INTERIM REPORT OF TVN CAPITAL GROUP FOR THE THREE MONTHS ENDED MARCH 31, 2015

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This Interim Report of TVN Group was authorized by the Management Board of TVN S.A. on May 4, 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, May 4, 2015

DEFINITIONS

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

In this interim report "**we**", "**us**", "**our**", the "**TVN Group**", **"TVN Capital Group"** and the "**Group**" refer, as the context requires, to TVN S.A. and its consolidated subsidiaries; the "**Company**" refers to TVN S.A.; "**Grupa Onet**" refers to Grupa Onet.pl S.A., owner of the leading Polish Internet portal Onet.pl, which we acquired in July 2006 and continue to indirectly hold 25% stake following its sale to Ringier Axel Springer Media AG in November 2012; "**Mango Media**" refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; "**ITI Neovision**" refers to ITI Neovision 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 Channel 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; “**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, 2010 governing the 7.875% Senior Notes and the indenture dated September 16, 2013 governing the 7.375% Senior Notes; ”**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, TVN Online Investments Holding B.V., TVN DTH Holdings S.a.R.L (in relation to our 7.375% Senior Notes), and the Company, 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, “**adjusted rolling EBITDA**” used for calculation of consolidated net debt to adjusted rolling EBITDA ratio, is defined as EBITDA calculated for the last twelve months and excludes one-off transaction results and share of net results of associates but includes dividends and other distributions from associates.

INTRODUCTION

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

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

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

Three of our channels, TVN, TVN 7 and TTV, are present on 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 newly-launched DTT channel that commenced its operations in January 2012.

Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. As a direct result of our high quality and innovative programming, for the first three months of the year 2015, our channels had 21.8% 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, TVN Player, our ad-supported internet VOD, which allows viewing of both video content produced by us as well as other movies or series previously aired on our channels.

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

Recently we have concluded two strategic transactions. First, 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 currently own a 32% stake in the combined nC+. Second, 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.

On March 14, 2015, our majority shareholders ITI Group and Group Canal+ entered into agreement for sale of shares in the capital of N-Vision B.V. to Southbank Media Ltd., UK-based Part of Scripps Networks Interactive. Scripps Networks Interactive agreed to pay cash consideration of EUR 584 million for 100% of shares in N-Vision which on completion, directly and indirectly through Polish Television Holdings, will hold approximately 52.7% interest in TVN S.A. Scripps Networks Interactive will also assume the debt on level of Polish Television Holding of EUR 300 million nominal value and cumulative amount of EUR 540 million of 7.375% and 7.875% Senior Notes issued by TVN Finance III.

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 three months ended March 31, 2015, all of our channels obtained a nationwide all-day audience share of 20.0%, and our

TVN channel achieved a peak-time audience share in its key target group of 16.5%. 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 three months ended March 31, 2015, we generated revenue of PLN 362,933 and adjusted EBITDA of PLN 91,550 with an adjusted EBITDA margin of 25.2%.

FORWARD-LOOKING STATEMENTS

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

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

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

PART I

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

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

IMPACT OF CHANGES IN OUR STRUCTURE ON THE REPORTED RESULTS

On 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.

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. (currently Onet Holding Sp. z o.o., "Onet Holding") for consideration consisting of cash for 75% of the shares in Grupa Onet.pl and 25% of shares in Onet Holding in exchange for the remaining shares in Grupa Onet.pl. On November 6, 2012 we completed the sale of Grupa Onet.pl S.A.'s shares.

THE PRINCIPAL EVENTS OF THE THREE MONTHS ENDED MARCH 31, 2015

OPERATIONAL RESULTS:

- Overall audience share of our channels in all-day basic commercial target group was stable at 21.8%. However, our thematic channels' audience share in all-day basic commercial target group increased to 9.1% from 8.7% in the same period year ago, mainly thanks to stronger results of TTV, TVN Turbo and TVN Style.

- TVN main channel was the most watched TV channel in Poland in the first month of its spring schedule across key target groups; i.e. in the commercial group and key target group. TVN came ahead of its competitors both in terms of all-day audience share and peaktime figures. During peak time TVN's share in the commercial target group totaled 15.8% and the channel proved unrivaled in terms of all-day audience share (14.1%). Also key target group most often chose TVN, representing an 18.5% audience share in peak time and 16.3% on an all-day basis. TVN attained the greatest advantage over the competitors in the key target group with high income. Its March share in this group totaled 19.2% during peak time and 16.9% in terms of the all-day audience and in both cases went up in relation to March 2014, when it was 18.2% and 15.8% respectively.

- Our TVN7 channel increased its audience share in six out of nine categories. All-day nationwide audience share was stable at 3.4%, all-day basic commercial target group audience share remained at 3.3%, while all-day key target group audience share maintained the level of 3.2%. Peak time nationwide audience share increased to 2.8% from 2.5%, peak time basic commercial target group audience share increased to 3.3% from 2.9% and peak time key target group audience share increased to 3.4% from 3.1%. Prime time nationwide audience share increased to 3.1% from 2.7%, prime time basic commercial target group audience share increased to 3.6% from 3.0%, prime time key target group audience share increased to 3.6% from 3.1%, in the corresponding period of 2014 according to NAM.

- Our TTV channel increased its audience in four out of nine categories while keeping it stable in all remaining. All-day nationwide audience share remained at 1.3%, all-day basic commercial target group audience share increased to 1.6% from 1.4%, all-day key target group audience share remained at 1.4%, peak time nationwide audience share remained at 0.9%, peak time basic commercial target group audience share increased to 1.2% from 1.1% and peak time key target group audience share remained at 1.0%, 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 1.1%, prime time key target group audience share remained at 1.0%, in the corresponding period of 2014 according to NAM.

- Our TVN 24 channel increased its audience in six out of nine categories while keeping all-day nationwide audience share stable at 2.2%. Peak time nationwide audience share increased to 2.1% from 1.9%, peak time basic commercial target group audience share increased to 1.7% from 1.3% and peak time key target group audience share increased to 3.3% from 3.1%, prime time nationwide audience share increased to 2.2% from 2.0%, prime time basic commercial target group audience share increased to 1.6% from 1.3%, prime time key target group audience share increased to 3.4% from 3.1%, in the corresponding period of 2014 according to NAM.

- Our TVN Style channel increased its audience in four out of nine categories while keeping it stable in all the others. All-day nationwide audience share increased to 0.7% from 0.6%, all-day basic commercial target group audience share remained at 0.9%, all-day key target group audience share was maintained at 1.2%, peak time nationwide audience share remained at 0.6%, peak time basic commercial target group audience share increased to 0.9% from 0.7% and peak time key target group audience share increased to 1.1% from 1.0%, prime time nationwide audience share remained at 0.6%, prime time basic commercial target group audience share increased to 0.8% from 0.7%, prime time key target group audience share was maintained at 1.0%, in the corresponding period of 2014 according to NAM.

- Our TVN24 Biznes i Świat channel increased its audience in four out of nine categories while keeping it stable in the others. All-day nationwide audience share remained at 0.3%, all-day basic commercial target group audience share remained at 0.3%, all-day key target group audience share increased to 0.5% from 0.3%, peak time nationwide audience share remained at 0.2%, peak time basic commercial target group audience share remained at 0.2%, peak time key target group audience share increased to 0.4% from 0.3%, prime time nationwide audience share remained at 0.2%, prime time basic commercial target group audience share increased to 0.2% from 0.1%, prime time key target group audience share increased to 0.4%, from 0.3%, in the corresponding period of 2014 according to NAM.

- Our TVN Turbo channel increased its audience in eight out of nine categories while keeping it stable in the others. All-day nationwide audience share increased to 0.5% from 0.4%, all-day basic commercial target group audience share increased to 0.8% from 0.7%, all-day key target group audience share increased to 1.3% from 1.1%, peak time nationwide audience share remained at 0.4%, peak time basic commercial target group audience share increased to 0.7% from 0.5% and peak time key target group audience share increased to 1.1% from 0.8%, prime time nationwide audience increased to 0.4% from 0.3%, prime time basic commercial target group audience share increased to 0.7% from 0.5%, prime time key target group audience share increased to 1.1% from 0.7%, in the corresponding period of 2014 according to NAM.

- Our Internet video on demand platform player.pl had 1,389 thousands real users and 31.4 million page views in February 2015. Average monthly time spent per real user on player.pl in February 2015 was ca. 6:45 hours, according to Megapanel PBI/Gemius.

PRINCIPAL EVENTS:

- On February 4, 2015 we have launched iTVN Extra, a new channel covering entertainment, lifestyle, business, foreign and public affairs, dedicated to Polish people living abroad. iTVN Extra was launched in the USA in partnership with DISH Network and in Germany in partnership with Wilhelm.tel.

- On March 16, 2015 we were notifed by ITI Holdings S.A. about ITI Media Group Limited, a wholly-owned subsidiary of ITI Group, entering jointly with Group Canal+ SA into agreement for sale and purchase of shares in the capital of N-Vision B.V. The purchaser is Southbank Media Ltd. with its seat in London, part of Scripps Networks Interactive, Inc. ITI Media Group and Group Canal+ co-own N-Vision which on completion, directly and indirectly through Polish Television Holding B.V., will hold approximately 52.7 % of the issued voting share capital of TVN. The cash consideration for 100% of N-Vision shares amounts to EUR 584 million. Southbank Media will assume the EUR 300 million 11%/12% Senior PIK Toggle Notes issued by PTH and cumulative amount of EUR 540 million of 7.375% and 7.875% Senior Notes issued by TVN Finance III. The transaction is subject to customary conditions precedent including regulatory approvals.

- On March 30, 2015 we have informed the market about launching of two new channels on April 16, 2015: TVN Meteo Active for viewers interested in an active, healthy lifestyle and TVN Fabuła featuring an extensive offer of movies and TV series. The schedule of the new TVN Meteo Active channel is focused on active, healthy lifestyle, recreation, fitness and rational nutrition. TVN Meteo Active was transformed from TVN Meteo, the first Polish weather channel. TVN Fabuła offers TVN's own and acquired films and series. Alongside well-known and popular TV series produced by TVN, blockbuster movies and foreign TV series TVN Fabuła features daily original shows for cinema lovers with entertainment news, movie premieres, red carpet events, celebrity gossip and stars.

FINANCIAL RESULTS:

- Our Group revenue increased by PLN 12,496, or 3.6% to PLN 362,933, from PLN 350,437 in the corresponding period of 2014.

- TV segment increased its revenue by PLN 12,172, or 3.6% to PLN 354,924 from PLN 342,752 in the corresponding period of 2014.

- Our operating profit decreased by PLN 36,961, or 47.0% to PLN 41,729, from PLN 78,690 in the corresponding period of 2014.

- Our reported EBITDA decreased by PLN 36,438 to PLN 59,343, from PLN 95,781 in the corresponding period of 2014. Our EBITDA margin decreased to 16.4% from 27.3% in the in the corresponding period of 2014.

- Our adjusted EBITDA increased by PLN 4,608 to PLN 91,550, from PLN 86,942 in the corresponding period of 2014. Our adjusted EBITDA margin increased to 25.2% from 24.8% in the in the corresponding period of 2014.

- We recorded a profit for the period of PLN 79,465 compared to a profit for the period of PLN 9,564 in the corresponding period of 2014. Consequently, we recorded a profit attributable to the owners of TVN S.A., of PLN 79,465, compared to a profit attributable to the owners of TVN S.A. of PLN 11,136 in the corresponding period of 2014.

- Our consolidated net debt to adjusted EBITDA ratio as of March 31, 2015 was 3.7x. As of March 31, 2015 we held in total PLN 338,956 of cash, cash equivalents and bank deposits with maturity above three months.

SUMMARY HISTORICAL FINANCIAL DATA

The following table sets out our unaudited consolidated financial information as of and for the three months ended March 31, 2015, for the three months ended March 31, 2014 and our audited consolidated financial information as of December 31, 2014. You should read the information in conjunction with the interim condensed consolidated financial statements and Operating and Financial Review presented in this interim report.

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

- złoty amounts as of March 31, 2015 have been converted into euro at a rate of PLN 4.0890 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on March 31, 2015).
- złoty amounts for the three months ended March 31, 2015 have been converted into euro at a rate of PLN 4.1489 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2015, February 28, 2015 and March 31, 2015).

- złoty amounts as of March 31, 2014 have been converted into euro at a rate of PLN 4.1713 per €1.00 (the effective National Bank of Poland, or "NBP", exchange rate on March 31, 2013).
- złoty amounts for the three months ended March 31, 2014 have been converted into euro at a rate of PLN 4.1894 per €1.00 (arithmetic average of the effective NBP exchange rates on January 31, 2014, February 28, 2014 and March 31, 2014).
- złoty amounts as of 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).

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

Unaudited consolidated financial information as of and for the three months ended March 31, 2015 and 2014.

Income statement data

	2014 PLN	2014 EUR	2015 PLN	2015 EUR
Revenue	350,437	83,648	362,933	87,477
Operating profit	78,690	18,783	41,729	10,058
Profit before income tax	2,280	544	88,504	21,332
Profit attributable to the owners of TVN S.A.	**11,136**	**2,658**	**79,465**	**19,153**

Cash flow data

	2014 PLN	2014 EUR	2015 PLN	2015 EUR
Net cash generated by operating activities	66,668	15,913	40,627	9,792
Net cash used in investing activities	(19,554)	(4,667)	430	104
Net cash used in financing activities	(140,870)	(33,625)	(7,604)	(1,833)
Increase / (Decrease) in cash and cash equivalents	**(93,756)**	**(22,379)**	**33,453**	**8,063**

Earnings per share data

	2014 PLN	2014 EUR	2015 PLN	2015 EUR
Weighted average number of ordinary shares in issue (not in thousands)	347,156,244	347,156,244	340,248,308	340,248,308
Weighted average number of potential ordinary shares in issue (not in thousands)	348,923,809	348,923,809	340,248,308	340,248,308
(Losses) / earnings per share attributable to the owners of TVN S.A. (not in thousands)	0.03	0.01	0.23	0.06
Diluted earnings/ (losses) per share attributable to the owners of TVN S.A. (not in thousands)	0.03	0.01	0.23	0.06
Dividend paid or declared per share (not in thousands)	-	-	-	-

Other data

	2014 PLN	2014 EUR	2015 PLN	2015 EUR
EBITDA*	**95,781**	**22,863**	**59,343**	**14,303**
EBITDA margin	27.3%	27.3%	16.4%	16.4%
Operating margin	22.5%	22.5%	11.5%	11.5%

Balance sheet data

	As at December 31, 2014** PLN	As at December 31, 2014** EUR	As at March 31, 2015 PLN	As at March 31, 2015 EUR
Total assets	3,814,767	895,002	3,873,027	947,182
Current assets	981,879	230,364	1,017,545	248,849
Non-current liabilities	2,348,667	551,033	2,252,952	550,979
Current liabilities	498,049	116,850	574,839	140,582
Shareholders’ equity	968,051	227,119	1,045,236	255,621
Share capital	70,550	16,552	70,550	17,254
Non-controlling interest	-	-	-	-

* 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.

** Audited consolidated financial information as of December 31, 2014.

FINANCIAL REPORTING AND ACCOUNTING

Commencing January 1, 2005, public companies in Poland are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). As of March 31, 2015, there were no differences between IFRS as adopted by the European Union and IFRS as promulgated by the International Accounting Standards Board as applied to the TVN Group’s consolidated financial statements.

We prepare our financial statements in złoty or “PLN”.

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

Our interest in Onet Holding Sp. z o.o. Group (including Onet Holding Sp. z o.o. and its subsidiaries - Grupa Onet.pl S.A., DreamLab Onet.pl Sp. z o.o., 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., Nasza Klasa Sp. z o.o., a joint venture Media Impact Polska Sp. z o.o. and an associate Polskie Badania Internetu Sp. z o.o.), ITI Neovision Group (including ITI Neovision S.A. and its subsidiaries - Cyfrowy Dom Sp. z o.o., Neovision UK Ltd, and a joint venture MGM Channel Poland Ltd) are accounted for under equity method.

Our fiscal year ends on December 31.

TELEVISION BROADCASTING AND PRODUCTION

Revenue

This segment primarily derives revenue from commercial advertising. During the three months ended March 31 2015, we derived 71.1%, of our total Group revenue from commercial television advertising, compared to 70.0% in the corresponding period of 2014 of our total revenue.

Commercial television advertising revenue

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

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

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

	Three months ended March 31,		
	2013	**2014**	**2015**
Our Rate-card pricing	43%	57%	48%
Our Cost per GRP pricing	57%	43%	52%

We usually schedule specific advertisements one month in advance of broadcast. Prices that advertisers pay, whether they purchase advertising time on a GRP package or rate-card basis, tend to be higher during peak viewing months such as October and November than during off-peak months such as July and August. Consistent with television broadcasting industry practice, and in order to optimize ratings and revenue, we do not sell all of our legally available advertising time. During the three months ended March 31, 2015, we tended to sell over 98.8%, of peak time advertising spots on our TVN channel and over 86.1% of non-peak time advertising spots. We record our advertising revenue at the time the relevant advertisement is broadcast. As is common in the television broadcasting industry, we provide advertising agencies and advertisers with an incentive rebate. We recognize advertising revenue net of discounts and rebates.

Subscription fees

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels' programming content to subscribers to their respective services. During the three months ended March 31, 2015, 14.4% of our total Group revenue came from such fees compared with 15.0% in the corresponding period of 2014. 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 rental revenue, revenue generated from sponsorship, revenue generated from technical services, call television, text messages and sales of rights to programming content. We share revenue that we generate from text messages and call television with the corresponding service provider, such as telecommunications companies.

Expenses

Programming costs

Operating expenses of our television broadcasting and production segment consist primarily of amortization of television programming costs. These costs accounted for 50.4%, of our Group operating expenses in the three months ended March 31, 2015, compared with 51.3% of our costs in the corresponding period of 2014. Amortization expense includes amortization of production costs for television programming specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to television programming content produced by third parties and licensed to us. During the three months ended March 31, 2015, we commissioned and produced locally through third parties 78.4% of broadcasted programming content on our TVN channel, compared with 80.4% in the corresponding period of 2014. During the three months ended March 31, 2015, we acquired 21.6% of our broadcasted programming content from third parties, compared with 19.6% in the corresponding period of 2014. Amortization is based on the estimated number of showings and the type of programming content.

Other costs

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

TELESHOPPING

Revenue

Revenue in teleshopping, which primarily includes the sale of goods/teleshopping, accounted for approximately 2.3% of our Group revenue in the three months ended March 31, 2015, compared with 2.1% of revenue in the corresponding period of 2014. 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 3.4% GDP growth reported by Polish Central Statistical Office on April 17, 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 20.0% of Poland's nationwide all-day audience in the three months ended March 31, 2015, and our TVN channel achieved 16.5% of our key target audience during *peak time* in the three months ended March 31, 2015. 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. On January 1, 2014 TVN24 Biznes i Świat channel replaced the existing TVN CNBC. On March 30, 2015 we announced launch of TVN Active and TVN Fabuła which started broadcasting on April 16, 2015.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.

OTHER FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Foreign exchange rate exposure

We generate revenue primarily in złoty, while a substantial portion of our operating expenses, borrowings and capital expenditures are denominated in foreign currencies, mainly in euro and U.S. dollars. The estimated net loss (post-tax) impact on the major euro and U.S. dollar denominated balance sheet items as of March 31, 2015 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 96,932 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 9,375 or 2.6% to PLN 355,568 as of March 31, 2015, from PLN 364,943 as of December 31, 2014 resulting mainly from its depreciation higher than new investments.

Our goodwill maintained the level of PLN 144,127 as of March 31, 2015. Our brands maintained the level of PLN 32,862 as of March 31, 2015.

Our other intangible assets decreased by PLN 1,628, or 2.3%, to PLN 68,175 as of March 31, 2015, from PLN 69,803 as of December 31, 2014 resulting mainly from amortisation of broadcasting licences.

Our current and non-current programming rights inventory increased by PLN 958, or 0.3%, to PLN 375,840 as of March 31, 2015, from PLN 374,882 as of December 31, 2014. The increase is mainly due to acquisition of new programming rights higher than amortisation of existing programming rights.

Our share capital was stable at the level of PLN 70,550 as of March 31, 2015. Our share premium decreased slightly by PLN 71 to the level of PLN 865,166 as of March 31, 2015 compared to PLN 865,237 as of December 31, 2014.

Our non-current borrowings decreased by PLN 99,544 or by 4.3% to PLN 2,215,244 as of March 31, 2015, from PLN 2,314,788 as of December 31, 2014. This decrease results mainly from the lower EUR/PLN rate.

Our 7.875% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 451,066 as of March 31, 2015, compared to the principal amount of PLN 470,183 as of December 31, 2014. Our 7.375% Senior Notes, excluding accrued interest, amounted to the principal amount of PLN 1,758,270 as of March 31, 2015, compared to the principal amount of PLN 1,832,789 as of December 31, 2014. These decreases result from the lower EUR/PLN rate.

Our current borrowings increased by PLN 39,962 to PLN 71,900 as of March 31, 2015, from PLN 31,938 as of December 31, 2014. This increase results mainly from an increase of interest accrued on our Senior Notes.

Our other current liabilities and accruals increased by PLN 26,848 to PLN 330,850 as of March 31, 2015, from PLN 304,002 as of December 31, 2014. The increase results mainly from increase in employee benefits (including accrual for Long Term Incentive Plan expense) of PLN 31,119, increase in accrued production and programming costs of PLN 17,792 and other liabilities and accrued costs higher by PLN 15,224, partly offset by decrease of VAT and other taxes payable by PLN 27,877, accrued satellite rental costs lower by PLN 4,482 and decrease in deferred income by PLN 2,940.

Results of Operations

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenue. Our revenue increased by PLN 12,496, or 3.6%, to PLN 362,933 in the three months ended March 31, 2015, from PLN 350,437 in the corresponding period of 2013.

Our advertising revenue increased by PLN 12,806, or 5.2%, to PLN 257,998 during the three months ended March 31, 2015, from PLN 245,192 in the corresponding period of 2014. This increase results mainly from higher advertising in our thematic channels and brokerage fees from Premium TV. Increase was partly offset by lower advertising revenue of our main channel – TVN.

Our sponsoring revenue decreased slightly by PLN 169, or 0.5% to PLN 34,507 in the three months ended March 31, 2015 from PLN 34,676 in the corresponding period 2015.

Our subscription fees revenue decreased by PLN 380, or 0.7% to PLN 52,306 in the three months ended March 31, 2015 from PLN 52,686 in the corresponding period 2014. This decrease results mainly from a year-on-year appreciation of PLN.

Our sales of goods revenue increased by PLN 1,075, or 14.9% to PLN 8,302 in the three months ended March 31, 2015 from PLN 7,227 in the corresponding period 2014. This increase results mainly from higher sales volumes generated by Mango Media.

Our other revenue decreased by PLN 836, or 7.8% to PLN 9,820 in the three months ended March 31, 2015 from PLN 10,655 in the corresponding period of 2014. This decrease results mainly from lower service revenues.

Cost of revenue. Cost of revenue increased by PLN 4,213, or 1.9%, to PLN 220,719 in the three months ended March 31, 2015, from PLN 216,506 in the corresponding period of 2014. This increase results mainly from an increase of royalties by PLN 1,464, from an increase of production expenses by PLN 1,401 and from an increase of depreciation and amortization by PLN 1,039. These increases were partly offset mainly by staff expenses lower by PLN 1,450.

As a percentage of revenue, our cost of revenue decreased in the three months ended March 31, 2015, to 60.8%, compared to 61.8% in the corresponding period of 2014.

Selling expenses. Our selling expenses increased by PLN 4,647, or 17.7%, to PLN 30,942 for the three months ended March 31, 2015, from PLN 26,295 in the corresponding period of 2014. The increase results manly from higher marketing and research expenses of PLN 2,449, from an increase in staff costs by PLN 1,170 and from impaired accounts receivable higher by PLN 800.

As a percentage of revenue, our selling expenses increased to 8.5% in the three months ended March 31, 2015, from 7.5% in the corresponding period of 2014.

General and administration expenses. Our general and administration expenses increased slightly by PLN 9, to PLN 36,805 in the three months ended March 31, 2015, compared with PLN 36,796 in the corresponding period of 2014.

As a percentage of revenue, our general and administration expenses decreased to 10.1% in the three months ended March 31, 2015 from 10.5% in the corresponding period of 2014.

Share of profit of associates. The share of profit of associates amounted to PLN 15,895 in the three months ended March 31, 2015 compared to PLN 8,839 in the corresponding period of 2014.

Incremental costs related to the potential change of control transaction. Incremental costs related to the potential change of control transaction of PLN 48,102 were recognized in the three months period ended March 31, 2015. They consist of PLN 40,129 related to the Long Term Incentive Plan (see Note 18 to the Interim Condensed Consolidated Financial Statements) and of PLN 7,973 advisory costs.

Operating profit. Operating profit decreased by PLN 36,961 or 47.0% to PLN 41,729 in the three months ended March 31, 2015, from an operating profit of PLN 78,690 in the corresponding period of 2014. Our operating margin decreased to 11.5% from 22.5% in the corresponding period of 2014. The decrease is mainly due to the charge of the incremental costs related to the potential change of control transction.

Interest income. We recorded interest income of PLN 1,847 for the three months ended March 31, 2015, compared to interest income of PLN 2,667 in the corresponding period of 2014.

Finance expense. We recorded finance expense of PLN 46,422 for the three months ended March 31, 2015, compared to finance expense of PLN 63,210 in the corresponding period of 2014, due to lower interest expense as a result of a partial repurchase of 7.875% Senior Notes.

Foreign exchange gains, net. We recorded foreign exchange gains, net of PLN 91,350 for the three months ended March 31, 2015 compared to foreign exchange losses, net of PLN 15,867 in the corresponding period of 2014. These gains consist mainly of unrealized foreign exchange gains on our Senior Notes of PLN 93,587 in the three months ended March 31, 2015, compared to unrealized foreign exchange losses on our Senior Notes of PLN 7,520 and the realized foreign exchange losses on the Senior Notes of PLN 8,775 in the corresponding period of 2014.

Profit before income tax. Our profit before income tax for the three months ended March 31, 2015 was PLN 88,504 compared to a profit before income tax of PLN 2,280 in the corresponding period of 2014. This increase was mainly due to foreign exchange gains, net that we recognized in the three months ended March 31, 2015, as compared with foreign exchange losses, net recognized in the corresponding period of 2014 and partly due to lower finance expense resulting from partial repurchase of our 7.875% Senior Notes during year 2014.

Income tax charge. For the three months ended March 31, 2015, we recorded a total income tax charge of PLN 9,039, compared to an income tax credit of PLN 7,284 in the corresponding period of 2014. This change is mostly due to the higher corporate income tax charge resulting from higher profit before income tax in the three months ended March 31, 2015 compared with the corresponding period of 2014.

Profit for the period. Our profit for the period amounted to PLN 79,465 in the three months ended March 31, 2015, compared to a profit of PLN 9,564 in the corresponding period of 2014.

Profit attributable to the owners of TVN S.A. Our profit attributable to the owners of TVN S.A. was PLN 79,465 in the three months ended March 31, 2015, compared to a profit of PLN 11,136 in the corresponding period of 2014.

RESULTS BY BUSINESS SEGMENT

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

The table below sets forth the summarized financial results by segment and reconciliation of each segment result to EBITDA for the three months ended March 31, 2015 and 2014:

	Television Broadcasting & Production		Teleshopping		Other reconciling items*		Total	
	Three months ended March 31, 2015	Three months ended March 31, 2014	Three months ended March 31, 2015	Three months ended March 31, 2014	Three months ended March 31, 2015	Three months ended March 31, 2014	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue from external customers	353,591	341,770	9,342	8,667	-	-	362,933	350,437
Inter-segment revenue	1,333	982	-	-	(1,333)	(982)	-	-
Total revenue	**354,924**	**342,752**	**9,342**	**8,667**	**(1,333)**	**(982)**	**362,933**	**350,437**
Operating profit/(loss)	76,557	70,930	(2,441)	(862)	(32,387)	8,622	41,729	78,690
EBITDA**	**94,072**	**87,950**	**(2,342)**	**(789)**	**(32,387)**	**8,620**	**59,343**	**95,781**
EBITDA margin**	**26.5%**	**25.7%**	**-**	**-**	**-**	**-**	**16.4%**	**27.3%**

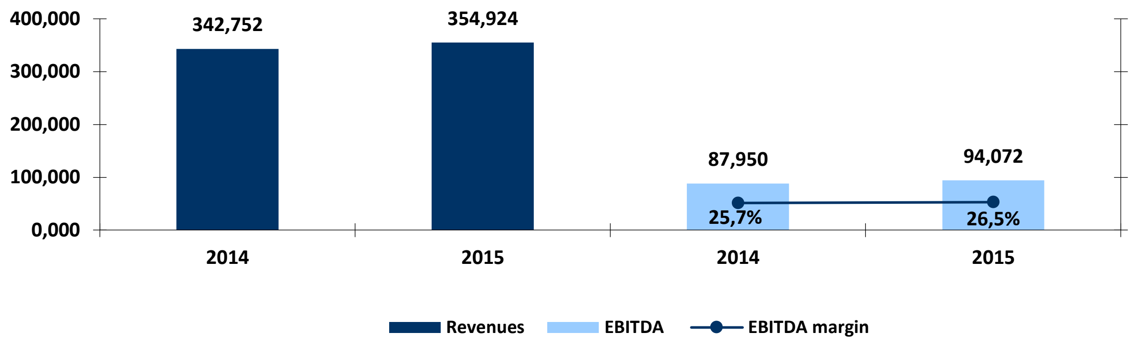
Operating profit/(loss)	76,557	70,930	(2,441)	(862)	(32,387)	8,622	41,729	78,690
Depreciation, amortization and impairment charges	(17,515)	(17,020)	(99)	(73)	-	2	(17,614)	(17,091)
EBITDA**	**94,072**	**87,950**	**(2,342)**	**(789)**	**(32,387)**	**8,620**	**59,343**	**95,781**

* Other reconciling items on EBITDA level for the three months ended March 31, 2015 include mainly the share of profit of associates (PLN 15,901), incremental costs related to the potential change of control transaction (PLN 48,102) and other costs. Other reconciling items on EBITDA level for the three months ended March 31, 2014 include mainly the share of profit of associates (PLN 8,839) and other costs.

** 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 March 31, 2015 and 2014:



	Three months ended March 31,					
		2015			2014	
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
TVN channels	327,643	103,702	31.7%	320,839	97,872	30.5%
Other	27,281	(9,630)	-	21,913	(9,922)	-
Total segment	**354,924**	**94,072**	**26.5%**	**342,752**	**87,950**	**25.7%**

Television broadcasting and production revenue in the three months ended March 31, 2015, increased by PLN 12,172 or 3.6% to PLN 354,924, compared to PLN 342,752 in the corresponding period of 2014.

Our TVN channels revenue increased by PLN 6,804, or 2.1%, in the three months ended March 31, 2015. This increase results mainly from higher advertising revenue coming from thematic channels and offsetting softer performance of the TVN main channel.

Our other revenue in the television, broadcasting and production segment increased by PLN 5,386, or 24.5%, in the three months ended March 31, 2015, mainly thanks to strong performance of Premium TV.

Our TVN channels' EBITDA increased by PLN 5,830, or 6.0%, to PLN 103,702 in the three months ended March 31, 2015, from PLN 97,872 in the corresponding period of 2014. TVN channels' EBITDA margin increased to 31.7% from 30.5% in the corresponding period of 2014.

EBITDA of television, broadcasting and production segment presented as 'Other' increased by PLN 292, or 3.0%, to negative PLN 9,630 in the three months ended March 31, 2015, from negative PLN 9,922 in the corresponding period of 2014.

Teleshopping

The table below sets forth the summarized financial results of our Teleshopping segment for the three months ended March 31, 2015 and 2014.

	Three months ended March 31,					
	2015			2014		
	Revenue	EBITDA	EBITDA %	Revenue	EBITDA	EBITDA %
Mango Media	9,342	(2,342)	-	8,667	(789)	-
Total segment	**9,342**	**(2,342)**	**-**	**8,667**	**(789)**	**-**

Teleshopping revenue increased by PLN 675, or 7.8%, to PLN 9,342 in the three months ended March 31, 2015, from PLN 8,667 in the corresponding period of 2014 primarily due to higher sales volumes generated by Mango Media.

Segment EBITDA decreased by PLN 1,553, to a loss at EBITDA level of PLN 2,342 in the three months ended March 31, 2015 from a loss at EBITDA level of PLN 789 in the corresponding period of 2014.

Other reconciling items

Other reconciling items consist primarily of consolidation eliminations and adjustments not allocated to segments and head office expenses not allocated to business segments. Other reconciling items had a negative impact on our revenue of PLN 1,333 in the three months ended March 31, 2015, compared to a negative impact of PLN 982 in the corresponding period of 2014. Other reconciling items on EBITDA level in the three months ended March 31, 2015 include mainly share of profits of associates more than offset by incremental costs related to the potential change of control transaction as compared to predominantly share of profits of associates in the corresponding period of 2014.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL OVERVIEW

The table below summarizes our consolidated cash flow for the three months ended March 31, 2015 and 2014.

	Three months ended March 31,		
	2014	2015	2015
	PLN	PLN	EUR (1)
Cash generated from operations....................................	69,236	36,410	8,776
Net cash generated by operating activities.....................	66,668	40,627	9,792
Net cash used in investing activities.......	(19,554)	430	104
Net cash used in financing activities……………………..	(140,870)	(7,604)	(1,833)
(Decrease)/ increase in cash and cash equivalents……	(93,756)	33,453	8,063

(1) For the convenience of the reader, we have converted złoty amounts for the three months ended March 31, 2015 into euro at the rate of PLN 4.1489 per €1.00 (arithmetic average of the effective National Bank of Poland, or "NBP", exchange rates on subsequently January 31, 2015, February 28, 2015 and March 31, 2015). You should not view such translations as a representation that such złoty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

CASH FLOW FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

Cash Generated from Operations

Cash generated from operations decreased by PLN 32,826 to PLN 36,410 in the three months ended March 31, 2015, from PLN 69,236 in the corresponding period of 2014. This is mainly caused by decrease in operating profit by PLN 36,961, lower net capitalization of programming inventory by PLN 16,214, partially offset by positive changes in working capital of PLN 25,980.

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 40,627 in the three months ended March 31, 2015, compared to PLN 66,668 generated by operating activities for the corresponding period in 2014. The decrease is a result of cash generated from operations lower by PLN 32,826, partially offset by tax refund of PLN 4,217 in the three months ended March 31, 2015 compared to tax payment of PLN 2,568 in the corresponding period of 2014.

Net Cash Generated by Investing Activities

Net cash used generated by investing activities amounted to PLN 430 in the three months ended March 31, 2015, in comparison to net cash used in investing activities of PLN 19,554 in the corresponding period of 2014. This change in the three months ended March 31, 2015 is primarily due to positive impact of cash transferred from bank deposits with maturity over three months of PLN 12,324 and payments to acquire property, plant and equipment of PLN 7,278, compared to nil and PLN 19,718, respectively, in the corresponding period of 2014, partially offset by payments to acquire intangible assets amounting to PLN 5,986 in the three months ended March 31, 2015 in comparison to PLN 2,691 in the corresponding period of 2014.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to PLN 7,604 in the three months ended March 31, 2015, compared to net cash used in financing activities of PLN 140,870 in the corresponding period of 2014. The decrease is predominantly related to cash flows during the three months ended March 31, 2014 which did not occur in the corresponding period of 2015: early partial repurchase and redemption of our 7.875% Senior Notes resulting in cash used of PLN 147,888 (including accrued interest), partially offset by PLN 18,893 of inflows from issue of shares under stock option plans.

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, of March 31, 2015:

	Value	**Coupon/ effective interest**	**Maturity**
7.375% Senior Notes (nominal value[(1)])………………………	1,758,270	7.375%	2020
7.875% Senior Notes (nominal value[(2)])………………………	451,066	7.875%	2018
Cash loan [(3)]………………………………………………………	71,558	3.8%	2017
Accrued interest on long term debt……………………………..	51,454	-	-
Total debt…………………………………………………………	**2,332,348**	**-**	**-**
Cash at bank and in hand………………………………………	338,956	-	-
Net debt …………………………………………………………	**1,993,392**	**-**	**-**

(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 4.0890 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2015).

(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 4.0890 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2015).

(3) This value represents outstanding nominal value of our Cash Loan opened in June 2013 and used in August 2013, which amounts to EUR 17,500 multiplied by the rate of PLN 4.0890 per EUR 1.00 (the effective NBP exchange rate, złoty per euro, as of March 31, 2015).

The ratio of consolidated net debt defined as total borrowings (nominal amount of principal and accrued interest thereon), net of cash and cash equivalents, to our consolidated shareholders' equity (including non-controlling interest) was 1.9x as of March 31, 2015 and 2.1x as of December 31, 2014.

Our consolidated net debt (defined as above) to adjusted rolling EBITDA ratio amounted to 3.7x as of March 31, 2015.

Adjusted rolling 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 574,839 at March 31, 2015, compared to PLN 498,049 at December 31, 2014.

Our borrowed funds excluding accrued interest as of March 31, 2015, consisted of the fair value amount of PLN 1,967,434 of indebtedness represented by the 7.375% Senior Notes, the fair value amount of PLN 473,619 of indebtedness represented by 7.875% Senior Notes and the amount of PLN 70,682 representing our cash loan carrying value.

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 as at March 31, 2015 (March 31, 2014: EUR 132,428).

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 3.8%. The Cash Loan and interest are repaid in quarterly installments starting from November 5, 2013. The final repayment date is June 10, 2017. The carrying value of the Cash Loan is assumed to approximate its fair value.

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of March 31, 2015 the Revolving Credit Facility was used only for the bank guarantees issued at PLN 7,864.

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

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

Revolving Guarantee Facility

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

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

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

	As of March 31,						
	2015	**2016**	**2017**	**2018**	**2019**	**thereafter**	**Total**
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases	27,194	39,402	39,338	18,380	6,381	7,444	138,139
Other technical leases.........	12,843	12,843	12,843	12,843	12,843	-	64,215
Operating leases – other......	11,656	8,966	4,214	3,900	2,600	-	31,336
Programming rights...............	48,399	90,820	59,047	14,927	1,573	-	214,766
Total cash commitments	**100,092**	**152,031**	**115,442**	**50,050**	**23,397**	**7,444**	**448,456**

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 March 2015 was -1.5% compared with -1.0% in December 2014, -0.3% in September 2014, 0.3% in June 2014 and 0.7% in March 2014. We do not believe that the current inflationary trends will have a material impact on our business. We cannot predict the likelihood that these trends will continue.

DIVIDEND POLICY

Subject to our operating results, capital investment requirements, the terms of our Indenture and statutory distributable reserves, we intend to recommend that between 30% and 50% of our annual net profits is to 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 executed in the twelve months ended December 31, 2014. In the result of this decision there were no dividend payments in 2014.

PART II

ADDITIONAL INFORMATION

1. Our Comment on Previously Published Forecasts

There is no deviation to parameters presented in the published forecast that would exceed +/- 10%.

2. TVN Group Organizational Structure

TVN Group comprises the following entities as of March 31, 2015:

Entity	Country of incorporation and residence	March 31, 2015 Ownership (%)	March 31, 2014 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.ả.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 Channel 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., Nasza Klasa Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

3. CHANGES IN THE STRUCTURE OF THE TVN GROUP

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

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

The following table and graph presents shareholders that to our best knowledge own at least 5% of our shares as of May 4, 2015 - the date of this interim report.

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

Shareholder	Number of shares in issue	% of Share Capital	Number of Votes	% of votes
ITI Group (1)	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	25.73%
TOTAL:	**352,748,308**	**100.00%**	**340,248,308**	**100.00%**

(1) As of March 31, 2015, 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.

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

5.1 MANAGEMENT BOARD MEMBERS

The following table presents TVN S.A. shares (not in thousands) owned directly or indirectly by our Management Board as of May 4, 2015 and changes in their holdings since the date of publication of our annual report on February 6, 2015. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160, sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 6, 2015	Increases	Decreases	Balances as of May 4, 2015
Markus Tellenbach	-	-	-	-
John Driscoll	-	-	-	-
Piotr Korycki	-	-	-	-
Maciej Maciejowski	-	-	-	-
Edward Miszczak	241,156	-	140,117	101,039
Adam Pieczyński	-	-	-	-
Piotr Tyborowicz	130,763	-	-	130,763

5.2 Supervisory Board Members

The following table presents TVN S.A. shares (not in thousands) held by the Supervisory Board members, as of May 4, 2015, and changes in their holdings since the date of publication of our previous quarterly report on February 6, 2015. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Board Member	Balances as of February 6, 2015	Increases	Decreases	Balances as of May 4, 2015
Wojciech Kostrzewa	120,000	-	-	120,000
Bertrand Meheut	-	-	-	-
Arnold Bahlmann	-	-	-	-
Rodolphe Belmer	-	-	-	-
Michał Broniatowski		-	-	
Paweł Gricuk	-	-	-	-
Sophie Guieysse	-	-	-	-
Wiesław Rozłucki	-	-	-	-
Bruno Valsangiacomo	1,575,012	-	-	1,575,012
Piotr Walter	-	-	-	-
Aldona Wejchert	591,634	-	-	591,634
Total:	**2,286,646**	-	-	**2,286,646**

6. Legal Proceedings

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

7. Related Party Transactions Concluded During the Three Months Ended March 31, 2015

We are party to various agreements and other arrangements with members of the ITI Group, indirect shareholders of such companies, or certain companies of such shareholders.

During the three months ended March 31, 2015, we did not enter into any material transactions with related parties that are not on regular market conditions.

8. Discussion on Guarantees Granted to Third Parties by TVN Group During the Three Months Ended March 31, 2015

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 255,563 as of March 31, 2015.

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 DTH Holdings, 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.

PART III

FINANCIAL INFORMATION

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

Interim Condensed Consolidated Financial Statements
for the three months ended March 31, 2015

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

Interim Condensed Separate Financial Statements
as of and for the three months ended March 31, 2015

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 months ended March 31, 2015 have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial statements of TVN Group as of and for the three months ended March 31, 2015 include: interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in shareholders’ equity, interim condensed consolidated cash flow statement and notes to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on May 4, 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, May 4, 2015

TVN Group

Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2015

TVN Group

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	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue	**5**	362,933	350,437
Cost of revenue	**6**	(220,719)	(216,506)
Selling expenses	**6**	(30,942)	(26,295)
General and administration expenses	**6**	(36,805)	(36,796)
Share of profits of associates and joint ventures	**15**	15,895	8,839
Other operating expenses, net		(531)	(989)
Operating profit before incremental costs related to the probable change of control transaction		**89,831**	**78,690**
Incremental costs related to the probable change of control transaction	**6**	(48,102)	-
Operating profit		**41,729**	**78,690**
Interest income	**7**	1,847	2,667
Finance expense	**7**	(46,422)	(63,210)
Foreign exchange gains/ (losses), net	**7**	91,350	(15,867)
Profit before income tax		**88,504**	**2,280**
Income tax (charge)/ credit	**13**	(9,039)	7,284
Profit for the period		**79,465**	**9,564**
Profit/ (loss) attributable to:			
Owners of TVN S.A.		79,465	11,136
Non-controlling interest		-	(1,572)
		79,465	**9,564**
Earnings per share attributable to the owners of TVN S.A. (not in thousands)			
- basic		0.23	0.03
- diluted		0.23	0.03

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

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Profit for the period		**79,465**	**9,564**
Other comprehensive (loss)/ income reclassifiable to income statement when specific conditions are met:			
Cash flow hedge – foreign exchange forward contracts		(2,554)	1,542
Income tax relating to components of other comprehensive (loss)/ income	**13**	485	(282)
Share of other comprehensive (loss)/ income of associates	**15**	(140)	1,367
Other comprehensive (loss)/ income for the period, net of tax		(2,209)	2,627
Total comprehensive income for the period		**77,256**	**12,191**
Total comprehensive income/ (loss) attributable to:			
Owners of TVN S.A.		77,256	13,763
Non-controlling interest		-	(1,572)
		77,256	**12,191**

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

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

	Note	As at March 31, 2015	As at December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment		355,568	364,943
Goodwill		144,127	144,127
Brands		32,862	32,862
Other intangible assets		68,175	69,803
Non-current programming rights		170,286	152,272
Investments in associates and joint ventures	**15**	1,778,212	1,762,457
Deferred tax asset	**13**	305,878	305,353
Other non-current assets		374	1,071
		2,855,482	**2,832,888**
Current assets			
Current programming rights		205,554	222,610
Trade receivables		371,861	350,243
Prepayments and other assets		99,651	92,831
Derivative financial assets		1,523	1,202
Bank deposits with maturity over three months		32,676	45,000
Cash and cash equivalents		306,280	269,993
		1,017,545	**981,879**
TOTAL ASSETS		**3,873,027**	**3,814,767**
EQUITY			
Shareholders' equity			
Share capital	**8**	70,550	70,550
Share premium		865,166	865,237
Treasury shares	**9**	(250,000)	(250,000)
8% obligatory reserve		23,301	23,301
Other reserves and deficits		(584,081)	(581,872)
Accumulated profit		920,300	840,835
		1,045,236	**968,051**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	**10**	2,215,244	2,314,788
Deferred tax liability	**13**	5,824	5,819
Non-current trade payables		15,278	11,435
Other non-current liabilities		16,606	16,625
		2,252,952	**2,348,667**
Current liabilities			
Current trade payables		161,933	161,895
Current borrowings	**10**	71,900	31,938
Derivative financial liabilities		3,627	214
Corporate income tax payable		6,529	-
Other liabilities and accruals	**11**	330,850	304,002
		574,839	**498,049**
Total liabilities		**2,827,791**	**2,846,716**
TOTAL EQUITY AND LIABILITIES		**3,873,027**	**3,814,767**

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
Balance as at January 1, 2015	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**(581,872)**	**840,835**	**968,051**
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(2,209)	79,465	77,256
Share issue cost (2)	-	-	(39)	-	-	-	-	(39)
Treasury shares cost	-	-	(32)	-	-	-	-	(32)
Balance as at March 31, 2015	**352,748,308**	**70,550**	**865,166**	**(250,000)**	**23,301**	**(584,081)**	**920,300**	**1,045,236**

(*) Other reserves and deficits

	Cash flow hedge	Effect of acquisition of non-controlling interest	Total
Balance as at January 1, 2015	**2,701**	**(584,573)**	**(581,872)**
Charge for the period	(2,554)	-	(2,554)
Deferred tax on charge for the period	485	-	485
Share of other comprehensive loss of associates	(140)	-	(140)
Balance as at March 31, 2015	**492**	**(584,573)**	**(584,081)**

Included in accumulated profit as of March 31, 2015 is an amount of 2,221,470 being the accumulated profit of TVN S.A. on a standalone basis which is distributable. The Notes (see Note 10) impose certain restrictions on payment of dividends.

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

	Number of shares (not in thousands)	Share capital	Share premium	8% obligatory reserve	Other reserves and deficits (*)	Accumulated profit	Total equity attributable to the owners of TVN S.A.	Non-controlling interest (3)	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	-	-	-	-	2,627	11,136	13,763	(1,572)	12,191
Issue of shares (1)	1,710,981	342	37,100	-	(18,519)	-	18,923	-	18,923
Share issue cost (2)	-	-	(30)	-	-	-	(30)	-	(30)
Balance as at March 31, 2014	**348,205,131**	**69,641**	**763,923**	**23,301**	**(497,194)**	**655,782**	**1,015,453**	**(27,080)**	**988,373**

(*) Other reserves and deficits

	Employee share option plan reserve	Cash flow 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	(18,519)	-	-	(18,519)
Credit for the period	-	1,542	-	1,542
Deferred tax on credit for the period	-	(282)	-	(282)
Share of other comprehensive income of associates	-	1,367	-	1,367
Balance as at March 31, 2014	**53,824**	**130**	**(551,148)**	**(497,194)**

(1) During the three months ended March 31, 2014 1,710,981 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes. The TVN incentive schemes expired on December 31, 2014.

(2) Costs related to service of the TVN incentive schemes.

(3) On October 16, 2014 the Group acquired the remaining shares in Stavka and derecognized the related non-controlling interest.

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Operating activities			
Cash generated from operations	**12**	36,410	69,236
Tax refunded/ (paid), net		4,217	(2,568)
Net cash generated by operating activities		**40,627**	**66,668**
Investing activities			
Payments to acquire property, plant and equipment		(7,278)	(19,718)
Proceeds from sale of property, plant and equipment		13	906
Payments to acquire intangible assets		(5,986)	(2,691)
Bank deposits with maturity over three months		12,324	-
Interest received		1,357	1,949
Net cash generated by/ (used in) investing activities		**430**	**(19,554)**
Financing activities			
Issue of shares, net of issue cost		-	18,893
Acquisition and repayment of the Notes	**10**	-	(147,888)
Repayments of the Cash Loan	**10**	(5,214)	(5,268)
Bank charges		(1,564)	(1,941)
Settlement of foreign exchange forward contracts		(27)	110
Interest paid		(799)	(4,776)
Net cash used in financing activities		**(7,604)**	**(140,870)**
Increase/ (decrease) in cash and cash equivalents		**33,453**	**(93,756)**
Cash and cash equivalents at the start of the period		269,993	398,484
Effects of exchange rate changes		2,834	(62)
Cash and cash equivalents at the end of the period		**306,280**	**304,666**

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

1. GENERAL INFORMATION

These interim condensed consolidated financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 4, 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").

In October 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).

In March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell 100% of share capital of N-Vision B.V. to Southbank Media Ltd. ITI Group and Canal+ Group co-own N-Vision B.V., N-Vision B.V. is the sole shareholder of Polish Television Holding B.V. and Polish Television Holding B.V. is a majority shareholder of the Company (see Note 8). Southbank Media Ltd. has its seat in London and is a part of Scripps Networks Interactive, Inc. The transaction is subject to customary conditions precedent including regulatory approvals.

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 twelve television channels and one teleshopping channel in Poland: TVN, TVN 7, TVN 24, TVN Meteo Active, TVN Turbo, iTVN, TVN Style, TVN 24 Biznes i Świat, NTL Radomsko, TTV, iTVN Extra, TVN Fabuła 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed consolidated financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements as of and for the three months ended March 31, 2015 are consistent with those used in the consolidated financial statements as of and for the year ended December 31, 2014 except for amendments to standards which became effective January 1, 2015. Amendments to standards effective from January 1, 2015 either are not relevant for the Group or do not have significant impact on the Group's consolidated financial statements.

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

The Group's consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Comparative financial information

The interim condensed consolidated income statement for the three months ended March 31, 2014 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 1,358 for the three months ended March 31, 2014 has no impact on previously reported operating or net results.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of investments in associates

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

As of March 31, 2015 and December 31, 2014 the Group did not identify any indicators for impairment of its investment in associate nC+.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

As of March 31, 2015 the Group did not identify any indicators for impairment of its investment in associate Onet.

As of December 31, 2014, as a result of a less than expected economic performance of Onet, the Group performed an impairment test of its investment in associate Onet. In the impairment test 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 15).

The key financial assumptions used for discounting free cash flows as at December 31, 2014 were as follows:

	December 31, 2014
Terminal growth	2.5%
Discount rate	7.0%

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.

(ii) Deferred tax assets

On November 28, 2011 the brands owned previously by TVN S.A. (including internally generated brands which were not recognized on the consolidated balance sheet) were contributed in kind to its new subsidiary TVN Media. As a result a temporary difference arose on the difference between the brands' book carrying value (of zero) and its new tax base. As at March 31, 2015 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, 2014: 27,514) representing the tax amortization of brands to be realized within the next twelve months. The Group assessed that the realization of the tax benefit resulting from the remaining amount of the temporary difference was not probable and therefore no deferred tax asset was recognized for subsequent years. As at March 31, 2015 the Group did not recognize a deferred tax asset in the amount of 155,915 (December 31, 2014: 162,793) related to the tax value of brands recognized by TVN Media.

As at March 31, 2015 the Group also did not recognize a deferred tax asset on tax loss carry-forwards of 414,267 (December 31, 2014: 414,267). 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, 2014: 78,711) was not recognized as the Group concluded that as at March 31, 2015 the realization of the related tax benefit is not probable.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Long Term Incentive Plan

As described in Note 18 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, in March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell their investment in the Company. The transaction is subject to customary conditions precedent including regulatory approvals. Once the transaction is finalized the payments due under the Plan will be accelerated and as a result of the above the Group has recognized incremental Long Term Incentive Plan charge related to the transaction, details of the charge are disclosed in Note 18.

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 19.1. Other information provided to the committee is measured in a manner consistent with that in the financial statements.

Operating segments are aggregated into a single 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 before income tax:

	Three months ended March 31, 2015	Three months ended March 31, 2014
EBITDA	**59,343**	**95,781**
Depreciation of property, plant and equipment	(14,022)	(13,726)
Amortization of intangible assets	(3,592)	(3,365)
Operating profit	**41,729**	**78,690**
Interest income (see Note 7)	1,847	2,667
Finance expense (see Note 7)	(46,422)	(63,210)
Foreign exchange gains/ (losses), net (see Note 7)	91,350	(15,867)
Profit before income tax	**88,504**	**2,280**

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2015	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	353,591	9,342	-		362,933
Inter-segment revenue	1,333	-	(1,333)		-
Revenue	**354,924**	**9,342**	**(1,333)**		**362,933**
EBITDA	**94,072**	**(2,342)**	**(32,387)**	*	**59,343**
Depreciation of property, plant and equipment	(13,934)	(88)	-		(14,022)
Amortization of intangible assets	(3,581)	(11)	-		(3,592)
Operating profit/ (loss)	**76,557**	**(2,441)**	**(32,387)**		**41,729**
Additions to property, plant and equipment and other intangible assets	6,017	705	-		6,722
As at March 31, 2015					
Segment assets including:	**1,747,850**	**39,584**	**2,085,593**	**	**3,873,027**
Investments in associates and joint ventures	8	-	1,778,204		1,778,212

* Other reconciling items on EBITDA level include mainly share of profits of associates (15,901), incremental costs related to the probable change of control transaction (48,102) and other costs

** Other reconciling items to segment assets include: investments in associates (1,778,204), deferred tax assets (305,878) and other assets and consolidation adjustments (1,511)

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

4. SEGMENT REPORTING (CONTINUED)

Three months ended March 31, 2014	**Television broadcasting and production**	**Teleshopping**	**Other reconciling items**		**Total**
Revenue from external customers	341,770	8,667	-		350,437
Inter-segment revenue	982	-	(982)		-
Revenue	**342,752**	**8,667**	**(982)**		**350,437**
EBITDA	**87,950**	**(789)**	**8,620**	*	**95,781**
Depreciation of property, plant and equipment	(13,659)	(69)	2		(13,726)
Amortization of intangible assets	(3,361)	(4)	-		(3,365)
Operating profit/ (loss)	**70,930**	**(862)**	**8,622**		**78,690**
Additions to property, plant and equipment and other intangible assets	7,640	33	(5)		7,668
As at 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 (8,839) 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)

5. REVENUE

	Three months ended March 31, 2015	Three months ended March 31, 2014
Advertising revenue	257,998	245,192
Sponsoring revenue	34,507	34,676
Advertising related revenue	**292,505**	**279,868**
Subscription fees	52,306	52,686
Revenue from sale of goods	8,302	7,227
Other revenue	9,820	10,656
	362,933	**350,437**

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Amortization of locally produced content	104,121	102,719
Staff expenses	45,722	44,853
Amortization of acquired programming rights and co-productions	41,207	40,709
Depreciation and amortization	17,614	17,091
Broadcasting expenses	15,027	15,298
Marketing and research	13,934	11,485
Royalties	12,621	11,157
Cost of services and goods sold	7,367	6,612
Rental	5,900	5,817
Impaired accounts receivable	7	(793)
Other	24,946	24,649
	288,466	**279,597**

Included in the above operating expenses for the three months ended March 31, 2015 are operating lease expenses of 22,554 (the three months ended March 31, 2014: 21,697).

Included in the above staff expenses for the three months ended March 31, 2015 is a Long Term Incentive Plan expense of 945 related to the retention and performance components (the three months ended March 31, 2014: 1,445, see Note 18).

Incremental costs related to the probable change of control transaction

	Three months ended March 31, 2015	Three months ended March 31, 2014
Incremental Long Term Incentive Plan charge (see Note 3 (iii) and 18)	40,129	-
Advisory costs	7,973	-
	48,102	**-**

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

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Interest income		
Interest income on foreign exchange forward contracts – cash flow hedges	149	297
Guarantee fees from a related party (see Note 17 (v))	-	258
Other interest income	1,698	2,112
	1,847	**2,667**
Finance expense		
Interest expense on the Notes (see Note 10)	(43,392)	(48,253)
Interest expense on the Cash Loan (see Note 10)	(632)	(857)
Interest expense on foreign exchange forward contracts – cash flow hedges	(387)	(834)
Premium on early repayment of the Notes and other costs related to the repayment of the Notes (see Note 10)	-	(8,251)
Unamortized debt issuance costs of the Notes written off on early repayment (see Note 10)	-	(2,834)
Guarantee fees to a related party (see Note 17 (v))	(12)	(61)
Bank and other charges	(1,999)	(2,120)
	(46,422)	**(63,210)**
Foreign exchange gains/ (losses), net		
Foreign exchange gains/ (losses) on the Notes, including:	93,587	(16,295)
- unrealized foreign exchange gains/ (losses) on the Notes	*93,587*	*(7,520)*
- realized foreign exchange losses on the Notes	*-*	*(8,775)*
Other foreign exchange (losses)/ gains, net	(2,237)	428
	91,350	**(15,867)**

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

8. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at March 31, 2015 was 352,748,308 (December 31, 2014: 352,748,308) with a par value of 0.20 per share. All issued shares are fully paid.

The shareholders structure:

	March 31, 2015		December 31, 2014	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. [1]	173,969,180	49.32%	173,969,180	49.32%
ITI Holdings	5,326,426	1.51%	5,326,426	1.51%
Other shareholders	160,952,702	45.63%	160,952,702	45.63%
Treasury shares (see Note 9)	12,500,000	3.54%	12,500,000	3.54%
Total	**352,748,308**	**100.00%**	**352,748,308**	**100.00%**

[1] Entity controlled by ITI Group, 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:

	March 31, 2015		December 31, 2014	
Shareholder	**Number of votes**	**% of votes**	**Number of votes**	**% of votes**
Polish Television Holding B.V.	173,969,180	51.13%	173,969,180	51.13%
ITI Holdings	5,326,426	1.57%	5,326,426	1.57%
Other shareholders	160,952,702	47.30%	160,952,702	47.30%
Total	**340,248,308**	**100.00%**	**340,248,308**	**100.00%**

All ordinary shares in issue as at March 31, 2015 are registered by the Court. 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.

9. 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.

These shares are included in the total number of shares in issue until the Shareholders' Meeting resolves to redeem and cancel the shares.

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

10. BORROWINGS

	March 31, 2015	December 31, 2014
The Notes	2,165,007	2,257,154
Interest accrued on the Notes	51,142	10,260
The Cash Loan	70,682	78,946
Interest accrued on the Cash Loan	313	366
	2,287,144	**2,346,726**
Less: current portion of borrowings	(71,900)	(31,938)
Non-current portion of borrowings	**2,215,244**	**2,314,788**

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, 2014: EUR 110,312).

In 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.

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)

10. BORROWINGS (CONTINUED)

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

	March 31, 2015		December 31, 2014	
	PLN	**EUR**	**PLN**	**EUR**
7.375% Senior Notes due 2020	1,967,434	481,153	2,025,232	475,150
7.875% Senior Notes due 2018	473,619	115,828	487,227	114,311
	2,441,053	**596,981**	**2,512,459**	**589,461**

Fair values of the Notes reflect their market price quoted by Reuters based on the last value date on March 31, 2015 and December 31, 2014 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 March 31, 2015 the Revolving Credit Facility was used only for the bank guarantees issued at 7,864 (December 31, 2014: 8,194).

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

10. 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.

11. OTHER LIABILITIES AND ACCRUALS

	March 31, 2015	December 31, 2014
Employee benefits *	74,854	43,735
Sales and marketing related costs	59,737	61,725
Accrued production and programming costs	32,905	15,113
VAT and other taxes payable	26,933	54,810
Deferred income	8,374	11,314
Satellites	4,329	8,811
Other liabilities and accrued costs	123,718	108,494
	330,850	**304,002**

* Accrued employee benefits include an accrual for Long Term Incentive Plan expense, see Note 18.

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

12. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the period to cash generated from operations

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Profit for the period		79,465	9,564
Income tax charge/ (credit)	**13**	9,039	(7,284)
Depreciation and amortization	**6**	17,614	17,091
Amortization of acquired programming rights and co-productions	**6**	41,207	40,709
Impaired accounts receivable	**6**	7	(793)
Loss on sale of property, plant and equipment		7	102
Interest income	**7**	(1,847)	(2,667)
Finance expense	**7**	46,422	63,210
Foreign exchange (gains)/ losses, net	**7**	(91,350)	15,867
Share of profits of associates and joint ventures	**15**	(15,895)	(8,839)
Guarantee fee paid		(45)	(242)
Payments to acquire programming rights		(9,271)	(17,914)
Change in local production balance		(24,939)	416
Changes in working capital:			
Trade receivables		(21,625)	(33,310)
Prepayments and other assets		(10,166)	(1,829)
Trade payables		(4,854)	464
Other short term liabilities and accruals		22,641	(5,309)
		(14,004)	(39,984)
Cash generated from operations		**36,410**	**69,236**

Non-cash transactions

Barter revenue, net		126	115

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

13. TAXATION

	Three months ended March 31, 2015	Three months ended March 31, 2014
Current tax charge	(9,074)	(4,997)
Deferred tax credit	35	12,281
	(9,039)	**7,284**

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Profit before income tax	**88,504**	**2,280**
Income tax charge at the enacted statutory rate of 19%	(16,816)	(433)
Impact of deferred tax asset recognized on tax value of brands recognized by TVN Media (see Note 3 (ii))	6,879	6,879
Impact of share of profits of associates and joint ventures	3,020	1,679
Impact of previous years' tax returns corrections	-	2,180
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	(2,122)	(3,021)
Income tax (charge)/ credit	**(9,039)**	**7,284**

Movements in deferred tax asset

	Three months ended March 31, 2015	Three months ended March 31, 2014
As at January 1	305,353	319,130
Credit to the income statement	40	12,282
Credit/ (charge) to other comprehensive income	485	(282)
As at March 31	**305,878**	**331,130**

Movements in deferred tax liability

	Three months ended March 31, 2015	Three months ended March 31, 2014
As at January 1	(5,819)	(5,822)
Charge to the income statement	(5)	(1)
As at March 31	**(5,824)**	**(5,823)**

The tax authorities may at any time inspect the books and records within five years from the end of the year when a tax declaration was submitted and may impose additional tax assessments with penalty interest and penalties. The Group’s management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Deferred income tax assets are recognized for tax loss carry-forwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

13. TAXATION (CONTINUED)

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences and tax loss carry-forwards can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of deductible temporary differences and tax losses. The deferred tax amounts were calculated using the enacted tax rate of 19% as at March 31, 2015.

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

14. COMMITMENTS

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

(i) Commitments to acquire programming

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

	March 31, 2015	December 31, 2014
Due in 2015	48,399	51,015
Due in 2016	90,820	88,551
Due in 2017	59,047	52,402
Due in 2018	14,927	14,078
Due in 2019	1,573	1,189
	214,766	**207,235**

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

Total future minimum payments relating to operating lease agreements signed as at March 31, 2015 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in 2015	773	10,883	11,656
Due in 2016	20	8,946	8,966
Due in 2017	-	4,214	4,214
Due in 2018	-	3,900	3,900
Due in 2019	-	2,600	2,600
	793	**30,543**	**31,336**

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

14. COMMITMENTS (CONTINUED)

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**

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 March 31, 2015 and December 31, 2014 respectively.

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

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

	March 31, 2015	December 31, 2014
Due in 2015	27,194	38,678
Due in 2016	39,402	41,153
Due in 2017	39,338	40,735
Due in 2018	18,380	18,888
Due in 2019	6,381	6,381
Due in 2020 and thereafter	7,444	7,444
	138,139	**153,279**

Additionally, the Group leases transmission sites and related services for an annual amount of 12,843 (December 31, 2014: 12,843).

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

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	nC+	Onet	Polski Operator Telewizyjny	Total
Balance as at January 1, 2015	1,505,848	256,595	14	1,762,457
Share of profits/ (losses)	14,394	1,507	(6)	15,895
Share of other comprehensive loss	(140)	-	-	(140)
Balance as at March 31, 2015	**1,520,102**	**258,102**	**8**	**1,778,212**

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

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.

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.

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.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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.

4% of the shares of Onet Holding held by TVN Online Investments Holding are pledged in favour of RAS, securing any claims RAS may have under warranties granted by TVN Online Investments Holding. TVN Online Investments Holding has the right to exercise voting rights from and receive dividends in respect of the pledged shares. The pledge expires on November 6, 2017.

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

16. GROUP COMPANIES, JOINT VENTURES AND ASSOCIATES

These interim condensed consolidated financial statements as at March 31, 2015 comprised the Company and the following subsidiaries (the Group), joint ventures and associates:

	Country of incorporation	Principal activities	March 31, 2015 Ownership %	December 31, 2014 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	100
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	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	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 15), ITI Neovision Group includes ITI Neovision S.A., 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., 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., Nasza Klasa 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)

16. 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.

17. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2015	Three months ended March 31, 2014
nC+	7,523	10,591
ITI Group	645	591
Onet	91	159
Wydawnictwo Pascal	36	58
	8,295	**11,399**

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

(ii) Operating expenses:

	Three months ended March 31, 2015	Three months ended March 31, 2014
ITI Group	7,614	8,140
Onet	1,728	2,002
nC+	442	364
Wydawnictwo Pascal	55	-
	9,839	**10,506**

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.

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

	March 31, 2015	December 31, 2014
Trade receivables		
nC+	10,625	6,156
Wydawnictwo Pascal	1,096	880
ITI Group	61	249
Onet	21	45
	11,803	**7,330**

	March 31, 2015	December 31, 2014
Trade payables		
ITI Group	18,794	23,744
nC+	4,995	10,573
Onet	1,025	910
Wydawnictwo Pascal	75	16
	24,889	**35,243**

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Lease commitments with related parties

See Note 14 for further details.

(v) Other

As of March 31, 2015 ITI Holdings has provided guarantees in the total amount of USD 559 (December 31, 2014: USD 3,559) in respect of programming rights purchased and broadcast by the Group. During the three months ended March 31, 2015 the Group recorded finance costs related to ITI Holdings guarantees of 12 (the three months ended March 31, 2014: 61).

18. 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 would be finalised in 2018, and the respective portion attributable to a particular period is expensed. Staff expenses for the three months ended March 31, 2015 include an expense related to the first two components of the Plan in the total amount of 945 (the three months ended March 31, 2014: 1,445, see Note 6).

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.

18. LONG TERM INCENTIVE PLAN (CONTINUED)

As outlined in Note 1, in March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell their investment in the Company. The transaction is subject to customary conditions precedent including regulatory approvals. Once the transaction is finalized the payments due under the Plan will be accelerated, 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 a result of the anticipated acceleration of the payments due under the Plan the Group recognized an additional incremental charge of 10,233 related to the retention and performance components.

Additionally, taking into account the details of transaction included in the above mentioned agreement, the Group as at March 31, 2015 fair valued the liability related to the transaction component at 29,896 (December 31, 2014: nil). The Group estimates that the entire allotted value of the transaction component of 38,700 will be paid out, the charge recognized for the three months ended March 31, 2015 takes into account the potential timing of the transaction and the relevant discount factor. The entire allotted value of the transaction component will be recognised in the consolidated income statement in the period up to the transaction closing date.

The total incremental Long Term Incentive Plan charge related to the transaction recognized during the three months ended March 31, 2015 amounts to 40,129 (the three months ended March 31, 2014: nil, see Note 6) and is presented in a separate line in the interim condensed consolidated income statement. The charge related to the transaction recognized during the three months ended March 31, 2015 represents the charge for the period from the beginning of the Plan (being January 1, 2014) up to March 31, 2015. The charge for the remaining vesting period, that is the period up to the expected transaction closing date (being June 30, 2015), will be recognized during the three months ended June 30, 2015.

19. FINANCIAL RISK MANAGEMENT

19.1. Capital risk management

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

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

The Group monitors capital on the basis of the net debt to Adjusted EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 10) 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.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	Twelve months ended March 31, 2015	**Twelve months ended December 31, 2014**
Net debt	1,993,392	2,078,523
EBITDA	512,406	548,844
Share of profits of associates and joint ventures	(38,708)	(31,651)
Dividends and other distributions received from associates	8,133	8,133
Incremental costs related to the probable change of control transaction	53,216	5,114
Adjusted EBITDA	535,047	530,440
Net debt to Adjusted EBITDA ratio	3.7	3.9

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

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

19.2. 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.

There were no changes in the risk management policies since December 31, 2014.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, bank deposits with maturity over three months and cash and cash equivalents all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in an efficient manner, both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Group enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

The estimated profit for the period (post-tax) impact on balances as of March 31, 2015 and March 31, 2014 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 94,561 (a loss of 102,271 as of March 31, 2014) and is presented below:

	Three months ended March 31, 2015	**Three months ended March 31, 2014**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
The Notes including accrued interest	(91,549)	(97,239)
The Cash Loan	(2,911)	(3,819)
Trade payables	(508)	(240)
Other	(904)	(1,421)
Assets:		
Cash and cash equivalents	725	386
Bank deposits with maturity over three months	480	-
Trade receivables	106	62
	(94,561)	**(102,271)**

The estimated profit for the period (post-tax) impact on balances as of March 31, 2015 and March 31, 2014 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 2,371 (a loss of 1,529 as of March 31, 2014).

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the Notes and the Cash Loan (see Note 10).

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 March 31, 2015, 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 43 lower/ higher (December 31, 2014: the post-tax profit for the period would have been 50 lower/ higher).

The Group did not consider it cost effective to hedge or otherwise seek to reduce interest rate risk as of March 31, 2015 and as of December 31, 2014.

(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. 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 (86% of the total trade receivables as of March 31, 2015 and 84% of the total trade receivables as of December 31, 2014) 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 19% and the single largest advertiser accounted for 3% of sales for the three months ended March 31, 2015 (18% and 3%, respectively, of sales for the three months ended March 31, 2014). Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

The major players amongst the advertising agencies in Poland with whom the Group co-operates are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Group mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	March 31, 2015	December 31, 2014
Receivables from advertising agencies	86%	84%
Receivables from individual customers	11%	14%
Receivables from related parties	3%	2%
	100%	**100%**

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

Trade receivables (net)	March 31, 2015	December 31, 2014 *
Agency A	10%	14%
Agency B	8%	6%
Agency C	8%	3%
Agency D	7%	10%
Agency E	6%	4%
Sub-total	**39%**	**37%**
Total other counterparties	61%	63%
	100%	**100%**

* Figures as at December 31, 2014 represent comparative data for each Agency

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

Trade receivables (net)	March 31, 2015	December 31, 2014 *
Agency Group F	28%	30%
Agency Group G	18%	14%
Agency Group H	14%	14%
Agency Group I	9%	6%
Agency Group J	6%	12%
Sub-total	**75%**	**76%**
Total other counterparties	25%	24%
	100%	**100%**

* Figures as at December 31, 2014 represent comparative data for each Agency Group

Management does not expect any significant losses with respect to amounts included in the trade receivables from non-performance by the Group's customers as at March 31, 2015 and December 31, 2014.

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due. Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital and financing expenditures relating to dividends and share buyback, capital investment in television and broadcasting facilities and equipment, debt service on the Notes and the Cash Loan and the launch of new thematic channels and internet services. The Group believes that its cash balances and cash generated from operations will be sufficient to fund these needs. However, if the operating cash flows of the Group are negatively affected by a prolonged economic slow-down or clients' financial difficulties the Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at March 31, 2015 the Group had cash and cash equivalents and bank deposits with maturity over three months totalling 338,956 at its disposal (December 31, 2014: cash and cash equivalents and bank deposits with maturity over three months totalling 314,993).

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 March 31, 2015			
The Notes	165,194	165,194	2,799,068
The Cash Loan	22,332	21,732	30,963
Trade payables	161,933	15,278	-
Other liabilities and accruals	220,689	3,262	17,027
	570,148	**205,466**	**2,847,058**
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**

* 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 181,857 and undiscounted contractual cash inflows of 179,177 (December 31, 2014: undiscounted contractual cash outflows of 113,432 and undiscounted contractual cash inflows of 114,165).

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

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3. Fair value estimation

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

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

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
As at March 31, 2015				
Assets				
Derivative financial assets				
Foreign exchange forward contracts	-	1,523	-	1,523
	-	**1,523**	**-**	**1,523**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	3,627	-	3,627
	-	**3,627**	**-**	**3,627**
As 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**

19.4. 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 separate financial statements of TVN S.A. (the "Company") as of and for three months ended March 31, 2015, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The interim condensed separate financial statements of TVN S.A. as of and for three months ended March 31, 2015 include: interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate balance sheet, interim condensed separate statement of changes in shareholders' equity, interim condensed separate cash flow statement and notes to the interim condensed separate financial statements.

These interim condensed separate financial statements were authorized for issuance by the Management Board of TVN S.A. on May 4, 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, May 4, 2015

TVN S.A.

Interim Condensed Separate Financial Statements
As of and for the three months ended March 31, 2015

TVN S.A.

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue	**4**	312,721	304,855
Cost of revenue	**5**	(224,548)	(220,870)
Selling expenses	**5**	(15,628)	(14,947)
General and administration expenses	**5**	(30,604)	(31,795)
Other operating income/ (expenses), net	**16 (viii)**	8,675	(422)
Operating profit before incremental costs related to the probable change of control transaction		**50,616**	**36,821**
Incremental costs related to the probable change of control transaction	**5**	(48,049)	-
Operating profit		**2,567**	**36,821**
Interest income	**6**	4,265	4,919
Finance expense	**6**	(54,491)	(70,609)
Foreign exchange gains/ (losses), net	**6**	93,602	(15,951)
Profit/ (loss) before income tax		**45,943**	**(44,820)**
Income tax (charge)/ credit	**14**	(7,528)	9,974
Profit/ (loss) for the period		**38,415**	**(34,846)**
Earnings/ (losses) per share (not in thousands)			
- basic		0.11	(0.10)
- diluted		0.11	(0.10)

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

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Profit/ (loss) for the period		**38,415**	**(34,846)**
Other comprehensive (loss)/ income reclassifiable to income statement when specific conditions are met:			
Cash flow hedge – foreign exchange forward contracts		(2,554)	1,440
Available for sale financial assets	**8**	370	52
Income tax relating to components of other comprehensive (loss)/ income	**14**	415	(283)
Other comprehensive (loss)/ income for the period, net of tax		(1,769)	1,209
Total comprehensive income/ (loss) for the period		**36,646**	**(33,637)**

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

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

	Note	As at March 31, 2015	As at December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment		348,934	358,390
Goodwill		144,127	144,127
Other intangible assets		49,854	51,582
Non-current programming rights		170,285	152,272
Investments in subsidiaries, associates and joint ventures	**7**	4,247,715	4,247,715
Non-current related party loans	**16 (v)**	76,175	75,504
Deferred tax asset		270,272	275,763
Other non-current assets		263	971
		5,307,625	**5,306,324**
Current assets			
Current programming rights		202,875	220,549
Trade receivables		188,467	138,876
Current related party loans	**16 (v)**	4,518	1,381
Available-for-sale financial assets	**8**	27,784	28,126
Derivative financial assets		1,523	1,202
Prepayments and other assets		48,195	28,302
Bank deposits with maturity over three months		11,858	45,000
Cash and cash equivalents		213,929	86,471
		699,149	**549,907**
TOTAL ASSETS		**6,006,774**	**5,856,231**
EQUITY			
Shareholders' equity			
Share capital	**9**	70,550	70,550
Share premium		865,166	865,237
Treasury shares	**10**	(250,000)	(250,000)
8% obligatory reserve		23,301	23,301
Other reserves		(1,200)	569
Accumulated profit		2,223,300	2,184,885
		2,931,117	**2,894,542**
LIABILITIES			
Non-current liabilities			
Loans from related parties	**11, 16 (iii)**	2,046,144	2,134,479
Non-current Cash Loan		50,675	58,121
Non-current trade payables		15,278	11,435
Other non-current liabilities		10,554	10,391
		2,122,651	**2,214,426**
Current liabilities			
Current trade payables		163,697	166,814
Derivative financial liabilities		3,627	214
Current Cash Loan		20,445	21,312
Accrued interest on borrowings	**11, 16 (iii)**	242,762	203,484
Cash pooling liabilities	**16 (vii)**	361,142	229,742
Other liabilities and accruals	**12**	161,333	125,697
		953,006	**747,263**
Total liabilities		**3,075,657**	**2,961,689**
TOTAL EQUITY AND LIABILITIES		**6,006,774**	**5,856,231**

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- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2015	**352,748,308**	**70,550**	**865,237**	**(250,000)**	**23,301**	**569**	**2,184,885**	**2,894,542**
Total comprehensive (loss)/ income for the period	**-**	-	-	-	-	(1,769)	38,415	36,646
Share issue cost [(2)]	**-**	-	(38)	-	-	-	-	(38)
Treasury shares cost	**-**	-	(33)	-	-	-	-	(33)
Balance at March 31, 2015	**352,748,308**	**70,550**	**865,166**	**(250,000)**	**23,301**	**(1,200)**	**2,223,300**	**2,931,117**

Included in accumulated profit as of March 31, 2015 is an amount of 2,221,470 which is distributable. The 7.375% Senior Notes due 2020 and 7.875% Senior Notes due 2018 impose certain restrictions on payment of dividends (see the consolidated financial statements).

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Other reserves- employee share option plan	Other reserves- other changes	Accumulated Profit	Shareholders' equity
Balance at January 1, 2014	**346,494,150**	**69,299**	**726,853**	**23,301**	**70,898**	**(244)**	**2,072,788**	**2,962,895**
Total comprehensive loss for the period	-	-		-	-	1,209	(34,846)	(33,637)
Issue of shares [(1)]	1,710,981	342	37,100	-	(18,519)	-	-	18,923
Share issue cost [(2)]	-	-	(30)	-	-	-	-	(30)
Balance at March 31, 2014	**348,205,131**	**69,641**	**763,923**	**23,301**	**52,379**	**965**	**2,037,942**	**2,948,151**

(1) During the three months ended March 31, 2014 1,710,981 (not in thousands) of C1, C2, C3, E1, E2, E3 and E4 series shares were issued and fully paid as a result of the exercise of share options granted under the TVN incentive schemes. The TVN incentive schemes expired on December 31, 2014.

(2) Costs related to service of the TVN incentive schemes.

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Operating activities			
Cash (used in)/ generated from operations	**13**	(16,547)	23,242
Tax refunded	**14**	-	2,180
Net cash(used in)/ generated from operating activities		**(16,547)**	**25,422**
Investing activities			
Payments to acquire property, plant and equipment		(7,278)	(20,314)
Proceeds from sale of property, plant and equipment		12	909
Payments to acquire intangible assets		(4,286)	(1,948)
Proceeds from the Available-for-sale financial assets	**8**	-	8,778
Bank deposits with maturity over three months		33,142	-
Loans granted to subsidiaries	**16 (v)**	(2,326)	(150)
Interest received		670	806
Net cash generated by/ (used in) investing activities		**19,934**	**(11,919)**
Financing activities			
Issue of shares, net of issue cost		-	18,893
Repayments of the Cash Loan	**11**	(5,214)	(5,268)
Bank charges		(1,015)	(1,628)
Cash pooling with TVN Media	**16 (vii)**	131,400	138,259
Repayment of the loan from subsidiary		-	(155,349)
Interest paid		(3,952)	(6,591)
Net cash generated by/ (used in) financing activities		**121,219**	**(11,684)**
Increase in cash and cash equivalents		**124,606**	**1,819**
Cash and cash equivalents at the start of the period		86,471	99,177
Effects of exchange rates changes		2,852	124
Cash and cash equivalents at the end of the period		**213,929**	**101,120**

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

1. GENERAL INFORMATION

These interim condensed separate financial statements were authorized for issuance by the Management Board and the Supervisory Board of TVN S.A. on May 4, 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”).

In October 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).

In March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell 100% of share capital of N-Vision B.V. to Southbank Media Ltd. ITI Group and Canal+ Group co-own N-Vision B.V., N-Vision B.V. is the sole shareholder of Polish Television Holding B.V. and Polish Television Holding B.V. is a majority shareholder of the Company (see Note 9). Southbank Media Ltd. has its seat in London and is a part of Scripps Networks Interactive, Inc. The transaction is subject to customary conditions precedent including regulatory approvals.

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 ten television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo Active, TVN Turbo, iTVN, TVN Style, TVN 24 Biznes i Świat, iTVN Extra and TVN Fabuła 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These interim condensed separate financial statements are prepared on a going concern basis and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed separate financial statements as of and for the three months ended March 31, 2015 are consistent with those used in the separate financial statements as of and for the year ended December 31, 2014 except for amendments to standards which became effective January 1, 2015. Amendments to standards effective from January 1, 2015 either are not relevant for the Company or do not have significant impact on the Company's separate financial statements.

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

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The interim condensed consolidated financial statements for period ended March 31, 2015 are published together with these interim condensed separate financial statements on http://investor.tvn.pl.

The Company's separate and consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) 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, 2014: 403,710) as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As at March 31, 2015 the Company also did not recognize a deferred tax asset on tax loss carry-forwards of 414,267 (December 31, 2014: 414,267). 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, 2014: 78,711) was not recognized as the Company concluded that as at March 31, 2015 the realization of the related tax benefit is not probable.

(ii) Estimated impairment of investments in subsidiaries

Investments in subsidiaries 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 are separate cash generating units.

As of December 31, 2014, as a result of a less than expected economic performance of Onet, the Company performed impairment test of the investment in TVN Online Investments Holding. In the impairment test 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 7). 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The key financial assumptions used for discounting free cash flows as at December 31, 2014 were as follows:

	December 31, 2014
Terminal growth	2.5%
Discount rate	7.0%

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 March 31, 2015 and December 31, 2014 the Company did not identify any indicators for impairment of other investments in subsidiaries.

(iii) Long Term Incentive Plan

As described in Note 17 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, in March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell their investment in the Company. The transaction is subject to customary conditions precedent including regulatory approvals. Once the transaction is finalized the payments due under the Plan will be accelerated and as a result of the above the Company has recognized incremental Long Term Incentive Plan charge related to the transaction, details of the charge are disclosed in Note 17.

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

4. REVENUE

	Three months ended March 31, 2015	Three months ended March 31, 2014
Advertising revenue	215,237	205,274
Sponsoring revenue	30,844	31,292
Advertising related revenue	246,081	236,566
Subscription fees	52,306	52,615
Revenue from sales of services	5,871	5,797
Other revenue	8,463	9,877
	312,721	**304,855**

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

5. OPERATING EXPENSES

	Three months ended March 31, 2015	Three months ended March 31, 2014
Amortization of locally produced content	98,952	98,893
Amortization of acquired programming rights and co-production	41,165	40,709
Staff expenses	28,869	29,837
Royalties	27,247	25,529
Depreciation and amortization	16,369	15,975
Marketing and research	14,361	13,880
Broadcasting expenses	11,102	12,040
Cost of services sold	7,168	6,020
Rental	4,947	4,851
Impaired accounts receivable	133	70
Other	20,467	19,808
	270,780	**267,612**

Included in the above operating expenses are operating lease expenses for the three months ended March 31, 2015 of 19,249 (three months ended March 31,2014: 18,845).

Included in the above staff expenses for the three months ended March 31, 2015 is a Long Term Incentive Plan expense of 945 related to the retention and performance components (the three months ended March 31, 2014: 1,445 see Note 17).

Incremental costs related to the probable change of control transaction

	Three months ended March 31, 2015	Three months ended March 31, 2014
Incremental Long Term Incentive Plan charge (see Note 3 (iii) and 17)	40,129	-
Advisory costs	7,920	-
	48,049	**-**

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

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

Interest income	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**
Interest income on loans to related parties (see Note 16 (v))	1,484	1,481
Interest income on foreign exchange forward contracts – cash flow hedges	149	297
Interest income on available for sale financial assets (see Note 8)	448	746
Income from guarantee fees from related parties (see Note 16 (viii))	1,453	1,878
Other interest income	731	517
	4,265	**4,919**

Finance expense		
Interest expense on loans from related parties (see Note 16 (iii))	(48,788)	(53,325)
Interest expense on cash pooling transactions (see Note 16 (vii))	(3,473)	(2,451)
Interest expense on the Cash Loan (see Note 11)	(584)	(760)
Interest on foreign exchange forward contracts – cash flow hedges	(387)	(720)
Premium on early repayment of the loan from the related party	-	(8,660)
Unamortized debt issuance costs of the loans from related parties written off on early repayment	-	(3,004)
Guarantee fees to related parties (see Note 16 (viii))	(233)	(610)
Bank and other charges	(1,026)	(1,079)
	(54,491)	**(70,609)**

Foreign exchange (losses)/gains, net		
Foreign exchange gains/ (losses) on loans from related parties, including:	88,837	(16,646)
- unrealized foreign exchange gains/ (losses) on loans from related parties	*88,837*	*(7,848)*
- realized foreign exchange losses on loans from related parties	-	*(8,798)*
Other foreign exchange gains, net	4,765	695
	93,602	**(15,951)**

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

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

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	March 31, 2015	December 31, 2014
TVN Media Sp. z o.o.	3,953,666	3,953,666
TVN Online Investments Holding B.V.	244,070	244,070
Mango Media Sp. z o.o.	18,862	18,862
Other investments in subsidiaries and joint ventures	31,117	31,117
Total	**4,247,715**	**4,247,715**

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

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

	Country of incorporation	Principal activities	March 31, 2015 Ownership %	December 31, 2014 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	100
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	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	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., 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., 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. , Nasza Klasa Sp. z o.o.), a joint venture (Media Impact Polska Sp. z o.o.) and an associate (Polskie Badania Internetu Sp. z o.o.)

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Three months ended March 31, 2015	Three months ended March 31, 2014
Balance at the beginning of the period	28,126	42,435
Interest income accrued	448	746
Interest income received	-	(230)
Foreign exchange differences	(1,160)	267
Redemption of the Notes	-	(8,778)
Fair value change credited to other comprehensive income	370	52
Balance at the end of the period	**27,784**	**34,492**

The balance of available-for-sale financial assets as at March 31, 2015 and December 31, 2014 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 March 31, 2015 and December 31, 2014 (quoted price in active market - Level 1 in fair value hierarchy). The difference between the amortised cost and the fair value of the Notes purchased by the Company was recognized in other comprehensive income.

9. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 428,003,023 with a par value of 0.20 per share. The total number of ordinary shares in issue as at March 31, 2015 was 352,748,308 (December 31, 2014: 352,748,308) with a par value of 0.20 per share. All issued shares are fully paid.

The shareholders structure:

	March 31, 2015		December 31, 2014	
Shareholder	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Polish Television Holding B.V. (1)	173,969,180	49.32%	173,969,180	49.32%
ITI Holdings	5,326,426	1.51%	5,326,426	1.51%
Other shareholders	160,952,702	45.63%	160,952,702	45.63%
Treasury shares (see Note 10)	12,500,000	3.54%	12,500,000	3.54%
Total	**352,748,308**	**100.00%**	**352,748,308**	**100.00%**

(1) Entity controlled by ITI Group, 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:

	March 31, 2015		December 31, 2014	
Shareholder	**Number of votes**	**% of votes**	**Number of votes**	**% of votes**
Polish Television Holding B.V.	173,969,180	51.13%	173,969,180	51.13%
ITI Holdings	5,326,426	1.57%	5,326,426	1.57%
Other shareholders	160,952,702	47.30%	160,952,702	47.30%
Total	**340,248,308**	**100.00%**	**340,248,308**	**100.00%**

All ordinary shares in issue as at March 31, 2015 are registered by the Court. 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.

10. 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.

These shares are included in the total number of shares in issue until the Shareholders' Meeting resolves to redeem and cancel the shares.

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

11. BORROWINGS

	March 31, 2015	December 31, 2014
Loans from related parties (see Note 16 (iii))	2,046,144	2,134,479
Interest accrued on loans from related parties (see Note 16 (iii))	242,449	203,118
The Cash Loan	71,120	79,433
Interest accrued on the Cash Loan	313	366
	2,360,026	**2,417,396**
Less: current portion of borrowings	(263,207)	(224,796)
Non-current portion of borrowings	**2,096,819**	**2,192,600**

The Revolving Credit Facility and the Cash Loan

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

The Revolving Credit Facility can be used in form of a revolving credit line, overdraft or for bank guarantees and letters of credit. As of March 31, 2015 the Revolving Credit Facility was used by the Company only for the bank guarantees issued at 7,769 (December 31, 2014: 8,098).

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.

12. OTHER LIABILITIES AND ACCRUALS

	March 31, 2015	December 31, 2014
Employee benefits *	69,263	34,813
Accrued production and programming costs	27,612	10,007
VAT and other taxes payable	26,918	40,306
Satellites	3,798	8,278
Sales and marketing related costs	1,452	943
Deferred income	501	860
Other liabilities and accrued costs	31,789	30,490
	161,333	**125,697**

* Accrued employee benefits include an accrual for Long Term Incentive Plan expense, see Note 17

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

13. NOTE TO THE CASH FLOW STATEMENT

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Profit/ (loss) for the period		38,415	(34,846)
Income tax charge/ (credit)	**14**	7,528	(9,974)
Depreciation and amortization	**5**	16,369	15,975
Amortization of acquired program rights and co-production	**5**	41,165	40,709
Impaired accounts receivable	**5**	133	70
Loss on sale of property, plant and equipment		7	96
Interest income	**6**	(4,265)	(4,919)
Finance expense	**6**	54,491	70,609
Foreign exchange (gains)/ losses, net	**6**	(93,602)	15,951
Guarantee fee		232	(61)
Payments to acquire programming rights		(9,271)	(17,914)
Change in local production balance		(24,322)	416
Changes in working capital:			
Trade receivables		(49,724)	(25,408)
Prepayments and other assets		(20,585)	7,361
Trade payables		(6,521)	1,339
Other short term liabilities and accruals		33,403	(36,162)
		(43,427)	(52,870)
Cash (used in)/ generated from operations		**(16,547)**	**23,242**

Non-cash transactions

Barter revenue, net		353	74

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

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

14. TAXATION

	Three months ended March 31, 2015	Three months ended March 31, 2014
Current tax (charge)/ credit	(1,622)	2,180
Deferred tax (charge)/ credit	(5,906)	7,794
	(7,528)	**9,974**

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

Profit/ (loss) before income tax	**45,943**	**(44,820)**
Income tax (charge) / credit at the enacted statutory rate of 19%	(8,729)	8,516
Impact of previous years' tax returns corrections	-	2,180
Net tax impact of expenses and losses not deductible for tax purposes, revenue not taxable and other adjustments	1.201	(722)
Income tax (charge)/ credit	**(7,528)**	**9,974**

The tax authorities may at any time inspect the books and records within five years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Deferred income tax assets are recognized for tax loss carry-forwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences and tax loss carry-forwards can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of deductible temporary differences and tax losses. The deferred tax amounts were calculated using the enacted tax rate of 19% as at March 31, 2015.

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

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

15. COMMITMENTS

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

(i) Commitments to acquire programming

The Company has outstanding contractual payment commitments in relation to programming as of March 31, 2015. These commitments are scheduled to be paid as follows:

	March 31, 2015	December 31, 2014
Due in 2015	45,189	49,464
Due in 2016	90,820	88,550
Due in 2017	59,047	52,402
Due in 2018	14,927	14,078
Due in 2019	1,573	1,189
	211,556	**205,683**

(ii) Total future minimum payments relating to operating lease agreements signed as at March 31, 2015:

Total future minimum payments relating to operating lease agreements signed as at March 31, 2015 were scheduled to be paid as follows:

	Related parties	Non-related parties	Total
Due in 2015	741	10,121	10,862
Due in 2016	20	8,280	8,300
Due in 2017	-	3,900	3,900
Due in 2018	-	3,900	3,900
Due in 2019	-	2,600	2,600
	761	**28,801**	**29,562**

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**

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

15. 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 March 31, 2015 and December 31, 2014 respectively.

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

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

	March 31, 2015	December 31, 2014
Due in 2015	22,409	32,297
Due in 2016	33,021	34,772
Due in 2017	32,957	34,354
Due in 2018	11,999	12,507
	100,386	**113,930**

Additionally, the Company leases transmission sites and related services for an annual amount of 12,843 (the year ended December 31, 2014: 12,843).

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

16. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Three months ended March 31, 2015	Three months ended March 31, 2014
TVN Media Sp. z o.o.	252,541	243,018
nC+	13,842	15,182
Stavka Sp. z o.o.	2,929	3,017
ITI Group	666	619
Mango Media	619	322
Veedo	251	-
El-Trade	31	32
Onet	25	74
Tivien	12	12
NTL Radomsko	-	20
	270,916	**262,296**

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.

(ii) Operating expenses:

	Three months ended March 31, 2015	Three months ended March 31, 2014
TVN Media Sp. z o.o.	27,941	27,609
ITI Group	7,499	8,126
Tivien	3,099	2,870
Onet	666	834
nC+	442	364
El-Trade	85	82
Stavka Sp. z o.o.	3	25
NTL Radomsko	-	1
	39,735	**39,911**

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.

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

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Loans from related parties

	March 31, 2015	December 31, 2014
TVN Media Sp. z o.o.	1,577,624	1,646,076
TVN Finance Corporation III AB	468,520	488,403
Interest accrued	242,449	203,118
	2,288,593	**2,337,597**

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)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	March 31, 2015	December 31, 2014
Receivables:		
TVN Media Sp. z o.o.	150,017	108,240
nC+	10,188	5,829
Stavka Sp. z o.o.	3,233	1,878
Mango Media	556	247
Veedo	416	103
ITI Group	88	278
NTL-Radomsko	68	78
Onet	14	14
El-Trade	13	13
Tivien	4	4
	164,597	**116,684**
Payables:		
ITI Group	18,794	23,617
TVN Media Sp. z o.o.	14,278	23,367
nC+	1,081	2,007
Tivien	732	1,142
Onet	299	261
Stavka Sp. z o.o.	73	115
El-Trade	37	36
	35,294	**50,545**

(v) Related party loans

	March 31, 2015	December 31, 2014
Stavka Sp. z o.o.	58,382	57,256
TVN DTH Holdings S.à r.l.	205	-
Mango Media	21,106	19,159
NTL-Radomsko	1,000	470
	80,693	**76,885**

Loans granted to Stavka Sp. z o.o. have total nominal value of 56,956 (December 31, 2014: 56,956), 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 19,600 (December 31, 2014: 18 000), 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 15 (ii) for further details.

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

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Cash pooling liabilities

During the three months ended March 31, 2015 the Company recorded finance cost from cash pooling transactions with TVN Media of 3,473 (during the three months ended March 31, 2014: 2,451). Cash pooling liabilities amount to 361,142 (229.742 at December 31, 2014).

(viii) Other

	Three months ended March 31, 2015	**Three months ended March 31, 2014**
Guarantee fees from related parties		
TVN Finance Corporation III AB and TVN Finance Corporation II AB	1,417	1,584
nC+	-	258
TVN Media	36	36
	1,453	**1,878**

The Company is a guarantor of the Notes issued by TVN Finance Corporation III AB (see Note 16 (iii).

As of March 31, 2015 the Company issued guarantees in amount of 90,000 relating to the liabilities of TVN Media (December 31, 2014: 90,000).

	Three months ended March 31, 2015	**Three months ended March 31, 2014**
Guarantee fees to related parties		
TVN Media	198	521
ITI Holdings	12	61
Guarantors of the Revolving Credit Facility and the Cash Loan	23	28
	233	**610**

As of March 31, 2015 TVN Media issued guarantees in amount of 345,563 relating to the liabilities of the Company (December 31, 2014: 356,394).

As of March 31, 2015 ITI Holdings has provided guarantees in the total amount of USD 559 (December 31, 2014: 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 of March 31, 2015 total guarantee amounted to 600,000 (December 31, 2014: 600,000, see Note 11).

In March 2015 the Company sold to TVN Media internally generated brands for the total amount of 8,970.

17. LONG TERM INCENTIVE PLAN

On November 7, 2013 the Supervisory Board of the Company approved a five year management incentive and retention plan effective January 1, 2014 (“Long Term Incentive Plan”, “LTIP”, the “Plan”). The Plan has been designed to incentivize management to create short and mid-term value in excess of 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 would be finalised in 2018, and the respective portion attributable to a particular period is expensed. Staff expenses for the three months ended March 31, 2015 include an expense related to the first two components of the Plan in the total amount of 945 (the three months ended March 31, 2014: 1,445, see Note 5).

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, in March 2015 ITI Group and Canal+ Group jointly entered into agreement to sell their investment in the Company. The transaction is subject to customary conditions precedent including regulatory approvals. Once the transaction is finalized the payments due under the Plan will be accelerated, 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 a result of the anticipated acceleration of the payments due under the Plan the Company recognized an additional incremental charge of 10,233 related to the retention and performance components.

17. LONG TERM INCENTIVE PLAN (CONTINUED)

Additionally, taking into account the details of transaction included in the above mentioned agreement, the Company as at March 31, 2015 fair valued the liability related to the transaction component at 29,896 (December 31, 2014: nil). The Company estimates that the entire allotted value of the transaction component of 38,700 will be paid out, the charge recognized for the three months ended March 31, 2015 takes into account the potential timing of the transaction and the relevant discount factor. The entire allotted value of the transaction component will be recognised in the income statement in the period up to the transaction closing date.

The total incremental Long Term Incentive Plan charge related to the transaction recognized during the three months ended March 31, 2015 amounts to 40,129 (the three months ended March 31, 2014: nil, see Note 5) and is presented in a separate line in the interim condensed income statement. The charge related to the transaction recognized during the three months ended March 31, 2015 represents the charge for the period from the beginning of the Plan (being January 1, 2014) up to March 31, 2015. The charge for the remaining vesting period, that is the period up to the expected transaction closing date (being June 30, 2015), will be recognized during the three months ended June 30, 2015.

18. FINANCIAL RISK MANAGEMENT

18.1 Capital risk management

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

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

The Company monitors capital on the basis of the net debt to Adjusted EBITDA ratio at consolidated level. For the calculation and analysis of the net debt to Adjusted EBITDA ratio please refer to the consolidated financial statements.

18.2 Financial risk factors

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

There were no changes in the risk management policies since December 31, 2014.

(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 16 (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, bank deposits with maturity over three months, cash and cash equivalents and available-for-sale financial assets, all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other assets, liabilities and costs are predominantly denominated in PLN.

The Company's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner both from a cost and cash flow perspective, and that no trading in financial instruments is undertaken. Following evaluation of its exposures the Company enters into derivative financial instruments to manage these exposures. Call options, swaps and forward exchange agreements may be entered into to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated result for the period (post-tax) impact on balances as of March 31, 2015 and March 31, 2014 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 96,864 (a loss of 103,063 as of March 31, 2014) and is presented below:

	Three months ended March 31, 2015	**Three months ended March 31, 2014**
Assumed EUR appreciation against PLN:	5%	5%
Liabilities:		
Loans from subsidiaries including accrued interest	(94,711)	(99,130)
Cash Loan	(2,911)	(3,819)
Trade payables	(459)	(234)
Other	(904)	(1,421)
Assets:		
Loans to subsidiaries	8	-
Available-for-sale financial assets	1,125	1,397
Bank deposits with maturity over three months	480	-
Cash and cash equivalents	482	118
Trade receivables	26	26
	(96,864)	**(103,063)**

The estimated result for the period (post-tax) impact on balances as of March 31, 2015 and March 31, 2014 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 2,415 (a loss of 1,596 as of March 31, 2014).

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

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 16 (iii)), the loans to subsidiaries (see Note 16 (v)), the available-for-sale monetary financial assets and the Cash Loan.

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

As of March 31, 2015 the Company had available-for-sale monetary financial assets at carrying value of 27,784 (December 31, 2014: 28,126) which are exposed to fair value risk. The carrying value of these instruments is based on a price quoted by Reuters. If the price as at March 31, 2015 had been 50 b.p. lower/ higher, the other comprehensive loss would have been 104 lower/ higher (December 31, 2014: would have been 109 lower/ higher). Details of available-for-sale financial assets held by the Company are disclosed in Note 8.

The Cash Loan bears interest at a variable rate linked to EURIBOR and therefore exposes the Company to interest rate risk if interest rates increase. As at March 31, 2015, 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 43 lower/ higher (December 31, 2014: 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 March 31, 2015 and as of December 31, 2014.

(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 (80% of the total trade receivables as of March 31, 2015) 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)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The major players amongst the advertising agencies in Poland with whom the Company and TVN Media co-operate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient the Company and TVN Media mitigate credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	March 31, 2015	December 31, 2014
Receivables from other customers	13%	16%
Receivables from related parties	87%	84%
- TVN Media Sp. z o.o	80%	78%
- nC+	5%	4%
- 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 March 31, 2015.

(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 March 31, 2015 the Company had cash and cash equivalents and bank deposits with maturity over three months totaling 225,787 at its disposal (December 31, 2014: 131,471).

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Company's non-derivative* financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows including interest and excluding the impact of early repayment options. Balances due within 12 months equal their carrying balances.

	Within 1 year	Between 1-2 years	More than 2 years
At March 31, 2015			
Loans from subsidiaries	190,304	190,304	4,266,247
The Cash Loan	22,332	21,732	30,963
Trade payables	163,697	11,435	-
Cash pooling liabilities	361,142	-	-
Other liabilities and accruals	64,650	1,969	10,228
Guarantees	97,769	-	-
	899,894	**225,440**	**4,307,438**
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**

* 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 181,857 and undiscounted contractual cash inflows of 179,177 (December 31, 2014: undiscounted contractual cash outflows of 113,432 and undiscounted contractual cash inflows of 114,165).

18.3 Fair value estimation

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

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

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

18. 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 March 31, 2015				
Assets				
Available-for-sale financial assets	27,784	-	-	27,784
Derivative financial assets				
Foreign exchange forward contracts	-	1,523	-	1,523
	27,784	**1,523**	**-**	**29,307**
Liabilities				
Derivative financial liabilities				
Foreign exchange forward contracts	-	3,627	-	3,627
	-	**3,627**	**-**	**3,627**
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**

18.4 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.