate of PLN 4.1472 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2013).
- Złoty amounts for the three months ended December 31, 2013 have been converted into Euro at a rate of PLN 4.1745 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2013, November 30, 2013 and December 31, 2013);
- Złoty amounts for the year ended December 31, 2013 have been converted into Euro at a rate of PLN 4.2110 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2013, February 28, 2013, March 31, 2013, April 30, 2013, May 31, 2013, June 30, 2013, July 31, 2013, August 31, 2013, September 30, 2013, October 31, 2013, November 30, 2013 and December 31, 2013).

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

The consolidated income statement for the years ended December 31, 2012 reflects requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ with respect to results of ITI Neovision Group and Onet Holding Group.

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

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

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013.

Income statement data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Revenue	459,992	110,191	480,980	114,084
Operating profit	18,447	4,419	161,481	38,302
Profit before income tax	10,059	2,410	56,245	13,341
Profit attributable to the owners of TVN S.A.	**45,776**	**10,965**	**51,335**	**12,176**

Cash flow data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Net cash generated by operating activities	189,305	45,347	228,903	54,294
Net cash generated by / (used in) investing activities	(18,394)	(4,406)	(62,490)	(14,822)
Net cash used in financing activities	(21,529)	(5,157)	(314,272)	(74,543)
(Decrease)/ increase in cash and cash equivalents	**149,161**	**35,731**	**(147,859)**	**(35,071)**

Earnings per share data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Weighted average number of ordinary shares in issue (not in thousands)	344,345,683	344,345,683	343,906,749	343,906,749
Weighted average number of potential ordinary shares in issue (not in thousands)	344,909,301	344,909,301	344,482,805	344,482,805
Earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.14	0.03	0.15	0.04
Diluted earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.14	0.03	0.15	0.04
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
EBITDA*	**34,377**	**8,235**	**180,317**	**42,770**
EBITDA margin	7.5%	7.5%	37.5%	37.5%
Operating margin	4.0%	4.0%	33.6%	33.6%

Balance sheet data

	As at December 31, 2013 PLN	As at December 31, 2013 EUR	As at December 31, 2014 PLN	As at December 31, 2014 EUR
Total assets	3,899,259	940,215	3,807,963	893,406
Current assets	1,058,477	255,227	981,879	230,364
Non-current liabilities	2,520,141	607,673	2,348,667	551,033
Current liabilities	421,829	101,714	498,049	116,850
Shareholders equity**	982,797	236,978	961,247	225,523
Share capital	69,299	16,710	70,550	16,552
Non-controlling interest	(25,508)	(6,151)	-	-

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013.

Income statement data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Revenue	1,538,499	365,352	1,593,804	380,446
Operating profit	297,158	70,567	477,337	113,942
Profit/ (loss) before income tax	(269,766)	(64,062)	197,050	47,036
Profit/ (loss) attributable to the owners of TVN S.A.	**(197,763)**	**(46,963)**	**194,745**	**46,486**

Cash flow data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Net cash generated by operating activities	596,056	141,547	610,461	145,719
Net cash generated by/ (used in) investing activities	21,737	5,162	(98,646)	(23,547)
Net cash used in from financing activities	(527,037)	(125,157)	(638,747)	(152,471)
(Decrease)/ increase in cash and cash equivalents	**90,756**	**21,552**	**(126,933)**	**(30,299)**

Earnings per share data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
Weighted average number of ordinary shares in issue (not in thousands)	344,345,683	344,345,683	345,987,750	345,987,750
Weighted average number of potential ordinary shares in issue (not in thousands)	344,909,301	344,909,301	347,056,964	347,056,964
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	(0.57)	(0.14)	0.56	0.13
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	(0.57)	(0.14)	0.56	0.13
Dividend paid or declared per share (not in thousands)	0.64	0.15	-	-

Other data

	2013 PLN	2013 EUR	2014 PLN	2014 EUR
EBITDA*	**372,355**	**88,424**	**548,844**	**131,011**
EBITDA margin	24.2%	24.2%	34.4%	34.4%
Operating margin	19.3%	19.3%	29.9%	29.9%

Balance sheet data

	As at December 31, 2013 PLN	As at December 31, 2013 EUR	As at December 31, 2014 PLN	As at December 31, 2014 EUR
Total assets	3,899,259	940,215	3,814,767	895,002
Current assets	1,058,477	255,227	981,879	230,364
Non-current liabilities	2,520,141	607,673	2,348,667	551,033
Current liabilities	421,829	101,714	498,049	116,850
Shareholders equity**	982,797	236,978	968,051	227,119
Share capital	69,299	16,710	70,550	16,552
Non-controlling interest	(25,508)	(6,151)	-	-

* We define EBITDA as profit/ (loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and 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 (other than for programming rights) 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 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.

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

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

	Three months ended December 31,				Twelve months ended December 31,			
	2013	2013	2014	2014	2013	2013	2014	2014
	PLN	Euro	PLN	Euro	PLN	Euro	PLN	Euro
Operating profit	18,447	4,407	161,481	38,302	297,158	70,567	477,337	113,942
Depreciation, amortization and impairment charges	15,930	3,805	18,836	4,468	75,197	17,857	71,507	17,069
EBITDA	34,377	8,212	180,317	42,770	372,355	88,424	548,844	131,011

TELEVISION BROADCASTING AND PRODUCTION

Revenues

This segment primarily derives revenue from commercial advertising. During the three and twelve months ended December 31 2014, we derived from commercial television advertising 79.4% and 71.7%, respectively, of our total revenue from continuing operations, compared to 72.5% and 70.5% in the corresponding periods of 2013.

Commercial television advertising revenue

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

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2012	2013	2014	2012	2013	2014
Our Rate-card pricing	38	52	49	39	46	50
Our Cost per GRP pricing	62	48	51	61	54	50

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three and twelve months ended December 31, 2014, we tended to sell over 99.0% and 98.8%, respectively, of peak time advertising spots on our TVN channel and over 88.5% and 82.3% of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Carriage fees from satellite and cable operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three and twelve months ended December 31, 2014, 10.8% and 13.0%, respectively, of our total revenue came from such fees compared with 11.7% and 13.9% in the corresponding periods of 2013. Generally, our agreements with digital platform and cable television operators specify the rates at which we charge the operators for each subscriber to a given digital platform or cable television service who paid for one of our channels during the relevant reporting period, which we refer to as per-subscriber-rate. We calculate the monthly license fee that a digital platform or cable operator pays us by multiplying the applicable per-subscriber-rate by the average number of digital platform or cable subscribers who paid for one of our channels during the relevant reporting period.

Other television broadcasting and production revenue

Other revenue sources include 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 52.5% and 51.1%, respectively, of our operating expenses in the three and twelve months ended December 31, 2014, compared with 56.1% and 50.9% in the corresponding periods of 2013. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three and twelve months ended December 31, 2014, we commissioned and produced locally through third parties 81.0% and 80.0%, respectively, of broadcasted programming content on TVN channel, compared with 81.8% and 80.1% in the corresponding period of 2013. During the three and twelve months ended December 31, 2014, we acquired 19.0% and 20.0%, respectively, of our programming content from third parties, compared with 18.2 % and 19.9% in the corresponding periods of 2013. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

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

TELESHOPPING

Revenues

Revenue in teleshopping primarily includes the sale of goods which accounted for approximately 1.9% and 2.0%, respectively, of our revenue from continuing operations in the three and twelve months ended December 31, 2014, compared with 1.5% and 1.7% in the corresponding periods of 2013. We generate revenue from sales of products offered in a particular show on Telezakupy Mango 24, our dedicated teleshopping channel or on other television channels as well as on the Mango Media Internet site.

Expenses

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

CYCLICALITY OF POLISH ADVERTISING MARKET

Advertising sales in Poland historically have responded to changes in general business and economic conditions, generally growing at a faster rate in times of economic expansion and at a slower or negative rate in times of recession. We cannot predict the likelihood that these trends will continue. In particular, we cannot predict what effect the global economic crisis may continue to have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed below, since future levels of advertising spending are not predictable with any certainty more than one month in advance, we cannot predict with certainty our future levels of advertising sales.

According to the most recent view of the World Bank expressed in January 2015 the Polish economy is likely to experience GDP growth of 3.2% in 2015, accelerating to 3.3% in 2016 and 3.5% in 2017. We estimate that net television advertising expenditure in Poland increased by nearly 5% in 2014 with 3.3% GDP growth estimate by Polish Central Statistical Office (initial GDP estimate published on January 27, 2015).

TELEVISION BROADCASTING AND PRODUCTION

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

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

Seasonality of television advertising. Television viewing in Poland tends to be seasonal, with the second and fourth quarters attracting a greater number of viewers than the first and third quarters, when television competes with a large number of other leisure activities. During the summer months, when audiences tend to decline, advertisers significantly reduce expenditure on television advertising. Consequently, television advertising sales in Poland tend to be at their lowest during the third quarter of each calendar year. Conversely, advertising sales are typically at their highest during the fourth quarter of each calendar year. During the year ended December 31, 2014, we generated approximately 20.8% of our television segment total advertising revenue in the first quarter, 28.6% in the second quarter, 19.7% in the third quarter and 30.9% in the fourth quarter.

Availability of attractive programming content to maximize audience share. The continued success of our advertising sales and the licensing of our channels to digital platform and cable television operators and our success in generating other revenue depend on our ability to attract a large share of our key target audience, preferably during prime time. Our ability to attract a large share of the target audience in turn depends in large part on our ability to broadcast quality programming that appeal to our target audience. According to NAM, our channels captured an average of 20.9% and 21.0%, respectively, of Poland’s nationwide all-day audience in the three and twelve months ended December 31, 2014, and our TVN channel achieved 17.4% and 17.2%, respectively, of our key target audience during *peak time* in the three and twelve months ended December 31, 2014. We believe our substantial market share of Poland's television viewing audience results from offering attractive programming, which enables us to obtain a larger total audience, as measured by the higher number of gross rating points ("GRPs") in a more efficient manner. This in turn maximizes the use of advertising airtime. While we believe we have been successful in producing and acquiring programming content that appeals to our key target audience, we continue to compete with other television broadcasters for programming content and to seek to air programming that addresses evolving audience tastes and trends in television broadcasting. Further, while we believe that we are able to produce and source programming content at attractive cost levels, increased competition may require higher levels of expenditure in order to maintain or grow our audience share.

Launch of new channels. The success of our thematic channels depends in large part on their ability to profile and target specific audiences that are attractive to advertisers. Accordingly, from time to time, we have launched new channels and disposed of existing channels in response to demand from advertisers. Since January 1, 2006, we have acquired the Telezakupy Mango 24 channel, launched the TVN CNBC channel, disposed of our interest in the Discovery Historia channel and ceased operating the TVN Med, TVN Lingua and TVN Warszawa channels. On January 2, 2012 we launched TTV an interactive social-intervention channel co-owned and co-produced by TVN at that time. In doing so we have sought to increase the size and to improve the profile of our audience by attracting more viewers from our target demographic groups in order to increase total net and improve year-on-year results. On January 1, 2014 TVN24 Biznes i Świat channel replaced the existing TVN CNBC.

OTHER FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Foreign exchange rate exposure

We generate revenue primarily in złoty, while a substantial portion of our operating expenses, borrowings and capital expenditures are denominated in foreign currencies, mainly in euro and U.S. dollars. The estimated net loss (post-tax) impact on the major euro and U.S. dollar denominated balance sheet items as of December 31, 2014 of euro and U.S. dollar appreciation of 5% against the złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is an additional PLN 100,263 loss.

Acquisitions and disposals

Combination of Polish Pay-TV businesses

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

In addition on December 18, 2011, ITI Media Group Limited as a seller, Groupe Canal+ as a purchaser and International Trading and Investments Holdings S.A. as the guarantor of ITI Media Group Limited's obligations concluded the share purchase agreement relating to a 40% stake in N-Vision B.V., with its registered office in Amsterdam, the Netherlands ("N-Vision") (the entity holding back then an indirect 52.05% stake in TVN S.A.).

On February 4, 2014 ITI Group and Canal+ Group settled the 9% put option, whereby ITI Media Group Limited transferred a 9% stake in N-Vision B.V. to Canal+ Group. After the transaction ITI Group owns 51% and Canal+ Group owns 49% of the share capital in N-Vision B.V. N-Vision B.V. is the sole shareholder of Polish Television Holding B.V.

Onet.pl sale

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

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

Acquisition of the MBC Building

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

Taxation

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

FINANCIAL CONDITION

Our property, plant and equipment decreased by PLN 28,104 or 7.2% to PLN 364,943 as of December 31, 2014, from PLN 393,047 as of December 31, 2013 resulting mainly from its depreciation higher than new investments.

Our goodwill maintained the level of PLN 144,127 as of December 31, 2014. Our brands value increased to the level of PLN 32,862 as of December 31, 2014 from PLN 30,612 as of December 31, 2013.

Our other intangible assets increased by PLN 2,675, or 4.0%, to PLN 69,803 as of December 31, 2014, from PLN 67,128 as of December 31, 2013 resulting mainly from investments in software and other.

Our current and non-current programming rights inventory decreased by PLN 25,184, or 6.3%, to PLN 374,882 as of December 31, 2014, from PLN 400,066 as of December 31, 2013. The decrease is mainly due to amortization of existing programming rights higher than acquisition of new programming rights.

Our share capital increased to the level of PLN 70,550 as of December 31, 2014 compared to PLN 69,299 as of December 31, 2013. Our share premium increased to the level of PLN 865,237 as of December 31, 2014 compared to PLN 726,853 as of December 31, 2013. These increases result from shares issued under our stock option plan.

Our non-current borrowings decreased by PLN 173,813 or by 7.0% to PLN 2,314,788 as of December 31, 2014, from PLN 2,488,601 as of December 31, 2013. This decrease results mainly from the partial repurchase of our 7.875% Senior Notes during twelve months ended December 31, 2014, partially offset by higher EUR/PLN rate.

Our 7.875% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 470,183 as of December 31, 2014, compared to the principal amount of PLN 686,146 as of December 31, 2013. This decrease result from a repurchase of a part of our Senior Notes in March and December 2014. Our 7.375% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 1,832,789 as of December 31, 2014, compared to the principal amount of PLN 1,783,296 as of December 31, 2013.

Our current borrowings decreased by PLN 1,505 to PLN 31,938 as of December 31, 2014, from PLN 33,443 as of December 31, 2013. This decrease results mainly from a decrease of interest accrued on our Senior Notes.

Our other liabilities and accruals increased by PLN 51,976 to PLN 304,002 as of December 31, 2014, from PLN 252,026 as of December 31, 2013. The increase results mainly from increase of sales and marketing related costs of PLN 44,710, increase of VAT and other taxes payable by PLN 11,429 and increase in employee benefits by PLN 9,729, partially offset by decrease in third party production costs of PLN 10,857 and decrease in other liabilities and accruals of PLN 3,736.

RESULTS OF OPERATIONS

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

Revenue. Our revenue increased by PLN 20,988, or 4.6%, to PLN 480,980 in the three months ended December 31, 2014, from PLN 459,992 in the corresponding period of 2013.

Our advertising revenue increased by PLN 20,130, or 6.0%, to PLN 352,874 during the three months ended December 31, 2014, from PLN 332,744 in the corresponding period of 2013. This increase results mainly from higher advertising in our thematic channels, online video initiative, as well as from strong performance of Premium TV, partly offset by lower advertising revenue of our main channel – TVN.

Our sponsoring revenue increased by PLN 408, or 0.8% to PLN 50,269 in the three months ended December 31, 2014 from PLN 49,861 in the corresponding period 2013. This increase results mainly from higher sales of sponsoring in our thematic channels.

Our subscription fees revenue decreased by PLN 1,901, or 3.5% to PLN 52,041 in the three months ended December 31, 2014 from PLN 53,942 in the corresponding period 2013. This decrease results mainly from an one-off revenue related to upward retroactive correction of subscriber bases of couple of pay-TV platforms distributing our channels, recorded in the three months ended December 31, 2013.

Our sales of goods revenue increased by PLN 2,106, or 29.7% to PLN 9,200 in the three months ended December 31, 2014 from PLN 7,094 in the corresponding period 2013. This increase results mainly from higher sales volumes generated by Mango Media.

Our other revenue increased by PLN 245, or 1.5% to PLN 16,596 in the three months ended December 31, 2014 from PLN 16,352 in the corresponding period of 2013.

Cost of revenue. Cost of revenue decreased by PLN 14,529, or 5.5%, to PLN 249,388 in the three months ended December 31, 2014, from PLN 263,917 in the corresponding period of 2013. This decrease results mainly from a decrease of amortization of locally produced content by PLN 9,613, from decrease in cost of services and goods sold by PLN 2,497, from decrease in royalties of PLN 1,219, from broadcasting expenses lower by PLN 963 and from a decrease of amortization of acquired programming right by PLN 934.

As a percentage of revenue, our cost of revenue decreased in the three months ended December 31, 2014, to 51.8%, compared to 57.4% in the corresponding period of 2013.

Selling expenses. Our selling expenses increased by PLN 2,883, or 11.5%, to PLN 27,924 for the three months ended December 31, 2014, from PLN 25,041 in the corresponding period of 2013. The increase results mainly from higher marketing and research expenses of PLN 1,261 and higher other selling expenses of PLN 1,159.

As a percentage of revenue, our selling expenses increased to 5.8% in the three months ended December 31, 2014, from 5.4% in the corresponding period of 2013.

General and administration expenses. Our general and administration expenses increased by PLN 13,025, or 48,2%, to PLN 40,022 in the three months ended December 31, 2014, compared with PLN 26,997 in the corresponding period of 2013. This increase reflects mainly an increase of consulting costs by 4,870, an increase in expenses related to Long Term Incentive Plan of PLN 3,830 and an increase in other general and administrative expenses of PLN 3,356.

As a percentage of revenue, our general and administration expenses increased to 8,3% in the three months ended December 31, 2014 from 5.9% in the corresponding period of 2013.

Share of profit of associates. The share of profit of associates amounted to PLN 1,496 in the three months ended December 31, 2014 compared to a loss of PLN 43,764 in the corresponding period of 2013.

Impairment of the investment in an associate. The annual impairment test performed by the Group as at December 31, 2013 indicated, that the investment in associate Onet Holding suffered an impairment. As a result an impairment charge of PLN 80,000 was recognized in the consolidated income statement at that time. There was no impairment recognized in the three month period ended December 31, 2014.

Costs related to potential change of control transaction. In connection with ITI Group and Canal+ Group announcement as of October 16, 2014 concerning an intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the TVN Group, we have appointed financial and legal advisors for support during this process, and have also agreed to manage and finance the conducting of various due diligence processes. Such incremental costs related to the potential change of control transaction of PLN 5,114 include due diligence advisory costs already incurred during the three months period ended December 31, 2014 as compared to nil in the corresponding period in 2013.

Operating profit. Operating profit increased by PLN 143,034 to PLN 161,481 in the three months ended December 31, 2014, from an operating profit of PLN 18,447 in the corresponding period of 2013. Our operating margin increased to 33.6% from 4.0% in the corresponding period of 2013.

Interest income. We recorded interest income of PLN 2,055 for the three months ended December 31, 2014, compared to interest income of PLN 2,952 in the corresponding period of 2013.

Finance expense. We recorded finance expense of PLN 53,987 for the three months ended December 31, 2014, compared to finance expense of PLN 55,135 in the corresponding period of 2013, mainly due to lower bank charges and lower interest expense driven by partial repurchase of 7.875% Senior Notes, partially offset by call premium and issuance costs written off related to the partial repurchase of 7.875% Senior Notes .

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 53,304 for the three months ended December 31, 2014 compared to foreign exchange gains, net of PLN 43,795 in the corresponding period of 2013. These losses consist mainly of unrealized foreign exchange losses on our Senior Notes of PLN 40,000 in the three months ended December 31, 2014, compared to unrealized foreign exchange gains on our Senior Notes of PLN 40,932 in the corresponding period of 2013 as well as the realized foreign exchange losses on the Senior Notes of PLN 5,616 in the three months ended December 31, 2014, compared to nil in the corresponding period of 2013.

Profit before income tax. Our profit before income tax for the three months ended December 31, 2014 was PLN 56,245 compared to a profit before income tax of PLN 10,059 in the corresponding period of 2013. This increase was mainly due to higher operating profit partially offset by shift from foreign exchange gains in the three months ended December 31, 2013 to foreign exchange losses in the three months ended December 31, 2014.

Income tax. For the three months ended December 31, 2014, we recorded a total income tax charge of PLN 5,705, compared to an income tax credit of PLN 32,487 in the corresponding period of 2013. This change is mostly due to the shift to deferred tax charge recognized in the three months ended December 31, 2014 as compared with deferred tax credit recognized in the corresponding period of 2013.

Profit for the period. Our profit for the period amounted to PLN 50,540 in the three months ended December 31, 2014, compared to a profit of PLN 42,546 in the corresponding period of 2013.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 51,335 in the three months ended December 31, 2014, compared to a profit of PLN 45,776 in the corresponding period of 2013.

RESULTS BY BUSINESS SEGMENT

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

The table below sets forth the summarized financial results by segment for the three months ended December 31, 2014 and 2013:

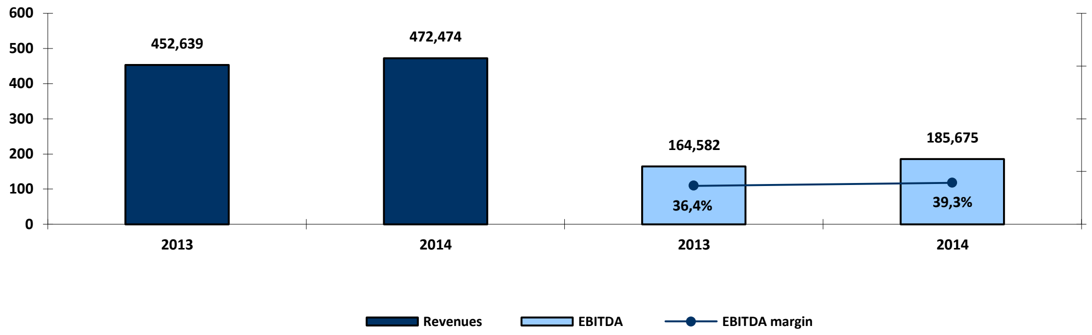
	Television Broadcasting & Production		Teleshopping		Other reconciling items		Total	
	Three months ended December 31, 2014	Three months ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013
Revenue from external customers	471,056	451,716	9,924	8,276	-	-	480,980	459,992
Inter-segment revenue	1,418	923	-	-	(1,418)	(923)	-	-
Total revenue	**472,474**	**452,639**	**9,924**	**8,276**	**(1,418)**	**(923)**	**480,980**	**459,992**
Operating profit/(loss)	166,914	148,715	(2,087)	(6,400)	(3,346)	(123,868)	161,481	18,447
EBITDA*	**185,675**	**164,582**	**(2,012)**	**(6,337)**	**(3,346)**	**(123,868)**	**180,317**	**34,377**
EBITDA* margin	**39.4%**	**36.3%**	**-**	**-**	**-**	**-**	**37.5%**	**7.5%**

Operating profit/(loss)	166,914	148,715	(2,087)	(6,400)	(3,346)	(123,868)	161,481	18,447
Depreciation, amortization and impairment charges	18,761	15,867	75	63	-	-	18,836	15,930
EBITDA*	**185,675**	**164,582**	**(2,012)**	**(6,337)**	**(3,346)**	**(123,868)**	**180,317**	**34,377**

* We define EBITDA as profit/ (loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and 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. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/ (loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. 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.

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the three months ended December 31, 2014 and 2013:



	Three months ended December 31,					
		2014			**2013**	
	Revenue	**EBITDA**	**EBITDA %**	**Revenue**	**EBITDA**	**EBITDA %**
TVN channels	429,212	187,380	43.7	423,490	162,300	38.3
Other	43,262	(1,705)	-	29,149	2,282	7.8
Total segment	**472,474**	**185,675**	**39.3**	**452,639**	**164,582**	**36.4**

Television broadcasting and production revenue in the three months ended December 31, 2014, increased by 19,835, or 4.4% to PLN 472,474 compared to PLN 452,639 in the corresponding period of 2013.

Our TVN channels revenue increased by PLN 5,722 in the three months ended December 31, 2014. This increase was primarily due to higher advertising and sponsoring revenue of our thematic channels partly compensated by softer performance of TVN main channel.

Our other revenue in the television, broadcasting and production segment increased by PLN 14,113, or 48.4%, to PLN 43,262 in the three months ended December 31, 2014 compared to PLN 29,149 in the corresponding period of 2013, mainly due to strong performance of Premium TV.

Our TVN channels' EBITDA increased by PLN 25,080, or 15.5%, to PLN 187,380 in the three months ended December 31, 2014, from PLN 162,300 in the corresponding period of 2013 mainly due to revenue growth coupled with savings in local production costs. TVN channels' EBITDA margin increased to 43.7% from 38.3% in the corresponding period of 2013.

EBITDA of television, broadcasting and production segment presented as 'Other' decreased by PLN 3,987 to negative amount of PLN 1,705 from positive amount of PLN 2,282 in the corresponding period of 2013, mainly due to expenses related to Long Term Incentive Plan and consulting.

Teleshopping

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

	Three months ended December 31,					
	2014			2013		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	9,924	(2,012)	-	8,276	(6,337)	-
Total segment	**9,924**	**(2,012)**	**-**	**8,276**	**(6,337)**	**-**

Teleshopping revenue increased by PLN 1,648, or 19.9%, to PLN 9,924 in the three months ended December 31, 2014, from PLN 8,276 in the corresponding period of 2013 primarily due to higher sales volumes generated by Mango Media.

Segment EBITDA increased by PLN 4,325, to a loss at EBITDA level of PLN 2,012 the three months ended December 31, 2014 from a loss at EBITDA level of PLN 6,337 in the corresponding period of 2013 mainly due to higher revenue coupled with lower cost of goods sold.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments. Other reconciling items had a negative impact on our revenue of PLN 1,418 in the three months ended December 31, 2014, compared to a negative impact of PLN 923 in the corresponding period of 2013. Other reconciling items on EBITDA level include mainly share of profits and losses of associates and other costs.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue. Our revenue increased by PLN 55,305, or 3.6%, to PLN 1,593,804 in the twelve months ended December 31, 2014, from PLN 1,538,499 in the corresponding period of 2013.

Our advertising revenue increased by PLN 58,081, or 5.4%, to PLN 1,142,914 during the twelve months ended December 31, 2014, from PLN 1,084,833 in the corresponding period of 2013. This increase results mainly from higher advertising in our thematic channels, online video initiative and Premium TV, partly offset by lower advertising revenue of our main channel – TVN.

Our sponsoring revenue increased by PLN 4,649, or 3.0% to PLN 160,652 in the twelve months ended December 31, 2014 from PLN 156,003 in the corresponding period 2013. This increase results mainly from higher sales of sponsoring across majority of our channels.

Our subscription fees revenue decreased by PLN 6,406, or 3.0% to PLN 207,518 in the twelve months ended December 31, 2014 from PLN 213,924 in the corresponding period 2013. The decrease is a result of merged nC+ platform having reached year-on-year lower price per subscriber as a result of higher combined subscriber base, as well as one-off revenue related to upward retroactive correction of subscriber bases of couple of pay-TV platforms distributing our channels recognized in the three month period ended December 31, 2013.

Our sales of goods revenue increased by PLN 5,767, or 21.8% to PLN 32,264 in the twelve months ended December 31, 2014 from PLN 26,497 in the corresponding period 2013. This increase results mainly from higher sales volumes generated by Mango Media.

Our other revenue decreased by PLN 6,786, or 11.9% to PLN 50,456 in the twelve months ended December 31, 2014 from PLN 57,242 in the corresponding period of 2013. This decrease results mainly from lower sales of services and Call TV.

Cost of revenue. Cost of revenue decreased by PLN 4,160, or 0.5%, to PLN 886,184 in the twelve months ended December 31, 2014, from PLN 890,344 in the corresponding period of 2013. This decrease results mainly from decrease in broadcasting costs of PLN 5,938, depreciation and amortization lower by PLN 5,580, decrease in rental costs by PLN 3,209, staff expenses lower by PLN 2,409 and decrease in other cost of revenue of PLN 4,295. These decreases were partly offset mainly by an increase of amortization of acquired programming rights by PLN 8,696 and by an increase of locally produced content amortization by PLN 8,427.

As a percentage of revenue, our cost of revenue decreased in the twelve months ended December 31, 2014 to 55.6%, compared to 57.9% in the corresponding period of 2013.

Selling expenses. Our selling expenses increased by PLN 10,843, or 11.2%, to PLN 107,276 for the twelve months ended December 31, 2014, from PLN 96,433 in the corresponding period of 2013. The increase results mainly from marketing and research expenses higher by PLN 6,622, increase in staff expenses of PLN 3,842 and other selling expenses higher by PLN 2,162, this increase was partially offset by charge related to impaired accounts receivable lower by PLN 3,178.

As a percentage of revenue, our selling expenses increased to 6.7% in the twelve months ended December 31, 2014, from 6.3% in the corresponding period of 2013.

General and administration expenses. Our general and administration expenses increased by PLN 21,213, or 16.9%, to PLN 146,482 in the three months ended December 31, 2014, compared with PLN 125,269 in the corresponding period of 2013. This increase reflects mainly an increase of consulting costs by 6,352, an increase in expenses related to Long Term Incentive Plan of PLN 8,915, other general and administration expenses higher by PLN 4,659 and an increase in staff expenses of PLN 2,122, partially offset by rental costs lower by PLN 2,052.

As a percentage of revenue, our general and administration expenses increased to 9.2% in the twelve months ended December 31, 2014 from 8.1% in the corresponding period of 2013.

Share of profit of associates. The share of profit of associates amounted to PLN 31,651 in the twelve months ended December 31, 2014 compared to a loss of PLN 45,711 in the corresponding period of 2013.

Impairment of the investment in an associate. The annual impairment test performed by the Group as at December 31, 2013 indicated, that the investment in associate Onet Holding suffered an impairment. As a result an impairment charge of PLN 80,000 was recognized in the consolidated income statement at that time. There was no impairment recognized in the twelve months period ended December 31, 2014.

Costs related to potential change of control transaction. In connection with ITI Group and Canal+ Group announcement as of October 16, 2014 concerning an intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the TVN Group, we have appointed financial and legal advisors for support during this process, and have also agreed to manage and finance the conducting of various due diligence processes. Such incremental costs related to the potential change of control transaction of PLN 5,114 include due diligence advisory costs already incurred during the twelve months period ended December 31, 2014 as compared to nil in the corresponding period in 2013.

Operating profit. Operating profit increased by PLN 180,179 or 60.6% to PLN 477,337 in the twelve months ended December 31, 2014, from an operating profit of PLN 297,158 in the corresponding period of 2013. Our operating margin increased to 29.9% from 19.3% in the corresponding period of 2013.

Interest income. We recorded interest income of PLN 9,723 for the twelve months ended December 31, 2014, compared to interest income of PLN 14,828 in the corresponding period of 2013.

Finance expense. We recorded finance expense of PLN 216,240 for the twelve months ended December 31, 2014, compared to finance expense of PLN 551,306 in the corresponding period of 2013, due to lower interest expense, premium on early repayment of the Notes, other costs related to the repayment of the Notes and issuance costs written off related to repurchases of 10.75% Senior Notes and 7.875% Senior Notes in 2013 and 2014, respectively.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 73,770 for the twelve months ended December 31, 2014 compared to foreign exchange losses, net of PLN 30,446 in the corresponding period of 2013. These losses consist mainly of unrealized foreign exchange losses on our Senior Notes of PLN 49,880 in the twelve months ended December 31, 2014, compared to unrealized foreign exchange gains on our Senior Notes of PLN 52,922 in the corresponding period of 2013 as well as the realized foreign exchange losses on the Senior Notes of PLN 14,391 in the twelve months ended December 31, 2014, compared to realized foreign exchange losses on the Senior Notes of PLN 108,822 in the corresponding period of 2013.

Profit before income tax. Our profit before income tax for the twelve months ended December 31, 2014 was PLN 197,050 compared to a loss before income tax of PLN 269,766, in the corresponding period of 2013. This increase was mainly due to higher operating profit combined with lower negative impact of finance expense.

Income tax. For the twelve months ended December 31, 2014, we recorded a total income tax charge of PLN 7,700, compared to an income tax credit of PLN 62,885 in the corresponding period of 2013. This change is mostly due to impact of the tax loss carried forward recognized in 2013 in the amount of PLN 57,017.

Profit for the period. Our profit for the period amounted to PLN 189,350 in the twelve months ended December 31, 2014, compared to a loss of PLN 206,881 in the corresponding period of 2013.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 194,745 in the twelve months ended December 31, 2014, compared to a loss of PLN 197,763 in the corresponding period of 2013.

RESULTS BY BUSINESS SEGMENT

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

The table below sets forth the summarized financial results by segment for the twelve months ended December 31, 2014 and 2013:

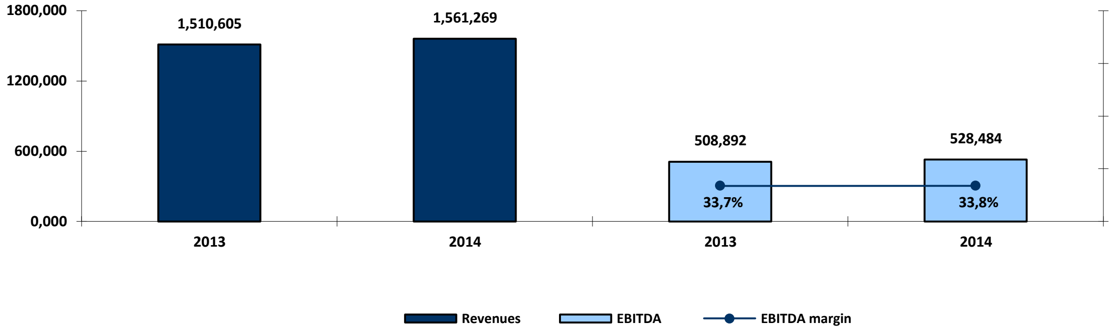
	Television Broadcasting & Production		Teleshopping		Other reconciling items**		Total	
	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Revenue from external customers	1,556,658	1,506,810	37,146	31,689	-	-	1,593,804	1,538,499
Inter-segment revenue	4,611	3,795	-	45	(4,611)	(3,840)	-	-
Total revenue	**1,561,269**	**1,510,605**	**37,146**	**31,734**	**(4,611)**	**(3,840)**	**1,593,804**	**1,538,499**
Operating profit/(loss)	457,291	433,921	(6,219)	(9,948)	26,264	(126,815)	477,336	297,158
EBITDA*	**528,484**	**508,892**	**(5,902)**	**(9,722)**	**26,262**	**(126,815)**	**548,844**	**372,355**
EBITDA* margin	**33.8%**	**33.7%**	**-**	**-**	**-**	**-**	**34.4%**	**24.0%**

Operating profit/(loss)	457,291	433,921	(6,219)	(9,948)	26,264	(126,815)	477,336	297,158
Depreciation, amortization and impairment charges	71,193	74,971	317	226	(2)	-	71,507	75,197
EBITDA*	**528,484**	**508,892**	**(5,902)**	**(9,722)**	**26,262**	**(126,815)**	**548,844**	**372,355**

* We define EBITDA as profit/ (loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and 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. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/ (loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. 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.

Television Broadcasting and Production

The table below sets forth the summarized financial results of our Television Broadcasting and Production segment for the twelve months ended December 31, 2014 and 2013:



	Twelve months ended December 31,					
	2014			2013		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	1,437,157	553,922	38.5	1,425,831	537,337	37.7
Other	124,112	(25,438)	-	84,774	(28,445)	-
Total segment	**1,561,269**	**528,484**	**33.8**	**1,510,605**	**508,892**	**33.7**

Television broadcasting and production revenue in the twelve months ended December 31, 2014, increased by 50,664 to PLN 1,561,269, compared to PLN 1,510,605 in the corresponding period of 2013.

Our TVN channels' revenue increased by PLN 11,326, or 0.8% to PLN 1,437,157, compared to PLN 1,425,831 in the corresponding period of 2013. This increase was mainly due to higher advertising and sponsoring revenue of our thematic channels partly compensated by softer performance of the main channel.

Our other revenue in the television, broadcasting and production segment increased by PLN 39,338, or 46.4%, to PLN 124,112 in the twelve months ended December 31, 2014 compared to PLN 84,774 in the corresponding period of 2013. The increase was mainly due to strong performance of Premium TV.

Our TVN channels' EBITDA increased by PLN 16,585 to PLN 553,922 in the twelve months ended December 31, 2014, from PLN 537,337 in the corresponding period of 2013. TVN channels' EBITDA margin increased to 38.5% from 37.7% in the corresponding period of 2013.

EBITDA of television, broadcasting and production segment presented as 'Other' increased by PLN 3,007, or 10.6% to loss of PLN 25,438 from loss of PLN 28,445 in the corresponding period of 2013.

Teleshopping

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

	Twelve months ended December 31,					
	2014			2013		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	37,146	(5,902)	-	31,734	(9,722)	-
Total segment	**37,146**	**(5,902)**	**-**	**31,734**	**(9,722)**	**-**

Teleshopping revenue increased by PLN 5,412, or 17.1%, to PLN 37,146 in the twelve months ended December 31, 2014, from PLN 31,734 in the corresponding period of 2013 primarily due to higher sales volumes generated by Mango Media.

Segment EBITDA increased by PLN 3,820, to a loss of PLN 5,902 in the twelve months ended December 31, 2014 from a loss of PLN 9,722 in the corresponding period of 2013.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to business segments. Other reconciling items had a negative impact on our revenue of PLN 4,611 in the twelve months ended December 31, 2014, compared to a negative impact of PLN 3,840 in the corresponding period of 2013. Other reconciling items on EBITDA level include mainly share of profits and losses of associates.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012 – AS ORIGINALLY REPORTED ON FEBRUARY 13TH, 2013

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

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

- Złoty amounts as of December 31, 2013 have been converted into Euro at a rate of PLN 4.1472 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on December 31, 2013).
- Złoty amounts for the three months ended December 31, 2013 have been converted into Euro at a rate of PLN 4.1745 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2013, November 30, 2013 and December 31, 2013);
- Złoty amounts for the year ended December 31, 2013 have been converted into Euro at a rate of PLN 4.2110 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2013, February 28, 2013, March 31, 2013, April 30, 2013, May 31, 2013, June 30, 2013, July 31, 2013, August 31, 2013, September 30, 2013, October 31, 2013, November 30, 2013 and December 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 December 31, 2012 have been converted into Euro at a rate of PLN 4.1099 per €1.00 (arithmetic average of the effective NBP exchange rates on October 31, 2012, November 30, 2012 and December 31, 2012);
- Złoty amounts for the year ended December 31, 2012 have been converted into Euro at a rate of PLN 4.1736 per €1.00 (arithmetic average of the effective NBP exchange rates as of January 31, 2012, February 29, 2012, March 31, 2012, April 30, 2012, May 31, 2012, June 30, 2012, July 31, 2012, August 31, 2012, September 30, 2012, October 31, 2012, November 30, 2012 and December 31, 2012).

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

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

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

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

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012.

Income statement data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Revenue	456,693	111,120	461,041	110,442
Operating profit	109,735	26,700	18,447	4,419
Profit before income tax	31,894	7,760	10,059	2,410
Profit attributable to the owners of TVN S.A.	**469,779**	**114,304**	**45,776**	**10,965**

Cash flow data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Net cash generated by operating activities	132,851	32,325	189,305	45,347
Net cash generated by / (used in) investing activities	669,412	162,878	(18,394)	(4,406)
Net cash used in financing activities	(1,009,719)	(245,680)	(21,529)	(5,157)
(Decrease)/ increase in cash and cash equivalents	**(207,457)**	**(50,478)**	**149,161**	**35,731**

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	344,345,683	344,345,683
Weighted average number of potential ordinary shares in issue (not in thousands)	343,876,421	343,876,421	344,909,301	344,909,301
Earnings per share attributable to the owners of TVN S.A. (not in thousands)	1.37	0.33	0.14	0.03
Diluted earnings per share attributable to the owners of TVN S.A. (not in thousands)	1.37	0.33	0.14	0.03
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
EBITDA*	**138,506**	**33,701**	**34,377**	**8,235**
EBITDA margin	30.3%	30.3%	7.5%	7.5%
Operating margin	24.0%	24.0%	4.0%	4.0%

Balance sheet data

	As at December 31, 2012 PLN	As at December 31, 2012 EUR	As at December 31, 2013 PLN	As at December 31, 2013 EUR
Total assets	4,966,287	1,214,785	3,899,259	940,215
Current assets	2,020,466	494,219	1,058,477	255,227
Non-current liabilities	3,203,936	783,703	2,520,141	607,673
Current liabilities	403,284	98,656	421,829	101,714
Shareholders equity**	1,375,457	336,446	982,797	236,978
Share capital	68,775	16,823	69,299	16,710
Non-controlling interest	(16,390)	(4,009)	(25,508)	(6,151)

CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012.

Income statement data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Revenue	1,584,263	379,591	1,554,565	369,168
Operating profit	374,268	89,675	297,158	70,567
Profit/ (loss) before income tax	267,752	64,154	(269,766)	(64,062)
Profit/ (loss) attributable to the owners of TVN S.A.	**486,071**	**116,463**	**(197,763)**	**(46,963)**

Cash flow data

	2012 PLN	2012 EUR	2013 PLN	2013 EUR
Net cash generated by operating activities	325,246	77,929	596,056	141,547
Net cash generated by investing activities	530,114	127,016	21,737	5,162
Net cash used in from financing activities	(1,207,519)	(289,323)	(527,037)	(125,157)
(Decrease)/ increase in cash and cash equivalents	**(352,159)**	**(84,378)**	**90,756**	**21,552**

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	344,345,683	344,345,683
Weighted average number of potential ordinary shares in issue (not in thousands)	343,884,522	343,884,522	344,909,301	344,909,301
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	1.41	0.34	(0.57)	(0.14)
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	1.41	0.34	(0.57)	(0.14)
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*	**456,037**	**109,267**	**372,355**	**88,424**
EBITDA margin	28.8%	28.8%	24.0%	24.0%
Operating margin	23.6%	23.6%	19.1%	19.1%

Balance sheet data

	As at December 31, 2012 PLN	As at December 31, 2012 EUR	As at December 31, 2013 PLN	As at December 31, 2013 EUR
Total assets	4,966,287	1,214,785	3,899,259	940,215
Current assets	2,020,466	494,219	1,058,477	255,227
Non-current liabilities	3,203,936	783,703	2,520,141	607,673
Current liabilities	403,284	98,646	421,829	101,714
Shareholders equity**	1,375,457	336,446	982,797	236,978
Share capital	68,775	16,823	69,299	16,710
Non-controlling interest	(16,390)	(4,009)	(25,508)	(6,151)

* We define EBITDA as profit/(loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversal on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets. We believe EBITDA serves as a useful supplementary financial indicator in

measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

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

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

Revenue. Our revenue decreased by PLN 29,698, or 1.9%, to PLN 1,554,565 in the twelve months ended December 31, 2013, from PLN 1,584,263 in the corresponding period of 2012.

Our advertising revenue decreased by PLN 42,241, or 3.8%, to PLN 1,076,883 during the twelve months ended December 31, 2013, from PLN 1,119,124 in the corresponding period of 2012. This decrease resulted from the decrease of advertising revenue derived by our main TVN channel on the backdrop of a weak TV advertising market, partly offset by increase of advertising revenue derived by TVN7 and TTV.

Our sponsoring revenue increased by PLN 21,272, or 15.8% to PLN 156,003 in the twelve months ended December 31, 2013 from PLN 134,731 in the corresponding period 2012. This increase results mainly from higher sponsoring revenue coming from TVN main channel and TVN24 news channel.

Our carriage fees revenue from satellite and cable operators decreased by PLN 2,799, or 1.3%, to PLN 213,924, from PLN 216,723 in 2012. This decrease results mainly from lower number of subscribers of DTH and cable operators as a result of DTT roll-out, partly compensated by additional revenue from HD versions of our channels.

Our sale of goods revenue decreased by PLN 4,174, or 13.6% to PLN 26,497 in the twelve months ended December 31, 2013 from PLN 30,671 in the corresponding period of 2012. This decrease resulted mainly from lower sales volumes generated by our teleshopping unit.

Our other revenue decreased by PLN 1,756, or 2.1%, to PLN 81,258 during the twelve months ended December 31, 2013, from PLN 83,013 in the corresponding period of 2012. The decrease was mainly due to lower sale of services revenue, lower call television revenue. This decrease was partly offset by improved Premium TV revenue.

Cost of revenue. Cost of revenue decreased by PLN 25,922, or 2.8%, to PLN 890,344 in the twelve months ended December 31, 2013, from PLN 916,266 in the corresponding period of 2012. The decrease results mostly from cost saving initiatives in programming expenses, mainly for news production of PLN 13,240, amortisation of programming rights of PLN 6,500 and rental expense of PLN 3,671.

As a percentage of revenue, our cost of revenue decreased in the twelve months ended December 31, 2013, to 57.3%, compared to 57.8% in the corresponding period of 2012.

Selling expenses. Our selling expenses decreased by PLN 244, or 0.2%, to PLN 112,499 for the twelve months ended December 31, 2013, from PLN 112,743 in the corresponding period of 2012.

As a percentage of revenue, our selling expenses increased in the twelve months ended December 31, 2013, to 7.2%, compared to 7.1% in the corresponding period of 2012.

General and administration expenses. Our general and administration expenses decreased by PLN 18,251, or 12.7%, to PLN 125,269 in the twelve months ended December 31, 2013, compared with PLN 143,520 in the corresponding period of 2012. This decrease results mainly from lower expenses relating to staff of PLN 6,310, rental expense of PLN 5,958 and consulting services of PLN 4,881 due to higher consulting services in 2012 when we have concluded two strategic transactions.

As a percentage of revenue, our general and administration expenses decreased its percentage share of revenue to 8.1% in the twelve months ended December 31, 2013 from 9.1% in the corresponding period of 2012.

Share of loss of associates. The share of loss of associates amounted to PLN 45,711 in the twelve months ended December 31, 2013, mainly due to negative impacts of share of loss of associate nC+ of PLN 54,466 driven by restructuring costs partially offset by a positive impact of share of profit of associate Onet Holding of PLN 8,755. Share of loss of associates includes adjustments related to purchase price allocations in the amount of PLN 33,659.

Impairment of the investment in an associate. The annual impairment test performed by the Group as at December 31, 2013 indicated, that the investment in associate Onet Holding suffered an impairment. As a result an impairment charge of PLN 80,000 was recognized in the consolidated income statement.

Other operating expenses, net. Our other operating expenses, net decreased by PLN 24,614 due to an impairment of teleshopping cash-generating unit in 2012. The annual impairment test performed by the Group as at December 31, 2012 indicated that the teleshopping unit, including goodwill and brand, suffered an impairment. As a result an impairment charge of PLN 25,973 was recognized in the consolidated income statement.

Operating profit. Operating profit decreased by PLN 77,110, or 20.6% to PLN 297,158 in the twelve months ended December 31, 2013, from an operating profit PLN 374,268 in the corresponding period of 2012.

Interest income. We recorded interest income of PLN 14,828 for the twelve months ended December 31, 2013, compared to interest income of PLN 20,544 in the corresponding period of 2012.

Finance expense. We recorded finance expense of PLN 551,306 for the twelve months ended December 31, 2013, compared to finance expense of PLN 373,345 in the corresponding period of 2012. The increase results primarily from ‘make-whole’ premium costs of PLN 160,356 and unamortised debt issuance costs write-off of PLN 60,882 related to the early redemption of our 10.75% Senior Notes. These increases were partly offset by lower interest expense on Senior Notes by PLN 25,495 and lower interest expense on foreign exchange forward contracts and foreign exchange swap contracts (fair value and cash flow hedges) by PLN 30,034.

Foreign exchange losses, net. We recorded foreign exchange losses, net of PLN 30,446 for the twelve months ended December 31, 2013 compared to exchange gains, net of PLN 246,285 in the corresponding period of 2012. We recorded foreign exchange losses on our Senior Notes of PLN 52,688 in the twelve months ended December 31, 2013, compared to foreign exchange gains on our Senior Notes of PLN 246,170 in the corresponding period of 2012; fair value hedge impact of PLN 3,212 in the twelve months ended December 31, 2013, compared to negative fair value hedge impact of PLN 8,702 in the corresponding period of 2012 as well as other foreign exchange gains of PLN 22,242 including mainly the positive impact of foreign exchange gains relating to our restricted cash in the twelve months ended December 31, 2013 comparing to other foreign exchange gains of PLN 115 in the corresponding period of 2012.

(Loss)/ profit before income tax. Our loss before income tax for the twelve months ended December 31, 2013 was PLN 269,766 compared to a profit before income tax of PLN 267,752, in the corresponding period of 2012. This decrease was mainly due to impairment of our investment in associate Onet Holding, to foreign exchange losses and to higher finance expense we recognized in the twelve months ended December 31, 2013, as compared with significant foreign exchange gains and lower finance expense recognized in the twelve months ended December 31, 2012.

Income tax benefit. For the twelve months ended December 31, 2013, we recorded a total income tax benefit of PLN 62,885, compared to an income tax benefit of PLN 252,325 in the corresponding period of 2012. This decrease is mostly due to the impact of deferred tax asset recognized in 2012 of PLN 257,662. The impact of deferred tax asset recognized on tax losses in the period ended December 31, 2013 amounted to PLN 57,017.

(Loss)/ profit for the period. Our loss for the period amounted to PLN 206,881 in the twelve months ended December 31, 2013, compared to a profit of PLN 470,239 in the corresponding period of 2012.

(Loss)/ profit attributable to the owners of TVN S.A. Our loss attributable to the owners of TVN S.A. was PLN 197,763 in the twelve months ended December 31, 2013, compared to a profit of PLN 486,071 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 for the twelve months ended December 31, 2013 and 2012:

	Television Broadcasting & Production		Teleshopping		Other reconciling items**		Total	
	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Revenue from external customers	1,522,876	1,547,467	31,689	36,796	-	-	1,554,565	1,584,263
Inter-segment revenue	3,795	4,630	45	172	(3,840)	(4,802)	-	-
Total revenue	**1,526,671**	**1,552,097**	**31,734**	**36,968**	**(3,840)**	**(4,802)**	**1,554,565**	**1,584,263**
Operating profit/(loss)	433,921	418,945	(9,948)	(34,574)	(126,815)	(10,103)	297,158	374,268
EBITDA*	**508,892**	**500,471**	**(9,722)**	**(8,358)**	**(126,815)**	**(36,076)**	**372,355**	**456,037**
EBITDA* margin	**33.3%**	**32.2%**	**-**	**-**	**-**	**-**	**24.0%**	**28.8%**

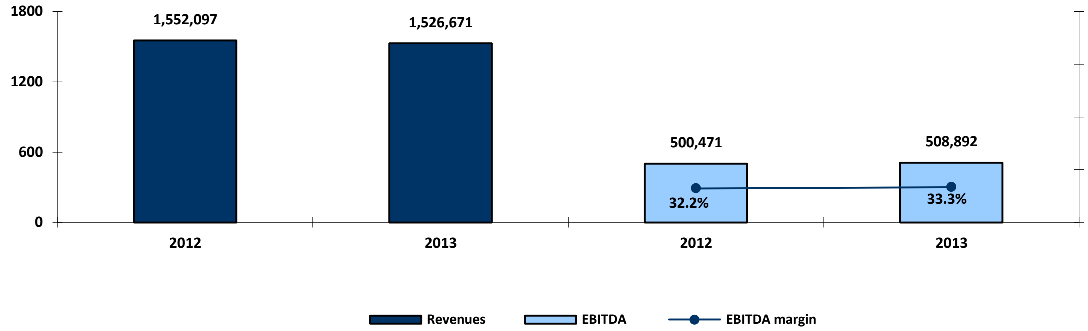
Operating profit/(loss)	433,921	418,945	(9,948)	(34,574)	(126,815)	(10,103)	297,158	374,268
Depreciation, amortization and impairment charges	74,971	81,526	226	26,216	-	(25,973)	75,197	81,769
EBITDA*	**508,892**	**500,471**	**(9,722)**	**(8,358)**	**(126,815)**	**(36,076)**	**372,355**	**456,037**

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

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

Television Broadcasting and Production

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



	Twelve months ended December 31,					
	2013			2012		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	1,425,831	537,398	37.7	1,469,487	538,367	36.6
Other	100,840	(28,506)	-	82,610	(37,896)	-
Total segment	**1,526,671**	**508,892**	**33.3**	**1,552,097**	**500,471**	**32.2**

Television broadcasting and production revenue in the twelve months ended December 31, 2013, decreased by 25,426 to PLN 1,526,671, compared to PLN 1,552,097 in the corresponding period of 2012.

Our TVN channels' revenue decreased by PLN 43,656, or 3.0% to PLN 1,425,831, compared to PLN 1,469,487 in the corresponding period of 2012. This decrease was due to weaker advertising sales revenue of our TVN main channel partly compensated by TVN 7 and TTV channels performance.

Our other revenue in the television, broadcasting and production segment increased by PLN 18,230, or 22.1%, to PLN 100,840 in the twelve months ended December 31, 2013 compared to PLN 82,610 in the corresponding period of 2012. The increase was mainly due to TVN Player and Premium TV performance.

Our TVN channels' EBITDA decreased by PLN 969 to PLN 537,398 in the twelve months ended December 31, 2013, from PLN 538,367 in the corresponding period of 2012. TVN channels' EBITDA margin increased to 37.7% from 36.6% in the corresponding period of 2012.

EBITDA of television, broadcasting and production segment presented as 'Other' increased by PLN 9,390, or 24.8% to loss of PLN 28,506 from loss of PLN 37,896 in the corresponding period of 2012.

Teleshopping

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

	Twelve months ended December 31,					
	2013			2012		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	31,734	(9,722)	-	36,968	(8,358)	-
Total segment	**31,734**	**(9,722)**	**-**	**36,968**	**(8,358)**	**-**

Teleshopping revenue decreased by PLN 5,234, or 14.2%, to PLN 31,734 in the twelve months ended December 31, 2013, from PLN 36,968 in the corresponding period of 2012 primarily due to lower sales volumes generated by Mango Media.

Segment EBITDA decreased by PLN 1,364, to a loss of PLN 9,722 in the twelve months ended December 31, 2013 from a loss of PLN 8,358 in the corresponding period of 2012.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to business segments. Other reconciling items had a negative impact on our revenue of PLN 3,840 in the twelve months ended December 31, 2013, compared to a negative impact of PLN 4,802 in the corresponding period of 2012. Other reconciling items on EBITDA level include mainly share of losses in associates, impact of impairment of the investment in the associate Onet Holding and other costs.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL OVERVIEW

The table below summarizes our consolidated cash flow for the year ended December 31, 2014, 2013 and 2012.

	Year ended December 31,			
	2012 PLN	2013 PLN	2014 PLN	2014 Euro (1)
Cash generated from operations	381,022	602,625	612,129	146,117
Net cash generated by operating activities	325,246	596,056	610,461	145,719
Net cash (used in) / generated by investing activities	530,114	21,737	(101,171)	(24,150)
Net cash (used in) financing activities	(1,207,519)	(527,037)	(636,223)	(151,869)
Increase / (decrease) in cash and cash equivalents	(352,159)	90,756	(126,933)	(30,299)

(1) *For the convenience of the reader, we have converted Złoty amounts for the twelve months ended December 31, 2014 Euro at the rate of PLN 4.1893 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2014, February 28, 2014, March 31, 2014, April 30, 2014, May 31, 2014, June 30, 2014, July 31, 2014, August 31, 2014, September 30, 2014, October 31, 2014, November 30, 2014 and December 31, 2014). You should not view such translations as a representation that such Złoty amounts actually represent such Euro amounts, or could be or could have been converted into Euro at the rates indicated or at any other rate.*

CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

Cash Generated from Operations

Cash generated from operations increased by PLN 9,504 to PLN 612,129 in the twelve months ended December 31, 2014, from PLN 602,625 in the corresponding period of 2013. The increase results mainly from increase in adjusted EBITDA of PLN 24,936 and decrease in payments to acquire programming rights of PLN 55,330, partly offset by positive impact of changes in working capital lower by PLN 67,978.

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 610,461 in the twelve months ended December 31, 2014, compared to PLN 596,056 generated by operating activities for the corresponding period in 2013. The increase is a result of cash generated from operations higher by PLN 9,504 and taxes paid net lower by PLN 4,901.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 98,646 in the twelve months ended December 31, 2014, in comparison to net cash generated by investing activities of PLN 21,737 in the corresponding period of 2013. This shift is primarily due to investments in bank deposits with maturity over three months of PLN 45,000 in the twelve months ended December 31, 2014, compared to withdrawal from bank deposits with maturity over three months of PLN 50,000 in the corresponding period in 2013, as well as no sales of subsidiaries in the twelve months ended December 31, 2014 compared to proceeds from sale of subsidiaries of PLN 38,005 in the corresponding period of 2013. These negative impacts were partially offset by payments to acquire property, plant, equipment and intangible assets of PLN 72,057 in the twelve months ended December 31, 2014, compared to PLN 84,061 for the year ended December 31, 2013.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 638,747 in the twelve months ended December 31, 2014, compared to net cash used in financing activities of PLN 527,037 in the corresponding period of 2013. The increase is predominantly related to operations on our Senior Notes with impact of acquisition and repayment of the Notes of PLN 243,963 in the twelve months ended December 31, 2014 to be compared with positive net impact of acquisitions, redemption and issuance of the Notes, including use of restricted cash, of PLN 21,901. Further increase in cash used in financing activities came from distributions to shareholders: acquisition of treasury shares of PLN 250,302 in the twelve months ended December 31, 2014, compared to dividend paid of PLN 220,081 in the corresponding period of 2013. These increases were partially offset by interest paid of PLN 181,492 in the twelve months ended December 31, 2014, compared to PLN 330,897 in the corresponding period of 2013, as well as by issue of shares within stock option program of PLN 69,038 in the twelve months ended December 31, 2014, compared to PLN 27,681 in the corresponding period of 2013.

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.

CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

Cash Generated from Operations

Cash generated from operations increased by PLN 221,603 to PLN 602,625 in the twelve months ended December 31, 2013, from PLN 381,022 in the corresponding period of 2012. The increase results mainly from lower cash payments to acquire programming rights, which amounted to PLN 139,848 in the twelve months ended December 31, 2013 compared to an amount of PLN 295,621 for the corresponding period in 2012 and from positive changes in working capital, which amounted to PLN 95,180 in the twelve months ended December 31, 2013, compared to a negative amount of PLN 95,212 in the corresponding period in 2012.

Net Cash Generated by Operating Activities

Net cash generated by operating activities includes all cash generated from operations and also reflects cash paid for taxes. Net cash generated by operating activities amounted to PLN 596,056 in the twelve months ended December 31, 2013, compared to PLN 325,246 generated by operating activities for the corresponding period in 2012. This was a result of increased cash generated from operations by PLN 221,603 and decrease of tax paid by PLN 49,207.

Net Cash Generated by Investing Activities

Net cash generated by investing activities amounted to PLN 21,737 in the twelve months ended December 31, 2013, in comparison to net cash generated by investing activities of PLN 530,114 in the corresponding period of 2012. The decrease in net cash generated by investing activities in the twelve months ended December 31, 2013 is primarily due to proceeds from the sale of subsidiaries, net of cash disposed which in in the twelve months ended December 31, 2013 amounted to PLN 38,005 compared to PLN 843,859 in the twelve months ended December 31, 2012 . This decrease was partly offset by a positive difference in payments to acquire property and equipment which in the twelve months ended December 31, 2013 amounted to PLN 71,071 compared to PLN 316,125 in the twelve months ended December 31, 2012 .

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 527,037 in the twelve months ended December 31, 2013, compared to net cash used in financing activities of PLN 1,207,519 in the corresponding period of 2012.

Refinancing of our Senior Notes

In the twelve months ended December 31, 2013 we repurchased our 10.75% Senior Notes paying PLN 2,486,847 and our 7.875% Senior Notes paying PLN 206,922. On September 16, 2013 we issued 7.375% Senior Notes gaining PLN 1,810,730. The proceeds from the issuance of 7.375% Senior Notes, together with the cash from the disposal of Onet Group, were used to repay 10.75% Senior Notes and to pay fees and expenses associated with the issuance of 7.375% Senior Notes.

Other financial activities

In the twelve months ended December 31, 2013 we repaid our Mortgage Loan with cash outflow of PLN 111,071, paid our dividend with cash outflow of PLN 220,081. We also received the proceeds from our cash loan facility of PLN 106,395. Total cash and cash equivalents, that we held as of December 31, 2013 amounted to PLN 398,484 in comparison to PLN 308,564 as of December 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 and other distributions to shareholders, capital expenditure relating to television and broadcasting facilities, the launch or acquisition of new channels or online services and debt service of the 7.875% Senior Notes and the 7.375% Senior Notes, Cash Loan and Revolving Credit Facility. We believe that our existing cash balances and cash generated from our operations will be sufficient to fund these needs. We may from time to time seek to purchase our outstanding debt through one or more cash purchases exercising early prepayment options, 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, as of December 31, 2014:

	Value	Coupon/ effective interest	Maturity
7.375% Senior Notes (nominal value[1])………………………	1,832,789	7.375%	2020
7.875% Senior Notes (nominal value[2])………………………	470,183	7.875%	2018
Cash loan [3]……………………………………………………….	79,918	3.8%	2017
Accrued interest on long term debt……………………………..	10,626	-	-
Total debt…………………………………………………………	**2,393,516**	**-**	**-**
Cash at bank and in hand…………………………………..….	269,993	-	-
Bank deposits with maturity over three months	45,000		
Net debt …………………………………………………………	**2,078,523**	**-**	**-**

(1) This value represents outstanding nominal value of our 7.375% Senior Notes, which amounts to EUR 430,000 issued in September 2013 multiplied by the rate of PLN 4.2623 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of December 31, 2014).

(2) This value represents outstanding nominal value of our 7.875% Senior Notes, which amounts to EUR 110,312 issued in November 2010 multiplied by the rate of PLN 4.2623 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of December 31, 2014).

(3) This value represents outstanding nominal value of our Cash Loan opened in June 2013 and used in August 2013, which amounts to EUR 18,750 multiplied by the rate of PLN 4.2623 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of December 31, 2014).

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents and bank deposits with maturity over three months, to our consolidated shareholders' equity (including non-controlling interest) was 2.1x as of December 31, 2014 and 2.3x as of December 31, 2013.

Our consolidated net debt (defined as above) to adjusted EBITDA ratio amounted to 3.9 as of December 31, 2014.

Adjusted EBITDA (excluding impacts of: impairment of investment in associates and share of loss of associates as well as of one-off transactions, but including dividends and other distributions received from associates) is calculated for the last twelve months and is defined as profit/(loss) for the period as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property plant and equipment, intangible assets, share of profit/ loss from associates, interest income, finance expense, foreign exchange gains and losses and income taxes and dividends and other distributions received from associates.

Our total current liabilities amounted to PLN 498,049 at December 31, 2014, compared to PLN 421,829 at December 31, 2013.

Our borrowed funds excluding accrued interest as of December 31, 2014, consisted of the fair value amount of PLN 2,025,232 of indebtedness represented by the 7.375% Senior Notes, the fair value amount of PLN 487,227 of indebtedness represented by 7.875% Senior Notes and the amount of PLN 79,918 representing our total cash loan liability.

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

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

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

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

7.875% Senior Notes

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

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

During the twelve months ended December 31, 2013 the Group repurchased in the market 7.875% Senior Notes due 2018 with a nominal value of EUR 9,552 for an amount of EUR 10,334 (including accrued interest).

During the twelve months ended December 31, 2014 the Group repurchased and redeemed in the market 7.875% Senior Notes due 2018 with a nominal value of EUR 55,136 for an amount of EUR 58,971 (including accrued interest). The nominal value of the remaining 7.875% Senior Notes due 2018 is EUR 110,312 (December 31, 2013: EUR 165,448).

Change of Control

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

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

Optional redemption

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

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

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 7.875% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

Covenants

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

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

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

Events of Default

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

7.375% Senior Notes

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

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

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

Change of Control

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

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

Optional redemption

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

- prior to December 15, 2016 we may redeem up to 40% of the original principal amount of the 7.375% Senior Notes with the Net Cash Proceeds, as defined in the Indenture, of one or more Equity Offerings, as defined in the Indenture, at a redemption price of 107.375% of the principal amount of the notes, plus accrued and unpaid interest thereon, if any, to the redemption date, provided that at least 60% of the original principal amount of the notes remains outstanding after each such redemption and the redemption occurs within 180 days after the closing of such Equity Offering;
- prior to December 15, 2016 we may at any time during each 12-month period commencing on September 16, 2013 redeem up to 10% of the original principal amount of the 7.375% Senior Notes at a redemption price equal to 103% of the aggregate principal amount of the notes redeemed, plus accrued and unpaid interest thereon, if any, to the date of redemption;

- on or after December 15, 2016 we may redeem all or part of the 7.375% Senior Notes at a redemption price ranging from 100.000% to 103.688% plus accrued and unpaid interest thereon, if any, to the applicable redemption date;
- the 7.375% Senior Notes may be redeemed, at our option, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest, if any, up to the redemption date if due to certain defined changes in tax laws or official interpretations regarding such laws TVN Finance Corporation III AB (publ) with respect to the 7.375% Senior Notes, or a Guarantor, with respect to its Notes Guarantee, (as such terms are defined in the Indenture) is or on the next interest payment date in respect of the 7.375% Senior Notes, would be, required to pay additional amounts on account of taxes in respect of any 7.375% Senior Notes.

We assessed that the above early repayment options are closely related to the economic characteristics of the host contract (Notes) as the options' exercise prices are close on each exercise date to the amortized cost of the 7.375% Senior Notes. Consequently, we did not separate the embedded derivatives related to the above early repayment options.

In addition, at any time prior to December 15, 2016, we also have an option to redeem the 7.375% Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount of the notes plus the applicable premium and accrued but unpaid interest, if any, up to the redemption date. Applicable premium means, with respect to any 7.375% Senior Note on any redemption date, the greater of: (1) 1% of the principal amount of the note, or (2) the excess of (i) the present value at such redemption date of (a) the redemption price of the 7.375% Senior Notes at December 15, 2016, plus (b) interest due through December 15, 2016 (excluding accrued and unpaid interest to the redemption date) computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 bps (Bund Rate is yield to maturity on obligations of the Federal Republic of Germany with a constant maturity where the maturity approximates the period from the redemption date to December 15, 2016 - but not shorter than a period of one year) and (ii) the principal amount of the note.

We do not account for early prepayment options embedded in the 7.375% Senior Notes because they are either closely related to the economic characteristics of the host contract or their fair value was accessed at a level close to nil.

Covenants

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

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

- purchase, prepay or redeem subordinated indebtedness prior to maturity; and
- engage in certain businesses.

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

Events of Default

The Indenture contains customary events of default, including, payment defaults, covenant defaults, certain cross-defaults to other indebtedness and obligations, and certain events of bankruptcy, insolvency or reorganization. Upon the occurrence and subsistence of an event of default (other than an event of default due to bankruptcy or insolvency), holders of at least 25% in aggregate principal amount of the 7.375% Senior Notes may declare all the outstanding 7.375% Senior Notes to be due and payable. If an event of default on account of bankruptcy or insolvency occurs and continues on account of bankruptcy or insolvency, all the outstanding 7.375% Senior Notes will become due and payable without any declaration or other act by the holders of the 7.375% Senior Notes.

Revolving Credit Facility and Cash Loan

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

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank's margin and is carried at amortized cost using an effective interest rate of 3.84%. The Cash Loan and interest are repaid in quarterly installments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of December 31, 2014 the Revolving Credit Facility was used only for the bank guarantees issued at PLN 8,194.

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

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

Revolving Guarantee Facility

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

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes in Złoty the contractual obligations, commercial commitments and principal payments we were obligated to make as of December 31, 2014 under our operating leases and other material agreements. The information presented below reflects the contractual maturities of our obligations. These maturities may differ significantly from their actual maturity.

	As of December 31,					
	2015	**2016**	**2017**	**2018**	**thereafter**	**Total**
		PLN	PLN	PLN	PLN	PLN
Operating leases						
Satellite transponder leases	38,678	41,153	40,735	18,888	13,825	153,279
Other technical leases	12,843	12,843	12,843	12,843	-	51,372
Operating leases – other	13,087	9,017	3,900	3,900	2,600	32,504
Programming rights	51,015	88,551	52,402	14,078	1,189	207,235
Total cash commitments	**115,623**	**151,564**	**109,880**	**49,709**	**17,614**	**444,390**

We have no off-balance sheet arrangements.

TREND INFORMATION

The principal trends of which we are aware and which we believe will affect our revenue and profitability in the medium term are growth in the television and Internet advertising markets in Poland and growth in the pay television market. We are exposed to fluctuations in the exchange rates of złoty to both the euro and the U.S. dollar. Our 7.875% Senior Notes and 7.375% Senior Notes are denominated in euro, and a large proportion of our programming costs are denominated in U.S. dollar. During twelve months of 2014 the złoty has depreciated against the euro and the U.S. dollar. We cannot exclude that volatility of złoty exchange rates may continue in the market.

The inflation rate in Poland in December 2014 was -1.0% compared with -0.3% in September 2014, 0.3% in June 2014, 0.7% in March 2014 and 0.7% in December 2013. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We are committed to ensuring that our corporate governance is transparent and meets applicable Polish and international standards. We comply with the "Code of Best Practice for WSE Listed Companies", adopted by the Warsaw Stock Exchange on July 4, 2007, as amended, except for the rules described in point 16G.I of the Corporate Governance.

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

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

Our Articles of Association provide that the presence of at least half of the members of the supervisory board including the chairman and the deputy chairman constitutes a quorum. Resolutions of the supervisory board may be passed either at the meeting by the vote of a simple majority of votes of the members present at a meeting, where there is a quorum (including the members casting their votes in writing through another member of the supervisory board and by using means of direct remote communication) or without holding the meeting in writing, provided that all members have been notified of the content of the draft resolution. However, certain resolutions require casting vote by the chairman and the deputy chairman of the supervisory board and none of these votes is against such a resolution.

The functions of the supervisory board include, among others: (i) examining the financial statements and the management board's reports, (ii) representing the Company in contracts and disputes with members of the management board, (iii) granting the consent to the management board for entering into essential transactions, (iv) approving Regulations of the Management Board and (v) approving our annual financial statements for publication.

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

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

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

MANAGEMENT BOARD

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

Name	Age	Position	Year first appointed	Beginning of the current term	Year term expires
Markus Tellenbach	54	President Chief Executive Officer	2009	2013	2016
John Driscoll	54	Vice-President Chief Financial Officer	2010	2013	2016
Piotr Korycki	40	Member	2012	2013	2016
Maciej Maciejowski	39	Member	2012	2013	2016
Edward Miszczak	59	Member	2012	2013	2016
Adam Pieczyński	58	Member	2012	2013	2016
Piotr Tyborowicz	46	Member	2012	2013	2016

Markus Tellenbach

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

John Driscoll

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

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

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

Piotr Korycki

Management Board Member in charge of Business Controlling and Programming Acquisitions.

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

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

Piotr Korycki graduated from Warsaw School of Economics getting his Master degree in finance, banking and accounting. In 2001 he got his certified accountant qualifications from Association of Chartered Certified Accountants (ACCA) of England and Wales. In 2011 and 2012 he broadened his business education in the International Institute for Management Development in Lausanne, Switzerland.

Maciej Maciejowski

Management Board Member in charge of Business Development.

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

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

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

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

Edward Miszczak

Management Board Member in charge of Entertainment.

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

Adam Pieczyński

Management Board Member in charge of News and Current Affairs.

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

Piotr Tyborowicz

Management Board Member in charge of Advertising Sales.

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

COMPENSATION

The table below sets out the compensation of our management board members, comprising base salary and bonuses actually paid under the management board mandate during the year ended December 31, 2014 (in PLN):

Name	Compensation
Markus Tellenbach	8,058
John Driscoll	3,251
Piotr Korycki	1,601
Maciej Maciejowski	1,127
Edward Miszczak	2,239
Adam Pieczyński	1,703
Piotr Tyborowicz	1,439
Total	**19,418**

Share based payments

Certain members of our management board participated in stock option plans introduced in December 2005 (“stock option plan I”) and July 2006 (“stock option plan II”). Under the terms of stock option plan I, awards of share options were made in four tranches between December 2005 and December 2008, subject to certain vesting conditions being met. Under the terms of stock option plan II, awards of share options were made in four tranches between July 2006 and April 2008. All tranches have been granted and vested. The remuneration and related party transactions committee recommended and the supervisory board approved, the number of options granted to management board members. The stock option plans expired on December 31, 2014.

The table below summarizes the number of share options allocated to each management board member within the stock option plans which expired on December 31, 2014:

Name	Total number of options (not in thousands)
Markus Tellenbach	-
John Driscoll	-
Piotr Korycki	187,945
Maciej Maciejowski	78,570
Edward Miszczak	526,290
Adam Pieczyński	314,115
Piotr Tyborowicz	336,030

The table below sets out shares in TVN S.A. held by each management board member as of December 31, 2014:

Name	Number of shares
Markus Tellenbach	-
John Driscoll	-
Piotr Korycki	-
Maciej Maciejowski	-
Edward Miszczak	241,156
Adam Pieczyński	-
Piotr Tyborowicz	130,763

Long Term Incentive Plan

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

- Retention component,
- Performance component and
- Transaction component.

The management is entitled to a minimum cash payment of 21,000 (18,900 of which has been allotted) up to a theoretical maximum of 63,000 (56,700 of which has been allotted) in total under the first two components of the Plan. The actual amount paid will depend on continuous employment in the period 2014 – 2018, and exceeding certain short and mid-term performance targets as defined by the Supervisory Board. Any payments under the plan have been limited to the earlier of: i) statutory retirement or death or disability, ii) change of control date, or iii) the end of the Plan term. At the end of each reporting period the liability related to the Plan is estimated based on current expectations towards meeting the performance criteria, with an assumption that the plan is finalized in 2018, and the respective portion attributable to a particular period is expensed. Staff expenses for the year ended December 31, 2014 include an expense related to the first two components of the Plan in the total amount of 8,915 (the year ended December 31, 2013: nil).

Under the transaction component of the Plan, management is entitled to an excess transaction value payment in the event of a change of control over the Company within 2014 - 2018. The payment (which is capped at 42,000 for 100% of the component and at 38,700 allotted) will amount to 5% of any excess of the transaction price from the sale of the Company over the “anticipated Company value”, which had been established at the inception of the Plan by reference to the fair value of the whole Company, adjusted upwards in each of the years of the Plan. This component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component is measured at each balance sheet date at fair value. The change in fair value of this liability is recognized in the consolidated income statement for the period.

ITI Group and Canal+ Group have jointly decided to review and consider the possibility of disposing of their investment in the Company. This announcement increases the likelihood that a change of control may occur, and in that event, would result in an acceleration of all three component payments due under the Plan. Specifically, in the case of a change of control, the performance and transaction components would be measured until the end of the quarter in which a transaction would close, and would be paid within 40 days thereafter. In the case of the retention component, the retention period would be shortened to 18 months after the transaction closing date, with retention payments for the entire retention value occurring within 40 days thereafter.

As the potential closing of any transaction that may lead to a change in control over the Company, including the potential timing, value, buyer specific attributes and other key inputs necessary to assess the potential value of the Company and therefore the potential value to be ascribed to the transaction component of the Plan, are not known by the Company, therefore no amounts have been accrued to date. The maximum amount that could be paid out under the transaction component and consequently recognized as a transaction related operating expense is 42,000 for 100% of the component and at 38,700 allotted. Thus no liability has been recognized as at December 31, 2014 for this cash settled share based payment reward.

Markus Tellenbach will be entitled to receive to 33.3% of the compensation relating to the Long Term Incentive Plan, while each of the remaining Members of the Management Board will be entitled to receive 11.1% of the compensation relating to the Long Term Incentive Plan.

SUPERVISORY BOARD

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

Name	Age	Position	Year first appointed	Year appointed for the current term*
Wojciech Kostrzewa	54	Chairman of the supervisory board	2005	2012
Bertrand Meheut	63	Deputy Chairman of the supervisory board	2012	2012
Arnold Bahlmann	60	Independent member of the supervisory board	2005	2012
Rodolphe Belmer	45	Member of the supervisory board	2012	2012
Michał Broniatowski	60	Independent member of the supervisory board	2009	2012
Paweł Gricuk	49	Independent member of the supervisory board	2005	2012
Sophie Guieysse	51	Member of the supervisory board	2012	2012
Wiesław Rozłucki	66	Independent member of the supervisory board	2007	2012
Bruno Valsangiacomo	59	Member of the supervisory board	1999	2012
Piotr Walter	47	Member of the supervisory board	2012	2012
Aldona Wejchert	45	Member of the supervisory board	2007	2012

** Expiration of term of office depending on the date of the General Shareholders Meeting approving the financial statements for the year 2014.*

Wojciech Kostrzewa

Wojciech Kostrzewa is an economics graduate from the Kiel University in Germany. Between 1988 and 1991 he was employed at the Kiel Institute for the World Economy as a Research Economist. From 1989 to 1991 he was an adviser to the Polish Minister of Finance, Prof. Leszek Balcerowicz.

Between 1990 and 1995 he held the position of President of the Polish Development Bank. From 1996 to 1998 he was the Vice President of the BRE Bank Management Board and later, from May 1998 to November 2004, he was the President of the Management Board. Between January 2002 and November 2004, he was an Executive Member of the Regional Management Board of Commerzbank AG where he was responsible for all the operations of Commerzbank in Central and Eastern Europe.

From 1999 he is associated with the ITI Group as a Member of the Board of Directors. From January 2005 he fulfils the function of President and CEO. From 2005 he sits on the Supervisory Board of TVN S.A. and from 2007 is its Chairman.

In June 2012 he was appointed Member of the Supervisory Board of the Swiss Stadler Rail Group, the leading European producer of railway vehicles. Between 2004 and 2007 he also served as President of the Polish-German Chamber of Industry and Commerce. From 2007 he serves as Vice President of the Polish Confederation of Private Employers "Lewiatan".

Wojciech Kostrzewa is a member of the Polish Business Roundtable. He is also a member of supervisory boards of companies in Poland and abroad.

Bertrand Meheut

Chairman and CEO, CANAL+ Group

Bertrand Meheut has been Chairman and CEO of Canal+ Group since September 2002. After graduating from the Ecole des Mines, an engineering school, Bertrand Meheut held various positions in the industry, mainly in France and Germany, primarily in the life sciences sector. He spent most of his career at Rhône-Poulenc, which became Aventis after merging with Germany's Hoechst. He served as COO then as Chairman and CEO of Aventis CropScience, an Aventis and Schering subsidiary involved in agrichemicals and biotechnologies with sales of €4.5 billion and 16,000 employees. Bertrand Meheut was born in Rennes (Brittany, France) in 1951.

Arnold R. Bahlmann PhD.

Arnold Bahlmann is a senior advisor to Permira, one of Europe's largest private equity funds, and sits on its industrial advisory board. Transactions which he has arranged have involved SBS Broadcasting, of which he was a member of the supervisory board from October 2005 to July 2007, and ProSiebenSat 1. For more than 20 years he worked in various positions within Bertelsmann AG, starting in 1982 as Head of Strategic Planning of the Ariola Group, which later merged with RCA to create BMG, as President of Premiere GmbH, the German pay TV operator and as a Member of the Executive Board of Bertelsmann AG and Chief Strategic Officer responsible for major transactions, such as the sale of AOL Europe, Mediaways and Springer.

He ended his career at Bertelsmann AG in 2003 as President and Chief Executive Officer of Bertelsmann Springer and a member of the executive board of Bertelsmann AG. He also serves as a member of the supervisory board of YOC AG, a mobile marketing company, Senator Entertainment AG, Business Gateway AG, Freenet AG and Telegate AG. Previously, he has also served on the boards or supervisory boards of Haring Service Company, Debitel AG, Source Media Inc. and Germany 1 Acquisition Limited. He has been our member of the supervisory board since May 2005. He graduated from Cologne University, where he also obtained a doctorate.

Rodolphe Belmer

COO, CANAL+ Group Member of the Executive Board, CANAL+ Group

Born in 1969, Rodolphe Belmer graduated from the Hautes Etudes Commerciales (HEC) business school in Paris in 1992 and then worked for six years in the marketing department at Procter & Gamble France. In 1998, he joined McKinsey & Co. as Manager, where he lead consultancy projects in the media, retailing and consumer products industries. He joined CANAL+ Group in October 2001 as Director of Strategy and Development for CANAL+ Distribution before being appointed Marketing and Strategy Director for CANAL+ Group. He became COO of CANAL+ in November 2003 and was nominated VP, Content for CANAL+ Group in April 2005. In 2012, Rodolphe Belmer was promoted to COO of CANAL+ Group and Member of the Executive Board. In this position he is in charge of all the Group's pay and free-to-air TV operations in Metropolitan France.

Michał Broniatowski

Michał Broniatowski was appointed to the supervisory board on October 28, 2009.

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

He graduated from the Department of Spanish Language and Culture (Iberystyka) at the University of Warsaw, and has undertaken further study at the University of Columbia, London Business School and University of Michigan.

Pawel Gricuk

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

Sophie Guieysse

VP, Human Resources, CANAL+ Group

Sophie Guieysse, graduated from the Ecole Polytechniques engineering school before holding senior positions in a number of ministries, mainly in the field of transportation, housing and urban planning. In 1997, she joined LVMH Group, where she was appointed executive VP, Human Resources, of the Watches and Jewelry division and, in 2001, of Sephora Europe, a leading retail beauty chain. In 2002, Sophie Guieysse was promoted to VP, Human Resources, for the whole LVMH Group. In 2005, she joined CANAL+ group, as Executive VP, Human Resources.

Wiesław Rozłucki, PhD.

Wiesław Rozłucki, Ph.D., is a consultant. He graduated from the Foreign Trade Faculty of the Warsaw School of Economics in 1970. He has a PhD in Economic Geography from the Polish Academy of Sciences and between 1973 and 1989, he worked there as a researcher. During 1979-1980 he studied, as a British Council scholar, at the London School of Economics. Between 1990 and 1994, he was an adviser to the Polish Minister of Finance, a director of the Capital Markets Department in the Ministry of Privatization of Poland and a member of the Polish Securities and Exchange Commission.

Between 1991 and 2006, during five terms, Dr. Rozlucki was the President of the management board of the Warsaw Stock Exchange. He was also the Chairman of the supervisory board of the National Depository for Securities and a board member of the World Federation of Exchanges and the Federation of European Securities Exchanges.

Dr. Rozlucki has been actively engaged in the corporate governance movement in Poland. He is the Chairman of the Programming Council of the Polish Institute of Directors, as well as Harvard Business Review Polska. He is also a member of supervisory boards of large public companies including Orange Polska and BPH Bank. He is also the President of the Supervisory Board of the Warsaw Stock Exchange and the Chairman of the chapter of the Economic Award of the President of the Republic of Poland. He runs a strategic and financial consultancy and acts as a senior adviser to Rothschild Polska and Warburg Pincus International.

Bruno Valsangiacomo

Bruno Valsangiacomo started his career in banking working with major institutions such as UBS Group (1972 to 1982) and Banque Paribas (1982 to 1991) for 20 years, acquiring a diversified know-how in corporate banking, restructurings, trade finance, M and A and real estate. In 1991, Bruno Valsangiacomo founded the advisory firm FFC Fincoord Finance Coordinators Ltd., Zurich, and became a successful independent entrepreneur with a key focus on emerging Poland. In the same year he joined Jan Wejchert and Mariusz Walter as a Founding Shareholder of ITI Group responsible for strategy, finance and legal aspects, M&A and Investors Relations. He has lead for the ITI Group a variety of complex transactions and initiatives, from start-ups, to joint ventures, financing's and IPO's. During the early years in emerging Poland he gained, in addition to media and entertainment, in depth experience in food and beverages, pharmaceuticals and other industries. Before becoming Executive Chairman ITI Group in January, 2011 Bruno Valsangiacomo was its Vice Executive Chairman. He is a Member of various Group Supervisory Boards, among other Vice Chairman of TVN S.A.

Since 1994 Bruno Valsangiacomo leads a family owned business founded in 1945 by his father in law, under Tectus Holding S.A. Switzerland, with interests in a worldwide construction technology franchise (post tensioning systems and cable stayed bridges), construction materials and electronic hardness measurement equipment for concrete, metal and paper and other investments. He is among other Chairman of FFC Fincoord Finance Coordinators Ltd, BBR VT International Ltd., and Proceq S.A. and other companies in Europe and Asia.

Piotr Walter

Piotr Walter had been TVN Group's Vice-President of the Management Board and Head of Television Broadcasting since August 2009 till the end of December 2012. Since 1991 has been working within the ITI Group structures. In 1998 became Producer and Vice President of ITI Film Studio's Management Board. In 1999 was appointed Vice President of the Management Board in charge of Marketing and On-air Promotion. Between July 2001 and August 2009 was holding the position of President of the Management Board and General Director of TVN.

He graduated from Columbia College in Chicago and the International Institute for Management Development in Lausanne. He also studied at the University of Warsaw (Journalism) and at the Film School in Łódz (Film Directing).

Aldona Wejchert

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

She graduated from the Warsaw School of Economics and extended her business education at London Business School in the United Kingdom.

BOARD COMMITTEES

During the year 2014 three supervisory committee operated, i.e. the Audit and Related Party Transactions Committee, the Nomination and Remuneration Committee and the Strategic and Content Committee.

The Audit and Related Party Transactions Committee

Our Audit and Related Party Transactions Committee responsibilities are defined in the Regulations of the Supervisory Board. The Audit and Related Party Transactions Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information and reviews the effectiveness of our internal control and risk management system as well as the effectiveness of the internal audit function. Also, the Audit and Related Party Transactions Committee reviews the terms and conditions of related party transactions to be concluded by us to ensure that such transactions are in accordance with our policies on related party transactions and prepares reports for the supervisory board in that respect. Additionally, the Audit and Related Party Transactions Committee recommends to the supervisory board the appointment of the external auditor and assesses its performance. In performing its duties, the Audit and Related Party Transactions Committee maintain an effective working relationship with the supervisory board, the management board, management and the external and internal auditors.

In 2014 the Audit and Related Party Transactions Committee consisted of five supervisory board members: Wiesław Rozłucki (chairman), Paweł Gricuk, Arnold Bahlmann, Sophie Guieysse and Wojciech Kostrzewa. Three of its members are independent board members, and all members have appropriate qualifications and experience in accounting and finance. The Audit and Related Party Transactions Committee meets regularly. The Vice-president, Chief Financial Officer and representatives of external and internal audit attend the meetings by invitation. In 2014 the Audit and Related Party Transactions Committee met four times and adopted two resolution in written form without holding a meeting. Details of related party transactions, are presented in section "Major shareholders and related party transactions".

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee's responsibilities are set out in our Regulations of the Supervisory Board and include making recommendations to the supervisory board of individual candidates for appointment to the management board, reviewing the compensation of management board members and making recommendations on these to the supervisory board. In 2014 the Committee comprised of Aldona Wejchert (chairperson), Paweł Gricuk and Sophie Guieysse.

The Committee met two times during 2014 to review terms and conditions of the agreements concluded with management board members remuneration and adopted two resolutions in written form.

The Strategic and Content Committee

The Strategic and Content Committee's responsibilities are set out in our Regulations of the Supervisory Board and include reviewing the Business Plan for the TVN Group, monitoring the compliance and progress by the TVN Group, and any member of the TVN Group, with the terms and objectives set out in any relevant Business Plan and reviewing the terms of any contemplated acquisition, divestment, strategic development project, alliance or partnership. In 2014 the Committee comprised of Piotr Walter (chairman), Rodolphe Belmer and Michał Broniatowski.

During 2014 the Committee focused on ongoing monitoring of TVN Group activity in the scope of Committee's competencies covering strategic and programming decisions.

COMPENSATION

The table below sets out the compensation of our supervisory board members, comprising payments for the year ended December 31, 2014 (in PLN):

Name	Compensation
Wojciech Kostrzewa	144
Bertrand Meheut	96
Arnold Bahlmann	120
Rodolphe Belmer	120
Michał Broniatowski	120
Paweł Gricuk	156
Sophie Guieysse	156
Wiesław Rozłucki	144
Bruno Valsangiacomo	84
Piotr Walter	144
Aldona Wejchert	144
Total	**1,428**

Share ownership

The table below sets out shares in TVN S.A. held by each supervisory board member as of December 31, 2014:

Name	Number of shares
Wojciech Kostrzewa	120,000
Bertrand Meheut	-
Arnold Bahlmann	-
Rodolphe Belmer	-
Michał Broniatowski	-
Paweł Gricuk	-
Sophie Guieysse	-
Wiesław Rozłucki	-
Bruno Valsangiacomo	1,575,012
Piotr Walter	-
Aldona Wejchert	591,634
Total	**2,286,646**

The table below sets out shares in related parties held by our supervisory board members as of December 31, 2014:

Name	Name of related party	Number of shares (not in thousands)	Nominal value of one share (not in thousands)
Wojciech Kostrzewa controlled entity	ITI Holdings S.A.	500,000	1.25 EUR
Bruno Valsangiacomo affiliated entity	ITI Holdings S.A.	5,326,426	1.25 EUR

CONTRACTS AND TERMINATION BENEFITS OF MANAGEMENT BOARD MEMBERS

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

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

EMPLOYEES

As of December 31, 2014, we had 1,444 full-time employees. Of that number, 260 were employed in management and administration, 532 in production and programming, 57 in the marketing department, 309 in the technical department and 286 in the sales department. None of our employees is a member of a trade union nor do they fall within the scope of any collective bargaining or similar arrangement. We believe that our relations with our employees are good.

As of December 31, 2013, we had 1,408 full-time employees. Of that number, 257 were employed in management and administration, 524 in production and programming, 54 in the marketing department, 313 in the technical department and 260 in the sales department.

As of December 31, 2012, we had 1,521 full-time employees. Of that number, 272 were employed in management and administration, 627 in production and programming, 63 in the marketing department, 335 in the technical department and 224 in the sales department.

STOCK OPTION PLAN

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

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

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

The stock option plans were designed to motivate highly qualified personnel, including top management, key employees and co-workers, our management board members and management board members of our subsidiaries to contribute to the value of the Group over the long term by granting them rights to purchase series “C” and “E” shares. A total of up to 9,870,000 series “C” and 8,781,675 series “E” shares were to be issued in order to enable participants to exercise their rights to purchase shares. The deadline for the issue of series “C” and series “E” shares was December 31, 2013.

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

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

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

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

The table below sets out movement in share options and their weighted average exercise prices:

	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
	Weighted average exercise price	Outstanding options	Weighted average exercise price	Outstanding options
As at January 1	PLN 11.00	6,508,873	PLN 10.88	9,126,602
Exercised	PLN 11.04	(6,254,158)	PLN 10.59	(2,617,729)
Expired	PLN 9.93	(254,715)	-	-
As at December 31	**-**	**-**	**PLN 11.00**	**6,508,873**

On November 7, 2013 our Supervisory Board approved a five year management incentive and retention plan effective January 1, 2014. For more information see section “Management Board”.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

As of December 31, 2014 our share capital amounted to PLN 70,550 and was divided into 352,748,308 ordinary shares. The following table and graph presents shareholders that to our best knowledge owned at least 5% of our shares as of that date.

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 holding at least 5% of votes at the General Shareholders Meeting of TVN held on April 11, 2014 as published by TVN in a form of current report on April 16, 2014.

Shareholder	Number of shares in issue	% of Share Capital	Number of Votes	% of votes
ITI Group (1)	179,295,606	50.83%	179,295,606	52.70%
ITI Holdings S.A. Luxembourg (1)	5,326,426	1.51%	5,326,426	1.57%
Polish Television Holding B.V. (2) (3)	173,969,180	49.32%	173,969,180	51.13%
ING OFE. (4)	26,687,221	7.57%	26,687,221	7.84%
Aviva OFE (4)	25,000,000	7.09%	25,000,000	7.35%
OFE PZU "Złota Jesień" (4)	21,700,000	6.15%	21,700,000	6.38%
TVN S.A. (treasury shares)	12,500,000	3.54%	-	-
Other shareholders	87,565,481	24.82%	87,565,481	25.74%
TOTAL:	**352,748,308**	**100.00%**	**340,248,308**	**100.00%**

(1) As of December 31, 2014, 50.83% of our shares in issue were held by entities that are ultimately controlled by ITI Group. Our principal direct majority shareholder is PTH, in which ITI Group indirectly owns 51% and Groupe Canal+ indirectly owns 49%. ITI Group holds directly 1.51% of the shares in TVN S.A. through ITI Holdings S.A. Luxembourg.
(2) Polish Television Holding B.V. has pledged the majority of the Company's shares.
(3) Entity controlled by ITI Group.
(4) Based on the list of shareholders holding at least 5% of votes at the General Shareholders Meeting of TVN held on April 11, 2014, as published by TVN in a form of current report on April 16, 2014.

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

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

In the period between June 8, 2011 and July 8, 2011 Cadizin transferred 1,178,791 (not in thousands) of our shares as a result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 6,952,686 (not in thousands), which represented 2.03% of our share capital and votes.

In the period between January 5 and February 23, 2010 N-Vision transferred 6,799,052 of our shares as result of several sale transactions conducted by the ITI Group on the regulated market.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held by it to 3,963,095 (not in thousands), representing 1.15% of our share capital and votes.

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

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

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

As a result of the above mentioned transaction, N-Vision reduced the number of our shares held by it to 0 (not in thousands), representing 0% of our share capital and votes and Cadizin increased the number of shares held by it to 10,915,781 (not in thousands), representing 3.17% of our share capital and votes.

On March 23, 2012 Cadizin sold 5,500,000 (not in thousands) of our shares on the regulated market.

As a result of the above mentioned transactions Cadizin decreased the number of our shares held by it to 5,415,781 (not in thousands), which represented 1.57% of our share capital and votes.

On March 18, 2014 Cadizin transferred its 5,415,781 (not in thousands) shares, which represented 1.57% of our share capital and votes to its parent company International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings").

On June 11, 2014 PTH tendered 2,554,500 shares (not in thousands) and ITI Holdings participated with 89,355 shares (not in thousands) in the first tranche of the TVN Share buy-back programme.

On December 5, 2014 PTH tendered 3,831,750 shares (not in thousands) in the second tranche of the TVN share buy-back programme.

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

RELATED PARTY TRANSACTIONS

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

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

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

Following the Court registration of changes in TVN S.A.'s Statutes the Audit Committee has been transformed into Audit and Related Party Transactions Committee in December 2013.

MANAGEMENT, FINANCIAL AND OTHER SERVICES

On May 13, 2010 we entered into a services agreement (the "Services Agreement") under which currently ITI Holdings SA ("ITI Holdings") ITI Services AG ("ITI Services"), Market Link Sp. z o.o. ("Market Link") and ITI Corporation Sp. z o.o. ("ITI Corporation"), members of the ITI Group, provide certain management, sales, financial advisory, guarantee and other services to TVN S.A.

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

Under the Services Agreement, we have agreed to pay ITI Holdings, ITI Services, ITI Corporation and Market Link (i) an annual services fee in the amount of up to EUR 5,000 in consideration for the above referenced services and (ii) an annual guarantee fee equal to 220 basis points of guaranteed amounts in consideration for guaranty and other financial support services. In addition, we have agreed to reimburse ITI Holdings, ITI Services, ITI Corporation and Market Link for reasonable costs and expenses that they incur in connection with the provision of the services or guarantees.

The Service Agreement has been in effect since January 1, 2010 and was concluded for an unlimited period. If the respective annual budget approved by the supervisory board of TVN S.A. does not include and reserve the money for payments pursuant to the Service Agreement, the Service Agreement expires, unless the respective supervisory board approves relevant supplementation of the annual budget in the first quarter of the calendar year.

INVESTMENT IN THE ‘N’ DTH PLATFORM

On June 25, 2008, and March 11, 2009, we completed two transactions that resulted in our ownership of a controlling interest in ITI Neovision Sp. z o.o. On March 10, 2010, pursuant to the ‘n’ acquisition, we acquired the remaining 49% interest in ITI Neovision Sp. z o.o. On November 30, 2012, following the antitrust regulatory approval of the transaction, the Group, ITI Media Group Limited and Canal+ Group finalized the transaction of combination of ITI Neovision and Cyfra+ and created a digital DTH platform nC+ owned by Canal+ Group and TVN. For further details, see “Material contracts - Conclusion of a material agreement between ITI Group and TVN Group with Canal+ Group”.

DISCUSSION ON GUARANTEES GRANTED TO THIRD PARTIES BY TVN GROUP AS OF DECEMBER 31, 2014

GUARANTEES OF TVN S.A.

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

INTRA-GROUP GUARANTEES

TVN Media granted guarantees for TVN’s liabilities in the total amount of PLN 266,394 as of December 31, 2014.

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

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

The guarantees are granted on market conditions.

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

GUARANTEE AGREEMENTS ENTERED INTO BY RELATED PARTIES

ITI Holdings has entered into guarantee fee arrangements in relation to programming deals with Warner Bros. and Universal Studios International B.V. As of December 31, 2014 the amounts ITI Holdings guarantees under these arrangements are U.S. $3.559 million (not in thousands).

ITEM 7. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The financial statements filed as part of this annual report are included on pages F-1 to F-65.

LEGAL PROCEEDINGS

There are no pending legal proceedings where the amounts claimed against us either separately or jointly would exceed 10% of our capital.

DIVIDEND POLICY

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

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

RECONCILIATION OF OUR 2014 RESULTS TO OUR RECENT FORECAST.

The table below sets out particular items of the forecast published on November 18, 2014 and actual results:

	Forecast for twelve months ended December 31, 2014	Actual results achieved in twelve months ended December 31, 2014
Consolidated revenue growth	Low single digit	3.6%
Adjusted EBITDA	PLN 520,000	PLN 530,441
Capital expenditure	PLN 60,000	PLN 70,325

SIGNIFICANT CHANGES OCCURRED SINCE DECEMBER 31, 2014

Other than those events described in Item 5. and other items in this annual report, there have not been any significant changes to our financial condition or results of operations since December 31, 2014.

ITEM 8. THE OFFER AND LISTING

LISTING DETAILS AND MARKETS

On November 29, 2013 our 7.375% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

On December 21, 2010 our 7.875% Senior Notes were listed on the Euro MTF market of the Luxembourg Stock Exchange.

Our shares have been listed on the regulated market on the Warsaw Stock Exchange since December 7, 2004.

As of December 29, 2006, a 1:5 share split was effective. We decreased the nominal value of each of our shares from PLN 1 to PLN 0.2, and increased the number of shares to 343,508,455 (not in thousands) as of that date.

In 2014 our company was a member of the following Warsaw Stock Exchange indices: WIG, WIG30, mWIG40, WIG-MEDIA, WIG-Poland, InvestorMS.

As of December 31, 2014, the number of shares in TVN S.A. amounted to 352,748,308 (not in thousands). The share capital of TVN S.A. amounts to PLN 70,550.

PERFORMANCE OF TVN SHARES IN 2014

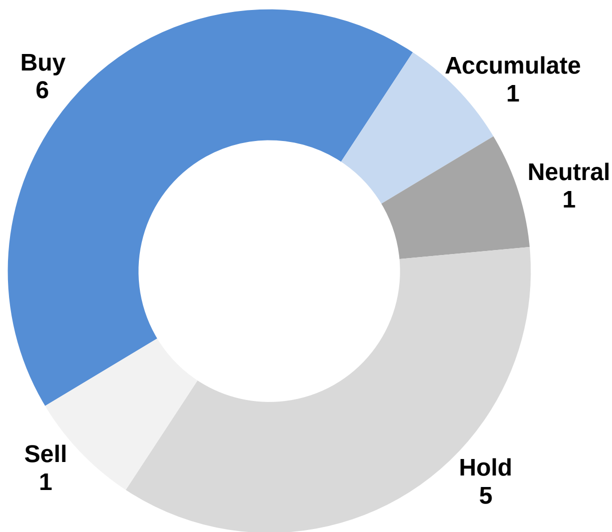
The history of TVN's shares is set forth in the tables below:

(PLN not in thousands)	Highest share price during the month	Lowest share price during the month
January 2014	15.73	14.56
February 2014	16.88	15.10
March 2014	17.02	14.50
April 2014	17.07	15.68
May 2014	16.50	15.02
June 2014	16.49	14.90
July 2014	15.55	13.85
August 2014	14.52	13.01
September 2014	16.01	13.77
October 2014	15.70	14.07
November 2014	16.24	14.25
December 2014	17.20	15.51

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
First quarter ended March 31, 2013	10.10	8.90
Second quarter ended June 30, 2013	12.00	8.38
Third quarter ended September 30, 2013	14.12	10.15
Fourth quarter ended December 31, 2013	16.00	14.07
First quarter ended March 31, 2014	17.02	14.50
Second quarter ended June 30, 2014	17.07	14.90
Third quarter ended September 30, 2014	16.01	13.01
Fourth quarter ended December 31, 2014	17.20	14.07

(PLN not in thousands)	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2014
Share price at end of period	17.10	10.30	9.92	14.70	16.20
Average share price during period	16.92	15.02	8.83	11.65	15.44
Highest share price during period	19.43	18.49	12.05	16.00	17.20
Lowest share price during period	13.00	8.90	6.00	8.38	13.01

Recommendations breakdown as of December 31, 2014 and analysts coverage



Broker	Analyst	Date of the last recommendation in 2014	Recommendation	Target Price in PLN
Societe Generale	N/A	March 7	Hold	16.2
UBS	Michał Potyra	June 25	Sell	14.0
DM BZ WBK	Łukasz Kosiarski	July 6	Buy	19.0
Dom Maklerski mbank	Paweł Szpigiel	September 11	Buy	17.90
DB Securities S.A.	Tomasz Krukowski	October 24	Hold	16.5
Raiffeisen Investment Polska	Dominik Niszcz	October 29	Buy	17.3
UniCredit CAIB	Przemysław Sawala - Uryasz	November 25	Hold	16.8
Goldman Sachs	Daria Fomina	December 3	Buy	19.5
JP Morgan	Alexei Gogolev	December 4	Neutral	16.5
DM PKO BP	Włodzimierz Giller	December 4	Hold	17.2
Espirito Santo Investment Bank	Konrad Księżopolski	December 11	Buy	17,9
DM BOŚ S.A.	Sobiesław Pająk	December 14	Hold	15.3
Erste Group	Vaclav Kminek	December 15	Accumulate	17.9
ING Securities	Andrzej Knigawka	December 19	Buy	18.5
Trigon DM	Hanna Kędziora	None in 2014	-	-

ITEM 9. ADDITIONAL INFORMATION

This summary describes certain material provisions of our Articles of Association as well as information regarding our share capital and ordinary shares, the Polish Commercial Companies Code and other regulations which are material to our operations. This description does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the Polish Commercial Companies Code and other applicable regulations in effect on the date of this annual report.

TVN Sp. z o.o. was incorporated on May 22, 1995 and was entered in the commercial register maintained by the District Court for the city of Warsaw, Commercial Court, XVI Commercial and Registration Division, under the RHB no. 43929. On June 12, 2001, the Registry Court entered TVN Sp. z o. o., into the National Court Register under number KRS 0000018906.

On July 2, 2004, the extraordinary general meeting of shareholders of TVN Sp. z o.o. unanimously adopted Resolution No. 12 transforming TVN Sp. z o.o. into a joint-stock company, TVN S.A. This transformation was officially registered on July 30, 2004, by entering TVN S.A. on that date in the Register of Entrepreneurs maintained by the Registry Court under number KRS 0000213007.

SHARE CAPITAL

Our share capital is divided into 352,748,308 (not in thousands) registered and bearer ordinary shares, Series A, B, C1, C2, C3, D, E1, E2, E3, E4 and F with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 172,392,878 are bearer shares, not in thousands).The series C shares were issued pursuant to the Resolution of TVN general meeting of shareholders dated June 8, 2006, with a conditional increase of share capital of up to 9,870,000 (not in thousands) shares of series C in respect of the employee share option scheme. The series E shares were issued pursuant to the Resolution of TVN general meeting of shareholders, dated September 26, 2006, with a conditional increase of our share capital of up to 8,781,675 (not in thousands) shares of series E also in respect of the employee share option scheme. As of December 31, 2014 the rights to subscribe for the shares within the employee share option scheme expired, as well as, the conditional increase of share capital

Pursuant to §7 Section 1 of our Articles of Association, our management board could, within three years from May 1, 2011 , increase our authorized share capital one or more times, by an aggregate amount of up to PLN 15,000,000 (not in thousands) i.e., by 75,000,000 (not in thousands) shares (assuming the nominal value remains 20 groszy per share). The authorization to increase the share capital includes shares being acquired in exchange for a contribution in-kind and the possibility of the issuance of subscription warrants within the three-year period referred to above (see §7 Sections 2 and 3 of the Articles). Pursuant to §7.4 and §21.3.13 of our Articles of Association, resolutions of the management board on (i) the indication of the date of opening and ending of the subscription, (ii) the setting of the issue price, (iii) the allotment of shares in exchange for in-kind contribution, and (iv) the issue of subscription warrants, require the consent of our supervisory board. The authorization of the management board to increase the share capital expired as of May 1, 2014 and was not renewed for the next period.

THE ISSUE OF SHARES

An increase in our share capital may be effected by an issuance of new shares or an increase of the nominal value of our existing shares, and requires the adoption of a resolution by a qualified majority of three-quarters of the votes of the shareholders in a general meeting.

The provisions of the Polish Commercial Companies Code, in addition to an ordinary share capital increase, provide for (i) a share capital increase with the use of funds from our reserve capital or from the supplementary capital within the limits defined by the law, (ii) a share capital increase within the value of the authorized capital, and (iii) a conditional share capital increase.

TRANSFER OF SHARES

Our shares are transferable and are not subject to any restrictions apart from the limitations arising out of our Articles of Association, the Commercial Companies Code, the Broadcasting Law, the Act on Trading in Financial Instruments, and the Act on Public Offering and other provisions of law, the material provisions of which are summarized below.

Pursuant to §10.1 of our Articles of Association, the disposal of our registered shares requires the prior written consent of the management board. The management board shall notify a shareholder on granting or refusing to grant consent within 30 days following the receipt of a written notice from the shareholder intending to dispose of the shares, specifying the number of shares to be disposed of and the price for the shares to be disposed of. If the management board refuses to grant the consent for the disposal of the shares, it shall designate within two months following the date of receipt of the notice, a purchaser who may only purchase such shares at a price that cannot be lower than the average price for the last 30 trading days on the Warsaw Stock Exchange plus 7.5% of the price set forth in the notice, unless a different price has been agreed to by the transferring shareholder and the purchaser designated by the management board.

The agreement on the transfer of the shares to the purchaser designated by the management board shall be executed, and the price for the shares shall be paid by the purchaser, within 14 days following the date of designation by the management board, unless the purchaser and transferring shareholder agree to other terms. In the event the purchaser designated by the management board does not purchase the shares within the requisite time period, a shareholder may sell the shares to another person or effect a conversion of registered shares into bearer shares without management board consent. The limitations concerning the disposal of our shares set forth in §10.1 shall not apply to the disposal of our registered shares for the benefit of our dominating entity, subsidiary and other affiliates belonging to our capital group.

Pursuant to §10.2 of our Articles of Association, as long as there are laws limiting the maximum number of our shares which may be acquired by foreign entities, having their residence or statutory seat in a country which is not a member of the European Economic Area (EEA), the disposal of the registered Series A Shares may be made only for the benefit of a natural person being resident in a member country of the EEA or a legal person or organizational entity not being a legal person, which has a statutory seat in a member country of the EEA, subject to the conditions set forth in our television broadcasting licenses.

Pursuant to §10.3 of our Articles of Association, as long as there are laws limiting the acquisition of our shares by foreign entities having their residence or statutory seat in a country which is not a member of the EEA, the disposal of our shares for the benefit of a natural person not resident in a member country of the EEA or a legal person or organizational entity not a legal person, which does not have its statutory seat in a member country of the EEA, may be made only with the permission of the chairman of the National Broadcasting Council.

CONVERSION OF REGISTERED SHARES TO BEARER SHARES

The paragraph 9 of our Articles of Association permits conversion of our shares from registered into bearer form only upon the motion of a shareholder and requires the prior consent of our management board; provided, however, that such consent shall not be withheld if, prior to effecting the conversion to bearer form, the shareholder fulfils the procedure set forth under "Transfer of Shares" above.

VOTING RIGHTS

Pursuant to the Article 412 of the Polish Commercial Companies Code, shareholders may participate in the general meetings of shareholders and exercise voting rights in person or by proxy.

Pursuant to the Article 411 of the Polish Commercial Companies Code, each share is entitled to one vote at the general meeting of shareholders. Pursuant to our Articles of Association no special voting rights are attached to our shares.

Pursuant to §13.4 of our Articles of Association, as long as required by the Broadcasting Act, voting rights held by foreign entities with residence or registered office is in a country which is not a member of the EEA (including subsidiaries of such foreign entities) may not exceed 49%.

Pursuant to the Article 400 of the Polish Commercial Companies Code, a shareholder or shareholders representing at least 5% of our share capital may request that an extraordinary general meeting of shareholders be convened and submit particular matters for the agenda of the meeting of the shareholders. Such request should be filed with the management board in writing or in electronic form. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the shareholders may refer the matter to the registry court and convene such meeting upon authorization of the registry court. At the same time, the court shall appoint the chairman of such meeting.

SUPERVISORY BOARD

Pursuant to the Article 385 §1 of the Polish Commercial Companies Code, the members of the supervisory board are appointed and removed by the general meeting of shareholders.

Pursuant to the Article 385 §3 of the Polish Commercial Companies Code, upon an motion of shareholders representing at least 20% of our share capital, the election of the supervisory board shall be made at the next general meeting of shareholders by way of a vote in separate groups.

MANAGEMENT BOARD

Our management board manages our activities and represents TVN. The company may be represented by two members of the management board acting jointly or one member acting jointly with a commercial procurator.

Our management board shall be composed of at least three members, including the president and at least one vice-president, appointed and removed by the supervisory board.

The number of members of our management board is determined by the supervisory board.

The members of our management board are appointed for a joint three-year term.

The resolutions of our management board are adopted by a simple majority of votes cast, at the meeting, or by written resolution without holding a meeting. If the resolution is adopted at a meeting of the management board, the meeting must be attended by at least half of its members. In the case of a tied vote, the vote of the president is decisive.

The management board is required to obtain prior consent of the supervisory board, taking certain actions, in particular:

- acquiring, disposing of or investing (whether in a single transaction or a series of transactions) in any business (or any significant part thereof) or assets or any shares in any company, if the value of the acquisition or disposal or investment exceeds PLN 100,000,000 (not in thousands), save as to the extent (i) expressly provided in the Annual Budget or (ii) where such acquisition, disposal or investment is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into any partnership, joint venture agreement, profit-sharing agreement, technology licence or collaboration if the value of the Company's participation in such arrangement exceeds PLN 100,000,000 (not in thousands), save as to the extent (i) expressly provided for in the Annual Budget or (ii) if the entry into such partnership, joint venture agreement, profit-sharing agreement, technology licence or collaboration is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into, amending, assuming, incurring or terminating any contract, commitment or contracting any liability (including content contract or a licence agreement), which represents a cumulative commitment for each such contract or liability in excess of PLN 100,000,000 (not in thousands), save as to the extent (i) expressly provided for in the Annual Budget or (ii) if the entry into, amendment, assumption, incurrence or termination of such contract. commitment or contracting of such liability is effected solely between entities from the TVN Group and is required by the indenture governing the TVN Notes;

- entering into or amending any contract by the Company with any other entity, including an entity from the TVN Group (other than a wholly owned subsidiary of the Company) that requires the Company to expend or to provide goods or services having a value being more than the equivalent of EUR 5,000,000 (not in thousands) in aggregate per financial year, or that is otherwise material to the business of the Company or other entity from the TVN Group, provided that this provision shall not apply to programming contracts and expenditures which are included in the Annual Budget;

- incurring any capital expenditure for the acquisition or leasing of fixed assets exceeding in the aggregate the equivalent of EUR 5,000,000 (not in thousands) during the relevant financial year, except for those not specifically included in the Annual Budget;

- acquisition of securities or shares of any company for the amount exceeding totally the equivalent of EUR 5,000,000 (not in thousands) in aggregate during the relevant financial year, except for such transactions included in the Annual Budget;

- undertaking other activities not specified in the above items other than those which are connected with the current business activities of the Company resulting in creation of obligation or termination of an obligation of a third-party entity towards the Company, the value of which exceeds totally the equivalent of EUR 5,000,000 (not in thousands) in aggregate during the relevant financial year except for transactions included in the Annual Budget;

Borrowing Powers

Our management board is not entitled, without the supervisory board's prior consent, to incur loans or credits or other financing for purposes other than the refinancing of existing obligations which are greater than EUR 5,000,000 (not in thousands) aggregate per year, except for loans, credits or other financing included in the annual budget as approved.

Pre-emptive Rights.

Pursuant to the Article 433 §1 of the Polish Commercial Companies Code, our shareholders have a pre-emptive right with respect to newly issued shares in proportion to the number of shares that they already hold.

A general meeting of shareholders may deprive the shareholders of their pre-emptive rights, in whole or in part, upon a resolution adopted by an 80% majority when such proposal has been published in the agenda of the general shareholders' meeting and the written reasons for such resolution have been presented by the management board, under Article 433 § 2 of the Commercial Companies Code.

Pursuant to the Article 433 §3 of the Polish Commercial Companies Code, the provisions of Article 433 §2 of the Code described above are not applied if the resolution on the increase of the share capital provides that the new shares:

- are to be subscribed in whole by a financial institution (i.e. an underwriter), which shall subsequently offer such new shares to shareholders with a view to enabling them to exercise the pre-emptive right on the terms stipulated in the resolution; or

- are to be subscribed by an underwriter, where the shareholders who have the pre-emptive rights have not subscribed for some or all of the shares offered to them.

Pursuant to §7.5 of our Articles of Association, until May 1, 2014 the management board was entitled, up to the limit of our authorized capital, also in the case of the issuance of subscription warrants, to deprive the existing shareholders of their pre-emptive rights in whole or in part, subject to the prior consent of the supervisory board.

Dividends and Other Distributions.

Pursuant to the Article 347 §1 of the Commercial Companies Code, our shareholders are entitled to participate in the profits presented in our audited financial statements, and so designated by the general meeting of shareholders.

Pursuant to the Article 395 of the Polish Commercial Companies Code, a resolution on distribution of profits and dividend payments (or coverage of losses) may be adopted by the ordinary general meeting of shareholders convened within six months after the end of each financial year.

Pursuant to the Article 347 §2 of the Polish Commercial Companies Code, profits are divided in proportion to the number of shares owned by each shareholder.

Paragraph 27.2 of our Articles of Association authorizes the management board to make advance payment to shareholders, within a given financial year, against dividends expected as of the end of the financial year, if we have sufficient funds for such payment (in accordance with Article 349, § 2 of the Commercial Companies Code). The payment of the advance for the expected dividend requires the consent of the supervisory board (Article 349, §1 of the Commercial Companies Code and §21.3.5 of our Articles of Association).

Pursuant to the Article 349 §2 of the Polish Commercial Companies Code, we may pay such advance on the expected dividend if our financial statements for the previous financial year show profits. The advance, which may be disposed of by the management board, may not exceed half of the profits earned from the end of the previous financial year, according to the audited financial statements, plus reserve capital created from the profit reduced by uncovered losses and the company's own shares.

DIRECTORS' MATERIAL INTERESTS.

Our Articles of Association do not contain any specific provisions concerning management board members' material interests. Therefore, the general rules provided by the Polish Commercial Companies Code apply.

According to the Article 379 of the Polish Commercial Companies Code and paragraph 19 of our Articles of Association, in agreements between us and a member of the management board, as well as in a dispute with a member of the management board, we will be represented by the supervisory board or an attorney appointed by virtue of a resolution of the general meeting of shareholders.

Moreover, according to the Article 15 of the Polish Commercial Companies Code, the consent of general meeting of shareholders is required for the conclusion by us of a credit agreement, loan agreement, guarantee agreement or any other similar agreement with a member of the management board, supervisory board, commercial procurator, liquidator or for the benefit of any of the above listed persons.

According to the Article 377 of the Polish Commercial Companies Code, a member of the management board may not vote, and shall withhold from deciding in respect of any contract or arrangement in which he or she is interested, or in which his or her spouse or relatives (up to the second degree) are interested, or where any other conflict of interest between a member and the company exists.

Moreover, according to the Article 380 §1 of the Polish Commercial Companies Code, a member of the management board may not, without the consent of the supervisory board compete or participate as a partner in a partnership or a civil law partnership, or serve as a member of management of a company, or participate in any competitive legal entity as a member of its management that competes with us. The above prohibition shall also apply to participation in a competitor company if a member of the management board holds at least 10%

of the shares in such company or has the right to appoint at least one member of the management board of such company.

DIRECTORS' REMUNERATION.

According to the Article 378 of the Polish Commercial Companies Code, the supervisory board sets the remuneration of members of the management board engaged under employment contracts or other contracts. The shareholders may authorize the supervisory board to establish that the remuneration of members of the management board shall also include the right to participate, in a specified manner, in the company's annual profit allocated for distribution among the shareholders.

NO AGE DISQUALIFICATION FOR DIRECTORS.

Neither the Articles of Association nor the Polish Commercial Companies Code contain any provision concerning age requirements for Directors.

WINDING UP.

Under our Articles of Association, in the case of our winding up, the shareholders appoint, upon the supervisory board's request, liquidators among the members of the management board and determine the procedure of winding-up. As to other matters concerning winding-up not regulated by the Articles of Association, Articles 459 – 478 of the Polish Commercial Companies Code apply.

According to the general rules for winding–up, our assets may be divided among shareholders after all claims of creditors are paid off or secured. The division of assets may not be performed earlier than within one year from the date of announcement of the commencement of the liquidation and notifying the creditors. The assets are divided among shareholders proportionately to their respective contribution made to the share capital.

REDEMPTION.

Shares may be redeemed upon the shareholder's consent, known as "voluntary redemption", subject to binding provisions of law. Our Articles of Association do not provide for redemption of shares without the consent of the shareholder, known as "forced redemption".

FURTHER CAPITAL CALLS.

According to the Polish Commercial Companies Code, the shareholders of a joint stock company are obligated to make full payment for shares. Any payment for shares should be made proportionally for all shares held.

CHANGE OF CONTROL PROVISIONS.

On September 22, 2004, the National Broadcasting Council permitted us to trade an amount not exceeding 49% of our share capital on the Warsaw Stock Exchange. This limitation is the result of provisions contained in Article 35 of the Broadcasting Act that provides that shareholdings of foreign entities located outside EEA or persons that are not EEA residents may not exceed 49% of the share capital of a broadcasting license holder, such as TVN S.A., or 49% of voting right in the general meeting of shareholders.

The decision of the National Broadcasting Council issued at the time of admission to public trading on the Warsaw Stock Exchange is the most significant obstacle to a change of control.

Anti-takeover provisions are also included in our Articles of Association.

Although all TVN S.A. shares have equal voting and dividend rights, the most effective defence mechanism operates through the registered shares. Since conversion of the shares from registered shares into bearer shares, as well as any disposition of the registered shares, requires the written consent of the management board, the management board ultimately controls any change in holding of the registered shares under paragraphs 9 and 10 of our Articles of Association. Presently, our share capital consists of 180,355,430 registered shares, representing 51.13% of the total share capital. In addition, at the time of any increase in the share capital, existing shareholders have pre-emptive rights, and any deprivation of the pre-emptive rights requires a resolution adopted by a vote of 80% of the share capital. In the case of an increase in share capital within the authorized share capital, a resolution of the management board, acting with the supervisory board consent, is required. Until May 1, 2014 the management board was authorised to increase the share capital by an amount of up to PLN 15 million under paragraph 7 of the Articles of Association.

ACTION NECESSARY TO CHANGE RIGHTS OF SHAREHOLDERS.

Pursuant to the Article 415 of the Polish Commercial Companies Code, any amendments to the Articles of Association providing for a limitation of the rights granted to individual shareholders requires the consent of all shareholders concerned. Any other change to the Articles of Association under the Polish Commercial Companies Code requires a resolution to be adopted by a majority of three quarters of the votes at a general meeting of shareholders.

DISCLOSURE OF SHAREHOLDER OWNERSHIP THRESHOLDS.

Chapter 4, section 1 of the Act on Public Offering governs the obligation of the shareholders to disclose the acquisition of shares. Information about all acquisitions or dispositions of shares must be provided to the Polish Financial Supervision Authority, as well as to us, and also must be publicly announced.

The disclosure obligation covers, in particular, the following transactions:

- acquisition or disposition of shares that results in a shareholder reaching or exceeding 5%,10%,15%, 20%, 25%, 33%, 33.33%, 50%, 75%, or 90% of the total number of voting shares;

- disposition of shares that results in a reduction to below 5%,10%, 15%, 20%, 25%, 33%, 33.33%, 50%, 75%, or 90% or less of the total number of voting shares if the shareholder previously owned 5%,10%, 15%, 20%, 25%, 33%, 33.33%, 50%, 75% or 90% of the total number of voting shares;

- acquisition or disposition of shares that results in a shareholder changing his earlier share by at least 2% of the total number of voting shares, if the shareholder already owns over 10% of voting shares; and

- acquisition or disposition of the shares that results in a shareholder changing his earlier share by at least 1% of the total number of voting shares if the shareholder already owns over 33% of voting shares.

When a shareholder holds less than 33% of the total voting shares and acquires shares increasing his voting power by more than 10% of the voting shares within a period shorter than 60 days, such acquisition must be effected by way of a tender offer.

When a shareholder holds 33% or more of the total voting shares and acquires shares increasing his voting power by more than 5% of the voting shares within a period shorter than one year, such acquisition must be effected by way of a tender offer.

A shareholder may acquire shares exceeding a threshold of 33% of our total voting shares only by way of a tender offer to acquire shares which gives the right to tender to at least 66% of total voting shares.

The shareholder may acquire shares exceeding a threshold of 66% of total voting shares only by way of a tender offer to acquire the residual shares.

In addition, the Polish Office of Competition and Consumer Protection has the right to control the concentration of shareholdings. Under Article 13 of the Act on the Protection of Competition and Consumers, the Office of Competition and Consumer Protection must be notified about the intent to enter into a transaction of share acquisition resulting in the acquisition of direct and indirect control over company, in the event that the aggregate revenue of both companies participating in the concentration, exceeds in the year preceding concentration the sum of EUR 50 million in Poland, or the sum of EUR 1 billion worldwide (not in thousands).

CHANGES IN SHARE CAPITAL.

Any increase or decrease in share capital requires an amendment to the Articles of Association. Any amendment to the Articles of Association must be adopted by a three quarters majority of shareholders in accordance with the Article 415 of the Polish Commercial Companies Code.

MATERIAL CONTRACTS

ACQUIRED PROGRAMMING CONTENT

The following are descriptions of two of our most important programming agreements.

Warner Bros. programming agreement

On July 25, 2014, we finalised a free television license, basic subscription television, subscription video on demand and free video on demand license agreement with Warner Bros. International Television Distribution Inc. ("Warner"), pursuant to which Warner granted us a limited license for a period of approximately three years (expiring after the last license period particular to each program type in any given year of the deal) to exhibit and make Warner programs available in Poland on "on demand basis", including feature films, TV movies and TV series. The license fee payable is dependent on the type and length of the relevant programming. Both parties have the option to terminate the agreement, if either party materially breaches its obligations under the agreement.

Paramount Pictures programming term sheet

On April 4, 2014, we signed a free television, basic television, subscription video on demand and advertising video on demand term sheet with Paramount Pictures Global ("Paramount"), pursuant to which Paramount granted us a limited license to exercise in Poland free/basic, SVOD and AVOD rights to licensed programming for a period of approximately 3 years (expiring after the last license period particular to each program type in any given deal year). Licensed Paramount programs include feature films, TV movies and TV series.

COPYRIGHT AGREEMENTS

We have copyright agreements with organizations of writers, actors and filmmakers which govern the terms under which we may broadcast programming content produced by third parties.

License agreement with ZAiKS

On March 10, 2010, we entered into a license agreement with ZAiKS, an association of writers and composers in Poland. Pursuant to the terms of the license agreement, we are entitled to broadcast programming content protected by ZAiKS, in consideration for payment of a monthly royalty fee equal to a percentage of the revenue of TVN generated from broadcasting activities (such as advertising airtime sales, sponsorship, audiotele and teleshopping). The agreement may be terminated by either party with three months' notice. ZAiKS has the right to terminate the agreement with immediate effect if we default on our obligations under the agreement. In the performance of the main agreement, separate licence agreements have been concluded for the channels TVN 24, TVN Meteo, TVN Warszawa, TVN CNBC Biznes (currently TVN 24 BiŚ) and TVN Turbo.

License agreement with ZASP

On July 24, 2001, we entered into an agreement with ZASP, a union of Polish actors. The agreement regulates the broadcasting of programs involving actors represented by ZASP and the payment of royalties to such actors. The fee due under this agreement is calculated and payable on a monthly basis depending on the type and length of the relevant programs. The agreement may be terminated by either party with three months' notice.

General Agreement with SFP

On August 28, 2009, we entered into an agreement with SFP, an association of Polish filmmakers. The agreement regulates the value and the manner of payment of the fees for broadcasting audiovisual programs. The consideration is set as a lump-sum fee on all revenues of TVN generated from its activity, including that from commercial advertisements, sale of airtime, sponsored programs, audio-text services and all other revenues directly connected with TVN's broadcasting activity. The agreement is for an unspecified term and may be terminated by either party with three months' notice.

Other copyright agreements

On July 3, 1998, we entered into an agreement with STOART, a union of performing artists. On May 30, 2006 we entered into an agreement with ZPAV, a union of audio-video producers. On January 31, 2007 we entered into an agreement with SAWP, a union of artists performing music compositions. On September 1, 2007 we entered into an agreement with Broadcast Music Ing (BMI) and on October 10, 2008 we entered into an agreement with American Society Of Composers, Authors And Publishers (ASCAP).

AGREEMENTS FOR SATELLITE AND CABLE TELEVISION DISTRIBUTION

We have license agreements with all satellite platform operators and all major and medium sized cable television operators for the distribution of our television channels through their networks. Altogether, we have agreements with approximately 460 operators for the distribution of a selection of our free and pay channels. These also include agreements for five high definition versions of our standard definition channels.

License agreements with ITI Neovision and Cyfra+

We have a long term license agreement with ITI Neovision S.A. pursuant to which nc+ digital satellite platform has been granted a license for the distribution of TVN 24, TVN Turbo, TVN Style (transmitted in HD and SD), TVN Meteo, TVN 24 Biznes i Świat (transmitted in SD) and TVN, TVN 7 (transmitted in HD and SD). Pursuant to the agreement, each party may terminate the agreement in case of certain breaches and/or defaults of the other party.

License agreement with Cyfrowy Polsat S.A. — TVN, TVN HD, TVN7 and TVN7 HD channels

On April 29, 2011, we entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a non-exclusive license for the satellite distribution of the TVN, TVN HD, TVN7 and TVN7 HD channels in Poland. The agreement was valid until April 30, 2015 and in December 2014 a long term extension was finalized by both sides. Pursuant to the agreement, each party may terminate the agreement with 30 days' notice in case of certain breaches and/or defaults of the other party.

License agreement with Cyfrowy Polsat S.A. — TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN 24 Biznes i Świat channels

On April 29, 2011, we entered into an agreement with Cyfrowy Polsat S.A. The agreement grants a non-exclusive license for the satellite distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN 24 Biznes i Świat channels in Poland. The agreement was valid until April 30, 2015 and in December 2014 a long term extension was finalized by both sides. Pursuant to the agreement, each party may terminate the agreement immediately in the case of certain breaches and/or defaults of the other party or with 30 days' notice in the case of force majeure.

License agreement with Multimedia Polska S.A.

We have a valid agreement with Multimedia Polska S.A., which grants a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN 24 Biznes i Świat channels in Poland. Pursuant to the agreement, each party may terminate the agreement with 30 days' notice in case of certain breaches and/or defaults of the other party.

License agreement with UPC Polska sp. z o.o.

We concluded with UPC Polska Sp. z o.o an agreement dated June 6, 2007, as subsequently amended. The agreement grants a non-exclusive long term license for the distribution of the TVN 24, TVN Meteo, TVN Turbo, TVN Style and TVN 24 Biznes i Świat channels in Poland (including TVN 24, TVN Turbo and TVN Style in HD versions). Pursuant to the agreement, the agreement may be terminated in case of certain breaches and/or defaults of the other party.

License agreement with Vectra S.A. ("Vectra")

We have valid a long term license agreement with Vectra granting a non-exclusive license for the distribution of the TVN 24, TVN Meteo, TVN Turbo and TVN Style channels in Poland. Each party may unilaterally terminate the agreement if the other party materially breaches the terms of the agreement, or may suspend the performance of the agreement for the time during which the other party is in breach. If we permanently cease to code the channels, then we are required to immediately notify Vectra, and the agreement will terminate with immediate effect on the date of such notification.

CONCLUSION OF A MATERIAL AGREEMENT BETWEEN ITI GROUP AND TVN GROUP WITH CANAL+ GROUP

On December 18, 2011 the Group along with ITI Media Group Limited (its intermediate parent entity) concluded agreements to effect the strategic co-operation with Groupe Canal+ S.A. ("Canal+ Group") and the merger of the business of ITI Neovision Sp. z o.o. ("ITI Neovision"), the 'n' platform operator, with Canal+ Cyfrowy S.A., the Cyfra+ platform operator ("Cyfra+"). The purpose of the transaction was to combine the Polish Pay-TV operations of 'n' and Cyfra+ creating a digital DTH platform nC+ controlled by Canal+ Group with a significant strategic shareholding by TVN.

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

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

On November 30, 2012 all the conditions precedent required to perform the strategic co-operation agreements have been fulfilled, the combination of the Cyfra+ and ‘n’ platforms as a combined digital DTH platform nC+ platform has come into effect and TVN’s control over the ITI Neovision Group was lost.

As a result of the closing of the strategic co-operation agreements with Canal+ Group, TVN has transferred all the shares it held, directly or indirectly, in ITI Neovision (87,071 (not in thousands) shares, held directly, representing in total 49% of the share capital of ITI Neovision and 100% of the shares in DTH Poland Holding B.V. with its registered office in Amsterdam, which holds the remaining 51% of shares in ITI Neovision), by contributing them to the increased share capital of Cyfra+, in exchange for 282,352 (not in thousands) ordinary registered shares with the nominal value of 500 (not in thousands) each representing 32% of the share capital of Cyfra+ and entitling the holder to 32% of votes at the general meeting of Cyfra+. The issue price of one Cyfra+ share amounted to 3,886 (not in thousands). The Company acquired the Cyfra+ shares by making a representation on the subscription of shares in the increased share capital of Cyfra+ pursuant to Article 451 § 1 of the Polish Commercial Companies Code. Canal+ Group holds shares representing 51% of the votes at a general meeting of Cyfra+ and LGI Ventures B.V. (“UPC”) holds the remaining 17% of the votes at a general meeting of Cyfra+. As the Group has significant influence on, but not control over, Canal+ Cyfrowy S.A., the investment is classified as investment in associate and accounted for using the equity method.

The Group sees the investment in the combined nC+ platform as a long term capital investment aiming to create the largest digital platform in Poland, with an expanded premium customer base, which will benefit from the effects of scale and synergies resulting from the combination of ITI Neovision and Cyfra+.

The Group’s investment in nC+ 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.

Additionally all the conditions precedent had been fulfilled, which were required to close the transaction of the sale to Canal+ Group of a 40% interest in N-Vision, a company organized under the laws of the Netherlands, being the sole owner of Polish Television Holding B.V., a company organized under the laws of the Netherlands, the holder of a 51.13% interest in TVN, pursuant to a share purchase agreement dated December 18, 2011 concluded between ITI Media Group Limited, International Trading and Investments Holdings S.A. and Canal+ Group.

On February 4, 2014 ITI Group and Canal+ Group settled the 9% put option, whereby ITI Media Group Limited transferred a 9% stake in N-Vision B.V. to Canal+ Group. After the transaction ITI Group owns 51% and Canal+ Group owns 49% of the share capital in N-Vision B.V. N-Vision B.V. is the sole shareholder of Polish Television Holding B.V.

Closing the sale of Grupa Onet.pl S.A.'s shares to Ringier Axel Springer

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

On September 18, 2012 the Office of Competition and Consumer Protection (UOKiK) granted unconditional consent for the sale of Grupa Onet.pl to RAS. The antitrust regulatory approval of the transaction constituted one of the conditions under which the agreement was signed with RAS.

On November 6, 2012 all conditions precedent to closing of the transaction of disposal of Onet Group to RAS have been satisfied or waived. Before the closing of the transaction, the parties agreed certain technical modification to the structure of the transaction. Given the above on November 6, 2012. Grupa Onet Poland Holding, a wholly–owned subsidiary of TVN Group, sold to Vidalia 5,685,486 (not in thousands) of Grupa Onet.pl shares with the nominal value of 1 (not in thousands) each, jointly representing 75% of Grupa Onet.pl share capital and votes at its general meeting. The sale price was 956,250. The sale price was subject to further adjustments reflecting Onet Group's financial condition, but could not be increased by more than 3,750. At the closing of the transaction 96% of the sale price was paid. The remainder of the sale price was paid upon final determination of the sale price in exchange for establishing a pledge over 4% of the Vidalia's shares held by Grupa Onet Poland Holding in favour of RAS, securing any claims RAS may have under the warranties granted by Grupa Onet Poland Holding. Grupa Onet Poland Holding is entitled to exercise the voting rights from and receive dividends in respect of the pledged shares.

Grupa Onet Poland Holding contributed the remaining 1,895,162 (not in thousands) of Grupa Onet.pl shares representing 25% of its share capital and votes at its general meeting to Vidalia in exchange for 25% shares in the Vidalia's increased share capital with the nominal value of 50 (not in thousands) per share, representing, following the increase, 25% of Vidalia's share capital and votes at its shareholders meeting. Increasing Vidalia's share capital requires making an entry in the relevant court register. The stake of 25% in the increased share capital of Vidalia is valued at 318,750.

Further to the closing of the transaction, when the increase in Vidalia's share capital has been entered in the relevant court register, RAS will hold 1,590 (not in thousands) shares in Vidalia's share capital with the nominal value of 50 (not in thousands) per share representing 75% of Vidalia's share capital and votes at its shareholders meeting and Grupa Onet Poland Holding will hold 530 (not in thousands) shares in Vidalia's share capital with the nominal value of 50 (not in thousands) per share representing 25% of Vidalia's share capital and votes at its shareholders meeting. Vidalia will hold 100% of Grupa Onet.pl shares. The Group treats Vidalia's shares as a long-term investment. As the Group has significant influence on, but not control over, Vidalia, the investment is classified as investment in associate and accounted for using the equity method.

Furthermore, at the closing of the transaction TVN, Grupa Onet Poland Holding and RAS entered into the shareholders agreement relating to Onet Group regulating their cooperation with respect to Vidalia and, indirectly, Onet Group. The shareholders agreement contains in particular a swap option for TVN to exchange a number of TVN's (its subsidiaries') shares in the Vidalia for the shares in RAS (option valid if RAS conducts an IPO). Furthermore, under the shareholders agreement the following options are granted:

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

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

Exchange Controls

Foreign exchange transactions are regulated by the Foreign Exchange Law of July 27, 2002, which came into force on October 1, 2002. The Foreign Exchange Law states that, as a rule, foreign exchange transactions are permitted, however some are subject to the restrictions provided therein. While foreign exchange transactions with member countries of the European Union, the EEA and the Organisation for Economic Co-operation and Development (including the United States) are mostly free from foreign exchange restrictions, a more stringent legal regime applies to residents of other countries, i.e. all countries that are not members of the EU, EEA or OECD. Any exemption from the restrictions and obligations set forth in the Foreign Exchange Law requires a general or individual foreign exchange permit. General foreign exchange permits are granted by the minister responsible for public finance. Such general permits may apply to all or a specific category of entities defined by type, as well as all transactions or transactions defined by type. Consequently, certain restrictions provided in the Foreign Exchange Law are excluded by the Ordinance of the Minister of Finance on general foreign exchange permits dated September 4, 2007, effective since October 3, 2007. While the adoption of amendments to the Foreign Exchange Law as a legislative act has to go through the parliamentary process, the adoption of an amendment to the Ordinance of the Minister of Finance rests solely within the powers of the Minister of Finance.

The Foreign Exchange Law provides for the equal treatment of Złoty and foreign currencies listed on a convertible currencies list in the conduct and settlement of foreign exchange transactions with parties located abroad. Accordingly, payments to persons who are non-residents of Poland (as defined therein) may be made and expressed in convertible currencies or in Złoty with no difference in the treatment thereof.

Restrictions contained in the Foreign Exchange Law cover transactions with third countries, i.e. all countries that are not members of the EU, EEA or OECD, such as:

1. The transfer of domestic or foreign money by residents to third countries, in order to undertake or broaden economic activity in those countries, including the purchasing of real estate, with some exceptions, i.e. transfer of money in order to cover the expenses related to supply of services in third countries.

2. Disposals in Poland by non-residents from third countries and by international organisations of which Poland is not a member, either directly or indirectly of:

    - debentures with a maturity period of less than one year, except for debentures purchased in Poland;
    - cash claims, except for those purchased in Poland or purchased from the Polish residents, to the extent where a foreign exchange permit is not required.

3. Purchases by residents either directly or indirectly through other persons of:

    - shares in companies seated in third countries, as well as taking up shares in such companies;
    - participation units in collective investment funds based in third countries;
    - debentures issued by non-residents from third countries;
    - foreign currency disposed of by non-residents from third countries, in exchange for other foreign or domestic currency;
    - cash claims disposed of by non-residents from third countries.

It is important to underline that the restriction on concluding agreements which result or may result in an obligation to pay in foreign currency in Poland was abrogated on January 24, 2009. The above amendment reflects the abolishment of the currency principle, which was stipulated in the Polish Civil Code.

Additionally, the Foreign Exchange Law imposes certain duties. Residents are required to transfer money abroad and to make settlements with non-residents in Poland through authorized banks, if the amount to be transferred or settled exceeds the equivalent of EUR15,000. The obligation to make settlements through authorized banks does not relate to situations when the authorised bank is a party to the settlement.

Residents engaged in foreign exchange transactions with non-residents and entrepreneurs conducting money exchange office activities must furnish the National Bank of Poland with sufficient data on such transactions or activities to prepare the balance of payments and of the states.

TAXATION

United States of America

General

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the 7.875% Senior Notes (the “senior notes”). This summary is not a comprehensive description of all of the tax considerations that may be relevant to a holder of the senior notes. In particular, this summary of U.S. federal income tax matters deals only with holders that will hold senior notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not address the tax treatment of holders that are subject to special tax rules such as financial institutions, securities or currency dealers, brokers, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, persons holding senior notes as part of a hedging, straddle conversion or larger integrated financial transaction or ''U.S. Holders'' (as defined below) with a currency other than the Dollar as their functional currency. If a partnership holds the senior notes, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership.

This summary is based upon the U.S. Internal Revenue Code of 1986, as amended, (the "Code"), U.S. Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect.

HOLDERS OF THE SENIOR NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SENIOR NOTES, IN ADDITION TO THE EFFECT OF ANY STATE OR LOCAL TAX LAWS OR THE LAWS OF ANY JURISDICTION OTHER THAN THE UNITED STATES OF AMERICA.

U.S. Holders

As used herein, a ''U.S. Holder'' means a beneficial owner of a senior note who is for U.S. federal income tax purposes (i) a citizen or resident of the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, including the Commonwealth of Puerto Rico, (ii) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States of America or under the laws of the United States of America or of any political subdivision thereof, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) any trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

Interest on the Senior Notes

Interest on the senior notes will be includable in a U.S. Holder's income as ordinary income at the time the interest is accrued or received, in accordance with the U.S. Holder's method of tax accounting. Interest income will constitute foreign source passive income for foreign tax credit purposes. If any foreign withholding taxes are imposed on the payments, the amount withheld will be included in the holder's gross income at the time such amount is received or accrued in accordance with such holder's method of accounting. A U.S. Holder will not be allowed to claim foreign tax credits (but would instead be allowed a deduction) for foreign taxes imposed on income with respect to the senior notes unless the U.S. Holder (i) holds such senior notes for more than 15 days during the 31-day period beginning at the date that is 15 days before the right to receive payment arises (disregarding any period during which the U.S. Holder has a diminished risk of loss with respect to such senior notes), and (ii) is not under an obligation to make related payments with respect to positions in substantially similar or related property. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of such interest paid or accrued in respect of a senior note.

A U.S. Holder of Euro-denominated senior notes that uses the cash method of accounting for U.S. federal income tax purposes will realize interest income equal to the Dollar value of the interest payment, based on the exchange rate on the date of receipt, regardless of whether the payment in fact is converted into Dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment. However, a U.S. Holder may recognize foreign currency gain or loss when the U.S. Holder converts the proceeds into Dollars.

A U.S. Holder of Euro-denominated senior notes that uses the accrual method of accounting for U.S. federal income tax purposes will determine the amount of interest income allocable to an accrual period in Euro, and then will translate that amount into Dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may elect to convert accrued interest into Dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the part of the accrual period within each taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all Euro-denominated senior notes from year to year and cannot change the election without the consent of the Internal Revenue Service (the "IRS"). A U.S. Holder that does not want to accrue interest income using the average exchange rate may make certain alternative elections. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to an accrual of that interest. This foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss.

Market Discount and Bond Premium

If you purchased a senior note for an amount that is less than its stated redemption price at maturity, the amount of the difference will be treated as "market discount" unless such difference is less than a specified de minimis amount. Market discount is considered to be zero if the market discount is less than one quarter of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity for the senior note. If a senior note has market discount, you generally will be required to treat any partial principal payment received on, and any gain recognized upon the sale or other disposition of, the senior note as ordinary income to the extent of the market discount that accrued during your holding period for the senior note, unless you elect to include market discount in gross income annually over time as the market discount accrues (on a ratable basis or, at your irrevocable election, a constant yield basis). In addition, if you hold a senior note with market discount, and do not elect to accrue market discount into gross income over time, you may be required to defer the deduction of any interest expense incurred or continued to purchase or carry the senior note.

Furthermore, if you purchase a senior note with a more than de minimis market discount and it is subsequently disposed in a transaction that is non-taxable in whole or in part (other than certain transactions described in section 1276(d) of the Code), accrued market discount will be includible in gross income as ordinary income as if you had sold the senior note at its then fair market value.

Market discount on the senior notes is determined in Euro. If you do not elect current inclusion, accrued market discount is translated into Dollars at the spot rate on the date of disposition and included in income at that time. No part of such accrued market discount is treated as foreign currency gain or loss. If you elect to include market discount in income currently, the amount included in current income is translated into Dollars at the average exchange rate in effect during each interest accrual period, or with respect to an interest accrual prior that spans two taxable years, at the average rate for the partial period within the taxable year. Such an electing U.S. holder will recognize foreign currency gain or loss with respect to accrued market discount under the same rules as apply to accrued interest on a senior note received by a U.S. holder on the accrual basis. See “Taxation – United States of America – Interest on the Senior Notes”.

If you purchased a senior note for an amount in excess of all amounts payable on the senior note after the acquisition date (other than payment of qualified stated interest) you may elect to treat the excess as “amortizable bond premium,” in which case the amount required to be included in your income each year with respect to interest on the senior note will be reduced by the amount of amortizable bond premium allocable (based on the senior note’s yield to maturity) to that year.

You should consult your tax advisor in this regard. Any election to amortize bond premium will apply to senior notes held by you at the beginning of the first taxable year to which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. If you elect to amortize bond premium, you must reduce your tax basis in the senior notes by the amount of the premium amortized. If you do not make the election to amortize the bond premium, the bond premium generally will decrease the gain or increase the loss otherwise recognized upon a taxable disposition of the senior note.

The amount of amortizable bond premium that will reduce your interest income is determined each year in Euro. At the time amortizable bond premium offsets your interest income, foreign currency gain or loss (which will be taxable as ordinary income or loss) will be realized with respect to amortizable bond premium on the senior note based on the difference between the spot rate of exchange on the date or dates the premium is recovered through interest payments on the senior note and the spot rate of exchange on the date you acquired such senior note.

If you purchased your senior notes after their original issuance with market discount or bond premium, you should consult your tax advisor regarding the tax consequences of owning and disposing of the senior notes, including the availability of certain elections.

Sale and Redemption of the Senior Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a senior note in an amount equal to the difference between the amount realized upon such sale (other than amounts received in respect of accrued and unpaid interest), exchange, retirement or other disposition and such U.S. Holder’s adjusted tax basis in the senior note. The Dollar amount realized will be the value of the Euro received at the spot exchange rate on the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). Gain or loss will be capital except to the extent attributable to accrued but unpaid interest or foreign exchange gain or loss. A U.S. Holder’s adjusted tax basis in a senior note will generally equal such U.S. Holder’s initial investment in the senior note. The amount paid for a senior note with Euro will be the Dollar value of the Euro used to purchase it at the spot exchange rate on the date of purchase.

Capital gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a senior note generally will be long-term capital gain or loss if the senior note is held for more than one year. Under the current law, net long-term capital gains of individuals are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to limitations. A U.S. Holder will recognize foreign currency exchange gain or loss equal to the difference between the Dollar value of the principal amount of the senior note on the date of acquisition and the date of disposition (or on the settlement date, if the senior notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). The foreign currency exchange gain or loss cannot exceed overall gain or loss on the senior note. Foreign currency gain or loss generally will be ordinary income or loss.

U.S. Holders should note that the Polish tax on civil law transactions, if imposed, will not be treated as creditable foreign tax for U.S. federal income tax purposes, although U.S. Holders may be entitled to deduct such taxes, subject to applicable limitations under the Code. See the discussion below "Polish Taxation—Tax on Civil Law Transactions on Transfer of the Senior Notes".

Satisfaction and discharge

If we were to obtain a discharge of the indenture governing the senior notes with respect to all of the senior notes then outstanding, as described in "Description of the senior notes — Satisfaction and discharge", such discharge would generally be deemed to constitute a taxable exchange of the senior notes outstanding for other property. In such case, a U.S. Holder would be required to recognize capital gain or loss in connection with such deemed exchange. In addition, after such deemed exchange, a U.S. Holder might also be required to recognize income from the property deemed to have been received in such exchange over the remaining life of the transaction in a manner or amount that is different than if the discharge had not occurred. U.S. Holders should consult their tax advisors as to the specific consequences arising from a discharge in their particular situations.

Disposition of Euro

A U.S. Holder will have a tax basis in Euro received on the senior notes equal to the Dollar value to the Euro received determined at the spot exchange rate on the date the Euro is received. A U.S. Holder will have a tax basis in Euro received on the sale, exchange or other disposition of a senior note equal to the Dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the Euro generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments within the United States of America of interest, and principal and to proceeds of a sale, redemption or other disposition of the senior notes. A ''backup withholding'' tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest, fails to certify that he is not subject to such withholding or fails to report interest and dividend income in full. In general, a U.S. Holder may comply with this requirement by providing the paying agent, broker or other intermediary with a duly completed and executed copy of IRS Form W-9. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or credit against such beneficial owner's U.S. federal income tax liability provided the required information is furnished to the IRS.

Disclosure Requirements

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions, "Reportable Transactions", could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note. U.S. Holders considering the purchase of the senior notes should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the senior notes, including any requirement to file IRS Form 8886 ("Reportable Transaction Statement").

Reporting obligations of individual owners of foreign financial assets

Section 6038D of the Code generally requires U.S. individuals (and possibly certain entities that have U.S. individual owners) to file IRS Form 8938 if they hold certain "specified foreign financial assets", the aggregate value of which exceeds USD 50,000 on the last day of the taxable year (or the aggregate value of which exceeds USD 75,000 at any time during the taxable year). The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, senior notes. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such U.S. Holder for the related tax year may not close before the date which is three years after the date on which such report is filed. U.S. holders should discuss these reporting obligations with their tax advisors.

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, a member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within the jurisdiction of the first member state to an individual, or certain other persons, resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria were instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

Polish Taxation

The following is a summary of the principal Polish tax consequences for investors in the senior notes. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and disposal of the senior notes or the receipt of interest and accrual of discount (including for these purposes any premium payable on redemption) on the senior notes or payments by the Company under the guarantee. Potential investors should, therefore, consult their own tax advisers regarding the tax consequences under Polish law including the application of any tax treaty between Poland and their country of residence. All references to a repurchase or redemption of senior notes are to a repurchase or redemption of senior notes by the issuer of the senior notes and shall mean a "repurchase" of the senior notes for Polish tax law purposes.

Residence

All references to residence for the purposes of this summary are to residence for the purposes of Polish tax law and applicable double tax treaties. References to a "Polish individual" or "Polish legal person" are to an individual or corporation or other legal entity resident in Poland for tax purposes and references to a "foreign individual" or to a "foreign legal person" to an individual or legal person or other legal entity not resident in Poland for tax purposes.

The rules of taxation with corporate income tax also apply to limited joint-stock partnerships (“*spółki komandytowo-akcyjne*”).

Corporate taxpayers, having their seat or place of management in Poland are subject to Polish corporate income tax on their worldwide income, irrespective of the place in which such income is earned. A corporate taxpayer which has neither its seat nor its place of management in Poland is subject to Polish income tax only on income earned in Poland.

An individual whose place of residence is in Poland is subject to Polish income tax on his or her worldwide income irrespective of the place in which such income is earned. An individual whose place of residence is not located in Poland is subject to Polish income tax only on income earned in Poland.

Taxation of Persons Who Are Not Resident in Poland

Taxation of interest and discount on the Senior Notes and sale and repurchase of the Senior Notes

Individuals and legal persons having neither their place of residence nor seat nor place of management in Poland will not be liable to taxation in Poland on interest or discount paid or accruing on the senior notes nor on income arising from the sale or repurchase of the senior notes (save as described below in relation to payments by the Company under the guarantee).

Payments under the guarantee

Payments made by the Company under the guarantee constitute a fulfilment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified as the same type of income as the senior notes i.e. repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. “income from other sources.”

Any entity resident in Poland (including the Company) which pays interest on the senior notes to non-residents (whether individuals or legal persons) is obliged to withhold Polish income tax at the rate of 20% from such payments on the date of payment thereof. However, the rate of withholding tax may be reduced pursuant to an applicable double tax treaty, provided that the foreign resident obtains a certificate confirming its place of residence issued for tax purposes by the appropriate tax administration (a certificate of tax residence). In the case of legal persons, if the certain conditions are met, the interest paid to the related company may be exempt from withholding tax.

Should the Polish tax authorities reclassify the streams of payments under guarantee into “income from other sources”, then non-residents would not be taxable in Poland provided that they are resident in a Treaty country i.e. country with which Poland has concluded a double tax treaty. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Taxation of persons resident in Poland

Interest and discount on the Senior Notes

Interest and discount on the senior notes paid by the issuer will, for Polish taxation purposes, be treated as income earned in Sweden. Pursuant to the convention for the avoidance of double taxation entered into between Sweden and the Republic of Poland (the "Convention"), interest or discount on the senior notes earned in the Sweden by Polish legal persons or individuals may be taxed only in the state of residence i.e. Poland (Sweden does not have the right of taxation). The above rules do not apply if the noteholder carries on a trade or business in Sweden through a permanent establishment with which the senior notes are effectively connected.

Interest and discount on the senior notes earned by Polish tax residents (whether individuals or legal persons) are subject to income tax in Poland at the rate of 19%.

Sale, repurchase and redemption of the Senior Notes

Pursuant to the Convention, income from the sale of the senior notes or repurchase or redemption of the senior notes by the issuer arising to Polish tax residents (whether individuals or legal persons) is subject to taxation only in Poland unless the noteholder carries on business in the Sweden through a permanent establishment with which the senior notes are effectively connected. In such cases, tax is payable on the difference between the proceeds of sale, repurchase or redemption and the acquisition cost of the relevant senior notes (capital gains).

With respect to individuals, capital gains generated on disposal of the senior notes is subject to flat 19% personal income tax rate, assuming the trading of the senior notes does not form part of their business activity. No tax advances are payable upon realization of the capital gain during a calendar year— individuals are obliged to file an annual tax return, in which all such capital gains should be declared, and pay the tax accordingly (both due April 30th of the following calendar year).

With respect to legal persons, such capital gains are subject to flat 19% corporate income tax rate. Legal persons are obliged to pay the tax upon realization of the capital gain (relevant tax advance is payable by 20th of the following month; however, if the gain is generated during the last month of the tax year, no tax advance is required if before the 20th of following month taxpayer will submit an annual corporate tax return and pay the tax).

Payments under the guarantee

Payments made by the Company under the guarantee constitute a fulfilment of the liabilities of the issuer towards the investors under the senior notes. As such, they should be classified under the same type of income as the senior notes i.e. as repurchase/redemption of the senior notes or a payment of interest under the senior notes. However, it cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting for Polish tax purposes an independent type of income e.g. "income from other sources."

In the case of interest paid by the Company to Polish individuals, such income will be subject to 19% flat rate personal income tax without deduction of any costs. The Company would withhold the tax and remit it to the tax office. Such income is not subject to aggregation with other types of income.

In the case of interest payments made by the Company under the guarantee paid to Polish legal persons, the income would be subject to aggregation with other types of income generated by such legal persons and then subject to flat 19% corporate income tax rate. The Company would not withhold the tax.

In the case of repurchase or redemption amounts payable by the Company, tax will be payable in Poland by Polish individuals and Polish legal persons on the difference between the proceeds of the repurchase or redemption and the acquisition cost of the senior notes (capital gain). The Company would not withhold the tax. In the case of Polish individuals the capital gain would be subject to 19% personal income tax settled on an annual basis (i.e. no interim tax advances are payable). In the case of Polish legal persons, such capital gain is subject to 19% corporate income tax, payable in advance on the 20th day of the month following the month in which the capital gain was realized.

Should the Polish tax authorities reclassify the interest payments under guarantee into “income from other sources”, then the Polish individuals would be subject to progressive taxation (18% rate up to a ceiling of PLN 85,528 and 32% rate thereafter) and the Company would not be obliged to withhold tax on behalf of the Polish individuals. The tax consequences for the Polish legal persons should not be altered by such potential reclassification.

Tax on Civil Law Transactions on Transfer of The Senior Notes

Tax on civil law transactions is payable on sale or exchange of the senior notes at a rate of 1%of the market value transferred, where the transfer of the senior notes is treated as relating to:

- property rights located within the territory of Poland or enforceable in the territory of Poland; or
- property rights located abroad or enforceable abroad, if the purchaser of the senior notes has its residence or seat in Poland and the transfer is executed in Poland.

It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

In-kind contribution of the senior notes to a company or partnership may be subject to tax on civil law transactions if the company/partnership has its seat in Poland. The applicable tax rate would be 0.5% payable on the value of nominal share capital issued (in the case of companies) or value of the contributed senior notes (in the case of partnerships).

Gift and Inheritance Tax

Liabilities to gift and inheritance tax apply only to individuals and may arise on a gift of the senior notes or on an inheritance of the senior notes, where:

- the heir or the donee is a Polish citizen or as a permanent stay in Poland; or
- the rights attributable to the senior notes are treated as property rights enforceable in the territory of Poland. It is expected that the rights attributable to senior notes will not be treated as property rights enforceable in Poland for these purposes. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

The amount of such tax (and applicable tax exemptions) depends on the relationship of the donor to donee or of the deceased to the heir.

Documents on Display

All the documents concerning us which we refer to in this document may be inspected at our registered office by contacting Tomasz Poźniak at +48.22.856.66.14.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports as required by the Indenture is recorded, processed, summarized and reported within the time periods specified by the Indenture.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Not applicable.

ITEM 16B. CODE OF ETHICS

As we are not required to do so by Polish Law, we did not adopt a code of ethics. However, we adopted a Corporate Governance code which is described in Item 16G.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

On May 9, 2013 we entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim condensed separate financial statements and audit interim consolidated financial statements as at and for the 6 months ended June 30, 2014 and audit separate and consolidated financial statements as of and for the year ended December 31, 2014.

The following table sets out a summary of accountancy fees and services for the twelve months ended December 31, 2014 and 2013:

(in thousands)	**2014**	**2013**
Audit fees [1]	968	968
Tax fees [2][3]	651	974
Other fees[3]	540	905
Total fees	**2,159**	**2,847**

[1] Audit fees are the fees for review and audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

[2] This position includes fees ***rendered and invoiced from*** *January 1 through December 31, of the fiscal year.*

[3] Other fees in 2013 include mainly fees for issuance of comfort letters related to Senior Notes.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where text of such set of rules is available in public

The principles of the corporate governance rules are set forth in the document “Code of Best Practice for WSE Listed Companies” available to public on the following web page http://www.corp-gov.gpw.pl/ .

The Company complies with the “Code of Best Practice for WSE Listed Companies”, except for the rules described below.

In 2014 the Company did not adhere to the principles described in points I.12, II.9a), IV.10 of the “Code of Best Practice for WSE Listed Companies” in the scope concerning electronic remote voting at the general meeting of shareholders, provision of audio or video coverage of the general meetings and availability of two-way live electronic communication to the shareholders during the meetings.

The Company announces the general meetings of shareholders four weeks in advance, in line with the legal requirements, and the meetings are organized in a transparent and efficient manner allowing shareholders to fully execute their rights based on thorough documentation concerning resolutions and motions placed for and adopted by the general meetings.

II. Description of the principal features of the internal control and risk management systems applied in the Company in respect to the process of preparing financial statements

The Company’s management board is responsible for the internal control system within the Company and its effectiveness in the course of the process applied for preparation of financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Regulation of the Minister of Finance of February 19, 2009 on current and regular reports made available by issuers of securities.

Effectiveness of the Company’s internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included into the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- Defined scope of financial reporting applied by the Company;
- Defined division of duties and organization of work in the financial reporting process;
- Regular review of Company's results in respect of the applied financial reporting standards;
- Regular, independent reviews of the published Company's financial statements by the auditors;
- Principles of authorizing financial reports prior to their publication;
- Involving the internal audit function in assessing effectiveness of the controls used.

Defined scope of financial reporting applied by the Company

The Company carries out annual reviews of strategy, long-term business plans and business risk factors. Based on conclusions drawn from such review, a detailed budgeting process is performed including all functional areas of the Company, with participation of the medium and top level management. The budget prepared each year for the following year is adopted by the management board and approved by the supervisory board.

In course of the year, the management board analyses current financial results and compares them with the approved budget, using the management reporting system, built based on the accounting policy adopted by the Company (International Financial Reporting Standards) and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

The accounting policy adopted by the Company is used both in the process of interim and annual financial reporting and in management reporting.

The Company applies coherent accounting principles, presenting financial data in financial statements, interim financial reports and other reports made available to the investors.

Defined division of duties and organization of work in the financial reporting process

The TVN Group Finance Division, reporting to the vice-president of the management board, chief financial officer is responsible for preparing the financial statements, interim financial reports and regular management reports of the Company.

Financial statements of the Company are prepared by the medium level managers within the TVN Group Finance Division based on financial data included in management reports, after their acceptance by the CFO, taking into consideration supplementary data supplied by specified employees from other units. Prior to their issue to the independent auditor, the prepared financial statements are verified by the competent director in the TVN Group Finance Division and, next, by the CFO.

Regular reviews of Company's results in respect of applied financial reporting standards

The financial data, on which financial statements and interim reports are based, is derived from the financial and operational reporting systems used by the Company. After ledger closing of each calendar month, the medium and top-level management within TVN Group Finance Division analyse the financial results of the Company comparing these with the assumptions in reference to each business segment.

Identified mistakes are immediately adjusted within the Company's ledgers, according to the adopted accounting policy.

Process of preparing financial statements and interim reports begins once results of the ended period are accepted by the CFO.

Regular, independent reviews of the published Company's financial statements by the auditors

The Company applies the principle of independent analysis of the published financial statements even when such a requirement is not imposed by the applicable laws.

The published semi-annual and annual financial statements and financial reports, as well as financial data on which such reports are based, are reviewed or audited by the Company's auditor. In particular the adequacy of financial data and scope of necessary disclosures are scrutinized.

Results of audit procedures are presented by the auditor to the TVN Group Finance Division management during summary meetings and meetings of the Audit and Related Party Transactions Committee.

Principles of authorizing financial reports prior to their publication

Financial statements and interim reports are submitted by the management board to the members of the supervisory board after the review or audit is completed.

The Audit and Related Party Transactions Committee holds a meeting prior to acceptance of interim financial statements for publication by the management board and the supervisory board, during which the CFO presents key aspects of the quarterly/ semi-annual/ annual financial statements – underlining changes to the accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit and Related Party Transactions Committee reviews interim financial statements taking into consideration information presented by the CFO and the independent auditors, and thereafter recommends to the supervisory board approval of such documents.

Involving the internal audit function in assessing effectiveness of the controls used

The Company operates an internal audit unit, which participates in identifying the risks and assesses controls for the needs of TVN S.A. and TVN Group companies. The annual internal audit program is created based on a risk assessment process performed with participation of the management board. The program of audits is approved by the Audit and Related Party Transactions Committee. Planned audits are supplemented by follow-up audits to review implementation of recommendations issued in the course of previous audits, and ad-hoc audits that can be ordered by the management board or the Audit and Related Party Transactions Committee.

Internal audit prepares reports containing evaluation of controls, analysis of business risks and recommendations for improving the controls.

Results of internal audit activities are first discussed with the Management Board and next submitted to the Audit and Related Party Transactions Committee. The management board is responsible for timely implementation of recommendations issued.

III. Shareholder holding significant share blocks of TVN S.A., both directly and indirectly

The table below present current structure of Company's Shareholders possessing significant Company share blocks as of December 31, 2014

Shareholder	Number of shares in issue	% of Share Capital	Number of Votes	% of votes
ITI Group [(1)]	179,295,606	50.83%	179,295,606	52.70%
ITI Holdings S.A. Luxembourg [(1)]	5,326,426	1.51%	5,326,426	1.57%
Polish Television Holding B.V. [(2) (3)]	173,969,180	49.32%	173,969,180	51.13%
ING OFE. [(4)]	26,687,221	7.57%	26,687,221	7.84%
Aviva OFE [(4)]	25,000,000	7.09%	25,000,000	7.35%
OFE PZU "Złota Jesień" [(4)]	21,700,000	6.15%	21,700,000	6.38%
TVN S.A. (treasury shares)	12,500,000	3.54%	-	-
Other shareholders	87,565,481	24.82%	87,565,481	25.74%
TOTAL:	**352,748,308**	**100.00%**	**340,248,308**	**100.00%**

(1) As of December 31, 2014, 50.83% of our shares in issue were held by entities that are ultimately controlled by ITI Group. Our principal direct majority shareholder is PTH, in which ITI Group indirectly owns 51% and Groupe Canal+ indirectly owns 49%. ITI Group holds directly 1.51% of the shares in TVN S.A. through ITI Holdings S.A. Luxembourg.
(2) Polish Television Holding B.V. has pledged the majority of the Company's shares.
(3) Entity controlled by ITI Group.
(4) Based on the list of shareholders holding at least 5% of votes at the General Shareholders Meeting of TVN held on April 11, 2014, as published by TVN in a form of current report on April 11, 2014.

Included in the total number of ordinary shares in issue as at December 31, 2014 held by other shareholders are 2,404,156 ordinary shares of C2, C3, E2, E3 and E4 series not registered by the Court (December 31, 2013: 718,848 ordinary shares of C2, C3, E1, E2, E3 and E4 series).

IV. Holders of securities entitling to special control rights

Shares of the Company are ordinary shares, either registered or bearer shares. Company's Articles of Association do not provide for any special rights attributed to shares in the Company, including any voting rights or rights to appoint members of the Company's bodies. Shareholders in the company do not hold any shares entitling to special control rights.

V. Restrictions on voting rights

Shareholders right to vote is not limited in any way. In particular, Company Statutes do not provide for any restrictions in performing voting rights by Shareholders possessing more than 10% overall votes in the Company

The Company is not aware of any time or quantity related restrictions concerning performance of voting rights associated with any particular shares or Shareholders in result of any agreements executed by and between its Shareholders. Neither have there been any agreements executed with the Company, in which shareholders' rights would have been detached from holding of securities.

In 2014 there were no cases of prohibiting performance of voting rights from shares imposed as sanctions due to reaching or exceeding any threshold of votes, in reference to those instances which have been provided for in the Act on Public Offers.

VI. Restrictions applicable to transfer of rights from securities

Disposing of the registered shares of the Company requires prior consent of the Management Board, as provided for in the procedure set forth in Paragraph 10 of the Company's Articles of Association. Such restrictions are not applicable to sale of registered shares to the parents or subsidiaries of the Company. Disposing of registered shares in violation of principles set forth in the Articles of Association is ineffective.

In accordance with Article 40 of the Broadcasting Law, Company's shares to any individual or legal person having domicile or seat outside any European Economic Area Member State may take place after obtaining consent from the Chairman of the National Broadcasting Council. Disposal of Company shares in violation of principles set forth in the preceding sentence is void. The Chairman of the National Broadcasting Council authorized the disposal of the Company's bearer shares listed on the Warsaw stock exchange up to 49% of the share capital of the Company, issuing the Decision No. DK 181/2004 dated on September 22, 2004.

VII. Principles of appointing and removing members of the Management Board and authorities of the Management Board, particularly in reference to the right to decide about issue or repurchase of shares

Principles of appointing and removing members of the Management Board

Members of the management board are appointed and dismissed by the supervisory board for a joint three-year term of office. The management board consists of at least three members, the number of management board members is determined by the supervisory board. Article 368 § 4 of the Polish Commercial Companies Code provides for the right of removal or suspension of a member of the management board by the general meeting of shareholders.

Authorization of the Management Board, including the right to adopt decisions on issue or redeeming of shares

Authorization to manage matters of the Company has been provided for in Regulations of the Management Board approved by Resolution of the supervisory board No. 14/02/13 of February 27, 2013. Members of the management board manage matters of the Company acting jointly, subject to scopes of individual authority for particular management board members, as provided for in §5 and §6 of the Regulations of the Management Board. Notwithstanding those provisions, each action constituting a disposal of assets or undertaking of an obligation by the Company in amount exceeding PLN 5,000,000 (not in thousands) requires a resolution of the management board to be adopted prior thereto. Matters requiring joint action taken by the management board include: selecting objectives and establishing key growth indicators of the Company, incurring or early repaying credits and loans or granting guarantees, collaterals or other forms of securing the payment of credits or loans taken out, as well as analysis of material investment projects relating to technical infrastructure of the Company and undertaking decisions on starting such projects. Moreover, the management board jointly decides about all matters requiring resolutions to be adopted by the supervisory board or the general meeting of shareholders.

The Company may be represented by two members of the management board acting jointly or one member of the Management Board acting jointly with a commercial procurator (Pol. "prokurent").

Pursuant to the Company's Articles of Association, the management board was entitled until May 1, 2014 to issue Company shares within, so called, the authorized capital. This authorization was valid for three years, since May 1, 2011 and entitled the management board to increase the Company's share capital one or more times by a total amount not exceeding PLN 15,000,000 (not in thousands).

The general meeting of shareholders on April 11, 2014 adopted the resolution authorizing the management board to acquire the Company's own shares for the period ending on the earlier of 31 December 2015 or the utilisation of all funds allocated to the buy-back program, i.e. for the maximum amount of PLN 500,000,000 (not in thousand). So far the Company has acquired 12,500,000 (not in thousand) own shares for the total price of PLN 250,000,000 (not in thousand).

VIII. Principles applied in amending Company's Statutes

TVN S.A. performs its activities based on Articles of Association adopted by resolution of the general meeting of shareholders held on July 2, 2004, with subsequent amendments. The annual general meeting of Shareholders approved last amendment of the Articles of Association on April 11, 2014.

Any amendment of the Articles of Association requires a resolution to be adopted by the general meeting of shareholders and registration in the court register. Resolutions of the general meeting of shareholders on amending the Articles are adopted by a majority of three fourths of the votes.

IX. Description of the proceedings of general meeting of shareholders, its principal authorities and shareholder rights and manner of exercising such rights

The general meeting of shareholders

In 2014, there was one general meeting of shareholders of TVN S.A., i.e., Annual General Shareholders Meeting on April 11, 2014. The General Meeting proceeded in accordance with the provisions of the Commercial Companies Code and the provisions of the Regulations of the General Meeting of Shareholders of TVN S.A.

The chairman of the general meeting of shareholders assured efficient proceedings of the meeting. Members of the management board and of the supervisory board participated in the general meeting of shareholders allowing substantive responses to questions asked during the meeting.

Resolutions of the general meeting of shareholders were adopted under conditions allowing minority shareholders to exercise their rights, including the right of objecting to the resolutions adopted. None of the resolutions adopted was questioned before the court. Resolutions adopted by the annual general meeting of shareholders were published on the Company's web site.

In accordance with the Regulations of General Meetings of Shareholders, the management board made available an e-mail address on TVN S.A. corporate website in order to allow shareholders, contact the management board in electronic form.

Shareholders may send to the specified e-mail address motions to the management board for convening a general meeting of shareholders, placing of specific items in the agenda and draft resolutions in accordance with the provisions of the Polish Commercial Companies Code.

Shareholders using electronic means of contact have to be identified, and need to prove their rights by delivery appropriate documents, which have to be verified by the management board.

Shareholder rights

The provisions of the Commercial Companies Code provide for the right of shareholders to facilitate their participation in general meetings and exercise voting rights.

Shareholders representing not less than 5% of Company's share capital have a right to convene the general meeting of shareholders and place specific matters in its agenda. Such a request may be placed in writing or by e-mail.

Shareholders representing not less than 50%of Company's share capital have the right to autonomously convene general meetings of shareholders.

Shareholders representing not less than 5% of Company's share capital have a right to submit draft resolutions prior to date of the meeting, and in exercising shareholders' rights to have full access to information, the management board is obligated to publish such draft documents on the Company's web page.

Shareholders have the right to cast different votes from their shares at the general meeting of shareholders, which means that a shareholder may vote differently on each share as allowed by the relevant provisions of the Commercial Companies Code.

These shareholders' rights are fully respected by the Company.

X. Membership and proceedings of managing and supervising bodies of the Company, and committees thereof

A. The Management Board

Membership in the Management Board and changes in membership during 2014

The composition of the Management Board remained stable throughout 2014 and was as follows:

1) Markus Tellenbach – president of the management board,
2) John Driscoll – vice-president of the management board,
3) Edward Miszczak – member of the management board,
4) Adam Pieczyński – member of the management board,
5) Piotr Tyborowicz – member of the management board,
6) Piotr Korycki – member of the management board,
7) Maciej Maciejowski – member of the management board

Activities of the Management Board in 2014

In adopting its decisions acting within authorities set forth in the Articles of Association, the Company's management board adhered to provisions of the Commercial Companies Code and statutory regulations applicable to listed companies and "Best Practices of WSE Listed Companies".

When implementing strategic objectives of the Company approved by the supervisory board as well as current actions, the management board was guided by the interests of the Company, taking into account the interests of the shareholders and the employees of the Company.

In effort to ensure transparency and effectiveness of the management system, the management board adhered to the principles of actions within the boundaries of justified economic risk, guided by professional information, analyses and opinions.

The management board jointly resolved on all matters requiring resolutions to be adopted by the supervisory board or the general meeting of shareholders, including resolutions on approving interim financial statements and reports on the activities of the management board, as well as the annual financial statements and annual report from the activities of the management board. Matters being considered jointly by the management board included also key decisions of material importance for the business of the Company, of which the most important was the decision regarding repurchase of the Senior Notes issued by TVN Finance Corporation III AB (publ) due in 2018 for the purpose of their redemption.

Resolutions of the management board were adopted by simple majority votes cast during the meetings with required quorum being in attendance, or in writing, provided that all members of the management board had been informed of the draft resolution. Members of the management board adhered to principles of abstaining from participation in resolving on matters associated with existence of a conflict of interests.

Information policy of the Company was implemented by the management board in adherence to the principle of posting to the Company's web site both Polish and English language versions of information required under the applicable laws and by the "Best Practices of WSE Listed Companies".

The management board turned to the supervisory board for approval of required transactions to be executed with a related party, as regulated by the Articles of Association and the "Best Practices of WSE Listed Companies".

B. The supervisory board

Current membership in the supervisory board

The supervisory board presently consists of eleven members appointed for the joint three year term of office commencing from March 30, 2012.

The composition of the supervisory board remained stable throughout 2014 and was as follows:

1) Wojciech Kostrzewa – chairman of the supervisory board, member of the Audit and Related Party Transactions Committee,
2) Bertrand Meheut– deputy chairman of the supervisory board,
3) Arnold Bahlmann – independent supervisory board member, member of the Audit and Related Party Transactions Committee,
4) Rodolphe Belmer – supervisory board member, member of the Strategic and Content Committee,
5) Michał Broniatowski – independent supervisory board member, member of the Strategic and Content Committee,

6) Paweł Gricuk – independent supervisory board member, member of the Audit and Related Party Transactions Committee and the Nomination and Remuneration Committee,
7) Sophie Guieysse – supervisory board member, member of the Audit and Related Party Transactions Committee and the Nomination and Remuneration Committee,
8) Wiesław Rozłucki – independent supervisory board member, chairman of the Audit and Related Party Transactions Committee,
9) Bruno Valsangiacomo – supervisory board member,
10) Piotr Walter – supervisory board member, chairman of the Strategic and Content Committee,
11) Aldona Wejchert – supervisory board member, chairperson of the Nomination and Remuneration Committee.

Rules of the operation of the Supervisory Board

Adopting resolutions the supervisory board was acting within the scope of its authorities set forth in the Company statutes, and adhered to provisions of the Commercial Companies Code, Regulations of the Supervisory Board and the “Best Practice for WSE Listed Companies”.

The supervisory board adopted its resolutions by simple majority (excluding the “Restricted Matters”) during the meetings adhering to the quorum requirement, or without holding the meeting, in written form, provided that all members of the supervisory board were informed about content of the draft resolution. Resolutions concerning the “Restricted Matters” as defined in the Articles of Association require casting vote by the chairman and the deputy chairman of the supervisory board and none of these votes is against such a resolution (before amendment of the Articles of Association approved by the general meeting of shareholders on April 11, 2014 the Restricted Matters had required votes in favour of the resolution cast by both, the chairman and his deputy).

The supervisory board members while performing their duties have complied with the principles of “Best Practice for WSE Listed Companies” regarding conflicts of interest.

Meetings of the supervisory board may be convened by the chairman or deputy chairman of the supervisory board on their own initiative or on motion of the management board or any member of the supervisory board. Members of the supervisory board may participate in the meeting using remote communication devices, and where permitted by the applicable regulations, may cast their votes in writing through another member of the supervisory board. Meetings of the supervisory board are convened as required. In 2014, four meetings of the supervisory board were held in total.

Management board members participated in supervisory board meetings. The management board provided the supervisory board with exhaustive information on all material issues relating to Company’s business.

The supervisory board last year adopted five resolutions without holding a meeting, using the written voting procedure.

Supervisory board members having economic, family or other ties with shareholders holding more than 5% of votes at the general meeting of shareholders had notified the management board duly thereof. That information was also published on the TVN corporate web site.

In 2014 four supervisory board members fulfilled the criteria of being independent from the Company and entities remaining in material relationship with the Company, as defined in European Commission Recommendations of February 15, 2005 on role of non-executive directors being members in supervisory boards of listed companies.

The supervisory board submitted to the annual general meeting of shareholders held on April 11, 2014, a concise assessment of the standing of TVN S.A. in 2013 and a report of its activities and activities of the supervisory board's committees in 2013. The general meeting of shareholders accepted the report of the supervisory board. The supervisory board also recommended to the general meeting of shareholders to adopt a resolution on approval of the buy-back program.

In performing its authorities to control business of the Company, the supervisory board reviewed and assessed interim financial statements of the Company and the TVN Group, as well as reports of the management board on the activity of the Company.

C. Supervisory Board Committees

In 2014, the following committees operated within the supervisory board: the Audit and Related Party Transactions Committee (five supervisory board members of whom three are independent), the Nomination and Remuneration Committee (three supervisory board members of whom one is independent), and the Strategic and Content Committee (three supervisory board members of whom one is independent).

The Audit and Related Party Transactions Committee

Duties of the Audit and Related Party Transactions Committee have been provided for in the Regulations of the Supervisory Board. The Audit and Related Party Transactions Committee supervises the financial reporting process for the purpose of ensuring equilibrium, transparency and integrity of published financial information, verifies efficiency of internal financial controls and the risk management system, as well as evaluates operation of internal and external audit. Also, the Audit and Related Party Transactions Committee reviews the terms and conditions of related party transactions to be concluded by TVN to ensure that such transactions are in accordance with the Company's policies on related party transactions and prepares reports for the supervisory board in that respect. Moreover, the Audit and Related Party Transactions Committee recommends to the supervisory board appointing of the external auditor.

The Audit and Related Party Transactions Committee cooperates with the supervisory board, the management board, middle level management and with internal and external audit in course of performing its duties.

In 2014 the Audit and Related Party Transactions Committee consisted of five members: Wiesław Rozłucki (chairman), Paweł Gricuk, Arnold Bahlmann, Sophie Guieysse and Wojciech Kostrzewa. All members of the Committee have the required qualifications in accounting and finance, with three of them being independent supervisory board members.

The Audit and Related Party Transactions Committee holds regular meetings, at least 4 times per year. In 2014 the Committee met four times and decided on two resolutions without holding a meeting, using the written voting procedure. The vice-president of the management board, chief financial officer, the internal audit director and the representatives of the external audit participate in the Committee meetings on invitation.

TVN internal audit submitted to the Committee results of all audits conducted in the Company in accordance with the annual audit program approved by the Committee.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee's responsibilities are set out in our Regulations of the Supervisory Board and include making recommendations to the supervisory board of individual candidates for appointment to the management board, reviewing the compensation of management board members and making recommendations on these to the supervisory board.

In 2014 the Committee comprised of Aldona Wejchert (chairperson), Paweł Gricuk and Sophie Guieysse.

The Committee met two times during 2014 to review terms and conditions of the agreements concluded with management board members and adopted two resolutions in writing .

The Strategic and Content Committee

The Strategic and Content Committee's responsibilities are set out in our Regulations of the Supervisory Board and include reviewing the business plan for the TVN group, monitoring the compliance and progress by the TVN Group, and any member of the TVN Group, with the terms and objectives set out in any relevant Business Plan and reviewing the terms of any contemplated acquisition, divestment, strategic development project, alliance or partnership.

In 2014 the Committee comprised of Piotr Walter (chairman), Rodolphe Belmer and Michał Broniatowski.

During 2014 the Committee focused on ongoing monitoring of TVN Group activity in the scope of Committee's competencies covering strategic and programming decisions.

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of TVN Group presented as a part of this annual report are included on pages F-1 through F-65 as follows:

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

ITEM 19. EXHIBITS

Not applicable.

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group"), which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated income statement, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

February 5, 2015
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 746 4000, F: +48 (22) 742 4040, www.pwc.com

MANAGEMENT REPRESENTATIONS

These consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group", the "Group") as of and for the year ended December 31, 2014 have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of TVN Group as of and for the year ended December 31, 2014 include: consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes to the consolidated financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Group's development, achievements and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report in accordance with the applicable regulations and professional standards.

These consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 5, 2015.

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

Warsaw, February 5, 2015

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2014

TVN Group

Contents

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	**5**	1,593,804	1,538,499
Cost of revenue	**6**	(886,184)	(890,344)
Selling expenses	**6**	(107,276)	(96,433)
General and administration expenses	**6**	(146,482)	(125,269)
Share of profits/ (losses) of associates and joint ventures	**26**	31,651	(45,711)
Impairment of the investment in an associate	**3 (i)**	-	(80,000)
Other operating expenses, net		(3,062)	(3,584)
Operating profit before incremental costs related to the potential change of control transaction		**482,451**	**297,158**
Incremental costs related to the potential change of control transaction	**6**	(5,114)	-
Operating profit		**477,337**	**297,158**
Interest income	**7**	9,723	14,828
Finance expense	**7**	(216,240)	(551,306)
Foreign exchange losses, net	**7**	(73,770)	(30,446)
Profit/ (loss) before income tax		**197,050**	**(269,766)**
Income tax (charge)/ credit	**24**	(7,700)	62,885
Profit/ (loss) for the period		**189,350**	**(206,881)**
Profit/ (loss) attributable to:			
Owners of TVN S.A.		194,745	(197,763)
Non-controlling interest		(5,395)	(9,118)
		189,350	**(206,881)**
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)			
- basic	**8**	0.56	(0.57)
- diluted	**8**	0.56	(0.57)

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

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period		**189,350**	**(206,881)**
Other comprehensive income/ (loss) reclassifiable to income statement when specific conditions are met:			
Cash flow hedge – foreign exchange forward contracts	**14**	1,555	(598)
Income tax relating to components of other comprehensive income/ (loss)	**24**	(285)	103
Share of other comprehensive income/ (loss) of associates	**26**	3,928	(2,002)
Other comprehensive income/ (loss) for the period, net of tax		5,198	(2,497)
Total comprehensive income/ (loss) for the period		**194,548**	**(209,378)**
Total comprehensive income/ (loss) attributable to:			
Owners of TVN S.A.		199,943	(200,260)
Non-controlling interest		(5,395)	(9,118)
		194,548	**(209,378)**

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

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

	Note	As at December 31, 2014	As at December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	364,943	393,047
Goodwill	**10**	144,127	144,127
Brands	**11**	32,862	30,612
Other intangible assets	**12**	69,803	67,128
Non-current programming rights	**13**	152,272	155,124
Investments in associates and joint ventures	**26**	1,762,457	1,730,492
Deferred tax asset	**24**	305,353	319,130
Other non-current assets	**16**	1,071	1,122
		2,832,888	**2,840,782**
Current assets			
Current programming rights	**13**	222,610	244,942
Trade receivables	**15**	350,243	341,872
Prepayments and other assets	**16**	92,831	73,179
Derivative financial assets	**14**	1,202	-
Bank deposits with maturity over three months	**17**	45,000	-
Cash and cash equivalents	**17**	269,993	398,484
		981,879	**1,058,477**
TOTAL ASSETS		**3,814,767**	**3,899,259**
EQUITY			
Shareholders' equity			
Share capital	**18**	70,550	69,299
Share premium		865,237	726,853
Treasury shares	**19**	(250,000)	-
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(581,872)	(481,302)
Accumulated profit		840,835	644,646
		968,051	**982,797**
Non-controlling interest		-	(25,508)
		968,051	**957,289**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	**20**	2,314,788	2,488,601
Deferred tax liability	**24**	5,819	5,822
Non-current trade payables	**21**	11,435	4,292
Other non-current liabilities		16,625	21,426
		2,348,667	**2,520,141**
Current liabilities			
Current trade payables	**21**	161,895	133,224
Current borrowings	**20**	31,938	33,443
Derivative financial liabilities	**14**	214	1,510
Corporate income tax payable		-	1,626
Other liabilities and accruals	**22**	304,002	252,026
		498,049	**421,829**
Total liabilities		**2,846,716**	**2,941,970**
TOTAL EQUITY AND LIABILITIES		**3,814,767**	**3,899,259**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to the owners of TVN S.A.	Non-controlling interest	Total equity
Balance as at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**-**	**23,301**	**(481,302)**	**644,646**	**982,797**	**(25,508)**	**957,289**
Total comprehensive income/ (loss) for the period	-	-	-	-	-	5,198	194,745	199,943	(5,395)	194,548
Issue of shares [(1)]	6,254,158	1,251	138,853	-	-	(72,343)	1,444	69,205	-	69,205
Share issue cost [(2)]	-	-	(167)	-	-	-	-	(167)	-	(167)
Purchase of treasury shares [(3)]	-	-	-	(250,000)	-	-	-	(250,000)	-	(250,000)
Treasury shares cost	-	-	(302)	-	-	-	-	(302)	-	(302)
Acquisition of non-controlling interest [(4)]	-	-	-	-	-	(33,425)	-	(33,425)	30,903	(2,522)
Balance as at December 31, 2014	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**(581,872)**	**840,835**	**968,051**	**-**	**968,051**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedge	Effect of acquisition of non-controlling interest	Total
Balance as at January 1, 2014	**72,343**	**(2,497)**	**(551,148)**	**(481,302)**
Issue of shares	(72,343)	-	-	(72,343)
Credit for the period	-	1,555	-	1,555
Deferred tax on credit for the period	-	(285)	-	(285)
Share of other comprehensive income of associates	-	3,928	-	3,928
Acquisition of non-controlling interest [(4)]	-	-	(33,425)	(33,425)
Balance as at December 31, 2014	**-**	**2,701**	**(584,573)**	**(581,872)**

Included in accumulated profit as of December 31, 2014 is an amount of 2,183,055 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes (see Note 20) impose certain restrictions on payment of dividends.

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

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to the owners of TVN S.A.	Non-controlling interest	Total equity
Balance as 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 loss for the period	-	-	-	-	(2,497)	(197,763)	(200,260)	(9,118)	(209,378)
Issue of shares [(1)]	2,617,729	524	54,012	-	(26,820)	-	27,716	-	27,716
Share issue cost [(2)]	-	-	(35)	-	-	-	(35)	-	(35)
Dividend declared and paid [(5)]	-	-	-	-	-	(220,081)	(220,081)	-	(220,081)
Balance as at December 31, 2013	**346,494,150**	**69,299**	**726,853**	**23,301**	**(481,302)**	**644,646**	**982,797**	**(25,508)**	**957,289**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedge	Effect of acquisition of non-controlling interest	Total
Balance as at January 1, 2013	**99,163**	**-**	**(551,148)**	**(451,985)**
Issue of shares	(26,820)	-	-	(26,820)
Charge for the period	-	(598)	-	(598)
Deferred tax on charge for the period	-	103	-	103
Share of other comprehensive loss of associates	-	(2,002)	-	(2,002)
Balance as at December 31, 2013	**72,343**	**(2,497)**	**(551,148)**	**(481,302)**

(1) During the year ended December 31, 2014 6,254,158 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (the year ended December 31, 2013: 2,617,729 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares, see Note 30).

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

(3) During the year ended December 31, 2014 12,500,000 (not in thousands) shares were purchased by the Company for redemption (see Note 19). These shares are included in the total number of shares in issue as of December 31, 2014 until the Shareholders' Meeting resolves to redeem and cancel the shares.

(4) On October 16, 2014 the Group acquired the remaining shares in Stavka and derecognized the related non-controlling interest.

(5) The dividend declared in 2013 amounted to 0.64 per share (not in thousands) and it was paid in two installments: the first installment was paid on May 8, 2013 in the amount of 99,724 (0.29 per share (not in thousands)) and the second installment was paid on November 5, 2013 in the amount of 120,357 (0.35 per share (not in thousands)).

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities			
Cash generated from operations	**23**	612,129	602,625
Tax paid, net		(1,668)	(6,569)
Net cash generated by operating activities		**610,461**	**596,056**
Investing activities			
Distribution received from an associate	**26**	8,133	-
Dividend received from an associate, net of tax	**26**	-	6,026
Proceeds from sale of subsidiaries		-	38,005
Payments to acquire property, plant and equipment		(49,439)	(71,071)
Proceeds from sale of property, plant and equipment		1,732	1,704
Payments to acquire intangible assets		(22,618)	(12,990)
Bank deposits with maturity over three months		(45,000)	50,000
Interest received		8,546	10,063
Net cash (used in)/ generated by investing activities		**(98,646)**	**21,737**
Financing activities			
Issue of shares, net of issue cost	**18**	69,038	27,681
Dividend paid		-	(220,081)
Purchase of treasury shares, including costs	**19**	(250,302)	-
Acquisition and repayment of the Notes	**20**	(243,963)	(206,922)
Repayment of the remaining 10.75% Senior Notes due 2017		-	(2,486,847)
Issuance of the 7.375% Senior Notes due 2020	**20**	-	1,810,730
Cost of issue of the 7.375% Senior Notes due 2020	**20**	-	(40,270)
Proceeds from the Cash Loan	**20**	-	106,395
Repayments of the Cash Loan	**20**	(21,021)	(5,227)
Repayments of the Mortgage Loan		-	(111,071)
Bank charges		(6,899)	(17,343)
Settlement of foreign exchange forward contracts	**14**	(1,584)	1,605
Acquisition of non-controlling interest		(2,525)	-
Restricted cash		-	945,210
Interest paid		(181,492)	(330,897)
Net cash used in financing activities		**(638,748)**	**(527,037)**
(Decrease)/ increase in cash and cash equivalents		**(126,933)**	**90,756**
Cash and cash equivalents at the start of the period		398,484	308,564
Effects of exchange rate changes		(1,558)	(836)
Cash and cash equivalents at the end of the period	**17**	**269,993**	**398,484**

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

1. GENERAL INFORMATION

These consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 5, 2015.

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

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

A significant non-controlling stake in the Company is held indirectly by Groupe Canal+ S.A. ("Canal+ Group").

On October 16, 2014 ITI Group and Canal+ Group announced their intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the Company (the "change of control transaction"). In connection with this announcement, the Company has appointed financial and legal advisors to support the Company during this process, and has also agreed to manage and finance the conducting of various due diligence processes (see Note 6 for expenses incurred by the Group).

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 ten television channels and one teleshopping channel in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN 24 Biznes i Świat, NTL Radomsko, TTV and Telezakupy Mango 24. The Group's channels broadcast news, information and entertainment shows, series, movies and teleshopping. The Group together with 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2014 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2013 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2014.

In 2014 the Group adopted:

(i) IFRS 12 Disclosure of Interests in Other Entities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The new disclosures required by IFRS 12 are presented in Notes 26 and 27.

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

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

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

2.2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date the Group ceases to have control.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

Transactions with non-controlling interests are transactions with equity owners of the Group. For purchases of shares from non-controlling interests, the difference between the fair value of consideration and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognized in the income statement. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

2.3. Business combinations

The Group applies the acquisition method of accounting to account for business combinations, including business combinations with entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets or at the fair value.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

2.4. Joint arrangements – Joint ventures

The Group classifies its joint arrangements as either joint operations or joint ventures depending on the rights of the venturers to assets and obligations towards liabilities of a joint arrangement.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income, in income statement and other comprehensive income respectively.

Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which include any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

2.5. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost (cost comprises also the transaction costs incurred). The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition other comprehensive income and movements in equity is recognized appropriately in other comprehensive income or in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Investments in associates are assessed for impairment in accordance with the policy in Note 2.13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the committee which is responsible for assessing performance of the operating segments. The committee is composed of the Vice-President of the Management Board responsible, inter alia, for the Group's financial reporting and heads of the teams within the Group's financial department.

2.7. Foreign currency

The accompanying financial statements are presented in Polish Zloty ("PLN"), which is the presentation currency of the Group and the functional currency of the Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year-end exchange rates are recognized in the income statement. Qualifying cash flow hedges are recognized in other comprehensive income.

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the income statement, and other changes in carrying amount are recognized in other comprehensive income.

For available-for-sale financial assets that are non-monetary assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange translation component.

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value-in-use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
Television, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2014.

2.9. Goodwill

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.10. Brands

Brands, both acquired through business combinations and acquired separately, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with an indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment. The following useful lives are applied by the Group:

	Term
Mango Media	indefinite
Religia.tv	indefinite

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. Other intangible assets

Broadcasting licenses

Expenditures on broadcasting licenses are capitalised and amortized using the straight line method over the license period.

Software and other

Software and other include acquired computer software, capitalised development costs, perpetual usufruct of land and other intangible assets.

Acquired computer software and other intangible assets are capitalised and amortized using the straight-line method over two to three years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Development assets are tested for impairment annually, in accordance with IAS 36.

Perpetual usufruct of land is capitalised and amortized using the straight-line method over the term for which the right has been granted.

2.12. Programming rights

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below.

Acquired program rights

Program rights acquired by the Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell or its value-in-use). A write down is recorded if unamortized costs exceed the recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the Group are amortized as follows:

Program categories	Number of runs	Percentage of amortization per run		
		1st	2nd	3rd
Movies, including feature films, made for television or cable, whether first run, library or rerun	1	100		
	2	60	40	
	3 or more	50 or 40	35	15 or 25
Weekly fiction series, including dramas, comedies or series, first run or library, live action and animation	1	100		
	2	60	40	
	3 or more	60	25	15
Weekly non-fiction series, including documentary series, docu-soaps, reality and nature	1	100		
	2	90	10	
	3 or more	90	10	0
Entertainment documentaries, one-off documentaries of less than timely topics	1	100		
	2 or more	80	20	0
Clips shows of comedy material	1	100		
	2	60	40	
	3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Group under its own licences or under licences from third parties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs expected to be broadcast once	100% on first showing
Programs with unlimited broadcasting right which are expected to have reasonably long useful life, including documentary series, fiction series and movies	60% on first showing, 30% on second showing, 10% residual value
	or
	80% on first showing, 4% on second showing, 16% on third and next showings in total (including 10% residual value)
	or
	50% on first showing, 30% on second showing, 20% on third and next showings in total (including 10% residual value)
Other programs, including documentary series, fiction series and entertainment shows	95% on first showing, 3% on second showing, 2% on third showing
	or
	60% on first showing, 40% on second showing
	or
	25% on first showing, 50% on second showing, 25% on third and next showings in total
	or
	75% on first showing, 25% on second showing
	or
	50% on first showing, 50% on second showing
	or
	90% on first showing, 10% on second showing

Residual value is amortized on a straight line basis over the period of ten years.

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortized based on their average usage in minutes per year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. Impairment of non-financial assets and investments in associates

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brands are allocated to groups of cash-generating units as identified by the Group. Investments in associates are separate cash generating units.

Non-financial assets other than goodwill and investments in associates that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

2.15. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through income statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through income statement

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through income statement. This category has two sub-categories: financial assets held for trading and those designated at fair value through income statement at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see Note 2.18).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets carried at fair value through income statement are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the ‘financial assets at fair value through income statement’ category, including interest and dividend income, are included in the income statement in the period in which they arise.

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

When securities classified as available-for-sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Group’s specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a foreign exchange risk of a firm commitment (cash flow hedge) on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The Group applies cash flow hedge accounting for hedging foreign exchange risk on subscription revenue from DTH and cable operators, firm commitments relating to acquisition of programming rights and payments of interest on the Notes. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized in the income statement when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in income statement.

2.17. Inventory

Inventory is stated at the lower of cost or net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realisable value is the estimated selling price less estimated costs of sale. Where necessary, provision is made for obsolete, slow moving and defective inventory. Inventories sold in promotional offers are stated at the lower of cost or estimated net realisable value.

2.18. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.19. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.20. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.21. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2.22. Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' equity.

2.23. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non-distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.24. Borrowings

The Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.25. Income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilized.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the Group has a legally enforceable right to offset tax assets against tax liabilities.

2.26. Employee benefits

Retirement benefit costs

The Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based plans

The Group's management board and certain key employees and co-workers were granted share options based on the rules of an incentive plan introduced by the Group. The options were subject to service vesting conditions, and their fair value was recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the options were exercised.

As described in Note 29 management of the Company participates in the Long Term Incentive Plan. The transaction component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component is measured at each balance sheet date at fair value. The change in fair value of this liability is recognised in the consolidated income statement for the period.

Bonus plan

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation and the reliable estimate of the obligation can be made.

2.27. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.28. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services

Revenue primarily results from the sale of television advertising and is recognized in the period in which the advertising is broadcast. Other revenues primarily result from DTH and cable operators subscription fees, sponsoring, brokerage services, rental, technical services, call television, text messages and sales of rights to programming content and are recognized generally upon the performance of the service.

In an agency relationship, when the Group acts as an agent and sells on behalf of third parties their airtime and online advertising services, only the commission earned is recognized as brokerage revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Sales of goods

The Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when the goods are sent to the customer. It is the Group's policy to sell the goods to the individual customers with a right to return within ten days. Historical experience is used to estimate and provide for such returns at the time of sale.

2.29. Government grants

Government grants related to income are recognized in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.30. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognized when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Group provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.31. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.32. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33. Comparative financial information

The consolidated income statement for the year ended December 31, 2013 has been adjusted to reflect the current year's presentation in respect to the classification of certain variable amounts related to third party representation activities. The Group has deducted from revenue the amounts which previously were presented within selling expenses. This reclassification of 16,066 for the year ended December 31, 2013 has no impact on previously reported operating or net results.

2.34. New standards and amendments to standards

Certain new standards and amendments to standards have been published by IASB since the publication of the previous annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2015. The Group's assessment of the impact of these new standards and amendments to standards on the Group's consolidated financial statements is set out below.

(i) IFRS 9 Financial Instruments (not yet adopted by the EU)

The final version of the standard was published in July 2014 and it replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies how an entity should classify and measure financial assets, including some hybrid contracts, and financial liabilities. It requires all financial assets to be:

- classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset,
- initially measured at fair value plus, in the case of a financial asset not at fair value through income statement, particular transaction costs,
- subsequently measured at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

The new requirements maintain the existing amortized cost measurement for most liabilities and address the problem of volatility in income statement arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, rather than within income statement.

The new requirements on hedge accounting included in the standard put in place a new model that introduces significant improvements as compared with previous requirements contained in IAS 39. The new requirements align the accounting more closely with risk management and improve the disclosures about hedge accounting and risk management.

The standard applies for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of IFRS 9 on the Group's consolidated financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 15 Revenue from Contracts with Customers (not yet adopted by the EU)

The standard was published in May 2014 and it supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard provides a comprehensive framework for reporting on the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard applies for annual periods beginning on or after January 1, 2017. The Group is currently assessing the impact of IFRS 15 on the Group's consolidated financial statements.

All other new standards and amendments to standards not listed above either are not relevant for the Group or will not have significant impact on the Group's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of investments in associates

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

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

As of December 31, 2014 and December 31, 2013, as a result of a less than expected economic performance of Onet, the Group performed an impairment tests of its investment in associate Onet. In the impairment tests performed by the Group the recoverable amount of the investment was determined based on fair value. The calculation of fair value was based both on valuation of the company as a whole and the put and call options included in the shareholders' agreement (see Note 26).

The key financial assumptions used for discounting free cash flows as at December 31, 2014 and as at December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Terminal growth	2.5%	2.5%
Discount rate	7.0%	9.4%

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The test performed as of December 31, 2014 indicated that the investment did not suffer an impairment. The Group believes that the key assumptions made in testing for impairment of the investment in associate Onet as at December 31, 2014 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the investment's recoverable amount was based would not cause an impairment to be recognized.

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

(ii) Estimated impairment of brand allocated to teleshopping unit

The Group classifies the acquired Mango brand as an intangible asset with indefinite useful life and allocates the brand to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including the brand, has suffered any impairment. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are allocated pro-rata to the carrying value of the brand and other assets allocated to the teleshopping cash-generating unit.

In the annual impairment tests performed by the Group as at December 31, 2014 and as at December 31, 2013 the recoverable amount of the cash-generating unit was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

The key financial assumptions used for discounting free cash flows as at December 31, 2014 and as at December 31, 2013 were as follows:

	December 31, 2014	**December 31, 2013**
Terminal growth	2.5%	2.5%
Discount rate	6.71%	10.25%

The tests performed as at December 31, 2014 and as at December 31, 2013 indicated, that the teleshopping cash-generating unit, including the brand, did not suffer an impairment.

The Group believes that the key assumptions made in testing for impairment of the teleshopping cash-generating unit as at December 31, 2014 and as at December 31, 2013 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the teleshopping cash-generating unit's recoverable amount was based would not cause an impairment charge to be recognized.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Estimated useful life of Mango brand

The Group reviewed factors that need to be considered when assessing the useful life of the Mango brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential competitions in the teleshopping industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors the Group concluded that there is no foreseeable limit to the period over which the Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Mango brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(iv) Deferred tax assets

On November 28, 2011 the brands owned previously by TVN S.A. (including internally generated brands which were not recognized on the consolidated balance sheet) were contributed in kind to its new subsidiary TVN Media. As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. As at December 31, 2014 the Group recognized the deferred tax asset on this temporary difference to the extent that, based on the Group's judgment, the realization of the tax benefit is probable i.e., in the amount of 27,514 (December 31, 2013: 27,514) representing the tax amortization of brands to be realized within the next twelve months. The Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference was not probable and therefore no deferred tax asset was recognized for subsequent years. As at December 31, 2014 the Group did not recognize a deferred tax asset in the amount of 162,793 (December 31, 2013: 190,307) related to the tax value of brands recognized by TVN Media.

As at December 31, 2014 the Group also did not recognize a deferred tax asset on tax loss carry-forwards of 414,267 (December 31, 2013: 426,037). These tax loss carry-forwards expire within five tax years starting from January 1, 2013. The related deferred tax asset in the amount of 78,711 (December 31, 2013: 80,947) was not recognized as the Group concluded that as at December 31, 2014 the realization of the related tax benefit is not probable.

(v) Long Term Incentive Plan

As described in Note 29 management of the Company participates in the Long Term Incentive Plan. Certain payments under the Plan are triggered in an event of a change of control over the Company. As outlined in Note 1, ITI Group and Canal+ Group have jointly decided to review and consider the possibility of disposing of their investment in the Company. This announcement increases the likelihood that a change of control may occur, and in that event, would result in an acceleration of payments due under the Plan.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

As the potential closing of a transaction leading to a change of control over the Company, as well as the exact timing and detailed terms, including transaction value, are outside of the control of the Company, the management is not in a position to accurately estimate the amount of any potential liabilities arising under the transaction component of the Plan. Any potential accrual for the transaction component of the Plan would need to consider, for example, the estimated nature and valuation of any such transaction, including buyer specific attributes. However if a change of control occurs, any payments under the transaction component of the Plan, and the related impact on the costs for the period, depend on the value of the Company implied by the change of control transaction and would not exceed a total amount of 42,000, 37,800 of which has been allotted.

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, inter alia, 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 31.1. 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 reportable 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 sale of advertising, sponsoring and subscription fees. The teleshopping segment generates revenue mainly from sale of goods offered on Telezakupy Mango 24, a dedicated teleshopping channel, on other television channels and on the Mango Media Internet site.

Sales between segments are carried out at arm's length. The revenue from external customers reported to the committee is measured in a manner consistent with that in the income statement.

The majority of the Group's operations and assets are based in Poland. Assets and revenues from outside Poland constitute less than 10% of the total assets and revenues of all segments. Therefore, no geographic information has been included.

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

4. SEGMENT REPORTING (CONTINUED)

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

	Year ended December 31, 2014	Year ended December 31, 2013
EBITDA	**548,844**	**372,355**
Depreciation of property, plant and equipment	(56,929)	(60,843)
Amortization of intangible assets	(14,578)	(14,354)
Operating profit	**477,337**	**297,158**
Interest income (see Note 7)	9,723	14,828
Finance expense (see Note 7)	(216,240)	(551,306)
Foreign exchange losses, net (see Note 7)	(73,770)	(30,446)
Profit/ (loss) before income tax	**197,050**	**(269,766)**

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

4. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2014	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,556,658	37,146	-		1,593,804
Inter-segment revenue	4,611	-	(4,611)		-
Revenue	**1,561,269**	**37,146**	**(4,611)**		**1,593,804**
EBITDA	**528,484**	**(5,902)**	**26,262**	*	**548,844**
Depreciation of property, plant and equipment	(56,659)	(273)	3		(56,929)
Amortization of intangible assets	(14,534)	(44)	-		(14,578)
Operating profit/ (loss)	**457,291**	**(6,219)**	**26,265**		**477,337**
Additions to property, plant and equipment and other intangible assets	47,607	545	(5)		48,147
As at December 31, 2014					
Segment assets including:	**1,702,079**	**39,205**	**2,073,483**	**	**3,814,767**
Investments in associates and joint ventures	14	-	1,762,443		1,762,457

* Other reconciling items on EBITDA level include mainly share of profits of associates (31,652), incremental costs related to the potential change of control transaction (5,114) and other costs

** Other reconciling items to segment assets include: investments in associates (1,762,443), deferred tax assets (305,353) and other assets and consolidation adjustments (5,687)

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

4. SEGMENT REPORTING (CONTINUED)

Year ended December 31, 2013	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	1,506,810	31,689	-		1,538,499
Inter-segment revenue	3,795	45	(3,840)		-
Revenue	**1,510,605**	**31,734**	**(3,840)**		**1,538,499**
EBITDA	**508,892**	**(9,722)**	**(126,815)**	*	**372,355**
Depreciation of property, plant and equipment	(60,648)	(195)	-		(60,843)
Amortization of intangible assets	(14,323)	(31)	-		(14,354)
Operating profit/ (loss)	**433,921**	**(9,948)**	**(126,815)**		**297,158**
Additions to property, plant and equipment and other intangible assets	63,105	736	-		63,841
As at December 31, 2013					
Segment assets including:	**1,805,327**	**40,595**	**2,053,337**	**	**3,899,259**
Investments in associates and joint ventures	-	-	1,730,492		1,730,492

* Other reconciling items on EBITDA level include mainly share of losses of associates (45,711), impairment of the investment in an associate (80,000) and other costs

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

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

5. REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Advertising revenue	1,142,914	1,084,833
Sponsoring revenue	160,652	156,003
Advertising related revenue	**1,303,566**	**1,240,836**
Subscription fees	207,518	213,924
Revenue from sale of goods	32,264	26,497
Other revenue	50,456	57,242
	1,593,804	**1,538,499**

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

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

6. OPERATING EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Amortization of locally produced content	436,591	428,164
Staff expenses	170,440	157,971
Amortization of acquired programming rights and co-productions	146,301	137,605
Depreciation and amortization	71,507	75,197
Broadcasting expenses	59,837	65,775
Royalties	49,316	50,017
Marketing and research	46,352	39,730
Cost of services and goods sold	37,307	36,458
Rental	23,330	28,560
Impaired accounts receivable	(628)	2,550
Other	99,589	90,019
	1,139,942	**1,112,046**

Included in the above operating expenses for the year ended December 31, 2014 are operating lease expenses of 87,045 (the year ended December 31, 2013: 95,145).

Included in the above staff expenses for the year ended December 31, 2014 is a Long Term Incentive Plan expense of 8,915 related to the retention and performance components (the year ended December 31, 2013: nil, see Note 29).

Incremental costs related to the potential change of control transaction

	Year ended December 31, 2014	Year ended December 31, 2013
Advisory costs (see Note 1)	5,114	-
	5,114	**-**

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

6. OPERATING EXPENSES (CONTINUED)

Incremental costs related to the potential change of control transaction for the year ended December 31, 2014 include costs already incurred, being due diligence advisory costs only. No success based investment banking fees, other advisory fees or incremental Long Term Incentive Plan charges (see Note 29) are included.

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

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income		
Interest income on foreign exchange forward contracts and foreign exchange swap contracts – cash flow hedges	1,012	1,349
Guarantee fees from a related party (see Note 28 (v))	258	3,490
Other interest income	8,453	9,989
	9,723	**14,828**
Finance expense		
Interest expense on the Notes (see Note 20)	(184,322)	(309,847)
Interest expense on the Cash Loan (see Note 20)	(3,196)	(1,533)
Interest expense on the Mortgage Loan	-	(1,365)
Interest expense on foreign exchange forward contracts and foreign exchange swap contracts – cash flow hedges (see Note 14)	(2,327)	(1,185)
Premium on early repayment of the Notes and other costs related to the repayment of the Notes (see Note 20)	(11,891)	(160,356)
Unamortized debt issuance costs of the Notes written off on early repayment (see Note 20)	(4,473)	(60,882)
Guarantee fees to a related party (see Note 28 (v))	(263)	(802)
Bank and other charges	(9,768)	(15,336)
	(216,240)	**(551,306)**
Foreign exchange losses, net		
Foreign exchange losses on the Notes, including:	(64,271)	(52,688)
- unrealized foreign exchange (losses)/ gains on the Notes	*(49,880)*	*52,922*
- realized foreign exchange losses on the Notes	*(14,391)*	*(108,822)*
- hedge impact	*-*	*3,212*
Other foreign exchange (losses)/ gains, net	(9,499)	22,242
	(73,770)	**(30,446)**

Finance expense and foreign exchange losses, net for the year ended December 31, 2014 include costs of early repayment of the Notes being premium on early repayment of 11,891, write-off of the unamortized balance of debt issuance costs of 4,473 and realized foreign exchange losses of 14,391 (the year ended December 31, 2013: premium on early repayment and other costs of 160,356, write-off of the unamortized balance of debt issuance costs of 60,882 and realized foreign exchange loss of 108,821).

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

Basic

Basic earnings/ (losses) per share is calculated by dividing the profit/ (loss) attributable to the owners of TVN S.A. by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares.

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands)	194,745	(197,763)
Weighted average number of ordinary shares in issue	345,987,750	344,345,683
Basic earnings/ (losses) per share	**0.56**	**(0.57)**

Diluted

Diluted earnings/ (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. All share options expired on December 31, 2014 (see Note 30).

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) attributable to the owners of TVN S.A. (in thousands)	194,745	(197,763)
Weighted average number of ordinary shares in issue	345,987,750	344,345,683
Adjustment for share options	1,069,214	563,618
Weighted average number of potential ordinary shares for diluted earnings/ (losses) per share	347,056,964	344,909,301
Diluted earnings/ (losses) per share	**0.56**	**(0.57)**

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

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2014	40,180	195,767	75,570	430,227	58,276	22,463	16,771	839,254
Additions	-	-	5	17,584	7,613	1,664	4,028	30,894
Transfers	-	1,969	1,325	(67)	43	(84)	(3,186)	-
Disposals	-	(26)	(64)	(27,908)	(6,494)	(3,063)	-	(37,555)
December 31, 2014	**40,180**	**197,710**	**76,836**	**419,836**	**59,438**	**20,980**	**17,613**	**832,593**
Accumulated depreciation and impairment								
January 1, 2014	-	5,697	61,764	318,389	28,331	16,098	15,928	446,207
Charge for the period	-	4,931	2,041	40,055	8,399	1,503	-	56,929
Transfers	-	(142)	143	(1)	-	-	-	-
Disposals	-	(2)	(64)	(27,483)	(5,077)	(2,860)	-	(35,486)
December 31, 2014	**-**	**10,484**	**63,884**	**330,960**	**31,653**	**14,741**	**15,928**	**467,650**
Net book value as at January 1, 2014	**40,180**	**190,070**	**13,806**	**111,838**	**29,945**	**6,365**	**843**	**393,047**
Net book value as at December 31, 2014	**40,180**	**187,226**	**12,952**	**88,876**	**27,785**	**6,239**	**1,685**	**364,943**

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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2013	40,180	188,637	87,922	439,397	54,876	22,723	16,995	850,730
Additions	-	-	8	25,505	8,661	1,708	5,758	41,640
Transfers	-	7,130	(1,313)	160	(13)	18	(5,982)	-
Disposals	-	-	(11,047)	(34,835)	(5,248)	(1,986)	-	(53,116)
December 31, 2013	**40,180**	**195,767**	**75,570**	**430,227**	**58,276**	**22,463**	**16,771**	**839,254**
Accumulated depreciation and impairment								
January 1, 2013	-	845	69,328	307,061	26,622	16,401	15,928	436,185
Charge for the period	-	6,410	1,916	45,314	5,535	1,668	-	60,843
Transfers	-	(1,558)	1,560	-	-	(2)	-	-
Disposals	-	-	(11,040)	(33,986)	(3,826)	(1,969)	-	(50,821)
December 31, 2013	**-**	**5,697**	**61,764**	**318,389**	**28,331**	**16,098**	**15,928**	**446,207**
Net book value as at January 1, 2013	**40,180**	**187,792**	**18,594**	**132,336**	**28,254**	**6,322**	**1,067**	**414,545**
Net book value as at December 31, 2013	**40,180**	**190,070**	**13,806**	**111,838**	**29,945**	**6,365**	**843**	**393,047**

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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of 40,092 has been charged in cost of revenue (the year ended December 31, 2013: 46,219), 1,973 in selling expenses (the year ended December 31, 2013: 1,194) and 14,864 in general and administration expenses (the year ended December 31, 2013: 13,430).

10. GOODWILL

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	144,127	144,127
As at December 31	**144,127**	**144,127**

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

	December 31, 2014	December 31, 2013
Thematic television channels	131,704	131,704
Television production unit	12,423	12,423
	144,127	**144,127**

As of December 31, 2014 and December 31, 2013 the goodwill did not suffer an impairment.

11. BRANDS

	Year ended December 31, 2014	Year ended December 31, 2013
Net book value as at January 1	30,612	30,612
Additions (see Note 28 (v))	2,250	-
Net book value as at December 31	**32,862**	**30,612**

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

	December 31, 2014	December 31, 2013
Mango (teleshopping cash generating unit)	30,612	30,612
Religia.tv (television broadcasting and production cash generating unit)	2,250	-
	32,862	**30,612**

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

12. OTHER INTANGIBLE ASSETS

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2014	51,806	123,382	175,188
Additions	10	17,243	17,253
Disposals	-	(1,231)	(1,231)
December 31, 2014	**51,816**	**139,394**	**191,210**
Accumulated amortization and impairment			
January 1, 2014	18,693	89,367	108,060
Charge for the period	4,226	10,352	14,578
Disposals	-	(1,231)	(1,231)
December 31, 2014	**22,919**	**98,488**	**121,407**
Net book value as at January 1, 2014	**33,113**	**34,015**	**67,128**
Net book value as at December 31, 2014	**28,897**	**40,906**	**69,803**
Gross value			
January 1, 2013	40,106	112,881	152,987
Additions	11,700	10,501	22,201
December 31, 2013	**51,806**	**123,382**	**175,188**
Accumulated amortization and impairment			
January 1, 2013	14,330	79,376	93,706
Charge for the period	4,363	9,991	14,354
December 31, 2013	**18,693**	**89,367**	**108,060**
Net book value as at January 1, 2013	**25,776**	**33,505**	**59,281**
Net book value as at December 31, 2013	**33,113**	**34,015**	**67,128**

Amortization of 8,294 has been charged in cost of revenue (the year ended December 31, 2013: 7,748), 586 in selling expenses (the year ended December 31, 2013: 692) and 5,698 in general and administration expenses (the year ended December 31, 2013: 5,914).

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

13. PROGRAMMING RIGHTS

	December 31, 2014	December 31, 2013
Acquired programming rights	231,060	249,412
Productions	126,509	132,589
News archive	9,734	10,187
Co-productions	7,579	7,878
	374,882	**400,066**
Less current portion of programming rights	(222,610)	(244,942)
Non-current portion of programming rights	**152,272**	**155,124**

Changes in acquired programming rights

	Year ended December 31, 2014	Year ended December 31, 2013
Net book value as at January 1	249,412	266,917
Additions	127,944	117,816
Amortization	(146,296)	(135,321)
Net book value as at December 31	**231,060**	**249,412**

14. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2014	December 31, 2013
Derivative financial assets		
Foreign exchange forward contracts	1,202	-
	1,202	**-**
Derivative financial liabilities		
Foreign exchange forward contracts	214	1,510
	214	**1,510**

The fair value of foreign exchange forward contracts as at December 31, 2014 and December 31, 2013 was based on valuations performed by the Group’s banks.

As at December 31, 2014 the Group had EUR foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on the interest expense on the Notes and on subscription revenue from DTH and cable operators (December 31, 2013: USD foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets and EUR foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on the interest expense on the Notes).

The Group has designated these foreign exchange forward contracts for cash flow hedge accounting. When designating the hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in the income statement in the period until maturity date of each foreign exchange forward contract (see Note 7).

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

15. TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
Trade receivables	346,895	334,832
Less: provision for impairment of receivables	(3,982)	(5,859)
Trade receivables – net	342,913	328,973
Receivables from related parties (Note 28 (iii))	7,330	12,899
	350,243	**341,872**

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

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

	December 31, 2014	December 31, 2013
PLN	343,254	335,861
USD	5,041	5,094
EUR	1,787	917
Other	161	-
	350,243	**341,872**

Provision for impairment of receivables was created individually for non-related party trade receivables that were in general overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

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

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	5,859	6,048
Provision for impairment of receivables, net change	(628)	2,550
Receivables written off as uncollectible	(1,249)	(2,739)
As at December 31	**3,982**	**5,859**

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

As of December 31, 2014 trade receivables of 142,146 were past due but not impaired (December 31, 2013: 176,030). The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2014	December 31, 2013
Up to 30 days	119,011	152,456
31-60 days	19,646	19,875
Over 60 days	3,489	3,699
	142,146	**176,030**

The Group defines credit exposure as total outstanding trade receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2014 was 350,243 (December 31, 2013: 341,872).

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

16. PREPAYMENTS AND OTHER ASSETS

	December 31, 2014	December 31, 2013
VAT and other non-CIT taxes receivables	28,662	18,199
Employee settlements	7,386	6,539
Corporate income tax receivable	5,885	-
Inventory, net of impairment provision	4,237	4,199
Prepayments for programming	3,511	1,830
Technical support	1,830	1,641
Other	42,391	41,893
	93,902	**74,301**
Less: current portion of prepayments and other assets	(92,831)	(73,179)
Non-current portion of prepayments and other assets	**1,071**	**1,122**

17. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS WITH MATURITY OVER THREE MONTHS

	December 31, 2014	December 31, 2013
Cash and cash equivalents	269,993	398,484
	269,993	**398,484**
Bank deposits with maturity over three months	45,000	-
	45,000	**-**

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

	December 31, 2014	December 31, 2013
Bank rated BBB+	205,071	311,053
Bank rated A+	50,372	-
Bank rated AA-	-	79,222
Other banks and cash in hand	14,550	8,209
	269,993	**398,484**

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

	December 31, 2014	December 31, 2013
Bank rated A+	45,000	-
	45,000	**-**

18. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2014 was 352,748,308 (December 31, 2013: 346,494,150) with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received.

The shareholders structure:

	December 31, 2014		December 31, 2013	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. (1) (2)	173,969,180	49.32%	180,355,430	52.05%
ITI Holdings	5,326,426	1.51%	-	-
Cadizin Trading & Investment (1)	-	-	5,415,781	1.56%
Other shareholders	160,952,702	45.63%	160,722,939	46.39%
Treasury shares (see Note 19)	12,500,000	3.54%	-	-
Total	**352,748,308**	**100.00%**	**346,494,150**	**100.00%**

(1) Entities controlled by ITI Group.

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

According to the Polish Commercial Companies Code treasury shares do not receive dividends and the Company cannot exercise voting rights related to treasury shares:

	December 31, 2014		December 31, 2013	
Shareholder	**Number of votes**	**% of votes**	**Number of votes**	**% of votes**
Polish Television Holding B.V.	173,969,180	51.13%	180,355,430	52.05%
ITI Holdings	5,326,426	1.57%	-	-
Cadizin Trading & Investment	-	-	5,415,781	1.56%
Other shareholders	160,952,702	47.30%	160,722,939	46.39%
Total	**340,248,308**	**100.00%**	**346,494,150**	**100.00%**

Included in the total number of ordinary shares in issue as at December 31, 2014 held by other shareholders are 2,404,156 ordinary shares of C2, C3, E2, E3 and E4 series not registered by the Court (December 31, 2013: 718,848 ordinary shares of C2, C3, E1, E2, E3 and E4 series).

19. SHARE BUYBACK PROGRAM

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

On June 11, 2014 the Company completed the first tranche of the program and acquired 5,000,000 (not in thousands) shares for a total amount of 100,000.

On December 5, 2014 the Company completed the second tranche of the program and acquired 7,500,000 (not in thousands) shares for a total amount of 150,000.

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

20. BORROWINGS

	December 31, 2014	December 31, 2013
The Notes	2,257,154	2,412,202
Interest accrued on the Notes	10,260	12,234
The Cash Loan	78,946	97,135
Interest accrued on the Cash Loan	366	473
	2,346,726	**2,522,044**
Less: current portion of borrowings	(31,938)	(33,443)
Non-current portion of borrowings	**2,314,788**	**2,488,601**

The Notes

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

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

On March 20, 2014 the Group exercised the early repayment option and redeemed and cancelled 7.875% Senior Notes due 2018 with a nominal value of EUR 33,020 for an amount of EUR 35,873 (including accrued interest). On December 8, 2014 the Group again exercised the early repayment option and redeemed and cancelled 7.875% Senior Notes due 2018 with a nominal value of EUR 22,116 for an amount of EUR 23,098 (including accrued interest). The difference between the consideration paid and the carrying amount corresponding to the Notes repurchased ("Premium on early repayment of the Notes") was recognized in the income statement within finance expense (see Note 7). After the redemptions the nominal value of the remaining 7.875% Senior Notes due 2018 is EUR 110,312 (December 31, 2013: EUR 165,448).

On September 16, 2013 the Group issued EUR 430,000 Senior Notes with an annual interest rate of 7.375% ("7.375% Senior Notes due 2020"). The 7.375% Senior Notes due 2020 are carried at amortized cost using an effective interest rate of 8.0%, they pay interest semi-annually (on June 15 and December 15) beginning December 15, 2013 and mature on December 15, 2020. The proceeds from the issuance of 7.375% Senior Notes due 2020, together with the cash from the disposal of Onet Group (transaction finalized on November 6, 2012), were used to repay the remaining balance of 10.75% Senior Notes due 2017 (including accrued interest and premium for early repayment) and to pay fees and expenses associated with the issuance of 7.375% Senior Notes due 2020.

7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 (collectively referred to as the "Notes") are senior unsecured obligations and are governed by a number of covenants including, but not limited to, restrictions on the level of additional indebtedness, payment of dividends, sale of assets and transactions with affiliated companies.

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

20. BORROWINGS (CONTINUED)

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

	December 31, 2014		December 31, 2013	
	PLN	**EUR**	**PLN**	**EUR**
7.375% Senior Notes due 2020	2,025,232	475,150	1,925,960	464,400
7.875% Senior Notes due 2018	487,227	114,311	728,255	175,602
	2,512,459	**589,461**	**2,654,215**	**640,002**

Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on December 31, 2014 and December 31, 2013 respectively. The Notes are quoted on the Luxembourg Stock Exchange (Level 1 of the fair value hierarchy).

The following early repayment options are included in the Notes:

- the Group may redeem all or part of 7.875% Senior Notes due 2018 on or after November 15, 2013 at a redemption price ranging from 105.906% to 100.000% and all or part of 7.375% Senior Notes due 2020 on or after December 15, 2016 at a redemption price ranging from 103.688% to 100.000%;
- the Notes may be redeemed, at the option of the Group, in whole but not in part, at any time, at a price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, if any, up to the redemption date as a result of certain defined changes in tax laws or official interpretations regarding such laws;
- if both a change of control over the Company and a rating decline occur, each registered holder of the Notes will have the right to require the Group to repurchase all or any part of such holder’s Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase;
- prior to December 15, 2016 the Group may on any one or more occasions redeem up to 40% of the original principal amount of 7.375% Senior Notes due 2020 with the net cash proceeds of one or more equity offerings at a redemption price of 107.375% of the principal amount plus accrued and unpaid interest, if any, to the redemption date;
- prior to December 15, 2016, the Group may at any time and from time to time during each 12-month period commencing with September 16, 2013 redeem up to 10% of the original principal amount of 7.375% Senior Notes due 2020 at a redemption price equal to 103% of the aggregate principal amount plus accrued and unpaid interest, if any, to the redemption date;
- at any time prior to December 16, 2016 the Group may redeem 7.375% Senior Notes due 2020, in whole but not in part, at a price equal to 100% of the principal amount plus the applicable ‘make-whole’ premium and accrued and unpaid interest, if any, up to the redemption date.

The Group does not account for early repayment options embedded in the Notes because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil.

The Revolving Credit Facility and the Cash Loan

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

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of December 31, 2014 the Revolving Credit Facility was used only for the bank guarantees issued at 8,194 (December 31, 2013: 7,984).

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

20. BORROWINGS (CONTINUED)

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank's margin and is carried at amortized cost using an effective interest rate of 3.8%. The Cash Loan and interest are repaid in quarterly instalments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

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

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

21. TRADE PAYABLES

	December 31, 2014	December 31, 2013
Acquired programming rights payables	89,879	42,321
Related party payables (see Note 28 (iii))	35,243	21,424
Property, plant, equipment and intangible assets payables	9,972	19,387
Other trade payables	38,236	54,384
	173,330	**137,516**
Less: current portion of trade payables	(161,895)	(133,224)
Non-current portion of trade payables	**11,435**	**4,292**

22. OTHER LIABILITIES AND ACCRUALS

	December 31, 2014	December 31, 2013
Sales and marketing related costs	61,725	17,015
VAT and other taxes payable	54,810	43,381
Employee benefits *	43,735	34,006
Accrued production and programming costs	15,113	25,332
Deferred income	11,314	11,078
Satellites	8,811	5,058
Other liabilities and accrued costs	108,494	116,156
	304,002	**252,026**

* Accrued employee benefits include an accrual for Long Term Incentive Plan expense, see Note 29

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

23. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period		189,350	(206,881)
Income tax charge/ (credit)	**24**	7,700	(62,885)
Depreciation and amortization	**6**	71,507	75,197
Amortization of acquired programming rights and co-productions	**6**	146,301	137,605
Impaired accounts receivable	**6**	(628)	2,550
Loss on sale of property, plant and equipment		288	594
Interest income	**7**	(9,723)	(14,828)
Finance expense	**7**	216,240	551,306
Foreign exchange losses, net	**7**	73,770	30,446
Share of (profits)/ losses of associates and joint ventures	**26**	(31,651)	45,711
Impairment of the investment in an associate	**3 (i)**	-	80,000
Guarantee fee paid		(242)	(802)
Payments to acquire programming rights		(84,518)	(139,848)
Change in local production balance		6,533	9,280
Changes in working capital:			
Trade receivables		(7,743)	(27,183)
Prepayments and other assets		(12,209)	65,713
Trade payables		7,527	1,857
Other short term liabilities and accruals		39,627	54,793
		27,202	95,180
Cash generated from operations		**612,129**	**602,625**

Non-cash transactions

Barter revenue, net		1,334	1,175

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

24. TAXATION

	Year ended December 31, 2014	Year ended December 31, 2013
Current tax credit/ (charge)	5,789	(5,830)
Deferred tax (charge)/ credit	(13,489)	68,715
	(7,700)	**62,885**

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

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) before income tax	**197,050**	**(269,766)**
Income tax (charge)/ credit at the enacted statutory rate of 19%	(37,440)	51,256
Impact of deferred tax asset recognized on tax value of brands recognized by TVN Media (see Note 3 (iv))	27,514	27,514
Impact of share of profits/ (losses) of associates and joint ventures	6,014	(8,685)
Impact of previous years' tax returns corrections	4,766	-
Impact of the repayment of the Notes	-	(34,658)
Impact of tax loss carry-forwards	-	57,017
Impact of the impairment of the investment in an associate (see Note 3 (i))	-	(15,200)
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(8,554)	(14,359)
Income tax (charge)/ credit	**(7,700)**	**62,885**

Movements in deferred tax asset

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	319,130	259,690
(Charge)/ credit to the income statement	(13,492)	59,337
(Charge)/ credit to other comprehensive income	(285)	103
As at December 31	**305,353**	**319,130**

Movements in deferred tax liability

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	(5,822)	(15,200)
Credit to the income statement	3	9,378
As at December 31	**(5,819)**	**(5,822)**

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

24. TAXATION (CONTINUED)

The deferred tax asset is expected to be recovered:

	December 31, 2014	December 31, 2013
Deferred tax asset, net		
- Deferred tax asset, net to be realized after more than 12 months	169,994	173,268
- Deferred tax asset, net to be recovered within 12 months	129,540	140,040
	299,534	**313,308**

The tax authorities may at any time inspect the books and records within five years from the end of the year when a tax declaration was submitted and may impose additional tax assessments with penalty interest and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Deferred income tax assets are recognized for tax loss carry-forwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

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 December 31, 2014.

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

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

24. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/ liabilities	Unpaid interest accrued, net	Brands	Tax loss carry-forwards	Total
Deferred tax asset/ (liability) as at January 1, 2014	13,178	56,755	(10,085)	(2,841)	231	1,202	21,698	233,170	313,308
Credited/ (charged) to the income statement	8,732	5,188	1,605	11,866	(85)	(1,574)	-	(39,221)	(13,489)
Charged to other comprehensive income	-	-	-	-	(285)	-	-	-	(285)
Deferred tax asset/ (liability) as at December 31, 2014	**21,910**	**61,943**	**(8,480)**	**9,025**	**(139)**	**(372)**	**21,698**	**193,949**	**299,534**
Deferred tax asset/ (liability) as at January 1, 2013	6,684	55,359	(13,312)	8,234	-	8,863	21,698	156,964	244,490
Credited/ (charged) to the income statement	6,494	1,396	3,227	(11,075)	128	(7,661)	-	76,206	68,715
Credited to other comprehensive income	-	-	-	-	103	-	-	-	103
Deferred tax asset/ (liability) as at December 31, 2013	**13,178**	**56,755**	**(10,085)**	**(2,841)**	**231**	**1,202**	**21,698**	**233,170**	**313,308**

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

25. 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:

	December 31, 2014	December 31, 2013
Due in 2014	-	81,497
Due in 2015	51,015	62,992
Due in 2016	88,551	46,920
Due in 2017	52,402	16,978
Due in 2018	14,078	-
Due in 2019	1,189	-
	207,235	**208,387**

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

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

	Related parties	Non-related parties	Total
Due in 2015	814	12,273	13,087
Due in 2016	21	8,996	9,017
Due in 2017	-	3,900	3,900
Due in 2018	-	3,900	3,900
Due in 2019	-	2,600	2,600
	835	**31,669**	**32,504**

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

	Related parties	Non-related parties	Total
Due in 2014	394	11,811	12,205
Due in 2015	-	7,813	7,813
Due in 2016	-	4,652	4,652
	394	**24,276**	**24,670**

Contracts signed with related parties relate to lease of office space and television studios from ITI Group and Onet.

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

25. 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:

	December 31, 2014	December 31, 2013
Due in 2014	-	35,595
Due in 2015	38,678	38,388
Due in 2016	41,153	38,244
Due in 2017	40,735	37,902
Due in 2018	18,888	21,149
Due in 2019	6,381	6,352
Due in 2020 and thereafter	7,444	7,411
	153,279	**185,041**

Additionally, the Group leases transmission sites and related services for an annual amount of 12,843 (December 31, 2013: 12,805).

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	nC+	Onet	Polski Operator Telewizyjny	Total
Balance as at January 1, 2014	1,479,929	250,563	-	1,730,492
Share of profits/ (losses)	17,487	14,165	(1)	31,651
Share of other comprehensive income	3,928	-	-	3,928
Distribution received *	-	(8,133)	-	(8,133)
Other	4,504	-	15	4,519
Balance as at December 31, 2014	**1,505,848**	**256,595**	**14**	**1,762,457**

* Redemption of Onet Holding's shares

	nC+	Onet	Total
Balance as at January 1, 2013	1,543,836	321,808	1,865,644
Share of (losses)/ profits	(54,466)	8,755	(45,711)
Impairment loss (see Note 3(i))	-	(80,000)	(80,000)
Share of other comprehensive loss	(2,002)	-	(2,002)
Dividend received	(7,439)	-	(7,439)
Balance as at December 31, 2013	**1,479,929**	**250,563**	**1,730,492**

nC+

The Group holds a 32% interest in ITI Neovision Group ("nC+", ITI Neovision S.A. and its subsidiaries, previously Canal+ Cyfrowy S.A. and its subsidiaries, on June 2, 2014 Canal+ Cyfrowy S.A. merged with its subsidiary ITI Neovision S.A. with ITI Neovision S.A. as a surviving entity), Canal+ Group holds the 51% interest in nC+ and LGI Ventures B.V. ("UPC") holds the remaining 17% interest in nC+. The Group treats the investment in nC+ as a long-term investment. As the Group has significant influence on, but not control over, nC+, the investment is classified as investment in associate and accounted for using the equity method.

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

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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. According to the shareholders' agreement nC+ shall distribute 75% of its distributable consolidated profits to shareholders in proportion to their pro rata share.

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 tables below provide summarised financial information of nC+. The information disclosed reflects the amounts presented in the accounts of nC+ and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, being mainly fair value adjustments.

Summarised Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Non-current assets	1,494,483	1,638,967
Current assets, including:	774,968	601,102
- cash and cash equivalents	*305,248*	*201,813*
	2,269,451	**2,240,069**
Liabilities		
Non-current liabilities, including:	448	52,833
- non-current financial liabilities	*447*	*3,012*
Current liabilities, including:	909,755	908,985
- current financial liabilities	*6,673*	*26,767*
	910,203	**961,818**

Reconciliation of the Summarised Balance Sheet to the carrying amount of the investment

	December 31, 2014	December 31, 2013
Net assets	1,359,248	1,278,251
TVN Group share	32%	32%
	434,959	409,040
Goodwill	1,070,889	1,070,889
Carrying amount of the investment	**1,505,848**	**1,479,929**

During the year ended December 31, 2014 the Group adjusted the calculation of implied goodwill related to the investment in associate nC+ by recognising an additional provision of 20,972 and decreasing deferred tax asset by 663, therefore the Group's share in net assets of nC+ decreased by 6,923 and implied goodwill increased by 6,923. Adjustment did not impact consolidated balance sheet and consolidated income statement of the Group.

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

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised Statement of Comprehensive Income

	Year ended December 31, 2014	**Year ended December 31, 2013**
Revenue	2,147,971	2,227,385
Depreciation and amortization	(206,964)	(262,368)
Interest income	8,889	11,125
Interest expense	(305)	(1,163)
Income tax (charge)/ credit	(17,778)	23,892
Profit/ (loss) for the period	**54,647**	**(170,206)**
Other comprehensive income/ (loss)	12,275	(6,256)
Total comprehensive income/ (loss) for the period	**66,922**	**(176,462)**

Onet

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

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

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

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

According to the shareholders' agreement Onet shall distribute at least 70% of its distributable consolidated profits to shareholders in proportion to their pro rata share.

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

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The tables below provide summarised financial information of Onet. The information disclosed reflects the amounts presented in the accounts of Onet and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, being mainly fair value adjustments.

Summarised Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Non-current assets	426,188	316,962
Current assets, including:	83,128	155,410
- cash and cash equivalents	*51,565*	*86,223*
	509,316	**472,372**
Liabilities		
Non-current liabilities	38,504	32,998
Current liabilities, including:	77,544	70,234
- current financial liabilities	*6,841*	-
	116,048	**103,232**

Reconciliation of the Summarised Balance Sheet to the carrying amount of the investment

	December 31, 2014	December 31, 2013
Net assets	393,268	369,140
TVN Group share	25%	25%
	98,317	92,285
Goodwill	238,278	238,278
Impairment recognized (see Note 3 (i))	(80,000)	(80,000)
Carrying amount of the investment	**256,595**	**250,563**

Summarised Statement of Comprehensive Income

	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	228,568	257,936
Depreciation and amortization	(46,931)	(44,409)
Interest income	1,426	1,930
Interest expense	(11)	-
Income tax credit/ (charge)	28,994	(7,582)
Profit for the period	**56,660**	**35,020**
Total comprehensive income for the period	**56,660**	**35,020**

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

27. GROUP COMPANIES, JOINT VENTURES AND ASSOCIATES

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

	Country of incorporation	Principal activities	December 31, 2014 Ownership %	December 31, 2013 Ownership %
Subsidiaries				
Television broadcasting and production segment				
TVN Media Sp. z o.o.	Poland	Brokerage services related to sale of television and online advertising, licensing of brands and activities of an advertising agency	100	100
Stavka Sp. z o.o.	Poland	Operation of TTV channel	100	51
NTL Radomsko Sp. z o.o.	Poland	Operation of NTL Radomsko channel	100	100
Veedo Sp. z o.o.	Poland	Operation of a video-sharing portal	100	-
Tivien Sp. z o.o.	Poland	Technical and broadcasting services	100	100
El-Trade Sp. z o.o.	Poland	Customs and transport services	100	100
Thema Film Sp. z o.o.	Poland	No operating activities	100	100
Teleshopping segment				
Mango Media Sp. z o.o.	Poland	Teleshopping	100	100
Other subsidiaries				
TVN Finance Corporation II AB	Sweden	No operating activities	100	100
TVN Finance Corporation III AB	Sweden	Financing activities	100	100
TVN Holding S.A.	Poland	No operating activities	100	100
TVN Online Investments Holding B.V.	The Netherlands	Holding company	100	100
TVN DTH Holdings S.à r.l.	Luxembourg	Holding company	100	-
Joint ventures				
Polski Operator Telewizyjny Sp. z o.o.	Poland	No operating activities	50	50
Associates				
ITI Neovision Group ("nC+") (1)	Poland	Operation of nC+ DTH platform	32	32
Onet Holding Group ("Onet") (2)	Poland	Operation of Onet.pl portal	25	25

(1) Up to June 2, 2014 Canal+ Cyfrowy Group (see Note 26), ITI Neovision Group includes ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), its subsidiaries (Cyfrowy Dom Sp. z o.o., Neovision UK Ltd) and a joint venture (MGM Chanel Poland Ltd)

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

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

27. GROUP COMPANIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

28. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2014	Year ended December 31, 2013
nC+	36,473	56,945
ITI Group	2,240	6,660
Onet	809	4,291
Wydawnictwo Pascal	362	133
	39,884	**68,029**

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

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

(ii) Operating expenses:

	Year ended December 31, 2014	Year ended December 31, 2013
ITI Group	29,427	24,421
Onet	7,118	8,569
nC+	1,439	2,100
Wydawnictwo Pascal	5	91
Directors of ITI Group	-	1,615
	37,989	**36,796**

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

During the year ended December 31, 2014 total expenses from ITI Group amounted to 29,690 (the year ended December 31, 2013: 32,060, part of these expenses for the year ended December 31, 2013 related to the repayment of 10.75% Senior Notes due 2017 and issuance of 7.375% Senior Notes due 2020 (see Note 20)).

Directors of ITI Group provided consulting services to the Group.

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

28. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	December 31, 2014	December 31, 2013
Trade receivables		
nC+	6,156	10,040
Wydawnictwo Pascal	880	813
ITI Group	249	389
Onet	45	1,657
	7,330	**12,899**

	December 31, 2014	December 31, 2013
Trade payables		
ITI Group	23,744	13,819
nC+	10,573	5,956
Onet	910	1,608
Wydawnictwo Pascal	16	41
	35,243	**21,424**

(iv) Lease commitments with related parties

See Note 25 for further details.

(v) Other

As of December 31, 2013 the Group issued guarantees in the total amount of 215,207 on the Group's behalf relating to the liabilities of nC+, all these guarantees have been cancelled by December 31, 2014. During the year ended December 31, 2014 the Group recorded finance income related to these guarantees of 258 (the year ended December 31, 2013: 3,490).

As of December 31, 2014 ITI Holdings has provided guarantees in the total amount of USD 3,559 (December 31, 2013: USD 3,559) in respect of programming rights purchased and broadcast by the Group. During the year ended December 31, 2014 the Group recorded finance costs related to ITI Holdings guarantees of 263 (the year ended December 31, 2013: 802).

In October 2014 the Group acquired from Telewizja Religia Sp. z o.o. rights to programming content for a consideration of 3,000 and Religia.tv brand for a consideration of 2,250 (see Note 11). Telewizja Religia Sp. z o.o. is a subsidiary of ITI Group.

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

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Management Board compensation

Management Board cash compensation for the year ended December 31, 2014 amounted to 19,418 (the year ended December 31, 2013: 15,380).

	Year ended December 31, 2014	Year ended December 31, 2013
Markus Tellenbach	8,058	6,365
John Driscoll	3,251	3,212
Piotr Korycki	1,601	1,099
Maciej Maciejowski	1,127	842
Edward Miszczak	2,239	1,599
Adam Pieczyński	1,703	1,229
Piotr Tyborowicz	1,439	1,034
	19,418	**15,380**

Please refer to Note 29 for details of the Long Term Incentive Plan for the Management Board members.

(vii) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2014 amounted to 1,428 (the year ended December 31, 2013: 1,394).

	Year ended December 31, 2014	Year ended December 31, 2013
Wojciech Kostrzewa	144	153
Bertrand Meheut	96	98
Arnold Bahlmann	120	121
Rodolphe Belmer	120	118
Michał Broniatowski	120	112
Paweł Gricuk	156	154
Sophie Guieysse	156	148
Wiesław Rozłucki	144	142
Bruno Valsangiacomo	84	84
Piotr Walter	144	132
Aldona Wejchert	144	132
	1,428	**1,394**

29. LONG TERM INCENTIVE PLAN

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

- Retention component,
- Performance component and
- Transaction component.

29. LONG TERM INCENTIVE PLAN (CONTINUED)

The management is entitled to a minimum cash payment of 21,000 (18,900 of which has been allotted) up to a theoretical maximum of 63,000 (56,700 of which has been allotted) in total under the first two components of the Plan. The actual amount paid will depend on continuous employment in the period 2014 – 2018, and exceeding certain short and mid-term performance targets as defined by the Supervisory Board. Any payments under the plan have been limited to the earlier of: i) statutory retirement or death or disability, ii) change of control date, or iii) the end of the Plan term. At the end of each reporting period the liability related to the Plan is estimated based on current expectations towards meeting the performance criteria, with an assumption that the plan is finalised in 2018, and the respective portion attributable to a particular period is expensed. Staff expenses for the year ended December 31, 2014 include an expense related to the first two components of the Plan in the total amount of 8,915 (the year ended December 31, 2013: nil, see Note 6 and 22).

Under the transaction component of the Plan, management is entitled to an excess transaction value payment in the event of a change of control over the Company within 2014 - 2018. The payment (which is capped at 42,000 for 100% of the component and at 38,700 allotted) will amount to 5% of any excess of the transaction price from the sale of the Company over the “anticipated Company value”, which had been established at the inception of the Plan by reference to the fair value of the whole Company, adjusted upwards in each of the years of the Plan. This component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component is measured at each balance sheet date at fair value. The change in fair value of this liability is recognised in the consolidated income statement for the period.

As outlined in Note 1, ITI Group and Canal+ Group have jointly decided to review and consider the possibility of disposing of their investment in the Company. This announcement increases the likelihood that a change of control may occur, and in that event, would result in an acceleration of all three component payments due under the Plan. Specifically, in the case of a change of control, the performance and transaction components would be measured until the end of the quarter in which a transaction would close, and would be paid within 40 days thereafter. In the case of the retention component, the retention period would be shortened to 18 months after the transaction closing date, with retention payments for the entire retention value occurring within 40 days thereafter.

As the potential closing of any transaction that may lead to a change in control over the Company, including the potential timing, value, buyer specific attributes and other key inputs necessary to assess the potential value of the Company and therefore the potential value to be ascribed to the transaction component of the Plan, are not known by the Company, therefore no amounts have been accrued to date. The maximum amount that could be paid out under the transaction component and consequently recognized as a transaction related operating expense is 42,000 for 100% of the component and at 38,700 allotted. Thus no liability has been recognised as at December 31, 2014 for this cash settled share based payment reward.

30. SHARE-BASED PAYMENTS

Share options were granted to certain Management Board members, employees and co-workers who were 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.

30. SHARE-BASED PAYMENTS (CONTINUED)

All options vested in prior years. The Group had no legal or constructive obligation to repurchase or settle the options in cash.

The stock option plan was service related.

The TVN Incentive Schemes expired on December 31, 2014.

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

	Year ended December 31, 2014		Year ended December 31, 2013	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
As at January 1	PLN 11.00	6,508,873	PLN 10.88	9,126,602
Exercised	PLN 11.04	(6,254,158)	PLN 10.59	(2,617,729)
Expired	PLN 9.93	(254,715)	-	-
As at December 31	-	**-**	PLN 11.00	**6,508,873**

31. FINANCIAL RISK MANAGEMENT

31.1. Capital risk management

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

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

The Group monitors capital on the basis of the net debt to Adjusted EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 20) payable at the reporting date including accrued interest less cash and cash equivalents and bank deposits with maturity over three months. Adjusted EBITDA is calculated for the last twelve months.

The Group defines EBITDA as profit/ (loss) for the period, as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, interest income, finance expense, foreign exchange gains and losses and income taxes. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/ (loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself the Group's presentation and calculation of EBITDA may not be comparable to that of other companies.

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Net debt	2,078,523	2,182,161
EBITDA	548,844	372,355
Share of (profits)/ losses of associates and joint ventures	(31,651)	45,711
Impairment of the investment in an associate	-	80,000
Dividends and other distributions received from associates	8,133	7,439
Incremental costs related to the potential change of control transaction	5,114	-
Adjusted EBITDA	530,440	505,505
Net debt to Adjusted EBITDA ratio	3.9	4.3

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

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

31.2. 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.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, inter alia, for the Group's financial reporting and heads of the teams within the Group's operational control and 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 significant hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors the accounting implications of hedging strategies and verifies settlement of the transactions.

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

(i) Market risk

Market risk related to the Notes

The Notes are listed on the Luxembourg Stock Exchange. The price of the Notes depends on the Group's creditworthiness and on the relative performance of the bond market as a whole. The Group does not account for early repayment options embedded in the Notes because they are either closely related to the economic characteristics of the host contract or their fair value was assessed at a level close to nil. The Notes are carried at amortized cost. The Group is therefore not exposed to changes in the market price of the Notes.

Foreign currency risk

The Group's revenue is primarily denominated in Polish zloty ("PLN"). Foreign exchange risk arises mainly from the Group's liabilities in respect of the Notes, the Cash Loan and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in an efficient manner, both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated profit/ loss for the period (post-tax) impact on balances as of December 31, 2014 and December 31, 2013 of a reasonably possible EUR appreciation of 5% against PLN, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 97,582 (a loss of 105,936 as of December 31, 2013) and is presented below:

	Year ended December 31, 2014	**Year ended December 31, 2013**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
The Notes including accrued interest	(93,686)	(100,508)
The Cash Loan	(3,252)	(4,008)
Trade payables	(308)	(308)
Other	(1,317)	(1,496)
Assets:		
Cash and cash equivalents	900	344
Trade receivables	81	40
	(97,582)	**(105,936)**

The estimated profit/ loss for the period (post-tax) impact on balances as of December 31, 2014 and December 31, 2013 of a reasonably possible USD appreciation of 5% against PLN, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,681 (a loss of 869 as of December 31, 2013).

The profit/ loss for the period impact of possible foreign currency fluctuations is partially limited by derivative instruments entered into by the Group (see Note 14).

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the Notes and the Cash Loan (see Note 20).

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

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

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Financial assets, which potentially expose the Group to concentration of credit risk, consist principally of trade receivables and related party receivables. The Group places its cash and cash equivalents and bank deposits with maturity over three months with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 17). The Group does not consider its current concentration of credit risk as significant.

The Group defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty.

The Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Customers with poor or no history of payments with the Group, with low value committed spending or assessed by the Group as not credit worthy are required to pay before the service is rendered. Credit is granted to customers with a good history of payments and significant spending who are assessed credit worthy based on internal or external ratings. The Group performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the Group's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The majority of the Group's sales are made through advertising agencies (84% of the total trade receivables as of December 31, 2014 and 82% of the total trade receivables as of December 31, 2013) who manage advertising campaigns for advertisers and pay the Group once payment has been received from the customer.

The Group's top ten advertisers accounted for 15% and the single largest advertiser accounted for 2% of sales for the year ended December 31, 2014 (16% and 3%, respectively, of sales for the year ended December 31, 2013). Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

The major players amongst the advertising agencies in Poland with whom the Group co-operates are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Group mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	**December 31, 2014**	**December 31, 2013**
Receivables from advertising agencies	84%	82%
Receivables from individual customers	14%	14%
Receivables from related parties	2%	4%
	100%	**100%**

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	December 31, 2014	December 31, 2013 *
Agency A	14%	10%
Agency B	10%	9%
Agency C	8%	6%
Agency D	6%	10%
Agency E	5%	4%
Sub-total	**43%**	**39%**
Total other counterparties	57%	61%
	100%	**100%**

* 2013 figures represent comparative data for each Agency

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

Trade receivables (net)	December 31, 2014	December 31, 2013 *
Agency Group F	30%	23%
Agency Group G	14%	19%
Agency Group H	14%	13%
Agency Group I	12%	12%
Agency Group J	6%	6%
Sub-total	**76%**	**73%**
Total other counterparties	24%	27%
	100%	**100%**

* 2013 figures represent comparative data for each Agency Group

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at December 31, 2014 and December 31, 2013.

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital and financing expenditures relating to dividends and share buyback, capital investment in television and broadcasting facilities and equipment, debt service on the Notes and the Cash Loan and the launch of new thematic channels and internet services. The Group believes that its cash balances and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Group are negatively affected by a prolonged economic slow-down or clients' financial difficulties the Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2014 the Group had cash and cash equivalents and bank deposits with maturity over three months totalling 314,993 at its disposal (December 31, 2013: cash and cash equivalents totalling 398,484).

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's non-derivative * financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early repayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	Above 2 years
As at December 31, 2014			
The Notes	172,194	172,194	2,917,696
The Cash Loan	23,459	22,827	37,887
Trade payables	161,895	11,435	-
Other liabilities and accruals	194,143	3,243	17,419
	551,691	**209,699**	**2,973,002**
As at December 31, 2013			
The Notes	185,552	185,552	3,289,134
The Cash Loan	23,574	22,925	59,172
Trade payables	133,224	4,292	-
Other liabilities and accruals	163,561	7,307	20,417
Guarantees **	215,207	-	-
	721,118	**220,076**	**3,368,723**

* The Group's derivative financial instruments are in hedge relationships and are due to settle within one year of the balance sheet date. These contracts require undiscounted contractual cash outflows of 113,432 and undiscounted contractual cash inflows of 114,165 (December 31, 2013: undiscounted contractual cash outflows of 142,026 and undiscounted contractual cash inflows of 139,072).

** Guarantees issued on the Group's behalf relating to the liabilities of nC+ (see Note 28 (v)).

31.3. Fair value estimation

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

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

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1"),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2"),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Level 1	Level 2	Level 3	Total
At December 31, 2014				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,202	-	1,202
	-	**1,202**	**-**	**1,202**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	214	-	214
	-	**214**	**-**	**214**
At December 31, 2013				
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	1,510	-	1,510
	-	**1,510**	**-**	**1,510**

31.4. Consideration of the current economic environment

Macroeconomic risks in both western and eastern Europe remain elevated due to the on-going issues in respect of the common currency and sovereign debt, as well as the recent geopolitical risk in neighbouring countries. Management is unable to reliably estimate the effects on the Group's financial position of the above issues and believes it is taking all the necessary measures to support the sustainability and growth of the Group's businesses under the current circumstances.

MANAGEMENT REPRESENTATIONS

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

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

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 5, 2015.

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

Warsaw, February 5, 2015

TVN Group

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

TVN Group

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

	Year ended December 31, 2014	Year ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013
Revenue	1,593,804	1,538,499	480,980	459,992
Cost of revenue	(886,184)	(890,344)	(249,388)	(263,917)
Selling expenses	(107,276)	(96,433)	(27,923)	(25,041)
General and administration expenses	(146,482)	(125,269)	(40,023)	(26,997)
Share of profits/ (losses) of associates and joint ventures	31,651	(45,711)	1,497	(43,764)
Impairment of the investment in an associate	-	(80,000)	-	(80,000)
Other operating (expenses)/ income, net	(3,062)	(3,584)	1,452	(1,825)
Operating profit before incremental costs related to the potential change of control transaction	**482,451**	**297,158**	**166,595**	**18,448**
Incremental costs related to the potential change of control transaction	(5,114)	-	(5,114)	-
Operating profit	**477,337**	**297,158**	**161,481**	**18,448**
Interest income	9,723	14,828	2,055	2,952
Finance expense	(216,240)	(551,306)	(53,987)	(55,135)
Foreign exchange (losses)/ gains, net	(73,770)	(30,446)	(53,304)	43,794
Profit/ (loss) before income tax	**197,050**	**(269,766)**	**56,245**	**10,059**
Income tax (charge)/ credit	(7,700)	62,885	(5,705)	32,487
Profit/ (loss) for the period	**189,350**	**(206,881)**	**50,540**	**42,546**
Profit/ (loss) attributable to:				
Owners of TVN S.A.	194,745	(197,763)	51,335	45,776
Non-controlling interest	(5,395)	(9,118)	(795)	(3,230)
	189,350	**(206,881)**	**50,540**	**42,546**
Earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)				
- basic	0.56	(0.57)	0.15	0.13
- diluted	0.56	(0.57)	0.15	0.13

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

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

	Year ended December 31, 2014	Year ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013
Profit/ (loss) for the period	**189,350**	**(206,881)**	**50,540**	**42,546**
Other comprehensive income/ (loss) reclassifiable to income statement when specific conditions are met:				
Cash flow hedge – foreign exchange forward contracts	1,555	(598)	299	(1,996)
Income tax relating to components of other comprehensive income/ (loss)	(285)	103	(57)	369
Share of other comprehensive income/ (loss) of associates	3,928	(2,002)	461	(2,486)
Other comprehensive income/ (loss) for the period, net of tax	5,198	(2,497)	703	(4,113)
Total comprehensive income/ (loss) for the period	**194,548**	**(209,378)**	**51,243**	**38,433**
Total comprehensive income/ (loss) attributable to:				
Owners of TVN S.A.	199,943	(200,260)	52,038	41,663
Non-controlling interest	(5,395)	(9,118)	(795)	(3,230)
	194,548	**(209,378)**	**51,243**	**38,433**

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)

	As at December 31, 2014	As at December 31, 2013
ASSETS		
Non-current assets		
Property, plant and equipment	364,943	393,047
Goodwill	144,127	144,127
Brands	32,862	30,612
Other intangible assets	69,803	67,128
Non-current programming rights	152,272	155,124
Investments in associates and joint ventures	1,762,457	1,730,492
Deferred tax asset	305,353	319,130
Other non-current assets	1,071	1,122
	2,832,888	**2,840,782**
Current assets		
Current programming rights	222,610	244,942
Trade receivables	350,243	341,872
Prepayments and other assets	92,831	73,179
Derivative financial assets	1,202	-
Bank deposits with maturity over three months	45,000	-
Cash and cash equivalents	269,993	398,484
	981,879	**1,058,477**
TOTAL ASSETS	**3,814,767**	**3,899,259**
EQUITY		
Shareholders' equity		
Share capital	70,550	69,299
Share premium	865,237	726,853
Treasury shares	(250,000)	-
8% obligatory reserve	23,301	23,301
Other reserves and deficits	(581,872)	(481,302)
Accumulated profit	840,835	644,646
	968,051	**982,797**
Non-controlling interest	-	(25,508)
	968,051	**957,289**
LIABILITIES		
Non-current liabilities		
Non-current borrowings	2,314,788	2,488,601
Deferred tax liability	5,819	5,822
Non-current trade payables	11,435	4,292
Other non-current liabilities	16,625	21,426
	2,348,667	**2,520,141**
Current liabilities		
Current trade payables	161,895	133,224
Current borrowings	31,938	33,443
Derivative financial liabilities	214	1,510
Corporate income tax payable	-	1,626
Other liabilities and accruals	304,002	252,026
	498,049	**421,829**
Total liabilities	**2,846,716**	**2,941,970**
TOTAL EQUITY AND LIABILITIES	**3,814,767**	**3,899,259**

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

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

	Number of shares (not in thousands)	Share capital	Share premium	Treasury shares	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to the owners of TVN S.A.	Non-controlling interest	Total equity
Balance as at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**-**	**23,301**	**(481,302)**	**644,646**	**982,797**	**(25,508)**	**957,289**
Total comprehensive income/ (loss) for the period	-	-	-	-	-	5,198	194,745	199,943	(5,395)	194,548
Issue of shares (1)	6,254,158	1,251	138,853	-	-	(72,343)	1,444	69,205	-	69,205
Share issue cost (2)	-	-	(167)	-	-	-	-	(167)	-	(167)
Purchase of treasury shares (3)	-	-	-	(250,000)	-	-	-	(250,000)	-	(250,000)
Treasury shares cost	-	-	(302)	-	-	-	-	(302)	-	(302)
Acquisition of non-controlling interest (4)	-	-	-	-	-	(33,425)	-	(33,425)	30,903	(2,522)
Balance as at December 31, 2014	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**(581,872)**	**840,835**	**968,051**	**-**	**968,051**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedge	Effect of acquisition of non-controlling interest	Total
Balance as at January 1, 2014	**72,343**	**(2,497)**	**(551,148)**	**(481,302)**
Issue of shares	(72,343)	-	-	(72,343)
Credit for the period	-	1,555	-	1,555
Deferred tax on credit for the period	-	(285)	-	(285)
Share of other comprehensive income of associates	-	3,928	-	3,928
Acquisition of non-controlling interest (4)	-	-	(33,425)	(33,425)
Balance as at December 31, 2014	**-**	**2,701**	**(584,573)**	**(581,872)**

Included in accumulated profit as of December 31, 2014 is an amount of 2,183,055 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes impose certain restrictions on payment of dividends.

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 the owners of TVN S.A.	Non-controlling interest	Total equity
Balance as 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 loss for the period	-	-	-	-	(2,497)	(197,763)	(200,260)	(9,118)	(209,378)
Issue of shares (1)	2,617,729	524	54,012	-	(26,820)	-	27,716	-	27,716
Share issue cost (2)	-	-	(35)	-	-	-	(35)	-	(35)
Dividend declared and paid (5)	-	-	-	-	-	(220,081)	(220,081)	-	(220,081)
Balance as at December 31, 2013	**346,494,150**	**69,299**	**726,853**	**23,301**	**(481,302)**	**644,646**	**982,797**	**(25,508)**	**957,289**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow hedge	Effect of acquisition of non-controlling interest	Total
Balance as at January 1, 2013	**99,163**	**-**	**(551,148)**	**(451,985)**
Issue of shares	(26,820)	-	-	(26,820)
Charge for the period	-	(598)	-	(598)
Deferred tax on charge for the period	-	103	-	103
Share of other comprehensive loss of associates	-	(2,002)	-	(2,002)
Balance as at December 31, 2013	**72,343**	**(2,497)**	**(551,148)**	**(481,302)**

(1) During the year ended December 31, 2014 6,254,158 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (the year ended December 31, 2013: 2,617,729 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares).

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

(3) During the year ended December 31, 2014 12,500,000 (not in thousands) shares were purchased by the Company for redemption. These shares are included in the total number of shares in issue as of December 31, 2014 until the Shareholders' Meeting resolves to redeem and cancel the shares.

(4) On October 16, 2014 the Group acquired the remaining shares in Stavka and derecognized the related non-controlling interest.

(5) The dividend declared in 2013 amounted to 0.64 per share (not in thousands) and it was paid in two installments: the first installment was paid on May 8, 2013 in the amount of 99,724 (0.29 per share (not in thousands)) and the second installment was paid on November 5, 2013 in the amount of 120,357 (0.35 per share (not in thousands)).

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

	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities		
Cash generated from operations	612,129	602,625
Tax paid, net	(1,668)	(6,569)
Net cash generated by operating activities	**610,461**	**596,056**
Investing activities		
Distribution received from an associate	8,133	-
Dividend received from an associate, net of tax	-	6,026
Proceeds from sale of subsidiaries	-	38,005
Payments to acquire property, plant and equipment	(49,439)	(71,071)
Proceeds from sale of property, plant and equipment	1,732	1,704
Payments to acquire intangible assets	(22,618)	(12,990)
Bank deposits with maturity over three months	(45,000)	50,000
Interest received	8,546	10,063
Net cash (used in)/ generated by investing activities	**(98,646)**	**21,737**
Financing activities		
Issue of shares, net of issue cost	69,038	27,681
Dividend paid	-	(220,081)
Purchase of treasury shares, including costs	(250,302)	-
Acquisition and repayment of the Notes	(243,963)	(206,922)
Repayment of the remaining 10.75% Senior Notes due 2017	-	(2,486,847)
Issuance of the 7.375% Senior Notes due 2020	-	1,810,730
Cost of issue of the 7.375% Senior Notes due 2020	-	(40,270)
Proceeds from the Cash Loan	-	106,395
Repayments of the Cash Loan	(21,021)	(5,227)
Repayments of the Mortgage Loan	-	(111,071)
Bank charges	(6,899)	(17,343)
Settlement of foreign exchange forward contracts	(1,584)	1,605
Acquisition of non-controlling interest	(2,525)	-
Restricted cash	-	945,210
Interest paid	(181,492)	(330,897)
Net cash used in financing activities	**(638,748)**	**(527,037)**
(Decrease)/ increase in cash and cash equivalents	**(126,933)**	**90,756**
Cash and cash equivalents at the start of the period	398,484	308,564
Effects of exchange rate changes	(1,558)	(836)
Cash and cash equivalents at the end of the period	**269,993**	**398,484**

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

1. GENERAL INFORMATION

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 5, 2015.

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

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

A significant non-controlling stake in the Company is held indirectly by Groupe Canal+ S.A. (“Canal+ Group”).

On October 16, 2014 ITI Group and Canal+ Group announced their intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the Company (the “change of control transaction”). In connection with this announcement, the Company has appointed financial and legal advisors to support the Company during this process, and has also agreed to manage and finance the conducting of various due diligence processes.

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 ten television channels and one teleshopping channel in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN 24 Biznes i Świat, NTL Radomsko, TTV and Telezakupy Mango 24. The Group’s channels broadcast news, information and entertainment shows, series, movies and teleshopping. The Group together with 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.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 included in the annual report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared on a going concern basis and in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 34 requires minimum disclosures, which are based on the assumption that readers of the interim financial statements have access to the most recent annual financial statements and that the disclosures are material and not disclosed elsewhere in the financial reporting.

The most recent annual full consolidated financial statements of the Group were prepared and audited as of and for the year ended December 31, 2014. The annual consolidated financial statements fully disclose the accounting policies applied by the Group.

The Group's consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

pwc

Independent Auditor's Report

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

We have audited the accompanying separate financial statements of TVN S.A. (The "Company"), which comprise the separate balance sheet as at 31 December 2014 and the separate income statement, separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.

February 5, 2015
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 746 4000, F: +48 (22) 742 4040, www.pwc.com

MANAGEMENT REPRESENTATIONS

These separate financial statements of TVN S.A. (the “Company”) as of and for the year ended December 31, 2014, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU, issued and effective as at the balance sheet date.

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

In accordance with the requirements of the Decree of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual separate financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Company’s financial position and its results of operations, and that the annual Directors’ Report gives a true view of the Company’s development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual separate financial statements was appointed in accordance with the legal regulations and the said registered audit company and the individual registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report in accordance with the applicable regulations and professional standards.

These separate financial statements were authorized for issuance by the Management Board of TVN S.A. on February 5, 2015.

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

Warsaw, February 5, 2015

TVN S.A.

Separate Financial Statements
As of and for the year ended December 31, 2014

TVN S.A.

Contents

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	**4**	1,369,730	1,389,247
Cost of revenue	**5**	(895,339)	(907,808)
Selling expenses	**5**	(53,060)	(44,132)
General and administration expenses	**5**	(123,890)	(111,164)
Other operating income expenses, net		(2,599)	(72,513)
Dividends and other net distributions from subsidiaries and associates	**12**	120,849	94,770
Operating profit before incremental costs related to the potential change of control transaction		**415,691**	**348,400**
Incremental costs related to the potential change of control transaction	**5**	(5,114)	-
Operating profit		**410,577**	**348,400**
Interest income	**6**	17,405	24,721
Finance expense	**6**	(246,743)	(581,244)
Foreign exchange losses, net	**6**	(73,763)	(30,043)
Profit/ (loss) before income tax		**107,476**	**(238,166)**
Income tax credit	**24**	4,621	68,932
Profit/ (loss) for the period		**112,097**	**(169,234)**
Earnings/ (losses) per share (not in thousands)			
- basic	**7**	0.32	(0.49)
- diluted	**7**	0.32	(0.49)

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

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period		**112,097**	**(169,234)**
Other comprehensive income/ (loss) reclassifiable to income statement when specific conditions are met:			
Cash flow hedge – foreign exchange forward contracts		1,499	(542)
Available for sale financial assets	**14**	(495)	241
Income tax relating to components of other comprehensive (loss)/ income	**24**	(191)	57
Other comprehensive income/ (loss) for the period, net of tax		813	(244)
Total comprehensive income/ (loss) for the period		**112,910**	**(169,478)**

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

	Note	As at December 31, 2014	As at December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	**8**	358,390	386,850
Goodwill	**9**	144,127	144,127
Other intangible assets	**10**	51,582	51,919
Non-current programming rights	**11**	152,272	155,124
Investments in subsidiaries, associates and joint ventures	**12**	4,247,715	4,227,358
Non-current related party loans	**26 (v)**	75,504	68,343
Deferred tax asset	**24**	275,763	277,399
Other non-current assets		971	1,064
		5,306,324	**5,312,184**
Current assets			
Current programming rights	**11**	220,549	244,250
Trade receivables	**15**	138,876	152,742
Current related party loans	**26 (v)**	1,381	5,090
Available-for-sale financial assets	**14**	28,126	42,435
Derivative financial assets	**13**	1,202	-
Prepayments and other assets	**16**	26,573	37,479
Corporate income tax receivable		1,729	1,942
Bank deposits with maturity over three months	**17**	45,000	-
Cash and cash equivalents	**17**	86,471	99,177
		549,907	**583,115**
TOTAL ASSETS		**5,856,231**	**5,895,299**
EQUITY			
Shareholders' equity			
Share capital	**18**	70,550	69,299
Share premium		865,237	726,853
Treasury shares	**19**	(250,000)	-
8% obligatory reserve		23,301	23,301
Other reserves		569	70,654
Accumulated profit		2,184,885	2,072,788
		2,894,542	**2,962,895**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**20, 26 (iii)**	2,134,479	2,421,008
Non-current Cash Loan	**20**	58,121	77,079
Non-current trade payables	**21**	11,435	4,292
Other non-current liabilities		10,391	14,516
		2,214,426	**2,516,895**
Current liabilities			
Current trade payables	**21**	166,814	131,469
Derivative financial liabilities	**13**	214	1,445
Current Cash Loan	**20**	21,312	20,736
Accrued interest on borrowings	**20, 26 (iii)**	203,484	50,963
Cash pooling liabilities	**26 (vii)**	229,742	75,149
Other liabilities and accruals	**22**	125,697	135,747
		747,263	**415,509**
Total liabilities		**2,961,689**	**2,932,404**
TOTAL EQUITY AND LIABILITIES		**5,856,231**	**5,895,299**

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

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

	Number of shares (not in thousands)	Share capital	Share Premium	Treasury shares	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**-**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**
Total comprehensive income for the period	**-**	-	-	-	-	-	813	112,097	112,910
Issue of shares (1)	**6,254,158**	1,251	138,853	-	-	(70,898)	-	-	69,206
Share issue cost (2)	**-**	-	(167)	-	-	-	-	-	(167)
Purchase of treasury shares (3)	**-**	-	-	(250,000)	-	-	-	-	(250,000)
Treasury shares cost	**-**	-	(302)	-	-	-	-	-	(302)
Balance at December 31, 2014	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**-**	**569**	**2,184,885**	**2,894,542**

Included in accumulated profit as of December 31, 2014 is an amount of 2,183,055 which is distributable. The 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (see the consolidated financial statements).

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

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2013	**343,876,421**	68,775	672,876	23,301	97,718	-	2,462,103	3,324,773
Total comprehensive loss for the period	**-**	-	-	-	-	(244)	(169,234)	(169,478)
Issue of shares (1)	**2,617,729**	524	54,012	-	(26,820)	-	-	27,716
Share issue cost (2)	**-**	-	(35)	-	-	-	-	(35)
Dividend declared and paid (4)	**-**	-	-	-	-	-	(220,081)	(220,081)
Balance at December 31, 2013	**346,494,150**	**69,299**	**726,853**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**

(1) During the year ended December 31, 2014 6,254,158 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (the year ended December 31, 2013: 2,617,729 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares, see Note 18).

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

(3) During the year ended December 31, 2014 12,500,000 (not in thousands) shares were purchased by the Company for redemption (see Note 19). These shares are included in the total number of shares in issue as of December 31, 2014 until the Shareholders' Meeting resolves to redeem and cancel the shares.

(4) The dividend declared in 2013 amounted to 0.64 per share (not in thousands) and it was paid in two installments: the first installment was paid on May 8, 2013 in the amount of 99,724 (0.29 per share (not in thousands)) and the second installment was paid on November 5, 2013 in the amount of 120,357 (0.35 per share (not in thousands)).

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities			
Cash generated from operations	**23**	439,322	469,237
Tax received / (paid)		6,308	(4,690)
Net cash generated from operating activities		**445,630**	**464,547**
Investing activities			
Investments in subsidiary	**12**	(22,654)	-
Distribution received from subsidiaries	**12**	7,958	-
Proceeds from sale of subsidiaries		-	38,005
Payments to acquire property, plant and equipment		(45,353)	(65,258)
Proceeds from sale of property, plant and equipment		1,500	2,315
Payments to acquire intangible assets		(13,381)	(8,105)
Proceeds from the Available-for-sale financial assets	**14**	14,278	165,890
Acquisition of the Available-for-sale financial assets	**14**	-	(206,922)
Bank deposits with maturity over three months	**17**	(45,000)	-
Loans granted to subsidiary	**26 (v)**	(6,850)	(37,300)
Proceeds from the loan granted to subsidiary		51	-
Dividend received	**12**	119,384	94,770
Interest received		14,170	14,633
Net cash generated from /(used in) investing activities		**24,103**	**(1,972)**
Financing activities			
Issue of shares, net of issue cost	**18**	69,038	27,681
Purchase of treasury shares, including costs		(250,302)	-
Increase of share capital of the subsidiary related to premium on early repayment of 10.75% Senior Notes due 2017		-	(171,275)
Dividend paid		-	(220,081)
Repayments of the Mortgage Loan	**20**	-	(111,071)
Proceeds from the Cash Loan	**20**	-	106,395
Repayments of the Cash Loan	**20**	(21,021)	(5,227)
Bank charges	**20**	(5,841)	(16,178)
Cash pooling with TVN Media	**26 (vi)**	154,593	(22,580)
Repayment of the loan from subsidiary	**26 (iii)**	(369,211)	(2,526,413)
Loan from subsidiary		-	1,810,730
Deferred issuance costs		-	(40,270)
Restricted cash		-	945,210
Interest paid	**26 (iii)**	(58,797)	(309,913)
Net cash used in financing activities		**(481,541)**	**(532,992)**
(Decrease)/ increase in cash and cash equivalents		**(11,808)**	**(70,417)**
Cash and cash equivalents at the start of the period	**17**	99,177	163,671
Effects of exchange rates changes		(898)	5,923
Cash and cash equivalents at the end of the period	**17**	**86,471**	**99,177**

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

1. GENERAL INFORMATION

These separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 5, 2015.

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

The Company is a 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.

A significant non-controlling stake in the Company is held indirectly by Groupe Canal+ S.A. ("Canal+ Group").

On October 16, 2014 ITI Group and Canal+ Group announced their intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the Company (the "change of control transaction"). In connection with this announcement, the Company has appointed financial and legal advisors to support the Company during this process, and has also agreed to manage and finance the conducting of various due diligence processes (see Note 5 for expenses incurred by the Company).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These separate financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the separate financial statements as of and for year ended December 31, 2014 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2013 except for standards, amendments to standards and IFRIC interpretations which became effective January 1, 2014.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

These separate financial statements should be read together with the consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The consolidated financial statements for year ended December 31, 2014 are published together with these separate financial statements on http://investor.tvn.pl.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are classified as non-current assets. The Company values investments in subsidiaries, jointly controlled entities and associates at cost less impairment losses. Cost comprises also the transaction costs incurred.

2.3. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year-end exchange rates are recognized in the income statement. Qualifying cash flow hedges are recognized in other comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

For available-for-sale financial assets that are non-monetary assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange translation component.

2.4. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives as follows:

	Term
Buildings	up to 40 years
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-5 years
Studio vehicles	7 years
Leasehold improvements	up to 10 years
Furniture and fixtures	4-5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2014.

2.5. Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is recognized in the separate financial statements of the Company as an effect of merger with the previously acquired subsidiary. This transaction was accounted for using the amounts from the consolidated financial statements in respect of this subsidiary.

Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.6. Other intangible assets

Broadcasting licenses

Expenditures on broadcasting licenses are capitalised and amortized using the straight line method over the license period.

Software and other

Software and other include acquired computer software, capitalised development costs, perpetual usufruct of land and other intangible assets.

Acquired computer software and other intangible assets are capitalised and amortized using the straight-line method over two to three years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Development assets are tested for impairment annually, in accordance with IAS 36.

Perpetual usufruct of land is capitalised and amortized using the straight-line method over the term for which the right has been granted.

2.7. Programming rights

Programming rights includes acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below:

Acquired programming rights

Program rights acquired by the Company under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Company.

The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell or its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the Company are amortized as follows:

Program categories	**Number of runs**	**Percentage of amortization per run**		
		1st	**2nd**	**3rd**
Movies, including feature films, made for television or cable, whether first run, library or rerun	1	100		
	2	60	40	
	3 or more	50 or 40	35	15 or 25
Weekly fiction series, including dramas, comedies or series, first run or library, live action and animation	1	100		
	2	60	40	
	3 or more	60	25	15
Weekly non-fiction series, including documentary series, docu-soaps, reality and nature	1	100		
	2	90	10	
	3 or more	90	10	0
Entertainment documentaries, one-off documentaries of less than timely topics	1	100		
	2 or more	80	20	0
Clips shows of comedy material	1	100		
	2	60	40	
	3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Company under own licences or licences from third parties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalized production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs expected to be broadcast once	100% on first showing
Programs with unlimited broadcasting right which are expected to have reasonably long useful life, including documentary series, fiction series and movies	60% on first showing, 30% on second showing, 10% residual value or 80% on first showing, 4% on second showing, 16% on third and next showings in total (including 10% residual value) or 50% on first showing, 30% on second showing, 20% on third and next showings in total (including 10% residual value)
Other programs, including documentary series, fiction series and entertainment shows	95% on first showing, 3% on second showing, 2% on third showing or 60% on first showing, 40% on second showing or 25% on first showing, 50% on second showing, 25% on third and next showings in total or 75% on first showing, 25% on second showing or 50% on first showing, 50% on second showing or 90% on first showing, 10% on second showing

Residual value is amortized on a straight line basis over the period of ten years.

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Company for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Impairment of non - financial assets and investments in subsidiaries, associates, joint ventures

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and investments in subsidiaries, associates, joint ventures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to groups of cash-generating units as identified by the Company.

Non – financial assets other than goodwill and investments in subsidiaries, associates, joint ventures that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Non-current assets held for sale

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

2.10. Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Company determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Category 'loans and receivables' includes amounts classified as trade receivables in the balance sheet (see note 2.12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be

sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

Purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities are classified as available for sale and are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Company's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge), or (2) a hedge of a foreign exchange risk of a firm commitment (cash flow hedge) on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The Company applies fair value hedge accounting for hedging foreign exchange risk on borrowings. The gain or loss relating to effective portion of derivatives used for hedging is recognized in the income statement along with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk. The gain or loss relating to ineffective portion of derivatives used for hedging is recognized in the income statement within finance expense.

The Company applies cash flow hedge accounting for hedging foreign exchange risk on subscription revenue from DTH and cable operators, firm commitments relating to acquisition of programming rights and payment of interests on or principal of related party loans. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Company’s risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.12. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Company does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2.14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Company.

2.15. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Treasury shares

Where the Company purchases own equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.17. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.18. Borrowings

The Company recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

2.19. Income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when related income tax asset is realized or liability settled.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future or the asset cannot be utilised.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.20. Employee benefits

Retirement benefit costs

The Company contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based plans

The Company's management board and certain key employees and co-workers were granted share options based on the rules of an incentive plan introduced by the Company. The options were subject to service vesting conditions, and their fair value was recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the options were exercised.

As described in Note 27 management of the Company participates in the Long Term Incentive Plan. The transaction component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component is measured at each balance sheet date at fair value. The change in fair value of this liability is recognised in the separate income statement for the period.

Bonus plan

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation and the reliable estimate of the obligation can be made.

2.21. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.22. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue primarily results from the sale of television advertising and is recognised in the period in which the advertising is broadcast. Other revenues primarily result from DTH and cable operators subscription fees, sponsoring, rental, technical services, call television, text messages and sales of right to programming content.

2.23. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants are deducted in reporting the related expense if the expense might not have been incurred if the grant had not been available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24. Barter transactions

Revenue from barter transactions (television advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Company records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Company provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.25. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.26. Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.27. Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with a debt instrument. Financial guarantees are initially recognized at fair value and subsequently measured at a higher of: amount determined in accordance with IAS 37 and amount initially recognized less amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of guarantee contracts issued in respect of Company's subsidiary as long as it can be reliably measured increases value of Company's investment in respective subsidiary.

2.28. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.29. New standards and amendments to standards

Certain new standards and amendments to standards have been published by IASB since the publication of the previous annual separate financial statements that are mandatory for accounting periods beginning on or after January 1, 2015. The Company's assessment of the impact of these new standards and amendments to standards on the Company's separate financial statements is set out below.

(i) IFRS 9 Financial Instruments (not yet adopted by the EU)

The final version of the standard was published in July 2014 and it replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies how an entity should classify and measure financial assets, including some hybrid contracts, and financial liabilities. It requires all financial assets to be:

- classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset,
- initially measured at fair value plus, in the case of a financial asset not at fair value through income statement, particular transaction costs,
- subsequently measured at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

The new requirements maintain the existing amortized cost measurement for most liabilities and address the problem of volatility in income statement arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, rather than within income statement.

The new requirements on hedge accounting included in the standard put in place a new model that introduces significant improvements as compared with previous requirements contained in IAS 39. The new requirements align the accounting more closely with risk management and improve the disclosures about hedge accounting and risk management.

The standard applies for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of IFRS 9 on the Company's separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 15 Revenue from Contracts with Customers (not yet adopted by the EU)

The standard was published in May 2014 and it supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard provides a comprehensive framework for reporting on the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard applies for annual periods beginning on or after January 1, 2017. The Company is currently assessing the impact of IFRS 15 on the Company's separate financial statements.

All other new standards and amendments to standards not listed above either are not relevant for the Company or will not have significant impact on the Company's separate financial statements.

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) Deferred tax assets and liabilities

On November 28, 2011, with the effect as of November 29, 2011, the Company contributed to TVN Media the entirety of the tangible and intangible components of the Sales and Marketing Segment (including also internally generated TVN brands and employees) - being an organizationally and functionally separated unit within the business structure of the Company responsible for carrying out the sales, marketing and brand management functions - as a contribution in kind of an organized part of the enterprise in exchange for the acquisition of the increased share capital in TVN Media.

As a result of the reorganization a temporary difference arose on the difference between the investment's book carrying value and its tax base. The Company did not recognize a related deferred tax liability in the amount of 403,710 (December 31, 2013: 403,710) as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As at December 31, 2014 the Company also did not recognize a deferred tax asset on tax loss carry-forwards of 414,267 (December 31, 2013: 426,037). These tax loss carry-forwards expire within five tax years starting from January 1, 2013. The related deferred tax asset in the amount of 78,711 (December 31, 2013: 80,947) was not recognized as the Company concluded that as at December 31, 2014 the realization of the related tax benefit is not probable.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Estimated impairment of investments in subsidiaries and associates

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

As of December 31, 2014 and December 31, 2013, as a result of a less than expected economic performance of Onet, the Company performed impairment tests of the investment in TVN Online Investments Holding. In the impairment tests performed by the Company the recoverable amount of the investment in TVN Online Investments Holding was determined based on fair value of its investment in Onet Holding, the sole shareholder of Onet (see Note 12). The calculation of the fair value of Onet was based both on the valuation of the company as a whole, and the put and call options included in the shareholders' agreement.

The key financial assumptions used for discounting free cash flows as at December 31, 2014 and as at December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Terminal growth	2.5%	2.5%
Discount rate	7.0%	9.4%

The test performed as of December 31, 2014 indicated that the investment did not suffer an impairment. The Company believes that the key assumptions made in testing for impairment of the investment in TVN Online Investments Holding as at December 31, 2014 were reasonable and were based on our experience and market forecasts that are from time to time published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the investment in TVN Online Investments Holding recoverable amount as at December 31, 2014 was based would not cause an impairment to be recognized.

As of December 31, 2013 the investment in TVN Online Investments Holding suffered an impairment and as a result an impairment loss in the amount of 68,187 was recognized by the Company. The impairment loss reduced the carrying amount of the investment and was presented within other operating expenses, net in the separate income statement for the year ended December 31, 2013.

As of December 31, 2013 the Company performed also an impairment test of the investment in Mango Media. In the impairment test performed by the Company as of December 31, 2013 the recoverable amount of the investment in Mango Media was determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period.

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

	December 31, 2013
Terminal growth	2.5%
Discount rate	10.25%

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The test performed as of December 31, 2013 indicated, that the investment in Mango Media suffered an impairment. As a result an impairment loss of 10,000 was recognized in the income statement. The impairment loss reduced the carrying value of the investment and was presented within other operating expenses, net in the separate income statement for the year ended December 31, 2013.

As of December 31, 2014 and December 31, 2013 the Company did not identify any indicators for impairment of other investments in subsidiaries and associates.

4. REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Advertising revenue	951,530	962,405
Sponsoring revenue	144,279	140,923
Advertising related revenue	**1,095,809**	**1,103,328**
Subscription fees	207,232	213,642
Revenue from sale of services	25,602	27,599
Other revenue	41,087	44,678
	1,369,730	**1,389,247**

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

5. OPERATING EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Amortization of locally produced content	414,735	414,164
Amortization of acquired programming rights and co-production	143,060	137,606
Staff expenses	110,092	108,081
Royalties	113,868	114,893
Depreciation and amortization	66,810	71,313
Marketing and research	48,264	40,762
Broadcasting expenses	46,159	54,145
Cost of services sold	29,888	24,864
Rental	19,380	24,311
Impaired accounts receivable	355	270
Other	79,678	72,695
	1,072,289	**1,063,104**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2014 of 75,113 (year ended December 31, 2013: 84,591).

Included in the above staff expenses for the year ended December 31, 2014 is a Long Term Incentive Plan expense of 8,915 related to the retention and performance components (the year ended December 31, 2013: nil, see Note 27).

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

5. OPERATING EXPENSES (CONTINUED)

Incremental costs related to the potential change of control transaction

	Year ended December 31, 2014	**Year ended December 31, 2013**
Advisory costs (see Note 1)	5,114	-
	5,114	**-**

Incremental costs related to the potential change of control transaction for the year ended December 31, 2014 include costs already incurred, being due diligence advisory costs only. No success based investment banking fees, other advisory fees or incremental Long Term Incentive Plan charges (see Note 27) are included.

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

Interest income	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Interest income on loans to related parties (see Note 26 (v))	5,921	3,655
Interest income on foreign exchange forward contracts and foreign exchange swap contracts – cash flow hedges	1,012	1,349
Interest income on available for sale financial assets (see Note 14)	2,336	5,313
Income from guarantee fees from related parties (see Note 26 (viii))	6,406	11,225
Other interest income	1,730	3,179
	17,405	**24,721**

Finance expense		
Interest expense on loans from related parties (see Note 26 (iii))	(207,303)	(319,371)
Interest expense on cash pooling transactions (see Note 26 (vii))	(10,539)	(10,377)
Interest expense on the Mortgage Loan	-	(1,365)
Interest expense on the Cash Loan (see Note 20)	(3,001)	(1,415)
Interest on foreign exchange forward contracts and foreign exchange swap contracts – cash flow hedges	(2,124)	(1,176)
Premium on early repayment of the loan from the related party (see Note 20)	(12,507)	-
Unamortized debt issuance costs of the loans from related parties (see Note 20)	(4,741)	(59,594)
Impairment of the investment in TVN Finance Corporation II AB	-	(171,484)
Guarantee fees to related parties (see Note 26 (viii))	(1,479)	(6,474)
Bank and other charges	(5,049)	(9,988)
	(246,743)	**(581,244)**

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

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

Foreign exchange (losses)/gains, net	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Foreign exchange losses on loans from related parties, including:	(61,619)	(54,795)
- unrealized foreign exchange (losses)/ gains on loans from related parties	*(48,547)*	*52,437*
- realized foreign exchange losses on loans from related parties	*(13,072)*	*(110,040)*
- hedge impact	*-*	*2,808*
Other foreign exchange (losses)/ gains, net	(12,144)	24,752
	(73,763)	**(30,043)**

Finance expense and foreign exchange (losses)/ gains, net for the year ended December 31, 2014 include costs of early repayment of the loans being premium on early repayment of 12,507, write-off of the unamortized balance of debt issuance costs of the loans from related parties of 4,741 and realized foreign exchange loss of 13,072 (the year ended December 31, 2013: premium on early repayment, nil, write-off of the unamortized balance of debt issuance costs of the loans from related parties of 59,594, impairment of the investment in TVN Finance Corporation II AB of 171,484 and realized foreign exchange loss of 110,040).

7. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

Basic

Basic earnings/ (losses) per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period, less the weighted average effect of treasury shares, less the weighted average effect of treasury shares.

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period (in thousands)	112,097	(169,234)
Weighted average number of ordinary shares in issue	345,987,750	344,345,683
Basic earnings per share	**0.32**	**(0.49)**

Diluted

Diluted earnings/ (losses) per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. All share options expired on December 31, 2014 (see Note 28).

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period (in thousands)	112,097	(169,234)
Weighted average number of ordinary shares in issue	345,987,750	344,345,683
Adjustment for share options	1,069,214	563,618
Weighted average number of potential ordinary shares for diluted earnings per share	347,056,964	344,909,301
Diluted earnings per share	**0.32**	**(0.49)**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2014	**39,843**	**197,491**	**62,993**	**374,540**	**46,256**	**14,981**	**18,633**	**754,737**
Additions	-	2,440	1,318	16,782	6,072	1,238	-	27,850
Disposals	-	(26)	(64)	(27,231)	(6,382)	(3,002)	-	(36,705)
December 31, 2014	**39,843**	**199,905**	**64,247**	**364,091**	**45,946**	**13,217**	**18,633**	**745,882**
Accumulated depreciation and impairment								
January 1, 2014	**267**	**7,184**	**53,056**	**261,547**	**20,566**	**10,231**	**15,036**	**367,887**
Charge for the year	-	4,981	1,793	38,808	7,692	1,186	-	54,460
Disposals	-	(2)	(64)	(26,950)	(4,995)	(2,844)	-	(34,855)
December 31, 2014	**267**	**12,163**	**54,785**	**273,405**	**23,263**	**8,573**	**15,036**	**387,492**
Net book value at January 1, 2014	**39,576**	**190,307**	**9,937**	**112,993**	**25,690**	**4,750**	**3,597**	**386,850**
Net book value at December 31, 2014	**39,576**	**187,742**	**9,462**	**90,686**	**22,683**	**4,644**	**3,597**	**358,390**

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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Leasehold improvements	Television and broadcasting equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2013	**39,843**	**188,414**	**78,693**	**386,009**	**42,917**	**16,201**	**18,633**	**770,710**
Additions	-	3,180	1,244	23,787	8,581	835	-	37,627
Disposals	-	(7)	(11,040)	(35,256)	(5,242)	(2,055)	-	(53,600)
Transfers	-	5,904	(5,904)	-	-	-	-	-
December 31, 2013	**39,843**	**197,491**	**62,993**	**374,540**	**46,256**	**14,981**	**18,633**	**754,737**
Accumulated depreciation and impairment								
January 1, 2013	**267**	**631**	**62,422**	**251,332**	**19,272**	**10,736**	**15,036**	**359,696**
Charge for the year	-	4,904	3,321	44,523	4,985	1,525	-	59,258
Disposals	-	(7)	(11,031)	(34,308)	(3,691)	(2,030)	-	(51,067)
Transfers	-	1,656	(1,656)	-	-	-	-	-
December 31, 2013	**267**	**7,184**	**53,056**	**261,547**	**20,566**	**10,231**	**15,036**	**367,887**
Net book value at January 1, 2013	**39,576**	**187,783**	**16,271**	**134,677**	**23,645**	**5,465**	**3,597**	**411,014**
Net book value at December 31, 2013	**39,576**	**190,307**	**9,937**	**112,993**	**25,690**	**4,750**	**3,597**	**386,850**

Depreciation expense of 39,565 has been charged in cost of revenue (year ended December 31, 2013: 45,829), 95 in selling expenses (year ended December 31, 2013: 59) and 14,800 in general and administration expenses (year ended December 31, 2013: 13,370).

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

9. GOODWILL

	Year ended December 31, 2014	**Year ended December 31, 2013**
As at January 1	144,127	144,127
As at December 31	**144,127**	**144,127**

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

	Year ended December 31, 2014	**Year ended December 31, 2013**
Thematic television channels	131,704	131,704
Television production unit	12,423	12,423
	144,127	**144,127**

The goodwill as of 31 December 2014 and 31 December 2013 did not suffer any impairment.

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

10. OTHER INTANGIBLE ASSETS

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2014	**35,710**	**108,010**	**143,720**
Additions	10	12,003	12,013
Disposals	-	(1,231)	(1,231)
December 31, 2014	**35,720**	**118,782**	**154,502**
Accumulated amortization and impairment			
January 1, 2014	**13,546**	**78,255**	**91,801**
Charge for the year	2,469	9,881	12,350
Disposals	-	(1,231)	(1,231)
December 31, 2014	**16,015**	**86,905**	**102,920**
Net book value at January 1, 2014	**22,164**	**29,755**	**51,919**
Net book value at December 31, 2014	**19,705**	**31,877**	**51,582**

	Broadcasting licenses	Software and other	Total
Gross value			
January 1, 2013	24,010	100,191	124,201
Additions	11,700	7,992	19,692
Disposals	-	(173)	(173)
December 31, 2013	**35,710**	**108,010**	**143,720**
Accumulated amortization and impairment			
January 1, 2013	10,940	68,831	79,771
Charge for the year	2,606	9,449	12,055
Disposals	-	(25)	(25)
December 31, 2013	**13,546**	**78,255**	**91,801**
Net book value at January 1, 2013	**13,070**	**31,360**	**44,430**
Net book value at December 31, 2013	**22,164**	**29,755**	**51,919**

Amortization of 6,492 has been charged in cost of revenue (year ended December 31, 2013: 5,944), 2 in selling expenses (year ended December 31, 2013: 14) and 5,856 in general and administration expenses (year ended December 31, 2013: 6,097).

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

11. PROGRAMMING RIGHTS

	December 31, 2014	December 31, 2013
Acquired programming rights	231,060	249,412
Productions	124,448	131,896
News archive	9,734	10,187
Co-productions	7,579	7,879
	372,821	**399,374**
Less current portion of programming rights	(220,549)	(244,250)
Non-current portion of programming rights	**152,272**	**155,124**

Changes in acquired programming rights

	Year ended December 31, 2014	Year ended December 31, 2013
Net book value as at January 1	249,412	266,916
Additions	124,708	117,817
Amortization	(143,060)	(135,321)
Net book value as at December 31	**231,060**	**249,412**

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

12. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	Year ended December 31, 2014	Year ended December 31, 2013
TVN Media Sp. z o.o.	3,953,666	2,393,111
ITI Neovision S.A. ("nC+", previously Canal+ Cyfrowy S.A.)	-	1,556,160
TVN Online Investments Holding B.V.	244,070	250,563
Mango Media Sp. z o.o.	18,862	18,862
Other investments in subsidiaries and joint ventures	31,117	8,662
Total	**4,247,715**	**4,227,358**

Dividends and other net distributions from subsidiaries and associates

	Year ended December 31, 2014	Year ended December 31, 2013
Redemption of TVN Online Investments Holding's shares	7,958	-
Investment in TVN Online Investments Holding written down on redemption of shares	(6,493)	-
Dividend from TVN Media	118,808	85,838
Dividend from Tivien	500	1,400
Dividend from nC+	-	7,439
Dividend from El-Trade	76	93
	120,849	**94,770**

On June 2, 2014 Canal+ Cyfrowy S.A. merged with its subsidiary ITI Neovision S.A. with ITI Neovision S.A. as a surviving entity.

On June 17, 2014 TVN Online Investments Holding redeemed and cancelled part of its shares and the Company wrote down the respective part of the investment.

On July 9, 2014 the Company contributed its entire investment in ITI Neovision S.A. (nC+) to a newly established subsidiary TVN DTH Holdings S.à r.l. ("TVN DTH Holdings", previously TVN DTH Holding S.E.C.S.). The contribution was valued at 1,560,000 and was accounted by the Company at historical value of 1,556,318.

On October 2, 2014 the Company contributed its entire investment in TVN DTH Holdings to TVN Media. The contribution was valued at 1,609,991 and was accounted by the Company at historical value of 1,556,517.

On October 16, 2014 the Company acquired the remaining shares in Stavka and on December 9, 2014 the Company increased the share capital of Stavka.

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

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

	Country of incorporation	**Principal activities**	**December 31, 2014 Ownership %**	**December 31, 2013 Ownership %**
Subsidiaries				
Television broadcasting and production segment				
TVN Media Sp. z o.o.	Poland	Brokerage services related to sale of television and online advertising, licensing of brands and activities of an advertising agency	100	100
Stavka Sp. z o.o.	Poland	Operation of TTV channel	100	51
NTL Radomsko Sp. z o.o.	Poland	Operation of NTL Radomsko channel	100	100
Veedo Sp. z o.o.	Poland	Operation of a video-sharing portal	100	-
Tivien Sp. z o.o.	Poland	Technical and broadcasting services	100	100
El-Trade Sp. z o.o.	Poland	Customs and transport services	100	100
Thema Film Sp. z o.o.	Poland	No operating activities	100	100
Teleshopping segment				
Mango Media Sp. z o.o.	Poland	Teleshopping	100	100
Other subsidiaries				
TVN Finance Corporation II AB	Sweden	No operating activities	100	100
TVN Finance Corporation III AB	Sweden	Financing activities	100	100
TVN Holding S.A.	Poland	No operating activities	100	100
TVN Online Investments Holding B.V.	The Netherlands	Holding company	100	100
TVN DTH Holdings S.à r.l. (1)	Luxembourg	Holding company	100	-
Joint ventures				
Polski Operator Telewizyjny Sp. z o.o.	Poland	No operating activities	50	50
Associates – held indirectly				
ITI Neovision Group ("nC+") (2)	Poland	Operation of nC+ DTH platform	32	32
Onet Holding Group ("Onet") (3)	Poland	Operation of Onet.pl portal	25	25

(1) Investment held through TVN Media

(2) Investment held through TVN DTH Holdings, up to June 2, 2014 Canal+ Cyfrowy Group, ITI Neovision Group includes ITI Neovision S.A. (up to July 12, 2013 ITI Neovision Sp. z o.o.), its subsidiaries (Cyfrowy Dom Sp. z o.o., Neovision UK Ltd) and a joint venture (MGM Chanel Poland Ltd)

(3) Investment held through TVN Online Investments Holding, Onet Holding Group includes Onet Holding Sp. z o.o. (up to April 2, 2013 Vidalia Investments Sp. z o.o.), its subsidiaries (Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., OnetM Sp. z o.o., OnetMarketing Sp. z o.o., GoBrands Sp. z o.o., Skąpiec.pl Sp. z o.o., Opineo Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2014	December 31, 2013
Derivative financial assets		
Foreign exchange forward contracts	1,202	-
	1,202	**-**
Derivative financial liabilities		
Foreign exchange forward contracts	214	1,445
	214	**1,445**

The fair value of foreign exchange forward contracts as at December 31, 2014 and December 31, 2013 was based on valuations performed by the Company's banks.

As at December 31, 2014 the Company had EUR foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on the interest expense on the related party loans or on the repayment of principal of related party loans and on subscription revenue from DTH and cable operators (December 31, 2013: USD foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on firm commitments relating to the acquisition of programming rights assets and EUR foreign exchange forward contracts entered into in order to limit the impact of exchange rate movements on the interest expense on the related party loans or on the repayment of principal of related party loans).

The Company has designated these foreign exchange forward contracts for cash flow hedge accounting. When designating the hedging relationship the interest elements and the spot prices of the forwards were split. The interest element is recognized in the income statement in the period until maturity date of each foreign exchange forward contract (see Note 6).

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2014	December 31, 2013
Balance at the beginning of the period	42,435	-
Acquisition of the Notes	-	206,922
Interest income accrued	2,336	5,313
Interest income received	(2,765)	(4,783)
Foreign exchange differences	893	(213)
Cost of acquisitions of the Notes	-	845
Redemption of the Notes	(14,278)	(165,890)
Fair value change credited to other comprehensive income	(495)	241
Balance at the end of the period	**28,126**	**42,435**

The balance of available-for-sale financial assets as at December 31, 2014 and 2013 comprises 7.875% Senior Notes due 2018 acquired by the Company.

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

On December 8, 2014 7.875% Senior Notes due 2018 with a nominal value of EUR 1,264 were repaid for an amount of EUR 1,320 (including accrued interest) and redeemed and cancelled.

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

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

15. TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
Trade receivables	22,953	28,745
Less: provision for impairment of receivables	(761)	(784)
Trade receivables – net	22,192	27,961
Receivables from related parties (Note 26 (iv))	116,684	124,781
	138,876	**152,742**

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

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

	December 31, 2014	December 31, 2013
PLN	133,115	146,250
EUR	847	1,388
USD	4,753	5,090
Other	161	14
	138,876	**152,742**

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

15. TRADE RECEIVABLES (CONTINUED)

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

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

	Year ended December 31, 2014	Year ended December 31, 2013
Beginning of the period	784	3,123
Provision for receivables impaired, net change	355	270
Receivables written off as uncollectible	(378)	(2,609)
End of the period	**761**	**784**

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

As of December 31, 2014, trade receivables of 4,396 were past due but not impaired. The balance includes mainly receivables from related parties and relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2014	December 31, 2013
Up to 30 days	2,052	10,787
31-60 days	688	722
Over 60 days	1,656	131
	4,396	**11,640**

The Company defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2014 was 138,876 (December 31, 2013: 152,742).

16. PREPAYMENTS AND OTHER ASSETS

	December 31, 2014	December 31, 2013
VAT and other non-CIT taxes receivables	2,271	2,235
Employee settlements	6,301	5,703
Prepayments for programming	3,511	1,830
Technical support	1,732	1,748
Inventory, net of impairment provision	295	345
Other	13,434	26,682
	27,544	**38,543**
Less: current portion of prepayments and other assets	**(26,573)**	**(37,479)**
Non-current portion of prepayments and other assets	**971**	**1,064**

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

17. CASH AND CASH EQUIVALENTS, BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED CASH

	December 31, 2014	December 31, 2013
Cash and cash equivalents	86,471	99,177
	86,471	**99,177**
Bank deposits with maturity over three months	45,000	-
	45,000	**-**

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

	December 31, 2014	December 31, 2013
Bank rated BBB+	30,021	19,415
Bank rated A+	50,372	79,222
Bank rated AA- and cash in hand	6,078	540
	86,471	**99,177**

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

	December 31, 2014	December 31, 2013
Bank rated A+	45,000	-
	45,000	**-**

18. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2014 was 352,748,308 (December 31, 2013: 346,494,150) with a par value of 0.20 per share. All issued shares are fully paid and include shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received.

The shareholders structure:

	December 31, 2014		December 31, 2013	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. (1) (2)	173,969,180	49.32%	180,355,430	52.05%
ITI Holdings	5,326,426	1.51%	-	-
Cadizin Trading & Investment (1)	-	-	5,415,781	1.56%
Other shareholders	160,952,702	45.63%	160,722,939	46.39%
Treasury shares (see Note 19)	12,500,000	3.54%	-	-
Total	**352,748,308**	**100.00%**	**346,494,150**	**100.00%**

(1) Entities controlled by ITI Group.

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

According to the Polish Commercial Companies Code treasury shares do not receive dividends and the Company cannot exercise voting rights related to treasury shares:

	December 31, 2014		December 31, 2013	
Shareholder	**Number of votes**	**% of votes**	**Number of votes**	**% of votes**
Polish Television Holding B.V.	173,969,180	51.13%	180,355,430	52.05%
ITI Holdings	5,326,426	1.57%	-	-
Cadizin Trading & Investment	-	-	5,415,781	1.56%
Other shareholders	160,952,702	47.30%	160,722,939	46.39%
Total	**340,248,308**	**100.00%**	**346,494,150**	**100.00%**

Included in the total number of ordinary shares in issue as at December 31, 2014 held by other shareholders are 2,404,156 ordinary shares of C2, C3, E2, E3 and E4 series not registered by the Court (December 31, 2013: 718,848 ordinary shares of C2, C3, E1, E2, E3 and E4 series).

19. SHARE BUYBACK PROGRAM

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

On June 11, 2014 the Company completed the first tranche of the program and acquired 5,000,000 (not in thousands) shares for a total amount of 100,000.

On December 5, 2014 the Company completed the second tranche of the program and acquired 7,500,000 (not in thousands) shares for a total amount of 150,000.

20. BORROWINGS

	December 31, 2014	**December 31, 2013**
Loans from related parties (see Note 26 (iii))	2,134,479	2,421,008
Interest accrued on loans from related parties (see Note 26 (iii))	203,118	50,490
The Cash Loan	79,433	97,815
Interest accrued on the Cash Loan	366	473
	2,417,396	**2,569,786**
Less: current portion of borrowings	(224,796)	(71,699)
Non-current portion of borrowings	**2,192,600**	**2,498,087**

The Revolving Credit Facility and the Cash Loan

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

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of December 31, 2014 the Revolving Credit Facility was used by the Company only for the bank guarantees issued at 8,098 (December 31, 2013: 7,984).

The Cash Loan was utilized on August 5, 2013, it bears interest at a floating rate EURIBOR for the relevant interest period plus the bank's margin and is carried at amortized cost using an effective interest rate of 3.8%. The Cash Loan and interest are repaid in quarterly instalments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

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

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

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

21. TRADE PAYABLES

	December 31, 2014	December 31, 2013
Acquired programming rights payables	89,882	42,321
Property, plant, equipment and intangible assets payables	8,861	18,357
Other trade payables	28,961	34,710
Related party payables (see Note 26 (iv))	50,545	40,373
	178,249	**135,761**
Less: current portion of trade payables	**(166,814)**	**(131,469)**
Non-current portion of trade payables	**11,435**	**4,292**

22. OTHER LIABILITIES AND ACCRUALS

	December 31, 2014	December 31, 2013
VAT and other taxes payable	40,306	44,414
Employee benefits *	34,813	26,783
Accrued production costs	10,007	20,703
Satellites	8,278	4,529
Sales and marketing related costs	943	715
Deferred income	860	546
Other liabilities and accrued costs	30,490	38,057
	125,697	**135,747**

* Accrued employee benefits include an accrual for Long Term Incentive Plan expense, see Note 27

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

23. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Profit/ (loss) for the period		112,097	(169,234)
Income tax (credit)/ charge	24	(4,621)	(68,932)
Impairment		-	78,187
Depreciation, amortization	5	66,810	71,313
Amortization of acquired program rights and co-production	5	143,060	137,606
Payments to acquire programming rights		(75,104)	(139,849)
Impaired accounts receivable	5	355	270
Loss on sale of property, plant and equipment		351	366
Interest income	6	(17,405)	(24,721)
Finance expense	6	246,743	581,244
Foreign exchange losses/ (gains), net	6	73,763	30,043
Guarantee fee		1,479	(802)
Change in local production balance		7,902	9,347
Dividend income		(120,849)	(94,770)
Changes in working capital:			
Trade receivables		13,511	13,761
Prepayments and other assets		9,228	36,586
Trade payables		(3,825)	(74)
Other short term liabilities and accruals		(14,173)	8,896
		4,741	59,169
Cash generated from operations		**439,322**	**469,237**

Non-cash transactions

Barter revenue, net		199	838

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

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

24. TAXATION

	Year ended December 31, 2014	**Year ended December 31, 2013**
Current tax credit/ (charge)	6,066	(1,413)
Deferred tax (charge)/ credit	(1,445)	70,345
	4,621	**68,932**

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

Profit/ (loss) before income tax	**107,476**	**(238,166)**
Income tax benefit at the enacted statutory rate of 19%	(20,420)	45,252
Impact of non taxable dividend income	24,195	16,593
Impact of impairment of investment in TVN Finance Corporation II AB	-	(32,582)
Impact of impairment of investment in TVN Online Investments Holding B.V.	-	(12,956)
Impact of tax loss carry-forwards	-	57,017
Impact of previous years' tax returns corrections	4,766	-
Net tax impact of other net expenses and losses not deductible for tax purposes and revenue not taxable	(3,920)	(4,392)
Tax for the period	**4,621**	**68,932**

The tax authorities may at any time inspect the books and records within five years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Deferred income tax assets are recognized for tax loss carry-forwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

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

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

24. TAXATION (CONTINUED)

The deferred tax assets are expected to be recovered:

	December 31, 2014	December 31, 2013
Deferred tax asset, net		
- Deferred tax asset, net to be realized after more than 12 months	185,576	205,787
- Deferred tax asset, net to be recovered within 12 months	90,187	71,612
	275,763	**277,399**

Movements in deferred tax asset/ (liability), net	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Balance at beginning of period	277,399	206,997
Deferred tax (charged)/ credited to other comprehensive income, net	(191)	57
(Charge)/ credited to income statement for the period	(1,445)	70,345
Balance at end of period	**275,763**	**277,399**

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

24. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Provisions and accruals	Borrowing costs	Unrealised foreign exchange differences	Derivative financial assets/ (liabilities)	Unpaid interest accrued, net	Tax loss	Total
Deferred tax asset/(liability) at January 1, 2014	**12,538**	**35,937**	**(9,834)**	**(2,823)**	**229**	**8,182**	**233,170**	**277,399**
Credited/(charged)to net profit	8,771	1,061	1,065	12,091	(177)	27,190	(51,446)	(1,445)
Charged to other comprehensive income	-	-	-	-	(191)	-	-	(191)
Deferred tax asset/(liability) at December 31, 2014	**21,309**	**36,998**	**(8,769)**	**9,268**	**(139)**	**35,372**	**181,724**	**275,763**
Deferred tax asset/(liability) at January 1, 2013	**6,482**	**39,833**	**(13,313)**	**8,167**	**-**	**8,888**	**156,940**	**206,997**
Credited/(charged)to net profit	6,056	(3,896)	3,479	(10,990)	172	(706)	76,230	70,345
Charged to other comprehensive income	-	-	-	-	57	-	-	57
Deferred tax asset/(liability) at December 31, 2013	**12,538**	**35,937**	**(9,834)**	**(2,823)**	**229**	**8,182**	**233,170**	**277,399**

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

25. COMMITMENTS

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

(i) Commitments to acquire programming

The Company has outstanding contractual payment commitments in relation to programming as of December 31, 2014. These commitments are scheduled to be paid as follows:

	December 31, 2014	December 31, 2013
Due in 2014	-	79,917
Due in 2015	49,464	62,992
Due in 2016	88,550	46,920
Due in 2017	52,402	16,978
Due in 2018	14,078	-
Due in 2019	1,189	-
	205,683	**206,807**

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

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

	Related parties	Non-related parties	Total
Due in 2015	790	11,349	12,139
Due in 2016	21	8,318	8,339
Due in 2017	-	3,900	3,900
Due in 2018	-	3,900	3,900
Due in 2019	-	2,600	2,600
	811	**30,067**	**30,878**

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

	Related parties	Non-related parties	Total
Due in 2014	169	13,444	13,613
Due in 2015	120	7,995	8,115
Due in 2016	71	5,848	5,919
Due in 2017	71	3,421	3,492
	431	**30,708**	**31,139**

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

25. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from ITI Group and Onet.

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

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

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

	December 31, 2014	**December 31, 2013**
Due in 2014	-	29,243
Due in 2015	32,297	32,036
Due in 2016	34,772	31,892
Due in 2017	34,354	31,550
Due in 2018	12,507	14,796
	113,930	**139,517**

Additionally, the Company leases transmission sites and related services for an annual amount of 12,843 (the year ended December 31, 2013: 12,805).

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

26. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2014	Year ended December 31, 2013
TVN Media Sp. z o.o.	1,129,519	1,135,664
nC+	57,317	75,096
Stavka Sp. z o.o.	12,587	10,307
ITI Group	2,346	5,037
Mango Media	1,826	1,135
Onet	165	1,139
El-Trade	122	122
Veedo	83	-
Tivien	47	47
NTL Radomsko	38	-
	1,204,050	**1,228,547**

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

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

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

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

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Year ended December 31, 2014	Year ended December 31, 2013
TVN Media Sp. z o.o.	109,288	103,279
ITI Group	28,620	23,051
Tivien	11,365	11,973
Onet	3,048	3,174
nC+	1,438	1,799
El-Trade	331	347
Stavka Sp. z o.o.	199	63
NTL Radomsko	3	1,048
Directors of ITI Group	-	1,615
	154,292	**146,349**

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

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

Directors of ITI Group provided consulting services to the Company.

(iii) Loans from related parties

	December 31, 2014	December 31, 2013
TVN Media Sp. z o.o.	1,646,076	1,710,908
Loans from TVN Finance Corporation III AB	488,403	710,099
Interest accrued	203,118	50,490
	2,337,597	**2,471,497**

26. RELATED PARTY TRANSACTIONS (CONTINUED)

On November 19, 2010, TVN Finance Corporation III AB, the Company's subsidiary, issued 7.875% Senior Notes due 2018 in the aggregate principal amount of EUR 175,000. Following the issue of 7.875% Senior Notes due 2018, TVN Finance Corporation III AB granted to the Company a loan with the nominal of EUR 175,000, bearing interest at 8.635 % 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 9.4%. During the year ended December 31, 2014 EUR 58,380 of the principal amount of the loan has been repaid together with accrued interest and premium for early repayment.

On September 16, 2013 TVN Finance Corporation III AB, the Company's subsidiary, issued 7.375% Senior Notes due 2020 in the aggregate principal amount of EUR 430,000. Following the issue of 7.375% Senior Notes due 2020, TVN Finance Corporation III AB granted to TVN Media, the Company's subsidiary, a loan with the nominal of EUR 430,000 and TVN Media granted to the Company a loan with the nominal of EUR 430,000, bearing base interest at 8.275% p.a. and due for repayment on December 15, 2030. Interest on this loan is paid semi-annually but according to the agreement the Company may postpone interest payments, in such cases the interest rate will be increased accordingly. The loan is carried at amortized cost using an effective interest rate of 8.7%. During the year ended December 31, 2013 EUR 7,000 of the principal amount of the loan has been repaid, the interest payment has been postponed and nominal interest has been increased to 8.447% p.a.

During the year ended December 31, 2014 EUR 27,000 of the principal amount of the loan has been repaid and nominal interest has been increased to 9.213% p.a.

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

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	December 31, 2014	December 31, 2013
Receivables:		
TVN Media Sp. z o.o.	108,240	112,467
nC+	5,829	9,896
Stavka Sp. z o.o.	1,878	1,776
ITI Group	278	1,521
Mango Media	247	157
Veedo	103	-
NTL-Radomsko	78	-
Onet	14	49
El-Trade	13	13
Tivien	4	4
	116,684	**125,883**
Payables:		
TVN Media Sp. z o.o.	23,367	23,479
ITI Group	23,617	13,456
nC+	2,007	2,034
Tivien	1,142	744
Onet	261	580
Stavka Sp. z o.o.	115	7
El-Trade	36	43
Mango Media	-	30
	50,545	**40,373**

(v) Related party loans

	December 31, 2014	December 31, 2013
Stavka Sp. z o.o.	57,256	58,258
TVN Online Investments Holding B.V.	-	51
Mango Media	19,159	15,024
NTL-Radomsko	470	100
	76,885	**73,433**

Loans granted to Stavka Sp. z o.o. have total nominal value of 56,956 (December 31, 2013: 53,456), bear interest between 7.5% and 9.1% and mature between September 22, 2014 and July 30, 2017.
Loans granted to Mango Media have nominal value of 18,000 (December 31, 2013: 15 000), bear interest between 6.20% and 7.47% and mature between December 31, 2016 and December 31, 2017.

(vi) Lease commitments with related parties

See Note 25 (ii) for further details.

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

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Cash pooling liabilities

During the year ended December 31, 2014 the Company recorded finance cost from cash pooling transactions with TVN Media of 10,539 (during the year ended December 31, 2013: 10,377). Cash pooling liabilities amount to 229,742 (75,149 at December 31, 2013).

(viii) Other

	December 31, 2014	December 31, 2013
Guarantee fees from related parties		
TVN Finance Corporation III AB and TVN Finance Corporation II AB	6,004	7,523
nC+	258	3,490
TVN Media	144	212
	6,406	**11,225**

The Company is a guarantor of the Notes issued by TVN Finance Corporation III AB (see Note 26 (iii), during year ended December 31, 2013 also of the Notes issued by TVN Finance Corporation II AB).

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

During the year ended December 31, 2014 the Company issued guarantees in amount of 90,000 relating to the liabilities of TVN Media (December 31, 2013: 90,000).

	December 31, 2014	December 31, 2013
Guarantee fees to related parties		
TVN Media	1,120	2,930
ITI Holdings	242	802
Guarantors of the Revolving Credit Facility and the Cash Loan	117	2,742
	1,479	**6,474**

During the year ended December 31, 2014 TVN Media issued guarantees in amount of 356,394 relating to the liabilities of the Company (December 31, 2013: 599,200).

During the year ended December 31, 2014 ITI Holdings has provided guarantees in the total amount of USD 3,559 (December 31, 2013: USD 3,559) in respect of programming rights purchased and broadcasted by the Company.

The Company's subsidiaries are guarantors of the Revolving Credit Facility and the Cash Loan, as at December 31, 2014 total guarantee amounted to 600,000 (December 31, 2013: 600,000, see Note 20).

In October 2014 the Group acquired from Telewizja Religia Sp. z o.o. rights to programming content for a consideration of 3,000. Telewizja Religia Sp. z o.o. is a subsidiary of ITI Group.

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

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(ix) Management Board compensation

Management Board cash compensation for the year ended December 31, 2014 amounted to 15,895 (the year ended December 31, 2013: 14,361).

	Year ended December 31, 2014	Year ended December 31, 2013
Markus Tellenbach	5,974	6,365
John Driscoll	3,251	3,212
Piotr Korycki	1,421	919
Maciej Maciejowski	1,127	842
Edward Miszczak	2,239	1,599
Adam Pieczyński	1,703	1,229
Piotr Tyborowicz	180	195
	15,895	**14,361**

Please refer to Note 27 for details of the Long Term Incentive Plan for the Management Board members.

(x) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2014 amounted to 1,428 (the year ended December 31, 2013: 1,394).

	Year ended December 31, 2014	Year ended December 31, 2013
Wojciech Kostrzewa	144	153
Bruno Valsangiacomo	84	84
Arnold Bahlmann	120	121
Rodolphe Belmer	120	118
Michał Broniatowski	120	112
Paweł Gricuk	156	154
Sophie Guieysse	156	148
Bertrand Meheut	96	98
Wiesław Rozłucki	144	142
Piotr Walter	144	132
Aldona Wejchert	144	132
	1,428	**1,394**

27. LONG TERM INCENTIVE PLAN

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

- Retention component,
- Performance component and
- Transaction component.

The management is entitled to a minimum cash payment of 21,000 (18,900 of which has been allotted) up to a theoretical maximum of 63,000 (56,700 of which has been allotted) in total under the first two components of the Plan. The actual amount paid will depend on continuous employment in the period 2014 – 2018, and exceeding certain short and mid-term performance targets as defined by the Supervisory Board. Any payments under the plan have been limited to the earlier of: i) statutory retirement or death or disability, ii) change of control date, or iii) the end of the Plan term. At the end of each reporting period the liability related to the Plan is estimated based on current expectations towards meeting the performance criteria, with an assumption that the plan is finalised in 2018, and the respective portion attributable to a particular period is expensed. Staff expenses for the year ended December 31, 2014 include an expense related to the first two components of the Plan in the total amount of 8,915 (the year ended December 31, 2013: nil, see Note 5 and 22).

Under the transaction component of the Plan, management is entitled to an excess transaction value payment in the event of a change of control over the Company within 2014 - 2018. The payment (which is capped at 42,000 for 100% of the component and at 38,700 allotted) will amount to 5% of any excess of the transaction price from the sale of the Company over the "anticipated Company value", which had been established at the inception of the Plan by reference to the fair value of the whole Company, adjusted upwards in each of the years of the Plan. This component of the Plan is classified as a cash-settled share based payment. The liability related to the transaction component is measured at each balance sheet date at fair value. The change in fair value of this liability is recognised in the income statement for the period.

As outlined in Note 1, ITI Group and Canal+ Group have jointly decided to review and consider the possibility of disposing of their investment in the Company. This announcement increases the likelihood that a change of control may occur, and in that event, would result in an acceleration of all three component payments due under the Plan. Specifically, in the case of a change of control, the performance and transaction components would be measured until the end of the quarter in which a transaction would close, and would be paid within 40 days thereafter. In the case of the retention component, the retention period would be shortened to 18 months after the transaction closing date, with retention payments for the entire retention value occurring within 40 days thereafter.

As the potential closing of any transaction that may lead to a change in control over the Company, including the potential timing, value, buyer specific attributes and other key inputs necessary to assess the potential value of the Company and therefore the potential value to be ascribed to the transaction component of the Plan, are not known by the Company, therefore no amounts have been accrued to date. The maximum amount that could be paid out under the transaction component and consequently recognized as a transaction related operating expense is 42,000 for 100% of the component and at 38,700 allotted. Thus no liability has been recognised as at December 31, 2014 for this cash settled share based payment reward.

28. SHARE-BASED PAYMENTS

Share options were granted to certain Management Board members, employees and co-workers who were 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.

All options vested in prior years. The Company had no legal or constructive obligation to repurchase or settle the options in cash.

The stock option plan was service related.

The TVN Incentive Schemes expired on December 31, 2014.

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

	Year ended December 31, 2014		**Year ended December 31, 2013**	
	Weighted average exercise price	**Outstanding options**	**Weighted average exercise price**	**Outstanding options**
At 1 January	PLN 11.00	**6,508,873**	PLN 10.88	**9,126,602**
Exercised	PLN 11.04	(6,254,158)	PLN 10.59	(2,617,729)
Expired	PLN 9.93	(254,715)	-	-
At 31 December	-	**-**	PLN 11.00	**6,508,873**

29. FINANCIAL RISK MANAGEMENT

29.1 Capital risk management

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

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

The Company monitors capital on the basis of the net debt to Adjusted EBITDA ratio at consolidated level. For the calculation and analysis of the net debt to Adjusted EBITDA ratio please refer to the consolidated financial statements.

29.2 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 Company 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, inter alia, for the Company's financial reporting and heads of the teams within the Company's operational control and 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 significant 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 settlement of the transactions.

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Market risk

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

On November 19, 2010 the Company via its wholly owned subsidiary, TVN Finance Corporation III AB, issued EUR 175,000 Senior Notes with an annual interest rate of 7.875% ("7.875% Senior Notes due 2018") which are listed on the Luxembourg Stock Exchange.

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

The cash proceeds obtained from the issuance of the Notes by the Company's subsidiary were transferred to the Company through the loans from related parties (see Note 26 (iii)). The Company does not account for the 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 and therefore the Company is not exposed to price risk in relation to embedded derivative instruments.

Foreign currency risk

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

The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Company enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated result for the period (post-tax) impact on balances as of December 31, 2014 and December 31, 2013 of a reasonably possible EUR appreciation of 5% against the Polish zloty, with all other variables held constant and without taking into account any derivative financial instruments entered into to mitigate EUR fluctuations, on the major EUR denominated items in the balance sheet amounts to a loss of 99,850 (a loss of 106,470 as of December 31, 2013) and is presented below:

	Year ended December 31, 2014	**Year ended December 31, 2013**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
Loans from subsidiaries including accrued interest	(96,717)	(102,486)
Cash Loan	(3,252)	(4,008)
Trade payables	(292)	(305)
Other	(1,317)	(1,496)
Assets:		
Available-for-sale financial assets	1,139	1,719
Cash and cash equivalents	551	94
Trade receivables	38	12
	(99,850)	**(106,470)**

The estimated result for the period (post-tax) impact on balances as of December 31, 2014 and December 31, 2013 of a reasonably possible USD appreciation of 5% against the Polish zloty, with all other variables held constant, and without taking into account any derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated items in the balance sheet amounts to a loss of 2,707 (a loss of 924 as of December 31, 2013).

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the loans from related parties (see Note 26 (iii)),, the loans to subsidiaries (see Note 26 (v)), the available-for-sale monetary financial assets and the Cash Loan.

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

As of December 31, 2014 the Company had available-for-sale monetary financial assets at carrying value of 28,126 (December 31, 2013: 42,435) which are exposed to fair value interest rate risk. The carrying value of these instruments is based on a price quoted by Reuters. If the price as at December 31, 2014 had been 50 b.p. lower/ higher, the other comprehensive loss would have been 109 lower/ higher. Details of available-for-sale financial assets held by the Company are disclosed in Note 14.

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

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

(ii) Credit risk

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

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

The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Customers with poor or no history of payments with the Company, with low value committed spending or assessed by the Company as not credit worthy are required to pay before the service is rendered. Credit is granted to customers with a good history of payments and significant spending who are assessed credits worthy based on internal or external ratings. The Company performs ongoing evaluations of the market segments focusing on their liquidity and creditworthiness and the Company's credit policy is appropriately adjusted to reflect current and expected economic conditions.

The Company defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty.

Following the contribution of sales & marketing segments (including trade receivables from advertising agencies) to the subsidiary TVN Media, the Company signed with TVN Media an agreement on cooperation based on which TVN Media on its behalf and for the benefit of the Company contracts broadcasting of advertising, sponsorship, product placement and classifieds. Since November 29, 2011 the majority of the Company's sales is made through TVN Media (78% of the total trade receivables as of December 31, 2014) and relate to sales made through advertising agencies that manage advertising campaigns for advertisers and pay TVN Media once payment has been received from the customer. Therefore these separate financial statements should be read together with consolidated financial statements in order to obtain full information on the credit concentration of the Group's trade receivables. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

The major players amongst the advertising agencies in Poland with whom the Company and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	**December 31, 2014**	**December 31, 2013**
Receivables from other customers	16%	18%
Receivables from related parties	84%	82%
- TVN Media Sp. z o.o	78%	74%
- nC+	4%	6%
- Other related parties	2%	2%
	100%	**100%**

* Please refer to the consolidated financial statements in order to obtain full information on the analysis of the Group's trade receivables.

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Company's customers as at December 31, 2014.

(iii) Liquidity risk

The Company maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Company expects that its principal future cash needs will be capital and financing expenditures relating to dividends and share buyback, capital investment in television and broadcasting facilities and equipment, debt service through its subsidiaries of 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018, the launch of new thematic channels and internet services and investment in its subsidiaries. The Company believes that its cash balances, bank deposits with maturity over three months and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Company are negatively affected by an economic slow-down or clients' financial difficulties the Company will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2014 the Company had cash and cash equivalents and bank deposits with maturity over three months totaling 131,471 at its disposal (December 31, 2013: 99,177).

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Company's non-derivative * financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	More than 2 years
At December 31, 2014			
Loans from subsidiaries	204,969	204,969	4,790,926
The Cash Loan	23,459	22,827	37,887
Trade payables	166,814	11,435	-
Cash pooling liabilities	229,742	-	-
Other liabilities and accruals	49,719	1,969	10,228
Guarantees	8,098	90,000	-
	682,801	331,200	4,839,041
At December 31, 2013			
Loans from subsidiaries	210,854	210,854	5,008,440
Mortgage Loan	23,574	22,925	59,172
Trade payables	131,469	4,292	-
Cash pooling liabilities	75,149	-	-
Other liabilities and accruals	108,418	6,112	11,706
Guarantees**	313,086	-	-
	862,550	**244,183**	**5,079,318**

* The Company's derivative financial instruments are in hedge relationships and are due to settle within one year of the balance sheet date. These contracts require undiscounted contractual cash outflows of 113,432 and undiscounted contractual cash inflows of 114,165 (December 31, 2013: undiscounted contractual cash outflows of 121,013 and undiscounted contractual cash inflows of 118,336).

** Guarantees include guarantees issued on the Company's behalf relating to the liabilities of nC+ (see Note 26 (viii)).

29.3 Fair value estimation

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

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

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Following fair value measurements were used with respect to financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1"),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("Level 2"),
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("Level 3").

	Level 1	Level 2	Level 3	Total
At December 31, 2014				
Assets				
Available-for-sale financial assets	28,126	-	-	28,126
Derivative financial assets				
Foreign exchange forward contracts	-	1,202	-	1,202
	28,126	**1,202**	**-**	**29,328**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	214	-	214
	-	**214**	**-**	**214**
At December 31, 2013				
Assets				
Available-for-sale financial assets	42,435	-	-	42,435
	42,435	**-**	**-**	**42,435**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	1,445	-	1,445
	-	**1,445**	**-**	**1,445**

29.4 Consideration of the current economic environment

Macroeconomic risk in both western and eastern Europe remain elevated due to the on-going issues in respect of the common currency and sovereign debt, as well as the recent geopolitical risk in neighboring countries. Management is unable to reliably estimate the effects on the Company's financial position of the above issues and believes it is taking all the necessary measures to support the sustainability and growth of the Company's businesses under the current circumstances.

MANAGEMENT REPRESENTATIONS

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

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

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. on February 5, 2015.

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

Warsaw, February 5, 2015

TVN S.A.

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

TVN S.A.

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

	Year ended December 31, 2014	Year ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013
Revenue	1,369,730	1,389,247	406,881	417,401
Cost of revenue	(895,339)	(907,808)	(248,984)	(264,878)
Selling expenses	(53,060)	(44,132)	(12,530)	(9,774)
General and administration expenses	(123,890)	(111,164)	(32,684)	(22,879)
Other operating (expenses)/ income, net	(2,599)	(72,513)	50	(78,843)
Dividend and other net distribution from subsidiaries	120,849	94,770	-	-
Operating profit before incremental costs related to the potential change of control transaction	**415,691**	**348,400**	**112,733**	**41,027**
Incremental costs related to the potential change of control transaction	(5,114)	-	(5,114)	-
Operating profit/ (loss)	**410,577**	**348,400**	**107,619**	**41,207**
Interest income	17,405	24,721	3,773	4,665
Finance expense	(246,743)	(581,244)	(61,921)	(63,406)
Foreign exchange (losses)/ gains, net	(73,763)	(30,043)	(53,950)	44,577
Profit/ (loss) before income tax	**107,476**	**(238,166)**	**(4,479)**	**26,863**
Income tax credit/ (charge)	**4,621**	68,932	395	37,839
Profit/ (loss) before income tax	**112,097**	**(169,234)**	**(4,084)**	**64,702**
Earnings/ (losses) per share (not in thousands)				
- basic	0.32	(0.49)	(0.02)	0.19
- diluted	0.32	(0.49)	(0.01)	0.19

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)

	Year ended December 31, 2014	Year ended December 31, 2013	Three months ended December 31, 2014	Three months ended December 31, 2013
Profit/ (loss) for the period	**112,097**	**(169,234)**	**(4,084)**	**64,702**
Other comprehensive income/ (loss) reclassifiable to income statement when specific conditions are met:				
Cash flow hedge – foreign exchange forward contracts	1,499	(542)	299	(1,940)
Available for sale financial assets	(495)	241	(116)	570
Income tax relating to components of other comprehensive (loss)/ income	(191)	57	(35)	260
Other comprehensive income/ (loss) for the period, net of tax	813	(244)	148	(1,110)
Total comprehensive income/ (loss) for the period	**112,910**	**(169,478)**	**(3,936)**	**63,592**

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

	As at December 31, 2014	As at December 31, 2013
ASSETS		
Non-current assets		
Property, plant and equipment	358,390	386,850
Goodwill	144,127	144,127
Other intangible assets	51,582	51,919
Non-current programming rights	152,272	155,124
Investments in subsidiaries, associates and joint ventures	4,247,715	4,227,358
Non-current related party loans	75,504	68,343
Deferred tax asset	275,763	277,399
Other non-current assets	971	1,064
	5,306,324	**5,312,184**
Current assets		
Current programming rights	220,549	244,250
Trade receivables	138,876	152,742
Current related party loans	1,381	5,090
Available-for-sale financial assets	28,126	42,435
Derivative financial assets	1,202	-
Prepayments and other assets	26,573	37,479
Corporate income tax receivable	1,729	1,942
Bank deposits with maturity over three months	45,000	-
Cash and cash equivalents	86,471	99,177
	549,907	**583,115**
TOTAL ASSETS	**5,856,231**	**5,895,299**
EQUITY		
Shareholders' equity		
Share capital	70,550	69,299
Share premium	865,237	726,853
Treasury shares	(250,000)	-
8% obligatory reserve	23,301	23,301
Other reserves	569	70,654
Accumulated profit	2,184,885	2,072,788
	2,894,542	**2,962,895**
LIABILITIES		
Non-current liabilities		
Loans from related parties	2,134,479	2,421,008
Non-current Cash Loan	58,121	77,079
Non-current trade payables	11,435	4,292
Other non-current liabilities	10,391	14,516
	2,214,426	**2,516,895**
Current liabilities		
Current trade payables	166,814	131,469
Derivative financial liabilities	214	1,445
Current Cash Loan	21,312	20,736
Accrued interest on borrowings	203,484	50,963
Cash pooling liabilities	229,742	75,149
Other liabilities and accruals	125,697	135,747
	747,263	**415,509**
Total liabilities	**2,961,689**	**2,932,404**
TOTAL EQUITY AND LIABILITIES	**5,856,231**	**5,895,299**

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

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

	Number of shares (not in thousands)	Share capital	Share Premium	Treasury shares	8% obligatory reserve	Other reserves-employee share option plan	Other reserves-other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**-**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**
Total comprehensive income for the period	**-**	-	-	-	-	-	813	112,097	112,910
Issue of shares (1)	**6,254,158**	1,251	138,853	-	-	(70,898)	-	-	69,206
Share issue cost (2)	**-**	-	(167)	-	-	-	-	-	(167)
Purchase of treasury shares (3)	**-**	-	-	(250,000)	-	-	-	-	(250,000)
Treasury shares cost	**-**	-	(302)	-	-	-	-	-	(302)
Balance at December 31, 2014	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**-**	**569**	**2,184,885**	**2,894,542**

Included in accumulated profit as of December 31, 2014 is an amount of 2,183,055 which is distributable. The 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (see the consolidated financial statements).

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 loss for the period	**-**	-	-	-	-	(244)	(169,234)	(169,478)
Issue of shares (1)	**2,617,729**	524	54,012	-	(26,820)	-	-	27,716
Share issue cost (2)	**-**	-	(35)	-	-	-	-	(35)
Dividend declared and paid (4)	**-**	-	-	-	-	-	(220,081)	(220,081)
Balance at December 31, 2013	**346,494,150**	**69,299**	**726,853**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**

(1) During the year ended December 31, 2014 6,254,158 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes (the year ended December 31, 2013: 2,617,729 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares).

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

(3) During the year ended December 31, 2014 12,500,000 (not in thousands) shares were purchased by the Company for redemption. These shares are included in the total number of shares in issue as of December 31, 2014 until the Shareholders' Meeting resolves to redeem and cancel the shares.

(4) The dividend declared in 2013 amounted to 0.64 per share (not in thousands) and it was paid in two installments: the first installment was paid on May 8, 2013 in the amount of 99,724 (0.29 per share (not in thousands)) and the second installment was paid on November 5, 2013 in the amount of 120,357 (0.35 per share (not in thousands)).

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

	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities		
Cash generated from operations	439,322	469,237
Tax received / (paid)	6,308	(4,690)
Net cash generated from operating activities	**445,630**	**464,547**
Investing activities		
Investments in subsidiary	(22,654)	-
Distribution received from subsidiaries	7,958	-
Proceeds from sale of subsidiaries	-	38,005
Payments to acquire property, plant and equipment	(45,353)	(65,258)
Proceeds from sale of property, plant and equipment	1,500	2,315
Payments to acquire intangible assets	(13,381)	(8,105)
Proceeds from the Available-for-sale financial assets	14,278	165,890
Acquisition of the Available-for-sale financial assets	-	(206,922)
Bank deposits with maturity over three months	(45,000)	-
Loans granted to subsidiary	(6,850)	(37,300)
Proceeds from the loan granted to subsidiary	51	-
Dividend received	119,384	94,770
Interest received	14,170	14,633
Net cash generated from /(used in) investing activities	**24,103**	**(1,972)**
Financing activities		
Issue of shares, net of issue cost	69,038	27,681
Purchase of treasury shares, including costs	(250,302)	-
Increase of share capital of the subsidiary related to premium on early repayment of 10.75% Senior Notes due 2017	-	(171,275)
Dividend paid	-	(220,081)
Repayments of the Mortgage Loan	-	(111,071)
Proceeds from the Cash Loan	-	106,395
Repayments of the Cash Loan	(21,021)	(5,227)
Bank charges	(5,841)	(16,178)
Cash pooling with TVN Media	154,593	(22,580)
Repayment of the loan from subsidiary	(369,211)	(2,526,413)
Loan from subsidiary	-	1,810,730
Deferred issuance costs	-	(40,270)
Restricted cash	-	945,210
Interest paid	(58,797)	(309,913)
Net cash used in financing activities	**(481,541)**	**(532,992)**
(Decrease)/ increase in cash and cash equivalents	**(11,808)**	**(70,417)**
Cash and cash equivalents at the start of the period	99,177	163,671
Effects of exchange rates changes	(898)	5,923
Cash and cash equivalents at the end of the period	**86,471**	**99,177**

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

1. GENERAL INFORMATION

These interim condensed separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on February 5, 2015.

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

The Company is a 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.

A significant non-controlling stake in the Company is held indirectly by Groupe Canal+ S.A. ("Canal+ Group").

On October 16, 2014 ITI Group and Canal+ Group announced their intent to jointly review their strategic options in connection with the possible disposal of their joint investment in the Company (the "change of control transaction"). In connection with this announcement, the Company has appointed financial and legal advisors to support the Company during this process, and has also agreed to manage and finance the conducting of various due diligence processes.

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

These interim condensed separate financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014 included in the annual report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared on a going concern basis and in accordance with International Accounting Standard 34 ”Interim Financial Reporting (“IAS34”). The accounting policies used in the preparation of these interim condensed separate financial statements are consistent with those used in the annual separate financial statements for the year ended December 31, 2014.

IAS 34 requires minimum disclosures, which are based on the assumption that readers of the interim financial statements have access to the most recent annual financial statements and that the disclosures are material and not disclosed elsewhere in the financial reporting.

The most recent annual full separate financial statements of the Company were prepared and audited as of and for the year ended December 31, 2014. The annual separate financial statements fully disclose the accounting policies applied by the Company.

The Company’s separate financial statements for the year ended December 31, 2014 and the Company’s consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.