ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

TVN S.A.

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Introduction and Definitions

TVN S.A. and its subsidiaries own and operate thirteen television channels, broadcasts primarily in Poland: TVN, TVN 7, TVN 24, TVN Turbo, TVN Meteo, TVN Style, ITVN, TVN Lingua, Discovery Historia, Telezakupy Mango 24, NTL Radomsko, TVN CNBC Biznes and TVN Warszawa. In addition to our ten-year, nationwide terrestrial broadcasting license we hold separate licenses to broadcast all of our channels by cable and satellite. In addition we have terrestrial licenses for Radomsko and the surrounding area through our subsidiary NTL Radomsko Sp. z o.o. We own the leading Polish Internet portal, Onet.pl, alongside a number of smaller, thematic vortals under the Onet brand. We also own and run Zumi.pl, Plejada.pl and TVN24.pl vortals. We own a minority stake in ‘n’ DTH platform, a new generation digital satellite platform offering pay television services in Poland and with a subscriber base of 500,000 as of December 31, 2008. ‘n’ platform’s subsidiary offers pre paid television service *Telewizja na kartę* which sold 140,000 access cards as of December 31, 2008.

Our registered office is located at 166 Wiertnicza str, 02-952 Warsaw, Poland.

We have prepared this annual report pursuant to Section 4.16 of the Indenture, dated December 2, 2003, related to our Senior Notes, or, as defined below, the “Indenture”.

In this annual report “we”, “us”, “our”, the “TVN 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; “Mango Media” refers to Mango Media Sp. z o.o., a teleshopping company, which we acquired in May 2007; “guarantors” refers collectively to the Company and Grupa Onet and Mango Media and “guarantor” refers to each of them individually, “TVN” refers to our free-to-air broadcast channel; “TVN 7” refers to our free satellite and cable channel; “TVN 24 channel” refers to our TVN 24 news channel; “TVN Turbo” refers to our automotive channel; “TVN Meteo” refers to our weather channel; “TVN Style” refers to our health and beauty channel; “ITVN” refers to our Polish language channel that broadcasts to viewers of Polish origin residing abroad; “TVN Gra” refers to our interactive call television channel which we shut down on May 30, 2008; “TVN Lingua” refers to our language teaching channel; “TVN Med” refers to our educational channel aimed at medical professionals which we shut down on December 31, 2008; “tvnmed.pl” refers to an educational Internet platform directed to Polish physicians; “Discovery Historia” refers to the history channel which we operate in cooperation with Discovery Networks Poland; “Telezakupy Mango 24” refers to our teleshopping channel; “NTL Radomsko” refers to the regional channel that we purchased respectively in 2007 and 2005,; “TVN CNBC Biznes” refers to our business channel which we operate in cooperation with CNBC; “TVN Warszawa” refers to our television channel targeted at Warsaw inhabitants, which we launched in December 2008; “Onet.pl” refers to the Internet portal Onet.pl purchased in 2006; “TVN24.pl” refers to our Internet news vortal launched in March 2007; “Zumi.pl” refers to our interactive yellow pages portal, launched in April 2007; “Plejada.pl” refers to our multimedia Internet vortal, launched in March 2008;” ‘n’ DTH platform” or “’n’” refers to a new generation digital satellite platform launched in October 2006, a minority stake in which we acquired in June 2008; “TNK” refers to a new pre paid digital television service “Telewizja na kartę”, owned and operated by ‘n’ DTH platform, launched in October 2008; “Senior Notes” and “notes” refer to the 9.5% senior notes that TVN Finance issued on December 2, 2003; “TVN Finance” refers to our subsidiary, TVN Finance Corporation plc.; “PLN bonds” refers to a PLN 500,000 bond issued by TVN S.A. on June 23, 2008;”Loan Facility” refers to a loan facility of PLN 200,000 with Bank Pekao S.A.; “Shares” refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Forward-Looking Statements

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

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

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

Industry and Market Data

In this annual report, we set out information relating to our business and the market in which we operate and compete. The information regarding our market, market size, market share, market position, growth rates and other industry data relating to our business and the market in which we operate consists of data and reports compiled by various third-party sources, discussions with our customers and our own internal estimates. We have obtained market and industry data relating to our business from providers of industry data, including:

- AGB Nielsen Media Research Sp. z o.o., or "AGB", which is a primary third party source of market share and industry data relating to the Polish television broadcasting industry. AGB is the principal supplier of audience survey and advertising data in Poland. AGB records and analyzes audience preferences with the help of "people meters", which are electronic devices attached to television sets that measure the viewing habits of people. Consistent with market research conducted for the television industry in other countries, AGB monitors the viewing habits of individuals who are considered to be representative of the Polish television audience in general;

- Expert Monitor, a Polish research company, which monitors and analyzes market data for the television, radio, print, outdoor and internet advertising industries;

- Zenith Optimedia, a global media services agency, which provides market research with respect to all forms of advertising media;

- Starlink, a media services agency which, monitors and analyzes market data in respect to all forms of electronic media;

- MediaEdge CIA, or "MediaEdge", which provides estimates of advertising revenue;

- Interactive Advertising Bureau Polska, or “IAB Polska”, a Polish affiliate of the Interactive Advertising Bureau, a business community association of major internet market players in the U.S., which helps its members and the industry as whole through standards setting, research, advocacy and education;

- The Megapanel PBI/Gemius survey, which is a primary source of information regarding website traffic, is conducted by Polskie Badania Internetu Sp. z o.o., or “PBI”, a Polish company, since January, 2004;

- SMG/KRC a Millward Brown Company, or “SMG/KRC”, a Polish branch of Millward Brown, one of the leading global research companies. SMG/KRC conducts a Net Track survey in Poland which provides continuous information on Polish Internet users;

- Polish Central Statistical Office, or “GUS”; and

- World Advertising Research Center, or “WARC”, which provides the largest single source of intelligence for the marketing, advertising, media and research communities worldwide, drawn from more than 40 international sources.

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

In addition, in many cases we have made statements in this annual report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

Presentation of Financial Information

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Currency Presentation and Exchange Rate Information

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

The following tables set out, for the periods indicated, certain information regarding the average of the 11:00 a.m. buying/selling rates of the dealer banks as published by the National Bank of Poland, or "NBP", for the Złoty, the "effective NBP exchange rate", expressed in Złoty per Dollar and Złoty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the Złoty amounts actually represent such Dollar or Euro amounts or those such amounts could have been converted into Dollars or Euros at any particular rate, if at all.

For the convenience of the reader, certain Złoty amounts shown in the accompanying financial statements as of and for the year ended December 31, 2008 have been converted into Euro at the rate of PLN 4.1724 per €1.00, the effective NBP exchange rate on December 31, 2008.

	Year ended December 31,				
Year (Złoty per Dollar)	**2004**	**2005**	**2006**	**2007**	**2008**
Exchange rate at end of period	2.99	3.26	2.91	2.44	2.96
Average exchange rate during period[1]	3.64	3.25	3.10	2.77	2.41
Highest exchange rate during period	4.06	3.45	3.30	3.04	3.13
Lowest exchange rate during period	2.97	2.91	2.86	2.43	2.02

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

Month (Złoty per Dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2008	2.53	2.41
February 2008	2.50	2.32
March 2008	2.33	2.23
April 2008	2.24	2.13
May 2008	2.23	2.15
June 2008	2.20	2.12
July 2008	2.13	2.02
August 2008	2.27	2.06
September 2008	2.45	2.25
October 2008	3.13	2.39
November 2008	3.08	2.73
December 2008	3.08	2.85
January 2009	3.46	2.88

	Year ended December 31,				
Year (Złoty per Euro)	2004	2005	2006	2007	2008
Exchange rate at end of period	4.08	3.86	3.83	3.58	4.17
Average exchange rate during period[1]	4.52	4.02	3.90	3.78	3.51
Highest exchange rate during period	4.91	4.28	4.11	3.94	4.18
Lowest exchange rate during period	4.05	3.82	3.76	3.57	3.20

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

Month (Złoty per Euro)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2008	3.66	3.57
February 2008	3.62	3.52
March 2008	3.57	3.52
April 2008	3.51	3.41
May 2008	3.45	3.38
June 2008	3.39	3.35
July 2008	3.36	3.20
August 2008	3.35	3.21
September 2008	3.47	3.28
October 2008	3.93	3.38
November 2008	3.88	3.50
December 2008	4.18	3.83
January 2009	4.44	3.92

Selected Financial Data

The following tables set forth our selected historical financial data for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 and should be read in conjunction with Item 5 "Operating and Financial Review and Prospects", and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements. We changed the classification of certain items in our income statement and cash flow for the year ended December 31, 2007 to ensure comparability of information.

For the convenience of the reader, certain Złoty amounts as of and for the year ended December 31, 2008 have been converted into Euro at the rate of PLN 4.1724 per €1.00 (the effective NBP exchange rate, Złoty per Euro, on December 31, 2008). 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.

(in thousands)	2004	2005	2006	2007	2008	2008
	Year ended December 31,					
			PLN			Euro
Income Statement data						
Revenue, net	717,072	860,343	1,165,027	1,554,729	1,897,309	454,728
Operating profit	178,140	255,427	348,515	482,012	631,875	151,442
Profit before income tax	240,381	263,620	334,297	297,232	447,552	107,265
Net profit excluding revaluation of embedded options	162,871	168,525	232,370	330,478	380,238	91,132
Net profit	196,304	209,273	258.825	243,308	363,676	87,162
Cash Flow Data						
Net cash from operating activities	165,221	222,358	437,331	419,959	615,354	147,482
Net cash used in investing activities	(88,679)	(44,499)	(762,327)	(174,751)	(813,388)	(194,945)
Net cash (used in)/generated by financing activities	(114,787)	(162,825)	348,832	(239,912)	271,513	65,074
(Decrease)/ increase in cash and cash equivalents	(38,245)	15,034	23,836	5,296	73,479	17,611
Weighted average number of ordinary shares in issue (not in thousands)	329,000,000	325,464,535	329,830,715	345,979,725	348,585,264	348,585,264
Weighted average number of potential ordinary shares in issue (not in thousands)	329,000,000	325,464,535	334,936,631	352,494,544	353,066,178	353,066,178
Basic earnings per share (not in thousands)	0.60	0.64	0.78	0.70	1.04	0.25
Basic earnings per share excluding revaluation of embedded option (not in thousands)	0.50	0.52	0.70	0.96	1.09	0.26
Diluted earnings per share (not in thousands)	0.60	0.64	0.77	0.69	1.03	0.25
Dividend paid or declared per share (not in thousands)	0.00	0.00	0.00	0.37	0.49	0.12
Other data						
EBITDA*	211,662	294,042	399,956	554,102	711,378	170,496
EBITDA margin	29.5%	34.2%	34.3%	35.6%	37.5%	37.5%
Operating margin	24.8%	29.7%	29.9%	31.0%	33.3%	33.3%
Balance Sheet data	**As at December 31, 2004 PLN**	**As at December 31, 2005 PLN**	**As at December 31, 2006 PLN**	**As at December 31, 2007 PLN**	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**
Total assets	1,389,314	1,441,365	2,578,658	2,744,925	3,753,174	899,524
Current assets	392,860	496,710	592,100	645,446	1,201,394	287,938
Non-current liabilities	914,077	888,793	1,026,596	967,064	1,637,872	392,549
Current liabilities	170,982	155,897	314,897	348,100	468,348	112,249
Shareholders equity	304,255	396,675	1,237,165	1,429,761	1,646,954	394,726
Share capital	65,800	63,970	68,702	69,455	69,903	16,754

* We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversal on property, plant and equipment and intangible assets, finance expenses or investment income, net (including interest income and expense and foreign exchange gains and losses), income taxes and share of

net results of associates. The reconciling item between EBITDA and reported operating profit is depreciation and amortization expense and impairment charges and reversal on property, plant and equipment and intangible assets, included in the table above. We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

Risk Factors

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

Our operating results depend on general economic conditions.

The results of our operations depend to a large degree on advertising revenue, and demand for advertising is affected by general economic conditions. Adverse economic conditions generally and downturns in the Polish economy specifically are likely to have a negative impact on the Polish advertising industry and, consequently, on our profitability. Declines in the level of business activity of our advertising customers may in the future have a material adverse effect on our revenue and results of operations. Moreover, during past economic downturns, the market power of advertising customers relative to television broadcasters increased, which negatively affected prices and margins realized by television broadcasters. Although the Polish economy has experienced a reasonable rate of growth over recent years, as measured by the GDP growth rate, there can be no assurance that this trend will continue or that it will result in increased advertising revenue in the future. We cannot predict the likelihood that these trends will continue, nor can we predict what effect the current global crisis may have on the growth rate of Polish economy or on us. Furthermore, acts of terrorism, natural disasters, civil or military conflicts or general political instability may generate economic uncertainty which may adversely influence our operations, financial standing, operating results and cash flow.

Our results may be affected by the deterioration in the global economy.

The global economy faces one of the deepest recessions since at the Second World War. As this economic crisis continues and macroeconomic forecasts of financial institutions and international organization continue to be negative, the level and timing of the contraction in global growth remains uncertain.

The Polish economy is still affected by the global crisis although perhaps at a lower level than other neighboring countries. The majority of financial institutions publishing prognosis on the growth of the Polish economy expects Poland to continue positive GDP growth, however, there can be no assurance that such growth will materialize. Additionally, significant fluctuation of currency exchange rates and smaller availability of funding may adversely impact both retail customers and companies, decreasing their confidence levels in the economy and in their own financial health. The impact of this trend on the level of growth of the Polish economy is uncertain. Slow growth in, or contraction of, the Polish economy may have an adverse impact on the advertising industry and, consequently, on our profitability.

We are subject to risks relating to competition for the leisure and entertainment time of audiences, which has intensified in the past due to advances in technology.

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

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

We are continuing to grow and diversify our business. Ensuring controllability and consistency of the growth process requires investment in both the development of our infrastructure as well as our employee base. Our activity depends on information technology solutions ("IT") to a large extent, both on transactional and reporting levels. Due to the high pace of our development, we are forced to continually upgrade out existing IT solutions. These upgrades and improvements in most cases are likely to be complex and resource-consuming, therefore they require careful dedication and management of resources adequate to meet the level of their complexity and required capacity. If we are unable to adapt our systems in a timely manner to accommodate our growth, our business may be adversely affected.

Additionally, we have experienced recent growth in staff numbers and expect to continue to hire additional personnel in selected areas. This growth requires significant time and resource commitments from our senior management. If we are unable to manage a large and geographically dispersed group of employees effectively or to anticipate our future growth and personnel needs, our business may be adversely affected.

Our success depends on attracting and retaining key personnel.

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

We are subject to risks relating to fluctuations in exchange rates.

A substantial portion of our operating expenses and capital expenditures are and will be subject to exchange rate fluctuations. A large proportion of our liabilities and expenses are denominated in foreign currencies, mainly in Euro and Dollars. Since our revenue is generated primarily in Złoty, we are exposed to foreign exchange rate risk with respect to any current or future debt or other liability denominated in any currency other than Złoty. If the Złoty decreases in value against the currencies in which we have to make payments, our operating and finance expenses and capital expenditures will increase as a percentage of net sales. While we may seek to hedge our foreign currency exposure, we may be unable to enter into such hedging arrangements or may by unable to enter into them at a cost effective rate. The estimated net profit (post-tax) impact on the major Euro and Dollar denominated balance sheet items of a 15% appreciation of the Euro and Dollar against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is PLN 92,702.

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

Our interest-bearing liabilities constitute an important component of our financing. As of December 31, 2008, our total debt (nominal value of principal including accrued interest) amounted to PLN 1,563,457, while the total cost of servicing our debt (excluding deprecation of issuance costs) for the twelve months ended December 31, 2008 totaled PLN 106,296. Our net debt to EBITDA ratio as of December 31, 2008 was 1.5x. Our leverage may limit our ability to contract new debt on more favorable terms and may restrict our ability to finance potential acquisitions or new developments, which could have an adverse effect on our liquidity, business, and financial condition.

In addition, our commercial and financial flexibility is restricted as a result of the obligations contained in the Indenture governing the Senior Notes, the terms of our PLN bonds and the terms of our loan facility provided by Bank Pekao S.A., as they include customary covenants that could adversely affect our ability to finance our future operations and continue to enter into transactions necessary to pursue our business strategy.

Any breach of the restrictions contained in our senior credit facilities, PLN Bonds or the covenants contained in the Indenture governing the Senior Notes may result in either acceleration of the repayment of the bank loan, PLN Bonds or the Senior Notes being declared due and payable prior to maturity, or both. The acceleration of our senior credit facilities, PLN Bonds or the Senior Notes may have a material adverse effect on our ability to service our other liabilities and consequently may lead to our insolvency.

The acquisition of a minority stake in 'n' DTH platform creates risks to our business.

In June 2008 we completed the acquisition from our indirect shareholders, ITI Media Group N.V., of a minority stake in Neovision Holding B.V. which wholly owns ITI Neovision Sp. z o.o., or "ITI Neovision", operator of the 'n' DTH platform. ITI Neovision is currently loss making, may continue to be loss making for a substantial amount of time and will require financing during that time. We may provide financial support to ITI Neovision in the form of shareholders' loans, for the foreseeable future. There is no certainty that ITI Neovision will become profitable or that we will recover any loans that we may extend to it. See Item 7 "Major Shareholders and Related Party Transactions – Investment in 'n' DTH Platform".

We have the right to purchase an additional 25% of share capital at market value in ITI Neovision after three or four years. There is no certainty that we will be in a position to exercise that right, and should we not exercise our right, there is no certainty that we will be able to dispose of our current stake at a value at least equal to EUR 95,000.

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

We intend to continue to invest in the acquisition of new channels and the further development of thematic channels, as well as invest in other acquisitions, and we cannot assure you that such investments will be successful or that we will not incur significant losses in connection with such acquisitions. Especially, the integration of any acquired entity into the TVN Group may require significant management and financial support and resources from us that would otherwise be available for the ongoing development and improvement of our existing operations and may result in disruption to our ongoing business.

Impairment of goodwill and brand allocated to our online segment may have an adverse impact on our financial results.

We classify the Onet.pl brand as an intangible asset with indefinite useful life and allocates brand and goodwill to the new media cash-generating unit. We tests annually whether the new media cash-generating unit, including goodwill and brand, have suffered any impairment. The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell. We test the total carrying amount of the cash-generating unit and, in case of impairment, write-offs are made with respect to goodwill first. If goodwill is fully impaired, we continue impairment testing of our brand with potential write-offs against the carrying value of brand and other assets allocated to the new media cash-generating unit.

In the annual impairment test we performed as of December 31, 2008, we based the calculation of fair value less cost to sell, in the absence of an active market for similar cash generating units, based on discounted free cash flows. We assumed cost to sell at 1% of the present value of the cash-generating unit. The calculation of fair value involved the use of estimates related to cash flow projections based on financial business plans approved by management covering the period until 2013. The key assumptions included in the business plans were the annual growth rates of the total advertising market in Poland, which decrease from 14.0% in 2009 to 12.0% in 2013, an increase in the on-line advertising market as a percentage of the total advertising market in Poland from 17.0% in 2009 to 34.1% in 2013, a stable share of Onet in the on-line advertising market and a discount rate of 12.2% in 2009 and further years.

In the annual impairment test we performed as of December 31, 2008, cash flows beyond the period covered by the financial business plan were extrapolated using an estimated growth rate of 18% in 2014, declining to 6% in 2015 - 2021, and further declining to 4% in further years. We believe that the key assumptions made in testing for impairment of the new media cash-generating unit as of December 31, 2008 are reasonable and prudent. However, if any of the key assumptions used for testing impairment were to change unfavorably, we might have recognized an impairment.

We would recognize an impairment if the key assumptions made in testing for impairment were to change as follows:

	Unfavorable change by
Annual growth rate of the Polish advertising market in 2009-2013*	40 b.p.
Increase in the on-line advertising market as a percentage of the total Polish advertising market in 2009-2013*	70 b.p.
Share of Onet in the on-line advertising market in 2009-2013*	30 b.p.
Discount rate*	600 b.p.
Terminal growth*	160 b.p.

**with all other variables held constant*

As of December 31, 2008, fair value less cost to sell of the new media cash-generating unit exceeded the carrying amount by PLN 144,000.

The interests of our principal shareholder may conflict with your interests as a holder of the Notes or as a minority shareholder.

ITI Holdings S.A., or “ITI Holdings”, through other entities that ITI Holdings directly or indirectly controls, together the “ITI Group”, owns 61.05% of our issued voting share capital. In addition, several members of our supervisory board, Aldona Wejchert, Romano Fanconi, Bruno Valsangiacomo, Wojciech Kostrzewa and Paweł Kosmala are also executives of ITI Holdings or of other companies that ITI Holdings directly or indirectly controls. As a result, ITI Holdings and these individuals, through their shareholdings or their positions on our supervisory board, have and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure, as well as the ability to elect and change our management and to approve other changes to our operations. Their interests in certain circumstances may conflict with your interests as holder of the Notes. See Item 7 “Major Shareholders and Related party Transactions”.

Our Internet business depends on the continued growth and maintenance of the Internet infrastructure.

The success and the availability of Internet-based products and services depends in part on the continued growth and maintenance of the Internet infrastructure itself, including protocols, architecture, network backbone, data capacity and security. Spam, viruses, worms, spyware, denial of service attacks and other acts of malice may affect not only the Internet’s speed, reliability and availability, but also its continued desirability as a vehicle for commerce, information, and user engagement. If the Internet proves to be unable to meet the new threats and increased demands placed upon it, our site traffic, business plans, user and advertiser relationships and revenue could be adversely affected.

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

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

Our broadcasting business is subject to rapid changes in technology.

The television broadcasting industry may be affected by significant changes in technology. There can be no assurance that the technologies we currently employ will not become obsolete. The introduction of new technologies or changes in broadcasting systems could require us to invest in the improvement or replacement of our current systems. If new developments in the television industry occur earlier than we expect, we may be required to commit substantial financial and other resources to the implementation of new technologies, and we may not be able to pass on such costs to advertisers. The television broadcasting market may face further competition from, and could be required to expend substantial resources on, the development and implementation of new digital terrestrial television broadcasting technology. The implementation of digital terrestrial broadcast technology is likely to require significant investment to develop a digital broadcasting infrastructure, the resolution of costs allocation of supplying digital receivers to end users, the determination of cost allocation of simultaneous analog and digital broadcasting during a transition period and the allocation of channels and licenses relating to the digital spectrum. Implementation of digital terrestrial television or other new technologies could represent a further competitive threat to us and could require us to incur increased expenses to install, operate and service any such new technologies or, alternatively, cause us to be at a competitive disadvantage for having failed to do so.

Our operating results are dependent on the importance of television and the Internet as an advertising medium.

We generate the majority of our revenue from the sale of advertising airtime on television channels and the Internet in Poland. For the twelve months ended December 31, 2008, we derived 77.8% of our total revenue from commercial television and Internet advertising. In the advertising market, television and Internet compete with various other advertising media, such as newspapers, magazines, radio and outdoor advertising (such as billboard advertising, logo signs and transit advertising). According to Starlink, net expenditures on television advertising in Poland accounted for approximately 49.3% of total net advertising spending in the twelve months ended December 31, 2008, and net Internet expenditure (including display and search engine marketing) accounted for approximately 10.3% of total net advertising spending in the twelve months ended December 31, 2008. However, there can be no assurances that the television and Internet advertising market will maintain its current position in the Polish advertising market or that changes in the regulatory environment will not favor other advertising media or other television broadcasters. A further increase in competition among advertising media arising from the development of new forms of advertising media could have an adverse effect on the maintenance and development of our advertising revenue and, consequently, on our business, financial condition and results of operations.

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

We are subject to intense competition.

In Poland the television broadcasting market and the advertising market in general are highly competitive.

We compete in terms of programming and audience with other Polish private television channels, the state-owned and operated terrestrial television channels and with television channels distributed via cable and digital platforms. We compete for advertising revenue on the basis of our channels' broadcast reach, popularity of programming, audience structure and the pricing of advertising airtime.

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

The Internet market is also highly competitive. The Internet market is attractive to new entrants due to the growing number of Internet users, the increasing interest of users in online segment offerings and the increasing interest of advertisers in online marketing services. New market entrants, including global players like Google, MSN or Yahoo may have significantly greater resources than we have to build their market position. The policies and behavior of our current and prospective competitors relating to pricing and introduction of new offerings in online advertising services may result in changes in our own pricing and offered services, and this may affect our revenue.

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

We hold several terrestrial and satellite broadcasting licenses. Like all television licenses in Poland, each of these licenses has been issued for a fixed term. TVN's terrestrial television license will expire in 2014, while other licenses that we hold will expire in 2018. Under current Polish Law on Radio and Television Broadcasting (the "Broadcasting Law"), licenses should be automatically reissued to current license holders following the expiry action of such licenses. However the current law is not entirely clear on this matter, and, consequently, we cannot assure you that our broadcasting licenses will be reissued to us when their terms expire. The loss of any of our licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

Our commercial activities are subject to a changing regulatory regime and restrictions limiting the ownership of Polish television broadcasters.

Following Poland's accession to the European Union on May 1, 2004, a number of domestic laws and their respective implementing regulations have either been modified or repealed while numerous European Union directives have been or are in the process of being, or in the future will be, implemented. Many of these changes in laws and regulations may adversely affect our commercial activities and may require us to incur substantial costs in order to ensure compliance with a changing legal and regulatory regime.

The Broadcasting Law limits the ability of non-residents of the European Economic Area (the "EEA") to acquire and own shares in Polish entities holding television-broadcasting licenses. Under our licenses, as amended on October 28, 2004, we have received a blanket consent from KRRiT which allows non-EEA residents to acquire our shares. Non-EEA residents may hold no more than 49% of our share capital or 49% of the voting rights of our share capital. If non-EEA residents acquire more than 49% of our share capital or control more than 49% of the voting power of our shares, we might be in violation of the Broadcasting Law, the relevant terms of the blanket consent received from KRRiT or our licenses. Violation of applicable laws and regulations, including the thresholds imposed by the blanket consent, may result in loss of our licenses, which could adversely affect our business, financial condition, results of operations and cash flow.

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

Poland is currently planning the migration from analog terrestrial broadcasting to digital terrestrial broadcasting. The specific timing and approach to the migration is subject to change. We can not predict the effect of the migration on our existing operations or predict our ability to receive any additional rights or licenses to broadcast for our existing channels or any additional channels if such additional rights or licenses should be required. Furthermore we may be required to make substantial additional capital investment and commit substantial other resources to implement digital terrestrial broadcasting and the availability of competing alternative distribution systems, such as direct-to-home platforms, may require us to acquire additional distribution and content rights or result in an increase of competition for existing distribution and content rights. We may not have access to resources sufficient to make such investments when required.

Broadcasting regulations affect the content of our programming and advertising.

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

Our programming content may become more expensive to produce or acquire, or we may not be able to develop or acquire programming content that is attractive to our audience.

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

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

We offer fee-based enhancements to many of our free services, including e-mail services, personal advertising, financial news and features, games, music, sports news and features, video on demand as well as the content of Zumi.pl and Plejada.pl. The development cycles for these technologies are long and generally require significant investment by us. We have previously discontinued certain non-profitable premium services. While we must continue to provide new services that are attractive to our users while continuing to develop an effective way to generate revenue for such services factors such as general economic conditions may affect users' willingness to pay for such services. If we cannot generate revenue from these services that exceed the costs of providing such services, we may experience a material adverse effect on our financial condition, results of operations and cash flow.

There are risks associated with investing in emerging markets such as Poland.

Since 1989 Poland has been undergoing a transformation from a one-party state with a centrally planned economy to a pluralist democracy with a free market-orientated economy. Changes made in the course of this transformation include the privatization of certain state-owned assets, the removal of exchange controls, the modernization of the Polish banking system and the creation of a modern capital market. The majority of these reforms have been beneficial for private-owned companies, including television broadcasters like us. There can be no assurance, however, that continuing economic reforms in Poland will be successful, in particular those implemented in connection with Poland's accession to the European Union in May 2004. Any failure of the ongoing political and economic reforms of Poland or Poland's failure to integrate its economy, legal, and regulatory regimes with the European Union could have an adverse effect on our operations.

You may not be able to serve process on us or our directors, and you may not be able to enforce judgments obtained for U.S. securities law violations.

We are a publicly listed joint stock company formed under the laws of Poland. The rights of noteholders and minority shareholders may be different in Poland, in the United States and in other countries. All of our directors and executive officers reside outside the United States. Substantially all of our assets and substantially all of the assets of our directors and executive officers also are located outside the United States. As a result, you may not be able to effect service of process on us or such persons within the United States or enforce against us or them in the United States judgments obtained in U.S. courts based on civil liability provisions of the U.S. federal and state securities laws.

ITEM 4. INFORMATION ON THE COMPANY

History and Development of TVN Group and Business Overview

Introduction

TVN S.A. 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, 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 at ul. Wiertnicza 166, 02-952 Warsaw, Poland. Our telephone number is +48 22 856 60 60.

We are the leading privately owned media group in Poland. We currently own and operate thirteen television channels: TVN, TVN 7, TVN24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN Lingua, Discovery Historia, Telezakupy Mango 24, NTL Radomsko, TVN CNBC Biznes and TVN Warszawa. TVN, our principal free-to-air channel, is recognized in the Polish market as a leading television broadcaster of high quality entertainment and comprehensive independent news and current affairs programs. TVN7 is an entertainment channel that complements TVN's offer by broadcasting feature films, television series and game shows. TVN24 channel is the first 24-hour news and current affairs television channel in Poland. TVN CNBC Biznes is our business news channel launched in cooperation with CNBC Europe. TVN Meteo is Poland's first dedicated weather channel. TVN Turbo is a genre thematic channel aimed at male viewers. TVN Style is a thematic channel focused on life styles, health and beauty, aimed at female viewers. Discovery Historia is our historical channel launched in cooperation with Discovery Networks. TVN Lingua is our educational, language teaching channel. Telezakupy Mango is the only, all day, teleshopping channel in Poland. ITVN is a television channel that targets viewers of Polish origin living abroad. This channel is available in Europe, Northern America and Australia. NTL is a local television channel addressed to residents of Radomsko and surroundings. TVN Warszawa is a local television channel focused on Warsaw and its inhabitants. Our channels maximize their operational efficiencies by sharing programming content, infrastructure and know-how. We also own Group Onet, which operates Onet.pl, the largest and the most popular internet portal in Poland, together with its thematic services: news, sport, music and others. In March 2007 we launched tvn24.pl, the first news vortal in Poland, which combines text, voice and video. During 2007 we launched a yellow pages service – at zumi.pl. Grupa Onet also operates Sympatia.pl, the largest dating portal in Poland as well as the largest blogging service, blog.onet.pl. In March 2008 we launched plejada.pl, an interactive multimedia site dedicated to show-business and tvnmed.pl an educational Internet platform directed to Polish physicians. We own a minority stake in 'n' DTH platform, a new generation digital satellite platform launched in October 2006 offering pay television services in Poland and with a subscriber base of 500,000 as of December 31, 2008. Since October 2008 'n' DTH platform's subsidiary operates TNK, a service received by 92,000customers as of December 31, 2008.

On December 6, 2004, our shareholder, N-Vision B.V., or N-Vision, resold 79,561,010 of our series A shares, par value PLN 0.20, (the "Series A Shares"), that it held (representing approximately 24.2% of our aggregate issued outstanding share capital) in a public offering in Poland and an offering to qualified international institutional investors outside Poland. On December 15, 2004, N-Vision completed an exchange offer of additional Series A Shares in exchange for shares of ITI Holdings. As part of the consideration paid in the exchange offer, N-Vision exchanged 8,632,071 of our Series A Shares that it held (representing approximately 13.1% of our aggregate issued and outstanding share capital) to participating ITI Holdings shareholders. Effective December 7, 2004, our Series A Shares, including both shares sold in the secondary offering and exchanged in the exchange offer, were admitted to public trading on the Warsaw Stock Exchange.

In October 2006, we completed the acquisition of 100% of Grupa Onet, which owns and operates Poland's largest and most popular internet portal, Onet.pl, for consideration of PLN 1,407,449. The portal was launched in 1996 and currently offers a variety of over 300 thematic services. Grupa Onet derives the majority of its revenue from the sale of advertising with other revenue derived from fees from various premium services offered to users.

On May 23, 2007, we acquired Mango Media, a teleshopping company, for a total consideration of Euro 13,000. Mango Media operates a teleshopping channel, Telezakupy Mango 24.

On December 28, 2007, we merged with our subsidiary TVN Turbo Sp. z o.o. The merger was conducted through a take-over, as a result of which the assets and liabilities of TVN Turbo Sp. z o.o., the target company in the transaction, were transferred to TVN S.A. , the acquiring company, in accordance with article 492 § 1. 1 of the Commercial Code.

On June 25, 2008, we completed the acquisition of 25% of the share capital plus one share of Neovision Holding B.V., the parent company of ITI Neovision, and a pro rata proportion of intercompany loans for a total cash consideration of EUR 95,000. ITI Neovision operates one of the most technically advanced satellite digital platforms in Poland which offers a variety of High Definition ("HD") channels and advanced services such as Personal Video Recorder ("PVR") and Video on demand ("VOD").

On October 3, 2008, a subsidiary of ITI Neovision launched pre paid pay-TV service under the name "Telewizja na kartę". The service is targeted mainly but not only to satellite analog viewers and offers a package of ten pay channels and hundreds of free channels. In the three months ended December 31, 2008, over 140 TNK access cards were sold and 92 were activated.

We believe that we have distinguished ourselves among television broadcasters and Internet portals in Poland 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 initiated the introduction of thematic channels directed at those sections of the audience who might be expected to have a particular interest in the products offered by our advertising customers. According to AGB, for the year ended December 31, 2008, all our channels obtained a nationwide all-day audience share of 22.0%, and our TVN channel achieved a peak-time audience share in its key target group of 26.2%. This high market share of our key target audience makes us attractive to advertisers. According to AGB, TVN Group had a 28.7% share of television advertising market (share of voice) in 2008. According to the latest available data from Megapanel PBI/Gemius for November 2008, Onet's monthly number of real users totaled 10.0 million (not in thousand) in November 2008, while the average time spent on the portal was 381 minutes per user.

Our ability to convert successfully audience share and page views into advertising revenue, combined with our focus on cost management, has resulted in a strong financial performance. From 2001 through 2008, our net revenue grew at a compound annual growth rate of 22.1%. For the twelve months ended December 31, 2008, we generated, on a consolidated basis, revenue of PLN 1,897,309 and EBITDA of PLN 711,378 with an EBITDA margin of 37.5%.

Industry Overview

Television Broadcasting and Production Segment

Polish Television Broadcasting Industry

Poland has the largest population in Central Europe, with over 38 million residents. According to AGB, in 2008 approximately 100% of the country's 13.5 million households had at least one television set, and approximately 30.2% of households had at least a second television set.

The Polish television broadcasting market consists of state-owned and private commercial broadcasting sectors with a number of commercial broadcasters, broadcasting both regionally and nationally. As of December 31, 2008, Poland had a total cable penetration rate of 32% and a satellite penetration rate of 35%. We estimate that approximately 13% of total satellite and cable television subscribers own two or more satellite receivers or satellite receiver and access to cable network or use satellite receiver abroad. Taking that into account we estimate that 46% of Polish households receive only terrestrial television signal. Terrestrial viewers receive five, on average, and maximum seven Polish language channels, whereas cable and satellite viewers may receive, on average, over 120 Polish language channels.

Television broadcasting in Poland was started in the 1950s by the state-owned television broadcaster Telewizja Polska S.A., commonly known as "TVP". TVP broadcasts two national channels, TVP1 and TVP2 and five thematic channels. TVP1 and TVP2 focus on broadcasting Polish entertainment shows, films, series, sports programs, current affairs and news. TVP HD is a "high definition" version of the Polish public broadcasting channels launched in 2008. TVP Info is a news channel launched in 2007 devoted to broadcasting national and international news. TVP Kultura was launched in 2005 and broadcasts arts and culture related programs. TVP Sport is a sports channel and was launched in 2006. TVP Historia was launched in 2006 and is a history channel broadcasting TVP's library programmes and archive materials. In addition, TVP operates TV Polonia, a television channel aimed at Poles living in the United States, Europe and Australia. The programming content of TV Polonia consists of Polish films and series, complemented by sports and news programs.

Until 1992, TVP was the sole Polish television broadcaster. Since then, with the opening of the Polish television market to private commercial broadcasters, the number of television channels has increased substantially. Today, the Polish television broadcasting sector comprises four national broadcasters, a number of smaller regional broadcasters, local channels available through satellite and cable, and foreign broadcasters that distribute foreign language channels, predominantly German and English speaking channels. TVP derives approximately 24.0% (as of 2007) of its revenue from mandatory license fees that are levied on all households with a television set, with the remainder generated primarily from advertising. The remaining channels are mainly financed through advertising and cable and satellite subscription fees.

According to AGB NMR, watching television is a popular leisure activity in Poland with the average viewer watching approximately 232 minutes of television per day in 2008. The table below sets out the average daily television watching time measured in minutes per person per day, for Poland and five comparable countries in Western Europe in 2005/2006.

Country	Average number of minutes
Italy	267
Poland	240
Germany	226
Spain	217
France	215
Czech	206

Source: MediaEdge, Europe Marketing and Media Pocket Book 2007, data for 2005/2006 (the newest data available)

The Polish Advertising Market

After Russia and Ukraine, Poland is the next largest advertising market in Central and Eastern Europe with a total net advertising expenditure of approximately PLN 7.752 billion in 2008 (source: Starlink). Data compiled by Starlink indicates that total net advertising expenditures for all Polish media grew by 12.2% in 2008.

Television advertising is the dominant advertising medium in Poland, accounting for approximately 49.3% of the total net advertising expenditure for the twelve months ended December 31, 2008, according to Starlink. In 2007, the television advertising market accounted for 48.8% of the total net advertising market. In 2008, net television advertising expenditure in Poland amounted to approximately PLN 3.8 billion and was 14.5% higher than in 2007.

The following table sets out the percentages of net advertising expenditure in Poland for different advertising media.

	Year	
Media	**2007**	**2008**
Television	48.8	49.3
Magazines	12.6	11.7
Newspapers	11.4	10.3
Radio	8.3	8.1
Outdoor	9.1	9.1
Internet (including display and Search Engine Marketing)	8.6	10.4
Cinema	1.2	1.2
Total	**100.0**	**100.0**

Source: Starlink. In compiling this data, due to rounding adjustments figures shown as totals may not be exact aggregations of the numbers that precede them.

Net television advertising expenditure is calculated based on net prices for advertising airtime quoted by broadcasters and advertising agencies, after discounts or rebates. The aggregate total of these discounts and rebates is not publicly available, but we estimate that net television advertising expenditure was approximately 65% of the reported gross television advertising expenditure in 2008. See “Market Outlook for Television Advertising in Poland”, below.

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

Television advertising expenditure in Poland during the peak-time programming period, from 6:00 p.m. until 11:00 p.m., represents approximately 56.0% of total television advertising expenditure (source: AGB NMR). We believe that advertisers specifically target peak-time because they believe that, at such a time, they can reach the largest number of viewers in their preferred demographic group.

Market Outlook for Television Advertising in Poland

We believe that, despite the current global economic crisis, advertising expenditure in Poland will increase over the long term as a result of several factors, including:

- expected GDP growth for Poland;
- commercials airtime price (CPT) on TV are still 35%* lower than in Western Europe and cheaper than in some Eastern European countries, i.e. Czech Republic and Hungary;
- commercial time is fully sold out; and
- television is the most effective medium in terms of price, reach and impact.

**Source: 2007 data for EU12; WARC*

Our TV channels

In October 1997 we launched our first channel, TVN, a free-to-air channel with terrestrial frequencies. In April 2004, we were awarded a new ten-year consolidated terrestrial broadcasting license for our TVN channel, which replaced several regional broadcasting licenses we held. TVN's programming was initially centered on a comprehensive news program, *Fakty*, which rapidly gained audience share and, over time, has proved to be the most consistently highly rated TVN show. The TVN channel was the first Polish channel to introduce current affairs programs such as *Pod Napięciem*, in 1998, and *Uwaga*, in 2002, into peak time.

Other significant successes for the TVN channel include the broadcast of internationally successful program formats such as *Who Wants to be a Millionaire*, *Big Brother*, *Nanny*, *Strictly Come Dancing*, *So You Think You Can Dance*, *Got Talent!* and locally developed series such as *Na Wspólnej*, *Kryminalni*, *Twarzą w Twarz*, *39 i pół* and *Teraz albo nigdy*.

Since the launch of TVN, we have acquired or launched an additional thirteen channels and together with Discovery Networks Poland have jointly launched Discovery Historia.

The table below identifies features of each our channels.

Our channels:

Channel	Launch date	Subject matter	Signal distribution	Availability	Household coverage
TVN	1997	entertainment and news	Free-to-air (FTA) terrestrial, encrypted digital satellite, cable and digital subscriber line (DSL)	free-to-air	88%
TVN 24	2001	news	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	48%
TVN 7	2002	entertainment	encrypted digital satellite, cable and DSL	free-to-satellite	52%
TVN Meteo	2003	weather	encrypted digital satellite platforms, cable and DSL	license fee based	47%
TVN Turbo........	2003	automotive	encrypted digital satellite platforms, cable and DSL	license fee based	46%
TVN Style	2004	health and beauty	encrypted digital satellite platforms, cable and DSL	license fee based	46%
ITVN	2004	entertainment	satellite transmitters abroad cable networks abroad	subscription based	n/a(1)
TVN Lingua.......	2006	education	encrypted digital satellite platforms, cable and DSL	license fee based	8%
Discovery Historia(2)..........	2006	history	encrypted digital satellite platform	license fee based	-
NTL Radomsko(3)	1995	regional	one FTA terrestrial transmitter, local cable	free-to-air	-
Telezakupy Mango 24(4)…..	2003	teleshopping	FTA digital satellite, cable and DSL	free-to-satellite	44%
TVN CNBC Biznes…………	2007	business	encrypted digital satellite platforms, cable and DSL, Internet	license fee based	26%
TVN Warszawa	2008	local news and entertainment	FTA digital satellite, cable and DSL	free-to-satellite	

(1) Statistics reflecting household coverage in the countries in which ITVN is broadcast are not available.
(2) Jointly operated with Discovery Networks Limited.
(3) Acquired by us in 2005.
(4) Acquired by us in 2007.

TVN

TVN broadcasts a variety of programs 24 hours a day, including news, current affairs, information programs and reporters' magazine, daily talk shows, games, movies, drama and docu-crime series.

The following table sets out the highest nationwide audience share of what we believe were some of TVN's most successful programs broadcast during 2008, demonstrating the strength of both our locally produced and our acquired programming:

Top Ten programs by Nationwide Audience Share

Date	Title	Description	Nationwide audience share (%)
April 5, 2008	Milionerzy	Entertainment	45.5%
August 5, 2008	Fakty	Main news bulletin	39.7%
November 29, 2008	Mam talent	Entertainment	38.1%
November 27, 2008	W-11 Wydział Śledczy	Docu-crime series	33.4%
May 24, 2008	Taniec z Gwiazdami	Entertainment	32.8%
March 6, 2008	Zróbmy sobie wnuka	Movie	32.0%
October 10, 2008	Shrek 2	Movie	31.6%
November 29, 2008	Fire Down Below	Movie	31.5%
July 7, 2008	Uwaga!	Current affairs	31.0%
February 14, 2008	Nigdy w Życiu	Series	30.7%

Source: AGB.

TVN Scheduling

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

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

TVN's programming schedule is designed to maintain viewer loyalty and promote audience flow from program to program, from day to day and from access prime-time to prime-time. For example, access prime-time, from 4:00 p.m. to 7:00 p.m., is "strip programmed," meaning that a particular program is shown at the same time on each weekday, with a view to securing day-to-day loyalty and increasing audience flow from access prime-time to prime-time , from 7:00 p.m. to 11:00 p.m., the most commercially attractive programming period. As of December 2008, we scheduled a total of four weekday strips (Monday through Friday) in access prime-time that included daily talkshows and drama, as well as seven days a week of news and reporters' magazine. Additionally, early prime-time, from 8:00 p.m. to 9:30 p.m., is also based on stripped programming, with daily drama and docu-crime series broadcast Monday through Thursday. These stripped programs help to build long-term loyalty of our viewers and an increasingly stable audience share.

We reserve prime-time for our highest quality programming, including entertainment shows, drama series and feature films.

We set out in the table below a breakdown of the various program formats broadcast on TVN during 2007 and 2008:

Program format	2007 Percentage of total hours	2008 Percentage of total hours
Locally produced entertainment shows…………………………………	38.4	42.4
Locally produced films and series……………………………………..	15.6	14.5
Call TV programmes…………………………………………………….	8.3	8.2
Acquired films……………………………………………………………	14.7	14.4
Acquired series………………………………………………………..	8.9	7.3
Acquired telenovelas…………………………………………………….	3.0	1.0
News and information………………………………………………...	3.8	3.4
Teleshopping…………………………………………………………..	7.3	8.8
Total..	**100.0**	**100.0**

The following tables set out our best performing shows on TVN during the spring and autumn schedules of 2008, as measured by the key target group audience share and demonstrate the strength of our local production:

Ten Programs in the Spring Schedule by Rating in Key Target Group

Title	Description	Rating (%)
Taniec z Gwiazdami	Entertainment	18.7
39 i pół	Series	17.1
Monster-in-Law	Movie	16.5
Na Wspólnej	Series	16.3
Teraz albo nigdy!	Series	15.8
Mr. & Mrs. Smith	Movie	15.8
You Can Dance – Po prostu tańcz!	Entertainment	15.4
Milionerzy	Entertainment	15.2
Fakty	Main news bulletin	14.4
Madagascar	Movie	14.3

Ten Programs in the Autumn Schedule by Rating in Key Target Group

Title	Description	Rating (%)
Mam Talent!	Entertainment	20.6
Shrek 2	Movie	18.8
Step up – Taniec zmysłów	Movie	17.9
Taniec z Gwiazdami	Entertainment	15.5
Madagascar	Movie	15.2
Tylko mnie kochaj	Movie	14.4
Double Jeopardy	Movie	14.0
Na Wspólnej	Series	14.0
Domino Day 2008	Entertainment	13.7
Fakty	Main news bulletin	13.7

We believe that locally produced content builds viewer loyalty, and we, therefore develop and acquire content which we can produce ourselves. Supporting this belief, our audience share data shows that locally produced, Polish language programming content consistently attracts higher audience shares than foreign programming content. We have benefited from the popularity of locally produced programming content by increasing locally produced content in our programming schedule during peak-time, from 6:00 p.m. to 11:00 p.m., from approximately 63% in 2007 to approximately 65% in 2008.

News and Current Affairs

We place great emphasis on producing news programs that are perceived by our viewers' comprehensive and independent sources of news and information on current affairs.

TVN's main news program, Fakty, provides independent, high quality news coverage. Over the last few years our journalists have won numerous awards for their professional achievements, including Justyna Pochanke who received the industry's most prestigious award and was named Journalist of the Year 2005 by Press Magazine and was twice awarded (in 2008 and 2009) a Telekamery award in the news category, and Kamil Durczok, who was acknowledged with the Golden Telekamery 2008 award. Fakty's technical and professional excellence has resulted in its nationwide audience share increasing from 21.5% in 2000 to 39.7% in 2008. Tomasz Sekielski i Andrzej Morozowski the hosts of our commentary program *Teraz My!* received the Telekamery 2008 award in the commentary category. Bogdan Rymanowski, TVN24's journalist and the host of TVN's *Kawa na ławę,* was acknowledged with the "Journalist of the Year" award from Press Magazine in 2008 and the Telekamery award in the commentary journalism category in 2009.

TVN also broadcasts another highly rated daily news and current affairs program *Uwaga!.* In 2008 the team of Uwaga! received "Libertas et Auxilium" award from the Polish Journalists Association, the Adam Smith Center and the Office of Competition and Consumer Protection.

Entertainment

We continue to maintain our reputation for innovative and high quality entertainment, which we built with successful programs such as *Who Wants to be a Millionaire* with a key target audience share of 55.5%, *So You Think You Can Dance* with a key target audience share of 43.6% and *Strictly Come Dancing*, which achieved an average key target group audience share of 44.4%. In September 2008, we also launched a new entertainment show *Mam Talent* – a Polish version of *Got Talent*. The new show was also extremely well received by the Polish audience, achieving in our key target group audience share of up to 59.1% and was awarded with Telekamera 2009 award in the entertainment category. In connection with our development of entertainment shows, we endeavor to enhance the public profiles of the hosts of our shows. We believe that we have been, and expect that we will continue to be, successful in creating some of Poland's leading media figures and celebrities.

In 2008 our entertainment show, *The Szymon Majewski Show*, achieved a key target group audience share of 38%. This show features our in house talent, Szymon Majewski, a presenter whom we have turned into one of Poland's most popular celebrities. In 2007 the program was acknowledged with Telekamery award in the entertainment category and in 2009 Szymon Majewski received Telekamera award in the "showbusiness personality" category. Our other one man entertainment show *Kuba Wojewódzki* achieved a key target group audience share of 40,5% in 2008.

Drama Series and Soaps

We currently broadcast *Na Wspólnej*, a locally produced daily soap opera, which we launched in 2003, and which grew its audience share in the key target group from 19.1% in 2003 to 45.4% in 2008. *Na Wspólnej* was awarded a Telekamery 2008 award in the series category. In 2008, we produced and broadcast *Teraz albo nigdy*, an original TVN series which achieved audience share up to 39.8% in our key target group. During 2008, we also produced and broadcast a new comedy-drama series, *39 i pół, which recorded* a key target group audience share of up to 44.6%. In 2008, we also produced and broadcast a comedy series *Niania* which is a local adaptation of the Emmy award winning US series *The Nanny* and which achieved in our key target group audience share of up to 43%. *Niania* was awarded a Telekamery award in 2007 and 2008, for the best comedy series, and Agnieszka Dygant (the lead actress) – was awarded a Telekamery 2008 award as the most popular actress.

In 2008 we produced and broadcast two docu crime series, *W-11 Wydział Śledczy* and *Detektywi*. These two series perform consistently well in our key target group with audience share of up to 34.1% and 36.5% respectively. We are the first Polish broadcaster to use this innovative format, which comprises the re-enactment of actual events with real-life people rather than actors and which we believe results in cost-effective but compelling programming.

Acquired Films and Series

We have acquired the rights to broadcast films and series from leading international film studios, such as Warner Brothers, DreamWorks, Paramount Pictures and Universal Studios. We typically acquire such rights for up to three or four runs, including the right to broadcast a film or series for the first time on free-to-air television in Poland. In 2008 we broadcast some of the most popular movies such as: *Shrek 2, Last Samurai, Munich, Terminal* and new series *Dexter* and *Californication*.

We schedule blockbuster films during peak-time on Friday and Saturday, and series after peak-time on Monday and Tuesday. We usually broadcast foreign series in the summer months or during times other than access prime-time and prime-time.

TVN 7

We launched TVN 7, our free cable and satellite channel, in 2002. TVN 7 benefits from our content, infrastructure and know-how, allowing it to operate on a relatively low-cost basis and allowing us to recover costs via incremental advertising revenue.

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

TVN 24

TVN 24 currently operates a 24-hour Polish news channel devoted exclusively to broadcasting national and international news and current affairs programs of interest to Polish viewers. We produce substantially all of its domestic news content in-house through nine regional centers and our own team of reporters. For coverage of events outside Poland, TVN 24 has entered into agreements with international news services such as Reuters and the Associated Press Television News (APTN).

TVN 24 channel is available to approximately 6.7 million households on digital satellite platforms operating in Poland, Cyfra+, Cyfrowy Polsat and "n" DTH platform, and over 450 cable operators (out of about 540 cable operators). The major cable operators offering the TVN 24 channel include UPC, Multimedia Polska, Vectra and Aster.

We believe that TVN 24 channel's coverage amounts to approximately 98% of the pay-cable and digital network subscribers in Poland.

TVN Meteo

In May 2003, we launched the first Polish weather channel, TVN Meteo, available as a pay-television channel via digital platforms and cable networks. As of December 31, 2008, TVN Meteo had 6.3 milion subscribers.

TVN Turbo

In December 2003, we launched TVN Turbo, the first Polish non-sport channel targeted at the male audience. TVN Turbo is available via digital platforms and cable networks. TVN Turbo's programming content is predominantly locally produced with programs such as daily *Raport Turbo*, *Automaniak*, *Gadżet*, *Legendy PRL*, *Zakup Kontrolowany* and, to a lesser, extent purchased foreign programs such as *Technology Jones*, *Boneyard*, *Motorvision* and male oriented documentaries. As of December 31, 2008, TVN Turbo had 6.5 million subscribers.

ITVN

In April 2004, we launched ITVN, a channel targeted to the approximately 20 million people of Polish origin living abroad. ITVN is a subscription-based channel available via digital platforms and cable operators. ITVN's programming schedule focuses almost exclusively on broadcasting Polish programming content and includes entertainment shows, TV-magazines, sports, series and current affairs programs. As of December 31, 2008, ITVN had 69,490 (not in thousand) subscribers.

TVN Style

In August 2004, we launched TVN Style, a channel targeted primarily at the female audience. TVN Style is a channel available via digital platforms and cable networks. TVN Style's programming content is based mostly on in-house productions such as *Miasto Kobiet, 66 Naj, Taka miłość się nie zdarza, Lekcja Stylu, SOS Uroda, Damy radę* and foreign shows such as *Perfect Housewife, How to Look Good Naked and House Doctors.* As of December 31, 2008, TVN Style had 6.6 million subscribers.

NTL Radomsko

In December 2005, we acquired NTL Radomsko, a television channel broadcasting local content for the inhabitants of Radomsko and the surrounding area. NTL airs its own local content for two hours per day and rebroadcasts TVN channel for the remaining time. We derive our revenue on this channel from local commercial advertising.

TVN Lingua

In October 2006, we launched TVN Lingua, an educational channel broadcasting mainly programs aimed at helping viewers learn to speak English, German, French and Spanish. TVN Lingua is available in a pay model via ‘n’ DTH platform, Cyfra+ platform and cable networks. Its programming content consists mainly of in-house productions. As of December 31, 2008, TVN Lingua had 1.5 milion subscribers.

Discovery Historia

In November 2006, we jointly launched with Discovery Networks Poland, Discovery Historia, a history channel. Discovery Historia is available exclusively in a pay model via ‘n’ DTH platform. Its programming content consists of a combination of in-house productions and acquired productions.

Telezakupy Mango 24

In May 2007 we acquired Telezakupy Mango 24, the only 24 teleshopping channel in Poland. Telezakupy Mango 24 is available through cable and digital satellite networks. We derive our revenue on this channel mainly from selling goods. As of December 31, 2008, Telezakupy Mango 24 had 6.0 milion subscribers.

TVN CNBC Biznes

In July 2007, we launched, in cooperation with CNBC, a new business channel, TVN CNBC Biznes. The channel is available via digital platforms and cable networks. The editorial and technological cooperation with CNBC allows TVN CNBC Biznes to provide business information from across the world. As of December 31, 2008, TVN CNBC Biznes had 3.7 milion subscribers.

TVN Warszawa

In December, 2008 we launched TVN Warszawa, the first television channel fully dedicated to Poland’s capital city, Warsaw. It is focused on Warsaw news, entertainment and local affairs with morning news show *Witaj Warszawo*, *Stolica*, *Rytm Miasta* and ten different lifestyle programs. TVN Warszawa currently reaches 600,000 households in Warsaw and additionally about 1.8 million households all over Poland through cable and satellite distribution.

Pay TV Market – ITI Neovision

In June 2008, we acquired a minority stake in the parent company of ITI Neovision. ITI Neovision owns and operates a digital television platform under the name ‘n’, offering pay television services. ‘n’ provides television channels broadcast over a satellite to its subsribers. In order to receive ‘n’ services, a subscriber needs a satellite dish and offered by ‘n’ a set-top box with a access card. Customers usually sign contracts for 12 to 24 months and are obliged to pay a one-off upfront activation fee.

’n’ programming offer consists of television channels, either own or licensed from other broadcasters, grouped in six thematic packages. The table below provides a basic description of ‘n’ packages available to subscribers:

Package	Description
News and entertainment……….	International and local information, popular news and entertainment channels
Movie blockbusters....................	World’s popular movie channels
Culture, science, world…………	Applied science, history, civilization, nature, linguistics, culture
Sports and motoring…………….	Sports, motoring related content
Kids……………………………….	Channels for children in all age groups, education
Styles, fashion, music…………..	Music and entertainment content, talks shows, fashion shows

Subscribers select program packages of their interest. Additionally, ’n’ offers premium movie channels. ‘n’ customers may select to use a set-top box equipped with a hard-disk drive, which enables them to use premium video-on-demand, or “VOD” services. VOD is offered either for a monthly subscription fee or paid per view. VOD service includes Polish and international movies and TV series.

In October 2008, ITI Neovision, through its subsidiary Cyfrowy Dom Sp. z o.o., launched the pre-paid satellite DTH service under the name “Telewizja na kartę”. Through the end of 2008, over 140,000 TNK’s access cards were sold, and 92,000 activations were made. TNK sells decoding cards or decoding cards together with simple set-top boxes which allow subscribers to access a number of pay and free-to-satellite television channels for an initial period of three months. After the initial period is over, subscribers can only view certain free-to-satellite channels unless they pre-pay additional fees in order to extend access to the entire pay programming offer. There are no formal contracts signed with customers and they are free to pay only in the periods when they want to access the pay programming package.

‘n’ is also a producer of own television channels, which are offered to its subscribers.

nSport

In October 2006, ITI Neovision launched nSport, a high definition sport channel featuring sports news and broadcasting HD coverage of Polish and intenational sports events such as Champions League, UEFA Cup, NHL, NFL and Polish Football Cup. nSport is available via ‘n’ satellite service and, since October 2008, nSport is available also through TNK in standard definition.

MGM HD

In December 2006 ITI Neovsion launched MGM HD, a high definition movie channel produced by a joint venture with MGM Networks, Inc., available only on ‘n’ DTH platform in Poland.

nTalk

In October 2007, ITI Neovison launched nTalk, the first Polish channel broadcasting mainly talk-shows such as *David Letterman*, *Jay Leno* or *Oprah Winfrey show* as well as Polish talk-shows *Kuba Wojewódzki* or *Szymon Majewski Show.* nTalk is available exclusively on ‘n’ platform.

Wojna i Pokój

In November 2006, ITI Neovision launched Wojna i Pokój, the first and the only Polish movie channel presenting Russian and Soviet classical cinema masterpieces, the latest blockbusters of famous Russian and Soviet directors and the most popular Russian TV series. Wojna i Pokój is available only on ‘n’ DTH platform.

Sources of ‘n’ Revenue

’n’ DTH platform derives its revenue from subscription fees, activation fees, sale of equipment, advertising, sale of programming and other sources.

Subscription Fees. Revenue from subscription fees are monthly fees paid by ‘n’ customers to access programming packages and VOD services. Subscription revenue depends on the number of subscribers and the type of services they subscribe to, as well as on the current prices. An individual customer’s fee depends on the number of packages selected and can be increased if the customer opts for VOD services or an optional premium package. The following table presents the prices that ‘n’ charged as of December 31, 2008:

Package*	**Price (in PLN)**
News and entertainment……………………………………………………………………………	6**
Movie blockbusters..	16
Culture, science, world……………………………………………………………………….....	16
Sports and motoring………………………………………………………………………….....	16
Kids…………………………………………………………………………………………….....	16
Styles, fashion, music………………………………………………………………………………	16
Optional Premium packages (Filmbox, Cinemax, HBO)……………………………………………	15 –35
VOD packages……………………………………………………………………………………….	30

** Customer must choose at least two packages*
*** Customer chooses three or more packages*

Occasionally ‘n’ runs promotions during which it offers to its subscribers services at discounted prices in order to increase penetration of its services. In case of discounts granted in a given period, but related to the entire customer contract, ‘n’ recognizes them proportionately over the contract term.

Activation fees. Activation fees are the one-time fees paid by subscribers upon signing a contract. Activation revenue depends on the number of new customer contracts signed and an activation fee, which differs depending on the type of set-top box and satellite dish provided to the customer.

Sale of equipment. ITI Neovision's subsidiary Cyfrowy Dom sells decoders enabling access to its prepaid television offer.

Advertising revenue. 'n' derives revenue from the sale of television advertising on its own channels. 'n' platform's ability to generate advertising revenue depends primarily on the channels' reach, which in turn depends on the growth in 'n' subscriber base as well as its ability to distribute the channels to other television service providers.

Sale of programming. 'n' sells licences to broadcast its own television programs and channels to related and third parties.

Other revenue. Other revenue includes:

- sale of services such as programming production, technical, management and other advisory services to related parties; and
- fees, other than subscription and activation fees, earned from subscribers according to 'n' rules of service provision.

'n' Expenses

'n' operating expenses consist of programming costs, depreciation of set-top boxes and other fixed assets and amortization of intangible assets, cost of set-top boxes sold, marketing expenses, sales commissions, broadcasting expenses and other expenses.

Programming costs. There are three main categories of 'n' programming costs: (i) long-term programming licenses which are amortized, (ii) programming licenses, which are expensed and (iii) programming production expenses.

'n' acquires long-term licenses to broadcast movies, sport events and rights to television channels, for which it pays fixed fees. Such rights are capitalized and amortized over the license term.

In the case of other licenses to broadcast television channels, usually with respect to channels offered to 'n' on a non-exclusive basis, 'n' pays fees dependent on the number of active subscribers multiplied by a fee per subscriber. Such fees are expensed in the period in which they arise.

Programming production expenses relate to the own channels which 'n' produces, as well as to 'n' VOD services. Production expenses include services of production subcontractors, rental of equipment, translation services, and cost of materials.

Depreciation and amortization. The set-top boxes that 'n' provides to subscribers remain its property. Customers are obliged to return them after termination of their contracts. Set-top boxes are depreciated over their expected lifetime of five years.

Other depreciation and amortization relates to IT equipment and software licenses, call center and office equipment.

Cost of set-top boxes sold. Cost of set-top boxes sold is the cost of set-top boxes sold to TNK subscribers.

Marketing expenses. Marketing expenses comprise the expenditures related to advertising campaigns on television, radio, press, Internet and points of sale, which ‘n’ runs in order to promote sales and to build brand recognition. The most significant element of marketing expenses is the cost of media, where ’n’ places its television and radio commercials as well as print and Internet advertisements. ‘n’ also incurs expenses related to the production of commercials and marketing materials, agencies fees, as well as market research and PR activities.

Sales commissions. ’n’ pays commissions to its distributors and call center for acquiring new subscribers. The amount of commissions depends on the number of acquired customers as well as on the type of services that a customer subscribes to and the length of contract. For meeting certain periodical sales targets ‘n’ pays additional bonuses to distributors.

Broadcasting expenses. Broadcasting expenses consist of fees for rental of satellite transponder capacity and payments for 'up-link' services related to transmitting television signal to the satellite.

Other expenses. The main components of other expenses are payments for decoding cards, payments for print and postage of customer bills and other correspondence, telecommunication charges, fees payable to the Polish Film Institute and royalties payable to unions of artists and professionals in the entertainment industry, provisions for doubtful debts, employee salaries, rent for office space, IT equipment and software maintenance fees, consulting services.

Key Performance Indicators

We and ‘n’ use a number of performance indicators to assess the development of ’n’s business, financial and operational results. The key indicators are gross subscriber additions, churn, number of subscribers, average revenue per user (“ARPU”) and adjusted ARPU.

Number of subscribers. The number of ‘n’ subscribers is the number of customers who receive ‘n’ service, i.e. are customers who have activated the service and have not churned. In case of television services in the prepaid system TNK, we refer only to customers receiving its pay programming package.

Gross subscriber additions. Gross subscriber additions are the number of new subscribers who activated the service during a period.

Churn. Churn is the number of customers who stop using ‘n’ services during a period. A churned customer is a customer who stop using ‘n’ service when they terminate contracts or ’n’ suspends providing services because of outstanding payments. Subscribers who settle their bills have the service re-activated. Such cases decrease reported churn in the period when the service was reactivated. Churn is calculated as the number of churned customers divided by the average number of subscribers in a period.

Average Revenue Per User. ARPU is calculated as subscription revenue recognized (related to the thematic packages, premium packages and VOD services), divided by the average number of subscribers in the period.

Adjusted Average Revenue Per User. Adjusted ARPU is calculated as subscription revenue billed (related to the thematic packages, premium packages and VOD services), divided by the average number of billed subscribers in the period.

Competition

There are three players on the Polish DTH Pay TV market : (1) ITI Neovision which owns and operates 'n' DTH platform and a prepaid TNK service, (2) Cyfrowy Polsat S.A., which owns and operates "Cyfrowy Polsat" DTH Platform and (3) Canal+ Cyfrowy Sp. z o.o., which owns and operates "Cyfra+" DTH platform.

'n' DTH platform competes for subscribers with "Cyfrowy Polsat" and "Cyfra +". The table below presents the number of subscribers of all platforms as of the end of 2006, 2007 and 2008:

	Number of subscribers (in thousands)		
Platform	**2006**	**2007**	**2008**
'n' (1)……………………………………………	71	272	493*
TNK (1)………………………………………..	-	-	92
Total 'n' and TNK……………………………..	**71**	**272**	**585**
Cyfrowy Polsat (2)……………………………..	1,274	2,068	2,727
Cyfra + (3)……………………………………	920	1,070	1,380
Total market……………………………………	**2,265**	**3,410**	**4,692**

** As at December 31, 2008 'n' DTH platform had signed up over 500,000 subscribers of which over 493,000 had been activated.*
(1) TVN own data; (2) Cyfrowy Polsat Investors' Center; (3) Publicly available data

Development of Our Television Channels' Audience Market Share

A substantial portion of our revenue is derived from television advertising. We also generate revenue from our subscription-based channels from cable networks and digital platform operators.

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

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

Since the launch of our first TVN channel in 1997, our audience market share has been growing. According to AGB, in 2008 our channels captured an aggregate average of 22.0% of Poland's nationwide all-day television audience.

The table below shows our nationwide all-day audience share (defined as viewers aged four and older) compared to that of our major competitors for each year since 2004:

Nationwide All-Day Audience

Channel	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)
TVN Group including (but not limited to):	17.6	18.3	20.8	21.8	22.0
TVN	14.7	15.0	16.7	16.5	16.7
TVN 7	2.0	1.6	1.4	1.5	1.6
TVN 24	0.9	1.2	2.0	3.0	2.7
TVN Meteo	0.0	0.1	0.1	0.1	0.1
TVN Turbo..............	0.0	0.3	0.3	0.3	0.4
TVN Style	0.0	0.1	0.3	0.4	0.4
TVP 1..........................	24.9	24.6	24.0	23.2	22.6
TVP 2..........................	20.5	21.7	20.1	18.0	16.8
Polsat..........................	16.2	16.7	16.1	16.8	15.4
TV 4	2.8	2.2	2.1	2.1	1.8
Others.........................	17.8	16.5	16.9	18.1	21.4

Source: AGB

TVN 7's average nationwide all-day audience share decreased in 2005 as a result of changes to AGB's telemetric system subsequent to performing a standard verification of the system. The verification was effected based on data provided by the Main Statistical Office and the "establishment survey", which sources constitute the basis for the system. The verification was the most significant change related to cable and satellite penetration in Poland. According to AGB, as a result of that verification, reported cable penetration decreased to 34.4% in 2005 from 40.8% in December 2004, while satellite penetration (apart from cable) increased to 19.2% from 16.1% in December 2004.

Our internal analysis of the viewing figures focuses on our audience market share of our key target audience. In particular, we follow audience market share during peak time, which is the period from 6:00 p.m. until 11:00 p.m. and prime-time, from 7:00 p.m. until 11:00 p.m. The table below shows our nationwide peak-time audience share compared to that of our major competitors for each year since the beginning of 2004:

Nationwide Peak-Ttime Audience

Channel	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)
TVN Group including (but not limited to)::	20.0	20.4	23.7	24.3	24.7
TVN........................	17.3	17.7	20.4	20.0	20.4
TVN 7.....................	2.0	1.6	1.4	1.4	1.6
TVN 24...................	0.5	0.7	1.3	2.1	1.9
TVN Meteo.............	0.0	0.0	0.1	0.1	0.1
TVN Turbo..............	0.1	0.2	0.3	0.3	0.3
TVN Style.................	0.0	0.1	0.2	0.3	0.3
TVP 1..........................	24.6	25.0	24.6	23.5	22.5
TVP 2..........................	20.9	21.7	19.5	17.7	17.3
Polsat..........................	17.9	18.0	17.4	18.6	17.6
TV 4............................	2.7	2.2	1.9	2.1	1.8
Others.........................	13.9	12.7	12.9	13.8	16.1

Source: AGB

The table below shows our nationwide all-day key target audience share compared to the shares of our major competitors for each year since 2004:

All-Day Key Target Audience

Channel	2004(%)	2005(%)	2006(%)	2007 (%)	2008 (%)
TVN	19.8	22.2	23.8	21.9	22.0
TVN 7	3.2	2.2	2.4	2.5	2.8
TVN 24	2.0	2.7	4.2	6.2	4.9
TVN Meteo	0.1	0.1	0.1	0.2	0.1
TVN Turbo..................	0.5	0.7	0.6	1.2	1.3
TVN Style	-	0.3	0.7	0.9	0.9
TVP 1..........................	16.8	16.5	15.8	14.6	14.5
TVP 2..........................	14.6	15.2	14.5	12.6	12.4
Polsat..........................	14.9	15.2	15.3	16.4	15.4

Source: AGB

Key Target Group Definition:

TVN	16-49, cities 100,000 +
TVN 7	16-34, cities 100,000 +
TVN 24	25+, above average income, cities 100,000 +
TVN Meteo	Cities
TVN Style	Women, 18-54, cities
TVN Turbo	Men, 16-39, cities
TVP 1*	16-49, cities 100,000 +
TVP 2*	16-49, cities 100,000 +
Polsat*	16-49, cities 100,000 +

* Determined for comparison purposes only.

The table below shows our nationwide peak-time key target audience share compared to the shares of our major competitors for each year since 2004:

Peak-Time Key Target Audience

Channel	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)
TVN	24.1	26.6	29.4	26.4	26.2
TVP 1..........................	16.7	17.0	16.2	15.3	15.1
TVP 2..........................	14.2	14.9	13.7	12.0	12.7
Polsat..........................	16.9	16.3	16.5	18.6	17.8
Others.........................	28.1	25.2	24.2	27.7	28.2

We define key target audience as the population between the ages of 16 and 49 living in cities 100,000+.
Source: AGB.

Development of Our Television Advertising Market Share

As evidenced by our peak-time key target audience market share, we attempt to schedule our programming to attract and retain that group of viewers. Our market share of net television advertising expenditure in Poland reflects our ability to consistently attract key target audiences. According to AGB, TVN Group gained a 40.8% share of the television advertising market (share of voice, GRP30", ages 16 through 49, in cities with populations over 100,000 from 6:00 p.m. until 11:00 p.m.) in 2008. During the same period, we had a peak-time key target audience share of 26.2%. We believe that this success is due to the combined strength of our peak-time key target audience share and our in-house advertising sales and marketing efforts.

With the introduction of thematic channels we are able to deliver specific viewers within the key target audience to our advertising customers, which we believe makes the delivery of their advertising messages more efficient.

The table below compares our nationwide all-day audience share and our share of net television advertising expenditure to that of our main competitors in 2008:

Group	Nationwide all-day audience share (%)	Share of voice (%)
TVN Group	22.0	28.7
TVP Group..	44.7	37.7
Polsat Group...	19.0	26.1
Others...	14.3	7.1
Total	**100.0**	**100.0**

Source: AGB.

The table below compares our peak time key target group audience share and our share of net television advertising expenditure to that of our main competitors in 2008:

Group	Peak time key target group audience share (%)	Share of voice (%)
TVN Group	32.2	40.8
TVP Group..	31.3	23.2
Polsat Group...	22.0	27.4
Others...	14.5	8.7
Total	**100.0**	**100.0**

Source: AGB

Television Advertising

Television Advertising Sales

We sell advertising airtime to a broad and diverse group of advertisers that include multinational and national companies. The majority of our advertising revenue generated in 2008 came from advertising agencies representing multiple advertisers with the balance generated directly pursuant to agreements with individual advertisers. For the twelve months ended December 31, 2008, our ten largest individual advertisers collectively accounted for approximately 24% of our advertising revenue with no single advertiser accounting for more than 4% of our advertising revenue. In 2008, our key advertising clients included the following: (i) Danone Sp. z o.o., (ii) L'Oreal Polska Sp. z o.o., (iii) Mars Polska Sp. z o.o., (iv) Nestle Polska SA, (v) Polkomtel SA, (vi) Polska Telefonia Cyfrowa Sp. z o.o., (vii) Procter & Gamble DS Polska Sp. z o.o., (viii) PTK Centertel Sp. z o.o., (ix) Unilever Polska SA., (x) US Pharmacia Sp. z o.o.

In order to provide flexibility to our advertising customers, we offer advertising priced on (i) cost per gross rating point, which we refer to as "GRP", and (ii) rate-card basis. In 2008, 30.1% of our advertising sales on our TVN channel were package sales based on the cost per GRP basis, compared to 71.3% in 2007. See Item 5, "Operating and Financial Review and Prospects." The majority of our customers commit to minimum spending levels in return for fixed commercial conditions.

Advertising priced on a rate-card basis is applied to advertisements scheduled at a specific time. The cost of such advertising is based on the length of the advertisement, the time of the day and the season during which the advertisement is shown. Consistent with industry practice, we provide an incentive rebate on rate-card prices to a number of advertising agencies and their clients.

Advertising priced on a cost per GRP package basis allows an advertiser to define the number of gross ratings points that it wants to achieve within a defined period of time with its advertisement. A GRP represents 1% of the population over the age of 4. As applied to Poland, one GRP is equal to 358,000 (not in thousands) inhabitants. We schedule specific advertisements usually one month in advance of broadcasting them so that we meet the GRP target that the advertisers set while maximizing the use and profitability of our available advertising programming time. For a more detailed description of the pricing of advertising airtime, see Item 5, "Operating and Financial Review and Prospects."

Television Advertising Sales Team

Our television advertising sales team consists of approximately 194 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, the most important, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, our sales force works closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross-promotional opportunities.

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

The Polish Cable and Satellite Market

According to the Polish Broadcast Council listings of licensed television channels, there are 10 terrestrial channels, 52 satellite channels and 262 cable channels licensed by the Broadcast Council in Poland. The cable television market is undergoing consolidation, but it still consists of approximately 540 operators, which operate over 1,100 networks. UPC, Aster, Vectra and Multimedia are Poland's largest cable operators with an aggregate 60% share of the Polish cable market. The Polish pay digital satellite market is split between three digital platform operators: (1) Canal+ Cyfrowy Sp. z o.o., operating Cyfra+ platform, (2) Cyfrowy Polsat S.A., operating Cyfrowy Polsat platform and (3) ITI Neovision., operating "n" DTH ("Direct To Home") platform and TNK. The satellite platform operators offer over 120 Polish language channels, including original Polish channels and channels translated into Polish, and a hundreds of foreign unencrypted channels., According to our estimates about 46% of Polish households use only terrestrial antennas to receive free television channels.

As of December 31, 2008, satellite operators served 4.69 million homes, or 35% of Polish households, while cable networks reached 4.34 million homes or 32% of Polish television households. We estimate that approximately 13% of total satellite and cable television subscribers own two or more satellite receivers or satellite receiver and access to cable network or use satellite receiver abroad..The table below sets out the development of the Polish cable and satellite market since 2003 (number of subscribers at year end):

	2003	**2004**	**2005**	**2006**	**2007**	**2008**
			(in thousands)			
Cable television subscribers (all packages)	3,566	3,670	3,700	3,900	4,250	4,340
Satellite television subscribers (all subscribers)	900	1,010	1,315	2,265	3,410	4,692
Total	**4,466**	**4,680**	**5,015**	**6,165**	**7,660**	**9,032**
Pay cable television subscribers	2,380	2,430	2,520	2,610	2,740	2,910
Pay satellite television subscribers	900	1,010	1,315	1,790	2,925	3,875
Total pay subscribers	**3,280**	**3,440**	**3,835**	**4,400**	**5,665**	**6,785**

Source: TVN estimates

Legislation requires cable network operators in Poland to carry free-to-air terrestrial channels. As a result, our TVN channel is carried by all cable and satellite operators. Our TVN 7 channel is free of license fees and therefore is also carried by all cable and satellite operators. Our thematic channels (excluding TVN Warszawa) are based on license fees paid to us by cable and satellite operators.

Programming Sources

Programming Produced by TVN Group

We produce a wide variety of programs, including news and current affairs programs, documentaries, reality, talk and game shows, soap opera shows, movies and drama series. In 2008, we produced approximately 3,175 hours of programming for our TVN channel. To the extent possible, we use our own employees for the production of our programs, but we also hire temporary staff (including screen writers, actors, producers and directors) on a project-by-project basis. Sub-contracting to third party production companies provides us with additional production capacity when needed, thereby reducing overhead costs related to production facilities and equipment. We outsource the production of certain entertainment shows, reality shows and drama series. We tend to work closely with the Polish subsidiaries of internationally recognized programming content producers such as Fremantle Polska Sp. z o.o. , Mastiff Media Polska Sp. z o.o., Constantin Entertainment, as well as a wide range of Polish independent programming content producers.

In addition to our main news studio in Warsaw, we operate nine regional news offices and provide comprehensive news coverage of Poland. Each regional office can send its reporting crews to any location in Poland and is equipped with the latest transmission facilities. This enables the prompt transfer of video and live coverage of newsworthy events. For the coverage of international events outside Poland, we have entered into agreements with international news agencies such as Reuters, APTN and we have also entered into an agreement with European News Exchange ("ENEX"), a non profit organization for the exchange of news footage and transmission services between television broadcasters. We deployed our own news team to cover key events such as the Olympic Games, EURO 2008, 2008 U.S. Presidential Election and the Russia - Georgia conflict. TVN 24 also has a permanent foreign correspondents in Moscow, Brussels, London and Washington, D.C.

Acquired Foreign Programming

Broadcasting rights are generally acquired under one of three types of contractual arrangements: (1) output, (2) volume or (3) spot contracts. Output contracts involve the acquisition of the right to broadcast all current and future releases of a particular film studio. Volume contracts involve the acquisition of a specified volume of television programming content. Spot contracts involve the acquisition of the right to broadcast individual series or films.

We have contracts concluded with the major Hollywood studios, including Warner Brothers and Paramount Pictures. We are not dependent on any particular distributor, and none of our suppliers account for 6.6% or more of our operating costs.

Signal Distribution and Coverage

Television channels in Poland are distributed via terrestrial transmission, cable networks and digital satellite signal. TVN's signal is distributed as follows: 41% via terrestrial transmission, 34% via cable and 25% via satellite and reaches approximately 88% of Polish households in total.

We transmit TVN 24, TVN 7, TVN Turbo, TVN Meteo, ITVN, TVN Style, TVN CNBC Biznes, TVN Lingua, TVN Warszawa and Telezakupy Mango 24 through satellite platforms and cable networks. We distribute Discovery Historia via 'n' DTH platform and NTL Radomsko via terrestrial transmitter.

We transmit our TVN terrestrial signal via network of 33 transmitters. Our cable distribution covers the majority of cable networks in Poland. We maintain satellite capacity on two transponders on the HotBird 7A Eutelsat satellite. One transponder is used to transmit a package of television channels, including our channels TVN, TVN 7, TVN24, TVN Meteo, TVN Turbo, TVN CNBC Biznes, TVN Style and Telezakupy Mango 24. This transmission is dedicated to feeding terrestrial transmitters, cable networks and digital reception from satellite. The second transponder is used for TVN HD, TVN Warszawa and TVN Lingua. We switched off analog satellite distribution of our TVN channel on December 15, 2008. Since October 3, 2008, we distribute our channels (including TVN 7, TVN24, TVN Turbo, TVN Style, TVN CNBC, TVN Meteo, TVN Lingua) through TNK.

In the past, we have made substantial investments in our broadcasting studios and related facilities. Our transmission equipment is located in our studios in Warsaw and Krakow, as well as other major cities in Poland. Our main news studio is fully equipped with digital technology. This provides us with efficient processing capabilities and high quality and reliable video and audio output.

Competition

Our main channel, TVN, competes for audiences and, consequently, advertisers with the nationwide channels TVP1, TVP2 and Polsat. Our other channels compete with small regional channels operating in Poland and with channels distributed through satellite and cable. The following table sets out the household penetration of TVN and those of its principal competitors as of December 31, 2008. Household penetration is measured by the ability of a household to detect a television signal, regardless of quality.

Channel	Approximate household penetration
TVP1	100%
TVP2	100%
Polsat	97%
TVN	88%

Source: AGB

According to AGB, during 2008, TVP1, TVP2 and Polsat together accounted for a nationwide all-day audience share of 54.9%. TVN's market share during this period was 16.7%. The aggregate nationwide all-day audience share of TVP1, TVP2 and Polsat in TVN's coverage area was 49.8%, while for TVN it was 19.0%.

Television broadcasting in Poland was started in the 1950s by the state-owned television broadcaster Telewizja Polska S.A., commonly known as TVP. TVP broadcasts two national channels, TVP1 and TVP2 and five thematic channels. TVP1 and TVP2 focus on broadcasting Polish entertainment shows, films, series, sports programs, current affairs and news. TVP HD is a High Definition version of the Polish public broadcasting channels launched in 2008. TVP Info is a news channel launched in 2007 and devoted to broadcasting national and international news. TVP Kultura was launched in 2005 and broadcasts arts and culture related programs. TVP Sport is a sports channel and was launched in 2006. TVP Historia was launched in 2006 and is a history channel broadcasting TVP's library programmes and archive materials. In addition, TVP operates TV Polonia, a television channel aimed at Poles living in the United States, Europe and Australia. The programming content of TV Polonia consists of Polish films and series, complemented by sports and news programs.

TVP generates revenue from advertising and mandatory viewer license fees which are not available to commercial broadcasters. TVP generates approximately 24% (as of 2007) of its revenue from mandatory license fees with the balance primarily from advertising. Therefore, we regard TVP as one of our major competitors. However, unlike other television broadcasters, Polish regulations do not permit TVP to interrupt its programs with advertising.

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

Polsat Sport, Polsat Sport Extra, Polsat Sport HD, Polsat Café, Polsat Play and Polsat News. Polsat also holds a 90 % shares in Polskie Media S.A. operator of TV 4 channel, and a 100% shares in TV Biznes Media Biznes Spółka z o.o, operator of TV Biznes channel.

The remaining Polish audience share is split among over 120 other Polish language cable and satellite channels. According to AGB, these other market participants collectively captured 22.4% of the nationwide all-day audience share in 2008.

Online Segment

Internet Industry in Poland

Poland has the largest Internet users' population in Central Europe, with 15.8 million users, as of October 2008, based on estimates of Megapanel PBI/Gemius, for ages seven and older. According to GUS, in 2008 approximately 59% of the country's 13.5 million households, with at least one person between ages 16 and 74 years old, had a computer, and 48% of households had an Internet connection, with 38% of households having broadband access to the Internet. Broadband access is defined as a fixed connection to the Internet allowing for transfer speeds of 144 kb/s or above.

The Polish Internet market consists of private commercial Internet portals and other thematic websites, i.e. vortals, which offer their services via the global Internet. The majority of these services are targeted to Polish people living in Poland or the Polish community living abroad. Usually the Internet is accessed through personal computers, but Internet access through mobile devices is also growing. According to comScore Networks, in June 2008, 25% of Internet users from the United Kingdom regularly access the Internet from their mobile phones. According to SMG/KRC Net Track, as of the third quarter of 2008, Poland had an Internet penetration of 46.2% among residents aged 15 and older compared to 41.3% in 2007.

Internet usage began in Poland in 1991, with the first connection over the Internet protocol (IP) conducted between Warsaw University and the University of Copenhagen. Its development was organized under the auspices of NASK, an academic organization established to facilitate development and interconnection of local academic networks in Poland, and their connection to the global network. In 1994 there was a presentation of the first Polish server (home to Polish Home Page – predecessor of Polish portals). By 1995 the number of Internet users in Poland was 500, and at this stage users were almost entirely academics and scientists. Starting in 1995, TP S.A. launched in Poland the POLPAK-T network and in 1996 made available the first generally available dial-up connections to the Internet. This allowed people from outside of the academic community to access and explore the Internet in Poland. In 1995 and 1996 the first Polish Internet portals were launched, Wirtualna Polska and Onet. In 1996 Polbox made available to Polish users the first free e-mail and accounts. Such services are now the standard for the largest portals, including Onet.pl, and complement premium e-mail accounts and other offerings with premium content or functionalities, which are paid services.

The following table sets out some basic statistics representing Internet usage across selected European markets:

Country or region	number of Internet users (not in thousands) (also as % of population) (1)	percentage of individuals regularly using the Internet (2)	percentage of individuals who ordered/bought online in the last three months (2)	broadband penetration rate in the population (2)	percentage of households with Internet access (2)
Poland	**13.9m (46.2%)**	**44%**	**12%**	**38%**	**48%**
Germany	53.2m (64,6%)	68%	42%	55%	75%
France	34.9m (54,7%	63%	28%	57%	62%
Italy	33.1m (57,0%)	37%	7%	31%	42%
Spain	25.6m (63,3%)	49%	13%	45%	51%
UK	41.8m (68,6%)	70%	49%	62%	71%
EU (27 countries)	**293.0m (59,9%)**	**60%**	**25%**	**48%**	**60%**

(1) Source: Internet World Stats data 2008, including EU averages; and for Poland: based on 3Q2008 SMG/KRC Net Track, ages 15+ and penetration in this age group.
(2) Source: Survey on Information and Communication Technologies in enterprises, Eurostat, 2008; populations considered are aged 16-74; broadband is defined as fixed Internet access with transfer speeds of 144kb/s or above; regularly means at least once a week within the last three months before the survey.

Polish Internet portals are mainly financed through advertising, and to a lesser extent, fees for paid services.

Internet Advertising

The Polish Internet Advertising Market

Internet advertising is the fastest growing advertising medium in Poland. According to IAB, Internet advertising in 2007 amounted to approximately PLN 743,000, and in the first half of 2008 it amounted to PLN 531,000, compared to PLN 339,000 in first half of 2007, representing a 57.0% increase. According to IAB forecasts, Internet advertising for the year 2008 may reach PLN 1 billion (not in thousand).

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

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

Market Outlook for Internet Advertising in Poland

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

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

Our Internet Websites and Portals

Onet.pl

We acquired Grupa Onet in October 2006. Onet.pl is the leading Polish Internet portal, which offers over 300 media and communication services, including multimedia content, available either free of charge or on a subscription basis, in the case of premium content. Multimedia content includes news coverage of events (sourced from our TVN 24 channel), music videos, popular programs and series from our television channels and live broadcasts of all games in the Olympic Games, among of others. The thematic services offered by Onet.pl are usually leaders in their thematic categories, including blog.onet.pl which is the leading Polish website of this type with over 1.7 million (not in thousands) blogs, and Sympatia.pl, the number one dating service with 2.5 million (not in thousands) registered profiles.

Onet.pl is also a leader in seven of twelve main thematic categories. News & Media, Culture & Entertainment, Business, Sport, Lifestyle, Internet Societies and Travel are categories, in which Onet.pl's services are the most popular among Polish Internet users.

Onet.pl offers its users a number of paid services including auction services, classifieds, dating services, premium content services, premium e-mail services, premium hosting, intermediation in sale and registration of domain names, among others.

During 2008, Onet.pl's main services strengthen their positions, including, the following:

- Zumi.pl is a yellow pages and maps service to locate a wide range of points of interest. Zumi is one of the top three services in this category and it increased its number of users per month by 114% to 2.9 million as of November 2008, from 1.3 million users in 2007 (data not in thousands).
- Lajt.onet.pl is the mobile version of Onet.pl enabling users to reach news, e-mails and other services on their mobile phones. According to internal data as of December 2008, lajt.onet.pl

increased number of unique users per month by 149%, to 398,412 from 160,000 unique users per month at the end of 2007 (data not in thousands).

Group Onet has also become the owner of vortal Mojeciuchy.pl, which enriches and complements Onet.pl's thematic lifestyle zone *Styl Życia* and is targeted mostly at women interested in fashion. Moreover, Group Onet has set up a new company Sunweb Limited, which specializes in offering and developing software in the field of online commerce.

In 2008, Onet launched a new home page to improve its functionalities, content and to make it more user-friendly and easier to navigate.

Since the beginning of 2000, when the first independent market research became available, Onet.pl has maintained its position as the market leader among Polish portals. According to the latest available data from Megapanel PBI/Gemius, as of November 2008, 64,0% of Polish Internet users use Onet.pl each month, and in November 2008 they accounted for 10.0 million (not in thousands) real users. On a monthly basis, Onet.pl records 3.5 billion (not in thousands) page views, and its visitors spend a total of 62.4 million (not in thousands) hours on Onet.pl pages.

TVN 24.pl

In March 2007, we launched a news vortal, tvn24.pl, based on our news channel TVN 24. Most of the information presented on tvn24.pl is accompanied by photos, videos, and audio recordings.

Tvn24.pl recorded over 2 million unique users in October 2008 and over 47 million page views.

The launch of tvn24.pl allows the TVN 24 channel to develop a closer relationship with its viewers who are able to submit their own films, news, and commentary through the portal, which is more often used as a source of materials for the TVN 24 channel.

Plejada.pl

Plejada.pl is an interactive multimedia site dedicated to show business and celebrities and was launched in March 2008 as a joint project of TVN and Onet.pl. It is available via Internet, mobile phones and the ‘n’ DTH platform.

Other Websites

In addition to those listed above, the following table sets out the other websites that we own and operate and includes vortals that function under their own brands. Some of these vortals, in particular our dating site Sympatia.pl, are market leaders in their market segments.

Website	Launch date	Type/character	Availability	Reach (1)
Republika.pl....	1998	hosting vortal	free and premium content	18%
Tenbit.pl………	2000	entertainment vortal	free and premium content	1%
Blog.pl ………..	2001	community vortal	free and premium content	5%
Digart.pl (2)…..	2001	community/digital art vortal	free content	2%
Sympatia.pl.....	2002	dating vortal	free and premium content	5%
Betspace.pl(2)...	2006	educational and information vortal related to betting	free content	n/a
Zumi.................	2007	search & maps& yellow pages vortal	Free and premium content	18%
Onet.tv………..	2007	Internet tv	free content	10%
TVNMed.pl……	2008	educational vortal for medical professionals	free content	n/a

(1) Reach in the total Internet users population (data, if available, sourced from Megapanel PBI/Gemius, November 2008).
(2) Websites not included in Onet's reach as of November 2008.

Online Advertising

Online Advertising Sales

We sell the majority of our online advertising services to our final advertising clients through media houses. We derive most of our online advertising revenue from the sale of online display advertising through products which include, among others the display of rich media advertisements, display of text-based links to advertisers' websites (search engine marketing), and e-commerce based transactions.

In order to provide flexibility to our customers, we offer our online advertising services priced on several models, including cost per mille, or CPM, flat (paid per period of exposure), cost per click, or CPC, cost per action, or CPA-like, and their hybrids. The majority of our online advertising services sales are done on a CPM basis.

Online Advertising Sales Team

Our Internet advertising sales team consists of approximately 100 employees responsible for sales of our online advertising and other Internet marketing services, campaign planning, analysis, development of new online marketing services and enhancing relationships with existing and potential advertisers. The sales team works closely with our Online segment market research and analysis team. Our Internet marketing services sales team includes also regional sales representatives who promote and sell our online marketing services in all the major regions in Poland.

The Polish Internet Access Market

According to a Net Track SMG/KRC survey, 88% of home users accessed the Internet via a fixed-line connection, and only 2.4% connect by a dial-up connection in the third quarter of 2008 (remaining connections include wireless connections of 6.0% and cell phones of 1.0%), compared to, respectively, 89% and 4.2% in 2007. Users accessing the Internet via fixed-line connections spend more time online, and consume more multimedia content, communication services and entertainment available on the Internet.

According to information published by Telekomunikacja Polska S.A., a major player on the Polish broadband Internet access market, and other available information relating to this market, we estimate that there are approximately 5.3 million broadband households as of the end of September 2008.

The table below sets out the estimated number of broadband households serviced by each major market player:

Provider	**Number of subscribers**
TP S.A.(1)………………………………………………………………………………..	2.4 million
Cable TV operators(2)…………………………………………………………………	0.9 million
Other (3)……………………………………………………………………………….	2.0 million
Total………………………………………………………………………………...	**5.3 million**

(1) Based on TP S.A. estimates including bitstream (Orange FreeDom)
(2) Based on estimates by Onet.pl
(3) Others include Alternative Operators/Bitstreamers, Micro ISPs, Housing LANs, Wireless Accesses, etc., (Onet.pl estimates)

Competition

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

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

Having the above mentioned in mind, our Onet.pl portal competes in principle with other major Polish portals, like WP.pl, Gazeta.pl and Interia.pl, but also competes with other major websites like Google.pl, or other thematic vortals. Our other websites, thematic vortals, or respective thematic parts of Onet.pl, compete for visitors mostly with other thematic vortals, and for advertisers with advertising networks that usually sell advertising space on these competing thematic websites.

The following tables set out the reach and number of real users of Onet.pl and those of the top eight Polish websites as of November 2008, and the average number of users during seven-day periods during that month. The reach reflects what percentage of the total population of Internet users visited a website at least once during a particular period. The number of real users reflects the number of unique visitors who visited a website at least once during a particular period.

The following table presents reach and the number of real users in November 2008:

Websites	Type	Reach	Real users
Google.pl.......................................	search engine	85.5%	13,573
Onet.pl..	**portal**	**63.1%**	**9,978**
WP.pl..	portal	55.2%	8,733
nasza-klasa.pl…………...................	social network website	53.5%	8,455
Allegro.pl.......................................	online auction	52.4%	8,285
Interia.pl…………………………….	portal	49.6%	7,839
o2.pl…………………………………	portal	47.9%	7,568
Gazeta.pl……………………………	portal	45.5%	7,189

Source: Megapanel PBI/Gemius, November 2008

The following table presents the average reach and the number of unique users during seven-day periods in November 2008:

Websites	Type	Reach	Real users
Google.pl.......................................	search engine	71.9%	11,370
Onet.pl..	**portal**	**43.7%**	**6,910**
nasza-klasa.pl…………...................	social network website	39.6%	6,264
WP.pl..	portal	35.4%	5,601
Allegro.pl.......................................	online auction	32.8%	5,192
o2.pl…………………………………	portal	29.1%	4,609
Interia.pl…………………………….	portal	27.9%	4,409
Gazeta.pl……………………………	portal	24.5%	3,879

Source: Megapanel PBI/Gemius, average 7-day periods for 1-28 November 2008

The following table sets out the number of page views of Onet.pl as of November 2008. Page views represent the number of page impressions generated by all Internet users visiting a website at least once during a particular period.

Websites	Type	Page views
nasza-klasa.pl...	social network website	10,982,130
Allegro.pl..	online auction	4,620,188
Google.pl...	search engine	3,554,133
Onet.pl………………………………….....................	**portal**	**3,536,345**
WP.pl……...	portal	2,224,528
o2.pl………..	portal	1,163,913
Interia.pl………………………………………………….	portal	1,161,924
Gazeta.pl………………………………………………….	portal	674,398

Source: Megapanel PBI/Gemius, November 2008.

The following table sets out the total time spent by users per month on Onet.pl and the top seven Polish websites as of November 2008. For reference it also includes information on the average time spent by a user on a website during the month. The total time spent represents the sum of all of the time the real visitors to a respective website spent there during a month.

Websites	Type	Total time (in hours)	Average time per user (in hours : minutes)
nasza-klasa.pl………………………	social network website	109,287	12:56
Google.pl..	search engine	87,711	6:28
Onet.pl...	**portal**	62,459	**6:16**
WP.pl..	portal	42,832	4:54
Allegro.pl..	online auction	40,700	4:55
o2.pl…………………………………	portal	29,384	3:53
Interia.pl……………………………..	portal	26,413	3:22
Gazeta.pl…………………………….	portal	12,647	1:46

Source: Megapanel PBI/Gemius, November 2008.

Directions of Further Development

In order to maximize value to our shareholders we hope to maintain strong revenue, profitability and cash flow growth. In order to achieve these objectives, we intend to capitalize on our strengths and pursue the following strategies:

Develop and source attractive programming content — The production, sourcing, broadcasting and distribution of attractive and innovative programming content is the key element of our strategy. Our research indicates that programming content produced in Poland is very popular with our key target audience. We have already created an in-house film and series script development and production unit to produce films and series in which we own all rights. We will continue to develop innovative, high quality Polish programming content, in particular, series and movies, using our in-house production capabilities and our established relationships with independent Polish producers and production companies. We also expect to continue to capitalize on our established relationships with leading international content providers, including Warner Brothers, DreamWorks and Paramount Pictures, to deliver attractive ready made content to our audiences. We intend to grow our key target audience share, particularly during peak-time, by sourcing and scheduling attractive programming content. To this end, we use audience research and our market knowledge to understand and anticipate the preferences of our audience.

Focus on our advertising customers' needs — We intend to continue to provide our advertising customers with programming which will meet their expectations and comprehensively fulfill their needs. We seek to meet advertisers' needs in three areas: (i) specific target audience reach, (ii) required frequency of broadcasting of advertisements, and (iii) programming which provides an appropriate environment for broadcasting or displaying our advertising customers' advertisements. We expect to achieve these goals by developing, sourcing and broadcasting content that is attractive to the audiences targeted by our advertising customers and by launching or acquiring thematic channels and Internet properties that provide us with an optimum share of our key target audience groups.

Convert growth in audience market share into advertising revenue — We believe that the fragmentation of the media industry has provided us with an opportunity to leverage our brand by introducing thematic channels and vortals which are increasingly attractive to advertisers. Targeting specific tastes of the key target audience allows us to compete effectively for advertising revenue not only with other television broadcasters and portals but also with other advertising media such as newspapers and magazines. We market and sell our advertising airtime based on our ability to reach our audiences. Our sales team targets a wide range of advertisers.

Identify and further exploit expansion of our activities and revenue streams — We will continue to identify opportunities to expand our activities in the advertising market mainly by evaluating the development of new channels and Internet projects either in Poland, or abroad. During 2008, we derived 22.2% of our revenue from secondary revenue sources, such as sponsorship, teleshopping, call television and digital platform and cable subscription fees. Most of these activities are complementary to our main business and provide advertisers with additional options for the presentation and marketing of their products and services on television and the Internet. We intend to continue to identify and develop additional revenue streams in order to enhance further the group's profitability.

Further develop and integrate our Internet activities – Distributing television content via the Internet is a key element of our strategy and we have already started to distribute certain programs for a fee via Onet.pl, our Internet portal. We also intend to launch additional vortals and services targeting sections of the advertising market, where we are currently underrepresented or not represented at all. We intend to support our Onet.pl portal by producing Internet-specific video content for the portal by providing access to news, clips and entertainment content produced by our broadcasting segment.

Further diversify our revenue by developing our teleshopping activities – We intend to further develop our teleshopping activities through the introduction of new, well targeted and well promoted products.

Cross promote across all our media platforms – We intend to use our television channels to promote our Internet activities and strengthen our Internet brands. Conversely, we intend to use the Onet.pl portal to promote the television content we produce and broadcast.

Develop integrated sales products – We intend to develop new sales products which will maximize the effectiveness and efficiency of advertising on television and via the Internet at the same time.

Secure our position in the distribution market – We intend to support the development of the ‘n’ DTH platform with a view to acquire control of the company, in order to secure distribution for our content, and to diversify revenues.

Properties

Our properties consist primarily of broadcasting, production and office facilities, all of which are located in Poland. We believe that these facilities are well maintained and in good condition. In addition, we own or have a right of perpetual usufruct to a number of undeveloped plots in Warsaw and we own a plot in Krakow, which is dedicated for our data center for our Online segment. See also Item 7, “Major Shareholders and Related Party Transactions—Lease of Office and Studio Space” below for a description of certain of our leases of office and studio space.

Intellectual Property

We protect our intellectual property rights in program content that we develop against illegal exploitation by third parties by registering our intellectual property pursuant to applicable property laws. Similarly, we protect our trademarks by registering them with the Polish Patent office. We have registered, amongst others, the following marks: (1) the TVN logo as an international trademark, (2) TVN 24 as a verbal trademark, (3) TVN 7 as a verbal trademark and two logos, (4) ITVN as a verbal trademark, (5) TVN Meteo as a verbal and a logo trademark, (6) TVN Turbo as a verbal trademark and a logo, (7) TVN Style as a verbal trademark and a logo,(8) Onet as a verbal trademark, (9) Onet.pl as a logo, (10) Sympatia.pl as a verbal trademark and logo, (11) Zumi as a logo, (12) Onet.tv platforma as a logo, (13) e-mocje as a verbal-graphic trademark, (14) Tenbit trademark, (15) Republika www trademark.

We have filed for the registration of the following marks: (1) TVN Med trademark as a verbal trademark and a logo, (2) TVN Lingua as a verbal trademark and a logo, (3) TVN Warszawa as a verbal trademark and two logos, (4) TVN Media school as a verbal trademark, (5) Plejada as two logos, (6) plejada.pl as a verbal trademark.

We have acquired the necessary rights and licenses to the programs we produce and broadcast.

We broadcast most of the programming content produced by third parties under sub-licenses from distributors or producers of such programming content. In addition, with respect to royalties payable to actors and performers, we have entered into agreements with Polish royalty collection and distribution societies.

Insurance

We are insured under insurance policies that are customary in the television broadcasting and Internet industry. As of December 31, 2008, we are insured in respect of various risks. The most significant insurance policies are listed below:

- Insurance policy issued by TU Hestia S.A. securing all our television assets against all risks. The value of the assets under this policy is PLN 387,681. The policy is valid from July 1, 2008 through June 30, 2009.

- Insurance policy issued by STU Ergo Hestia SA & PZU SA securing all Grupa Onet assets against all risks. The value of the assets under this policy is PLN 34,480. The policy is valid from July 1, 2008 through June 30, 2009.

- Insurance policy issued by TU Hestia S.A. covering TVN S.A. for loss of profits. Gross profit insured under this policy is limited to PLN 829,358. The policy is valid from July 1, 2008 through June 30, 2009.

- Insurance policy issued by STU Ergo Hestia SA & PZU SA covering Grupa Onet for loss of profits. Gross profit insured under this policy is limited to PLN 123,500. The policy is valid from July 1, 2008 through June 30, 2009.

- Insurance policy issued by STU Ergo Hestia SA & PZU SA securing all Grupa Onet electronic devices. The value of the electronic devices under this policy is PLN 33,055. The policy is valid from July 1, 2008 through June 30, 2009

- Directors and officers liability insurance policy issued by PZU SA. Sum of potential liability insured under this policy is limited to PLN 125,000 and the policy is valid world-wide. The policy is valid from May 1, 2008 through April 30, 2009.

- General liability insurance policy issued by STU Ergo Hestia SA & PZU SA covering Grupa Onet potential business liability up to PLN 30,000. The policy is valid from July 1, 2008 through June 30, 2009.

- Insurance policy issued by Atradius Credit Insurance NV S.A. securing certain television and broadcasting trade receivables against non-recoverability. The value of the assets under this policy is PLN 370,700 with a maximum limit of PLN 60,000. The policy is valid from December 1, 2007 through February 28, 2010.

- EAR insurance policy issued by TU Allianz Polska SA & STU Ergo Hestia SA covering all risks inherent in construction of Data Center project, limited to PLN 64,015. The policy is valid from February 22, 2008 through November 26, 2009.

In addition to the insurance policies presented above, we insure our car fleet and foreign business trips of our employees. Overall, we believe that our business and our assets are adequately insured. We also provide our employees with a group life insurance assuring adequate compensation payment in case of decease and serious illness.

Regulations

General

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

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

Internet activities in Poland are subject to the Parliamentary Act on services delivered by electronic means, dated July 18, 2002, which implements the *e-commerce directive* on services and commerce via the Internet. There is no governmental agency exclusively devoted to supervision of this sector. The Polish Office for Electronic Communication supervises and regulates the telecommunication market as a whole. In general, Internet operations do not require licenses or permits from any governmental bodies or agencies.

Broadcasting Licenses

KRRiT issues television broadcasting licenses for the period of ten years. Licenses are not transferable. KRRiT will revoke a license if a broadcaster materially breaches its obligations under the Broadcasting Law or under the terms and conditions specified in its license. In addition, KRRiT will revoke a license if a broadcaster's activity under its license is carried out in a manner that is deemed to conflict with the Broadcasting Law or the terms and conditions of its license and the broadcaster fails to remedy such conflict within the applicable grace period. The Broadcasting Law provides for the renewal or extension of existing licenses.

In certain cases upon the expiration or the termination of a license, a broadcaster's right to air programming on the frequencies covered by a particular license will cease. Following the expiration of a license, KRRiT may initiate a public tender process for a new license for the frequencies covered by the expired broadcasting license, for which the former license holder may apply.

In April 2004, KRRiT approved the consolidation of all of our existing terrestrial licenses into one nationwide terrestrial broadcasting license. This new license replaced several regional broadcasting licenses that we held previously.

The table below sets out the licenses that we currently hold:

Channel	Type of license	Date of expiration
TVN	Terrestrial broadcast license	April 14, 2014
TVN Warszawa	Satellite broadcast license	June 29, 2018
TVN International West	Satellite broadcast license	May 5, 2018
TVN CNBC Biznes	Satellite broadcast license	August 30, 2017
TVN Lingua............................	Satellite broadcast license	February 4, 2017
TVN Style	Satellite broadcast license	July 28, 2014
TVN Turbo.............................	Satellite broadcast license	February 12, 2014
ITVN	Satellite broadcast license	February 10, 2014
TVN Meteo	Satellite broadcast license	June 26, 2013
TVN 7	Satellite broadcast license	February 25, 2012
TVN24	Satellite broadcast license	September 26, 2011

Under our licenses, we must notify KRRiT of, among other matters, acquisitions of interests in other companies in the media industry, the appointment of members to management and supervisory boards, and we must deliver to KRRiT other data concerning our activity, which obligations are imposed by the corresponding law.

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

Restrictions on Foreign Ownership

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

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

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

In accordance with the KRRiT decision dated September 22, 2004, we have received a blanket consent that allows non-EEA residents to acquire our shares, provided that non-EEA residents may not own or control more than 49% of our share capital and 49% of the voting rights. See "Risk Factors—Our commercial activities are subject to a changing regulatory regime and restrictions limiting the ownership of Polish television broadcasters", above.

Foreign ownership of Internet portal operations, which is the core asset in our online activities, is not restricted or regulated by any law or regulations. The only restrictions regarding the ownership and its changes in case of new media companies derive from general regulations of the Polish antimonopoly law.

Restrictions on Programming and Advertising

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

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

Polish broadcasting laws and regulations impose restrictions on the broadcasting of advertisements. Currently, broadcasters are allowed to devote 15% of total airtime per day to advertising, with the amount of advertising airtime per hour limited to 12 minutes. In addition, there are restrictions with respect to advertisements for certain types of products, such as alcohol or pharmaceuticals. Advertisement of tobacco is prohibited.

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

Organizational Structure

TVN Group comprises the following entities:

Entity	Country of incorporation and residence	December 31, 2008 Ownership (%)	December 31, 2008 Voting Power (%)
TVN S.A………………………………..	Poland	n/a	n/a
Discovery TVN ltd..............................	United Kingdom	50	50
Dream Lab Onet.pl Sp. z o.o..............	Poland	100	100
El-Trade Sp. z o.o	Poland	100	100
Grupa Onet Poland Holding B.V.........	The Netherlands	100	100
Grupa Onet.pl S.A..............................	Poland	100	100
Mango Media Sp. z o.o………………	Poland	100	100
Media Entertainment Ventures International Limited..........................	Malta	100	100
Neovision Holding B.V*………………..	The Netherlands	25	25
NTL-Radomsko Sp. z o.o.	Poland	100	100
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Polskie Badania Internetu Sp. z o.o....	Poland	20	20
SunWeb Sp. z o.o………………………	Poland	100	100
Thema Film Sp. z o.o ……………………………	Poland	96	96
Tivien Sp. z o.o.	Poland	100	100
TVN Finance Corporation plc	United Kingdom	100	100

* *Neovision Holding B.V. wholly owns ITI Neovision Sp. z o.o. (Poland), Neovision UK Ltd. (UK), has 99% of Cyfrowy Dom Sp. z o.o. and has 45 % joint venture in MGM Channel Poland Ltd.*

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

We have prepared our financial statements in Złoty and in accordance with IFRS. IFRS differ in certain respects from U.S. GAAP, as discussed under the heading "Summary of Certain Differences Between IFRS and U.S. GAAP" below. We fully consolidate in accordance with IFRS all our subsidiaries.

Impact of Changes in Our Structure on the Reported Results

We purchased a 25% plus one share stake in Neovision Holding B.V., the parent company of ITI Neovision, on June 25, 2008. ITI Noevision owns and operates the 'n' platform. We purchased Mango Media, our teleshopping business, on May 23, 2007. We discuss these acquisitions in more detail elsewhere in this annual report. As a result of these transactions, our financial results for the three and twelve months ended December 31, 2008 are not fully comparable to the financial results for the corresponding periods of 2007. The results for the twelve months ended December 31, 2008 include the financial results of Mango Media for the full year, whereas the comparable period of 2007 includes the financial results of Mango Media for only the period between May 24, 2007 and December 31, 2007. The results for the three months ended December 31, 2008 include our share in the net loss of 'n' DTH platform. Also the results for the twelve months ended December 31, 2008 include our share in the net loss of 'n' DTH platform for the period between June 25, and December 31, 2008. Also, the results for the corresponding periods of 2007 do not include the net losses of 'n' DTH platform. To make the comparison between periods more meaningful, we have specifically identified the impact of these acquisitions, where material, in the period to period comparison.

Our fiscal year ends on December 31. References to "2006", and "2007" and "2008" are to the years ended December 31, 2006, 2007 and 2008 respectively. Unless we indicate otherwise, references to PLN, Dollars and Euro are in thousands.

Summary

The following table provides a summary of our consolidated results for each of the three years ended December 31:

	Year ended December 31,					
(PLN)	2008	2007	2008 vs. 2007 increase/ (decrease) (%)	2007	2006	2007 vs. 2006 increase/ (decrease) (%)
Revenue, net	1,897,309	1,554,729	22.0	1,554,729	1,165,027	33.5
Operating Profit	631,875	482,012	31.1	482,012	348,515	38.3
Net Profit...	363,676	243,308	49.5	243,308	258,825	(6)
Impact on profit, net of tax, of fair value loss/ (gain) on embedded option………………………….........	16,562	87,170	(81.0)	87,170	(26,455)	429,5
Share in the loss of 'n' DTH platform, net of tax	76,509	-	-	-	-	-
Net profit excluding embedded options and our share in the net loss of 'n' DTH platform................	**456,747**	**330,478**	**38.2**	**330,478**	**232,370**	**42.2**

The following table provides a summary of our consolidated results for the three months ended December 31, 2008 and December 31, 2007.

	Three months ended December 31,		
(PLN)	2008	2007	2008 vs. 2007 increase/ (decrease) (%)
Revenue, net	592,298	521,621	13.5
Operating Profit	222,097	193,407	14.8
Net Profit...	87,634	135,844	(35.5)
Impact on profit, net of tax, of fair value loss on embedded option………………………….........	21,163	10,457	102.4
Share in the loss of 'n' DTH platform, net of tax……………………	57,452	-	-
Net profit excluding embedded options and our share in the net loss of 'n' DTH platform................	**166,249**	**146,301**	**13.6**

Three Months Ended December 31, 2008

We estimate that the television advertising market in Poland in the three months ended December 31, 2008 increased 9.5% compared to the corresponding period of 2007.

The principal events of the three months ended December 31, 2008, were as follows:

- Our share in the net television advertising market increased to 30.4%, from 29.1% in the corresponding period of 2007.
- Our aggregated all-day basic commercial target group audience share increased to 23.9% from 23.7% in the corresponding period of 2007.

- The peak time key target group audience share of our TVN channel in 2008 increased to 21.5%, from 21.3% in the corresponding period of 2007. TVN channel was the only nationwide channel to grow its audience share.

- TVN 7 increased its all-day key target group audience share to 2.7% from 2.4% in the corresponding period of 2007.

- Our portal, Onet.pl, increased its average monthly number of real users for the two month period ended November 30, 2008 to 10.0 million, from 9.5 million in the corresponding period of 2007, (all data not in thousands).

- Our net revenue increased 13.5% to PLN 592,298, from PLN 521,621 in the corresponding period of 2007. We recorded an effective increase of 22.5% in the price of gross rating points, or "GRP's", sold on our TVN channel, which was partially offset by a 9.6% decrease in the volume of inventory sold. Onet's cash advertising revenue increased 7.1% to PLN 37,083.

- Mango Media, our teleshopping business, increased revenue by 58.3% to PLN 13,374 in the three months ended December 31, 2008.

- 'n' DTH platform increased its subscribers base by 142,000 in the three months ended December 31, 2008. As of December 31, 2008, 'n' DTH platform had signed up over 500,000 subscribers of which over 493,000 had been activated. In December 'n' recorded a monthly ARPU of PLN 56 (not in thousands) and monthly Adjusted ARPU of PLN 60 (not in thousands).

- On October 3, 2008 a subsidiary of ITI Neovision launched a new pre-paid digital satellite service "Telewizja na kartę". By December 31, 2008, "Telewizja na kartę" had sold over 140,000 access cards and had 92,000 prepaid subscribers. 'n' DTH platform together with TNK had reached a total subscriber number of 585,000 as of December 31, 2008.

- Our operating profit increased 14.8% to PLN 222,097. Our operating margin was 37.5%.

- Our EBITDA increased 13.9% to PLN 242,905, from PLN 213,216 in the corresponding period of 2007. Our EBITDA margin was 41.0%, as compared to 40.9% in the corresponding period of 2007.

- We recorded a net profit of PLN 87,634, compared to PLN 135,844 in the corresponding period of 2007.

- Our net profit, excluding our share in the net loss of 'n' DTH platform and revaluation losses on our embedded options, was PLN 166,249, compared to PLN 146,301 in the corresponding period of 2007.

- Our Net debt to EBITDA ratio as of December 31, 2008 was 1.5. We held PLN 500,483 of cash and cash equivalents, including cash at bank, cash in hand, short-term treasury notes and bank deposits as of December 31, 2008.

- On December 15, 2008, we launched TVN Warszawa, our television channel targeted at Warsaw inhabitants.

- On December 31, 2008, we ceased to operate our TVN Med television channel due to its failure to achieve profitability targets. TVN Med is now available as an educational Internet platform directed to Polish physicians.

Twelve Months Ended December 31, 2008:

We estimate that the television advertising market in Poland increased 14.5% in the twelve months ended December 31, 2008, compared to the corresponding period of 2007.

The principal events of 2008, apart from those detailed above were as follows:

- Our share in the net television advertising market increased to 34.7% from 32.9% in the corresponding period of 2007.

- Our aggregated all-day nationwide audience share increased to 22.0% from 21.8% in 2007.

- Our aggregated all-day basic commercial target group audience share increased to 22.9% from 22.5% in 2007. Our aggregated peak time basic commercial target group audience share increased to 24.9%, from 24.5% in the corresponding period of 2007.

- Our TVN channel increased its peak time basic commercial target group audience share to 20.6%, from 20.3% in the corresponding period of 2007.

- TVN was the only nationwide channel to increase its peak time basic commercial target group audience share in the twelve months ended December 31, 2008.

- Our TVN 7 channel increased its peak time key target group audience share to 3.0% from 2.6% in the corresponding period of 2007.

- Our Internet portal, Onet.pl, increased its average monthly number of real users for the eleven month period ended November 30, 2008 to 9.8 million, from 9.6 million in the corresponding period of 2007. Average monthly time spent on Onet.pl in this period increased to 63.0 million hours from 56.4 million hours in the corresponding period of 2007, (all data not in thousands).

- Our net revenue increased 22.0% to PLN 1,897,309, from PLN 1,554,729 in 2007. We recorded an effective price increase of 29.4% in the price of GRP's sold on our TVN channel, which was partially offset by a 7.1% decrease in the volume of inventory sold. Onet's cash advertising revenue increased 20.8% to PLN 124,012.

- Mango Media, our teleshopping business increased revenue by 172.0% to PLN 50,703 in the twelve months ended December 31, 2008.

- Our operating profit increased 31.1% to PLN 631,875. Our operating margin was 33.3%.

- Our EBITDA increased 28.4% to 711,378, from PLN 554,102 in 2007. Our EBITDA margin was 37.5%, as compared to 33.6% in 2007.

- We recorded a net profit of PLN 363,676, compared to PLN 243,308 in 2007.

- Our net profit, excluding our share in the net loss of ‘n’ DTH platform and revaluation losses on our embedded options, was PLN 456,747, compared to PLN 330,478 in 2007.

- On March 27, 2008, we launched our Plejada.pl Internet vortal, an entertainment vortal which achieved 974 page views in December 2008.

- On May 30, 2008, we ceased to operate our TVN Gra call television channel, due to its failure to achieve profitability targets.

- On June 23, 2008, we issued PLN denominated bonds with a total nominal value of PLN 500,000, bearing interest at a floating rate of WIBOR plus 2.75% margin.

- On June 25, 2008, we completed the acquisition of 25% of the share capital plus one share of Neovision Holding B.V., with an option to acquire control and a pro rata proportion of intercompany loans for a total cash consideration of EUR 95,000.

- On June 30, 2008, we entered into a PLN 200,000 multicurrency loan facility agreement with Bank Pekao S.A. This replaced a senior credit facility agreement with Pekao S.A., signed on July 26, 2006, under which two facilities had been granted to us in the total amount of EUR 50,000.

- On August 12, 2008, we announced a Share Buyback Program. We plan to buy up to a maximum of 35,000 shares or 10% of share capital, and spend no more than PLN 500,000. On October 30, 2008, our Extraordinary General Shareholders Meeting approved our Share Buyback Program. The Share Buyback Program started on November 17, 2008 and will end no later than December 31, 2009. Between November 17, 2008 and January 21, 2009, we purchased 3,903,188 (not in thousands) shares at an average price of PLN 12.81, for a total amount of PLN 50,000.

Summary Historical Financial Data

The following table sets out our summary historical consolidated financial information for the periods presented. You should read the information in conjunction with the annual consolidated financial statements and Operating and Financial Review presented in this annual report.

For your convenience, certain Złoty amounts as of and for the three and twelve months ended December 31, 2008 and 2007 have been converted into Euro at a rate of PLN 4.1724 per €1.00 (the effective National Bank of Poland, or “NBP”, exchange rate on December 31, 2008). 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.

	Three months ended December 31,				Twelve months ended December 31,			
	2007 PLN	2007 Euro	2008 PLN	2008 Euro	2007 PLN	2007 Euro	2008 PLN	2008 Euro
Income Statement data								
Revenue, net	521,621	125,017	592,298	141,956	1,554,729	372,622	1,897,309	454,728
Operating profit	193,407	46,354	222,097	53,230	482,012	115,524	631,875	151,442
Profit before income tax	169,143	40,539	106,709	25,575	297,232	71,238	447,552	107,265
Net profit excluding revaluation of embedded options	146,301	35,064	108,797	26,075	330,478	79,206	380,238	91,132
Net profit	135,844	32,558	87,634	21,003	243,308	58,314	363,676	87,162
Cash Flow Data								
Net cash from operating activities	138,937	33,299	160,246	38,406	419,959	100,652	615,354	147,482
Net cash used in investing activities	(24,237)	(5,809)	(263,509)	(63,155)	(174,751)	(41,883)	(813,388)	(194,945)
Net cash used in financing activities	(96,785)	(23,196)	27,391	6,565	(239,912)	(57,500)	271,513	65,074
Increase/ (decrease)in cash and cash equivalents	17,915	4,294	(75,872)	(18,184)	5,296	1,269	73,479	17,611
Weighted average number of ordinary shares in issue (not in thousands)	345,272,975	345,272,975	348,745,620	348,745,620	345,979,725	345,979,725	348,585,264	348,585,264
Weighted average number of potential ordinary shares in issue (not in thousands)	345,979,725	345,979,725	350,757,285	350,757,285	352,494,544	352,494,544	353,066,178	353,066,178
Basic earnings per share (not in thousands)	0.39	0.09	0.25	0.06	0,70	0.17	1.04	0.25
Basic earnings per share excluding revaluation of embedded option (not in thousands)	0.42	0.10	0.31	0.07	0.96	0.23	1.09	0.26
Diluted earnings per share (not in thousands)	0.39	0.09	0.25	0.06	0.69	0.17	1.03	0.25
Dividend paid or declared per share (not in thousands)	0.00	0.00	0.00	0.00	0.37	0.09	0.49	0.12
Other data								
EBITDA*	213,216	51,102	242,905	58,217	554,102	132,802	711,378	170,496
EBITDA margin	40.9%	40.9%	41.0%	41.0%	35.6%	35.6%	37.5%	37.5%
Operating margin	37.1%	37.1%	37.5%	37.5%	31.0%	31.0%	33.3%	33.3%
Balance Sheet data	**As at December 31, 2007 PLN**	**As at December 31, 2007 Euro**	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**	**As at December 31, 2007 PLN**	**As at December 31, 2007 Euro**	**As at December 31, 2008 PLN**	**As at December 31, 2008 Euro**
Total assets	2,744,925	657,877	3,753,174	899,524	2,744,925	657,877	3,753,174	899,524
Current assets	645,446	154,694	1,201,394	287,938	645,446	154,694	1,201,394	287,938
Non-current liabilities	967,064	231,776	1,637,872	392,549	967,064	231,776	1,637,872	392,549
Current liabilities	348,100	83,429	468,348	112,249	348,100	83,429	468,348	112,249
Shareholders equity	1,429,761	342,671	1,646,954	394,726	1,429,761	342,671	1,646,954	394,726
Share capital	69,455	16,646	69,903	16,754	69,455	16,646	69,903	16,754

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

Revenue

Advertising Revenue

We derive a substantial portion of our revenue from television and online advertising. During the three and twelve months ended December 31, 2008, we derived approximately 78.8% and 77.8% of our total net revenue from commercial television and online advertising, respectively.

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.

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 “gross rating point”, which we refer to in this report as a “GRP”. As applied to Poland, one GRP is equal to 358,000 inhabitants above four years of age. Currently, the majority of our advertising is sold based on our rate card.

Rate-card pricing. During the three and twelve months ended December 31, 2008, we derived 51.2% and 70.0% of our advertising revenue from sales based on rate card pricing, respectively, compared with 50.1% and 28.7% in the corresponding periods of 2007. Advertising priced on a rate-card basis is applied to advertisements scheduled at a specific time. The cost of such advertising is based on the length of the advertisement, the time of the day and the season during which the advertisement is shown. Consistent with industry practice, we provide an incentive rebate on rate-card prices to a number of advertising agencies and their clients.

Cost per GRP pricing. During the three and twelve months ended December 31, 2008, we derived 48.8% and 30.1% of our advertising revenue from sales of GRP packages, respectively, compared with 49.9% and 71.3% in the corresponding periods of 2007. Advertising priced on a cost per GRP basis allows an advertiser to specify the number of gross ratings points that it wants to achieve with its advertisement within a defined period of time. We schedule the timing of the airing 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 programming time. The price per GRP package varies depending on the demographic group that the advertisement is targeting, the flexibility given to us by advertisers in scheduling their advertisements and the rebates we offer to advertising agencies and their clients. GRP package sales generally allow for better inventory management than rate-card pricing and optimize the net price per GRP achieved. 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).

We usually schedule specific advertisements one month in advance of broadcasting them. 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 peak advertising seasons, we tend to sell over 89.7% of peak-time advertising spots on our TVN channel and over 62.4% of non-peak-time advertising spots. During the off-peak viewing seasons, we tend to sell approximately 96.4% of peak-time advertising spots on our TVN channel and over 64.4% of our non-prime-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 rebates.

Online Advertising Services

We sell the majority of our online advertising services through media houses.

We derive most of our online advertising revenue from the sale of online display advertising through products which include, among others, the display of rich media advertisements, display of text-based links to advertisers' websites (search engine marketing), and e-commerce based transactions.

Display of advertisements. We generate revenue related to the display of advertisements on the Onet.pl websites, Zumi.pl, Plejada.pl, TVN24.pl vortals and also on the websites of our business partners, who integrate our contextual offering of OnetKontekst into their websites as "impressions" are delivered. An "impression" is delivered when an advertisement appears in pages actually viewed by users.

Display of text based links to advertisers' websites. We generate revenue from the display of text-based links to the websites of our advertisers, which are placed on the Onet websites, and OnetKontekst websites. We recognize revenue from these arrangements as "click-throughs" occur. A "click-through" occurs when a user clicks on an advertiser's listing.

E-commerce based transactions. Advertising revenue also includes transaction revenue, which is generated from facilitating e-commerce transactions through the Onet websites. We recognize transaction revenue when there is evidence that qualifying transactions have occurred, for example, when an order is placed through Onet.pl's Shopping Mall.

Online directory services. Advertising revenue also includes revenue from the sale of online directory services on Zumi.pl, including text-based links, banners, rich media and other forms of Internet advertising. Payments for services are collected upfront. We recognize revenue over the period when the services are provided.

In order to provide flexibility to our customers, we offer our online advertising services priced on several models, including cost per mille, or "CPM", flat (paid per period of exposure), cost per click, or "CPC", cost per action, or "CPA"-like, and their hybrids. The majority of our online advertising services sales are done on a "CPM" basis.

Cost per mille (CPM). Advertisements purchased on a CPM basis are priced on an impressions basis–the advertiser pays for the number of ad impressions ordered and delivered on specific Onet.pl websites. An “impression” is delivered when an advertisement appears in pages actually viewed by users. The minimum amount of impressions an advertiser can buy is 1,000 (mille).

Flat fee pricing. Advertisements priced on a flat fee basis are displayed for a period of time, specified by the advertiser.

Cost per click (CPC). In the CPC model, advertisers pay based on the number of times users click on the advertisement.

Cost per action (CPA). In the CPA model, advertisers pay based on the nature of the action the user takes. For example such payments could be based on whether a user orders a product or registers in a database.

Occasionally, we enter into transactions pursuant to which we exchange advertising time for goods and services, such as advertising in other media, Internet and television content. We record such barter transactions at fair market value of the goods or services received. Barter transactions represented approximately 1.5% and 1.3% of our revenue in the three and twelve months ended December 31, 2008, respectively.

Subscription Fees from Satellite and Cable Operators

We also generate revenue from the sale of licenses granting digital satellite platform and cable operators the right to distribute our channels’ programming content to subscribers to their respective services. During the three and twelve months ended December 31, 2008, approximately 6.0% and 6.6%, respectively, of our total net revenue came from such distribution license fees. 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 Revenue

Other sources of revenue accounted for approximately 15.2% and 15.6% of our revenue in the three and twelve months ended December 31, 2008, respectively. These sources include revenue generated from sponsorship, call television, online fee revenue, teleshopping and cinema distribution of films we produce:

- sponsorship accounted for 7.9% and 7.2% of our revenue in the three and twelve months ended December 31, 2008, respectively. We generate revenue from sponsors by displaying their logos either immediately before or immediately after the show they have selected. We typically have no more than three sponsors per show;

- sales of goods/teleshopping accounted for approximately 1.9% and 2.7% of our revenue in the three and twelve months ended December 31, 2008, respectively. We generate revenue from sales of products offered in a particular show on our channels, primarily TVN and TVN 7, on Mango Media, our dedicated teleshopping channel and on the related Internet site;

- call television accounted for 2.3% and 2.2% of our revenue in the three and twelve months ended December 31, 2008, respectively. Viewers can call in or send a text message to a live show and win prizes. We charge the callers per call or per text message at a premium rate;

- online fee revenue accounted for 1.0% and 1.3%, of our revenue in the three and twelve months ended December 31, 2008, respectively. We generate fee revenue from our online business, which comprises revenue generated from a variety of consumer and business fee-based services. These sources include, among others, revenue from paid thematic services (access to premium content), sale of premium e-mail accounts, hosting services, registration and sale of Internet domains, fees from auction services, classifieds and dating services and sale of Internet access. Fee revenue also includes sales of telecommunications services under such brands as OnetSkype, and OnetTelefon. We recognize online fee revenue upon performance of the applicable service.

- sales of rights to programming content, including cinema distribution of films we produce; and

- sales of up-link and play-out services and other technical services to 'n' platform also contribute to other revenue.

We share revenue that we generate from text messages, call television and teleshopping with the corresponding service provider, such as the telecommunications company or the supplier of merchandise.

Expenses

The majority of our operating expenses, 51.6% and 49.7% in the three and twelve months ended December 31, 2008, respectively, related to acquisition and production of television programming and Internet content. During the three and twelve months ended December 31, 2008, we produced locally approximately 56.8% and 56.0%, respectively, of our programming content on our TVN channel. We commissioned and produced locally through third parties 20.2% and 19.0%, respectively, of our programming content, and we acquired 23.0% and 24.9%, respectively, of our programming content from third parties.

Our operating expenses consist primarily of the following:

- amortization of television programming costs, which accounted for 65.6% and 65.1% of our cost of revenue in the three and twelve months ended December 31, 2008, respectively, and which comprises amortization of production costs for television programs specifically produced by or for us, either under licenses from third parties or under our own licenses, amortization of rights to television programming content produced by third parties and licensed to us, and, the cost of production of Internet content.

  Amortization is based on the estimated number of showings and the type of programming content. For example, we use different bases of amortization for films, series, animated films and current events. Consequently, we expense programming costs either at the time of the initial broadcast in the case of news and current events programs or, in the case of films, documentaries and other programs, which are typically shown up to four times, by the earlier of the end of the third run or the end of the license. Costs related to Internet content are amortized 100% once the related services or information goes live. For further details on our amortization policy see Note 2.12 to our consolidated financial statements for the twelve months ended December 31, 2008.

- costs of services and goods sold;

- broadcasting costs, which mainly comprise rental costs for satellite and terrestrial transmission capacity;

- employee salaries;

- stock option plan expenses;

- royalties payable to unions of artists and professionals in the entertainment industry such as ZAiKS, a union of writers, composers and performers in Poland and PISF, the Polish Film Institute;

- depreciation of television and broadcasting and Internet equipment;

- marketing and research costs;

- rent and maintenance costs for our premises;

- consulting fees for technical, financial and legal services; and

- a service fee payable pursuant to the Services Agreement, dated July 22, 2004, between us and ITI Group that was extended for 2008 by our supervisory board resolution passed on December 17, 2007. Our supervisory board, in the resolution passed on December 11, 2008, approved continuance of the of Services Agreement in 2009.

Costs of revenue comprise primarily television programming and broadcasting expenses, royalties and Internet content related expenses.

Factors Affecting our Revenue and Costs

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 in Poland is sold through centralized media buyers who receive volume rebates and agency commissions on sales made through them, most advertising in Poland 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. Although the aggregate total of these discounts and rebates is not publicly available, we estimate that net television advertising expenditure was close to 67% and 65% of the reported gross television advertising expenditure in the three and twelve months ended December 31, 2008, respectively. The Polish television advertising market is very competitive. The policies and behavior of our competitors relating to pricing and scheduling may result in changes in our own pricing and scheduling practices, and thus may affect our revenue.

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

Seasonality of television advertising. Television viewing in Poland tends to be seasonal, with autumn and spring attracting a greater number of viewers than summer months, 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, 2008, we generated approximately 30.9% of our television segment advertising revenue in the first quarter, 19.7% in the second quarter, 17.7% in the third quarter and 31.7% in the fourth quarter. In addition, television viewing in Poland fluctuates from month to month and from year to year. The number of GRPs we have available for sale is partly determined by the average number of minutes watched by the average Polish viewer, which we refer to as the ATV level. Consequently, if the ATV level increases our GRP inventory increases, and if the ATV level falls our GRP inventory decreases. During the three and twelve months ended December 31, 2008 the ATV level (for audience aged 16 to 49, all day) was 205 and 188, compared to 215 and 210 in the corresponding period of 2007.

Seasonality of Internet advertising. Internet usage in Poland is constantly growing, but, similar to television, tends to be seasonal, with autumn and spring attracting a greater number of users than summer months, when the Internet competes with a large number of other leisure activities. During the summer months, when there is a relative decline in usage, advertisers reduce expenditure on media advertising, including spending on online advertising services. Consequently, online advertising sales in Poland tend to be at their lowest level during the third quarter of each calendar year. Conversely, online advertising and other online marketing services sales are typically at their highest during the fourth quarter of each calendar year. During 2008, Onet generated approximately 19.8% of its total online revenue in the first quarter, 24.9% in the second quarter, 22.3% in the third quarter and 33.0% in the fourth quarter.

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 rate in times of recession. We cannot predict the likelihood that these trends will continue, in particular we cannot predict what effect the current global crisis may have on the growth rate of the Polish economy or on us. Apart from seasonality as discussed above, 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.

Availability and cost of attractive programming content. 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 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 which appeals to our target audience. According to AGB, together our channels captured an average of 22.6% and 22.0% of Poland's nationwide all-day audience in the three and twelve months ended December 31, 2008, respectively, and our TVN channel achieved 21.5% and 20.6% of our key target group peak time audience in the three and twelve months ended December 31, 2008, respectively. We believe our substantial market share of Poland's television viewing audience results from an attractive programming offer, which enables us to obtain a higher number of GRPs in a more efficient manner, which 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 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. 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.

Other Factors Affecting our Results

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, to a lesser extent Dollars. The estimated net profit (post-tax) impact on the major Euro and Dollar denominated balance sheet items of a Euro and Dollar appreciation of 15% against the Złoty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, is PLN 92.702. On October 13, 2008, we entered into currency option transactions with a nominal value of EUR 225,000, a PLN/EUR corridor between 3.30 and 3.60 and a maturity date of January 15, 2009. In September 2008, we entered into Dollar put and call options to limit the impact on our net results of PLN/USD exchange rate movements in relation to payments for programming rights up till end of 2009. The hedging strategy based on USD put and call options had notional value of USD 40,479, maturity dates between March 23, 2009, and December 22, 2009, and PLN/USD corridor between 2.10 and 2.45. We do not use hedge accounting for our dollar option. Fair value of dollar options as at December 31, 2008 was settle based on its valuation by our banks. Change in an option fair value was stated in an income statement.

Taxation. We are subject to corporate taxation in Poland. Deferred income taxes on our balance sheet relate to timing differences between the recognition of income and expenses for accounting and tax purposes as of the balance sheet date. Our deferred tax assets principally relate to Onet's tax credit arising from investment in special economic zone, and non-deductible provisions and accruals. The recognition of deferred tax assets depends on our assessment of meeting conditions of operatin in special economic zone and the likelihood of future taxable profits in respect of which deductible temporary differences and tax-loss carry forwards can be applied.

Revaluation of embedded options. We may redeem all or part of our Senior Notes starting December 15, 2008 at a redemption price of 104.75% of nominal value, starting

December 15, 2009 at 103.167% of nominal value, starting December 15, 2010 at 101.583% of nominal value and starting December 15, 2011 and thereafter at 100.000% of nominal value. We value these early redemption options and recognize them as an asset. The valuation is performed using the Brace-Gątarek-Musiela model, and the resultant value is based primarily upon the quoted price for our Senior Notes.

On February 8, 2008 we repurchased Senior Notes with a nominal value of Euro 10,000 for an amount of Euro 10,200 (PLN 36,587). On October 24, 2008 we repurchased Senior Notes with a nominal value of Euro 10,000 for an amount of Euro 9,400 (PLN 34,141). We accounted for the repurchase as a derecognition of the corresponding part of our Senior Notes liability. As a result, the difference between the consideration paid and the carrying amount corresponding to the Senior Notes repurchased was recognized in the income statement within finance expense. The nominal value of the remaining Senior Notes is Euro 215,000.

During 2008 the trading price of our Senior Notes decreased from 104.5 as of December 31, 2007 to 84.0 as of December 31, 2008. We recognized a non-cash finance loss on revaluation of our early redemption options of PLN 20,447. As of December 31, 2008, the asset carrying value is PLN 0.

Following the repurchase of Euro 20,000 of our Senior Notes the valuation of the embedded option as of December 31, 2008 relates to the remaining part of the Senior Notes which has a nominal value of Euro 215,000.

Investment in 'n' DTH platform. We acquired from our dominant shareholder, ITI Media Group N.V., for a total cash consideration of EUR 95,000, 25% of the share capital, plus one share, of Neovision Holding B.V., a company registered in Amsterdam, the Netherlands. Neovision Holding B.V. is the sole shareholder of ITI Neovision, which owns and operates 'n' DTH platform in Poland. The consideration of EUR 95,000 included a pro-rata share of shareholder loans granted to ITI Neovision and an option to acquire control after three or four years. Our investment is classified as an investment in an associate and accounted for using the equity method.

PLN bond issue. On June 23, 2008, we issued PLN denominated bonds with a nominal value of PLN 500,000. We issued 5,000 bonds (not in thousands) of a nominal value of PLN 100,000 (not in thousands), with a redemption date of June 14, 2013 and with a right for us to request early redemption on either the third or fourth anniversary of the issue. The interest on the bond is calculated and paid in cash semi-annually, on the bond nominal value, at a variable interest rate equal to 6-month WIBOR plus 2.75%.

Financial Condition and Results of Operations

Financial Condition

Our property, plant and equipment increased by PLN 97,232, or 38.9%, to PLN 347,400 as of December 31, 2008, from PLN 250,168 as of December 31, 2007. This increase related primarily to the purchase of television broadcasting and other technical equipment of PLN 67,745, the purchase of vehicles of PLN 12,730, the purchase of land of PLN 8,103 and the construction of television studios and data centre of PLN 47,107, partially offset by depreciation charge for the year of PLN 60,117.

Our other intangible assets increased by 5,827, or 11.4%, to PLN 56,796 at December

31, 2008, from PLN 50,969 at December 31, 2007, primarily as a result of software purchases of PLN 20,988 and recognition of internally generated software of PLN 5,975, partly offset by amortization charge for the year of PLN 21,271.

Our investments in associates increased to PLN 120,076 at December 31, 2008, from PLN 83 at December 31, 2007. This increase resulted mainly from our investment in 'n' DTH platform and which consists of PLN 214,433 of an initial investment, decreased by our share in the net loss of 'n' DTH platform of PLN 94,455 for the period between June 25, 2008 and December 31, 2008.

Our loans to associate increased to PLN 179,138 as at December 31, 2008. This amount mainly comprises a loan of PLN 109,384, to 'n' DTH platform which was assigned to us at the initial investment date, loans of PLN 28,180 granted during the period from acquisition to December 31, 2008 and PLN 35,807 of foreign exchange gains recorded on the outstanding loan balance as of December 31, 2008 and accrued interest of 5.767 PLN.

Our deferred tax asset increased by PLN 21,878 to PLN 34,515 at December 31, 2008, from PLN 12,637 at December 31, 2007, which was mainly related to our share in the net loss of 'n' DTH platform.

Our current and non-current programming rights inventory increased PLN 40,461, or 13.2%, to PLN 347,417 at December 31, 2008, from PLN 306,956 at December 31, 2007. The increase was primarily due to a PLN 43,438 increase in our locally produced programming inventory. In 2008, we produced new series and films which will be aired on television or distributed in cinemas in 2009. This increase was partly offset by the fact that in 2008 we aired more acquired programs than we purchased in that period.

Our derivative financial assets increased by PLN 125,598 to PLN 149,865 at December 31, 2008, from PLN 24,267 at December 31, 2007. This balance represents the fair value of our currency option agreements hedging our PLN/EUR and PLN/USD foreign exchange exposure. The increase in the fair value of these currency options resulted from a significant depreciation of PLN/EUR and PLN/USD exchange rates as of December 31, 2008. This increase was partly offset by a decrease in the value of the prepayment options embedded in our Senior Notes at December 31, 2008, which decreased to PLN 0 as at December 31, 2008, from PLN 20,447 as of December 31, 2007, reflecting the decline in the price of our Senior Notes from 104.5 as at December 31, 2007 to 84 as of December 31, 2008.

Our prepayments and other assets increased by PLN 19,686, or 62.3% to PLN 51,286 at December 31, 2008, from PLN 31,600 at December 31, 2007. This increase was partly due to an increase in prepayments for programming of PLN 9,021 and partly due to the expansion of our teleshopping activities and the related purchases of merchandise held for resale.

Cash and cash equivalents increased by PLN 74,495, or 67.5%, to PLN 184,867 at December 31, 2008, from PLN 110,372 at December 31, 2007, partly due to the issue of PLN Bonds of PLN 500,000 and partly due to an increase in cash generated from operations of PLN 203,303. These increases were partly offset by investing activities, in particular the acquisition of a 25% plus one share stake in 'n' DTH platform for Euro 95,000 in May 2008.

Our available for sale financial assets increased to PLN 315,616 at December 31, 2008. This amount represents our investment in Polish government short-term treasury bills.

Our share premium increased by PLN 39,478, to or 6.97%, to PLN 605,805 at December 31, 2008, from PLN 566,327 at December 31, 2007, due to the shares we issued to the participants in our share option program.

Our treasury shares amounted to PLN 37,428. This amount represents our shares which we purchased within our Share Buyback Program.

Our other reserves increased by PLN 22,215, or 25.6%, to PLN 109,048, from PLN 86,833. This increase is due to the recognition of the fair value of share options granted under our stock option plan, partially offset by the issue of shares under the terms of the plan.

Our non-current borrowings (including Senior Notes liability, the PLN Bonds liability and Bank Loan liability), excluding accrued interest, increased by PLN 673,512, or 85.2% to PLN 1,463,900 at December 31, 2008, from PLN 790,388 at December 31, 2007, mainly because we issued PLN bonds with a total nominal value of PLN 500,000 on June 23, 2008, and partly due to the fact we drew down PLN 110,000 of our bank Loan Facility. The increase was also partly due to an increase of PLN 130,605 in our Senior Notes liability as a result of depreciation of the Złoty to Euro exchange rate as of December 31, 2008 compared to December 31, 2007, partly offset by the repurchase of Senior Notes of a total nominal value of EUR 20,000 during 2008.

Our current trade payables increased by PLN 30,798, or 27.7%, to PLN 141,905 as of December 31, 2008, from PLN 111,107 as of December 31, 2007. This increase is primarily due to higher level of property, plant and equipment payables.

Our corporate income tax payable decreased by PLN 2,664 to PLN 40,559 at December 31, 2008, from PLN 43,223 at December 31, 2007, primarily due to the fact that we paid more income tax in advance in 2008 than in 2007.

Our overdraft facility liability increased to PLN 48,733 as of December 31, 2008. This amount was borrowed by us under our Loan Facility agreement.

Our other liabilities and accruals increased by PLN 39,055 to PLN 229,493 as of December 31, 2008, from PLN 190,438 as of December 31, 2007. The increase was primarily due to higher provisions for revenue related rebates and discounts.

Results of Operations

Three Months Ended December 31, 2008 Compared to Three Months Ended December 31, 2007

Revenue, net. Our net revenue increased by PLN 70,677, or 13.5%, to PLN 592,298 in the three months ended December 31, 2008, from PLN 521,621 in the corresponding period of 2007. This increase resulted primarily from an increase in advertising revenue of 10.8%, a 48.0% increase in subscription fees from satellite and cable operators and an increase in sponsoring revenue of 22.9%.

During the three months ended December 31, 2008, advertising revenue increased by PLN 45,394, or 10.8%, to PLN 466,699, from PLN 421,305 in the corresponding period of 2007. This increase was primarily due to an increase of PLN 34,828 in the net advertising revenue of our TVN channel, which recorded an effective price increase of 22.5% in the price of GRP's sold. This increase was partially offset by a 9.6% decrease in the volume of inventory sold.

Our other channels contributed PLN 4,835, or 9.0%, more in advertising revenue than in the corresponding period in 2007. Our yellow pages portal Zumi.pl increased its advertising revenue by PLN 5,549, or 557.1%. Our portal, Onet.pl increased its advertising revenue by PLN 1,999,or 4.2%.

During the three months ended December 31, 2008, non-advertising revenue increased by PLN 25,283, or 25.2% to PLN 125,599, from PLN 100,316 in the corresponding period of 2007. The increase was primarily due to a 48.0% increase in subscription fees from satellite and cable operators, a 22.9% increase in sponsoring revenue and a 58.3% increase in the revenue from sale of goods.

Subscription fees from satellite and cable operators increased by PLN 11,568, or 48.0% to PLN 35,655, in the three months ended December 31, 2008, from PLN 24,087 in the corresponding period of 2007. The increase in subscription revenue was primarily due to an increase in the number of subscribers for our pay channels, which on average have increased by approximately 1.0 million (not in thousand) subscribers and partly due to the significant PLN/EUR exchange rate depreciation in the fourth quarter of 2008. Subscriber fees are primarily denominated in Euro or PLN. We also recorded a 22.9% increase in sponsoring revenue due to an increase in the number of sponsored shows and an increase in sponsoring prices.

We recorded a 58,3%, increase in the revenue from sale of goods which primarily resulted from a PLN 4,093, or 58.3%, increase in teleshopping revenue in Mango Media.

Cost of revenue. Cost of revenue increased by PLN 38,872, or 15.4% to PLN 291,042 in the three months ended December 31, 2008, from PLN 252,170 in the corresponding period of 2007. This increase was partly due to an increase of PLN 16,765 in the amortization of locally produced content. This increase reflects our decision to strengthen our TVN channel schedule to improve our market position in terms of audience share as well as our share of the net advertising market. Our programming investment in TVN channel increased its all day audience share in the basic commercial target group to 18.7% from 18.4% in the corresponding period of 2007. TVN was the only nationwide channel to increase its audience share in this group in the three months ended December 31, 2008.

The increase in our cost of revenue was also partly due to an increase in our amortization of acquired programming rights and co-productions of PLN 4,379. This increase is mainly due to our decision to broadcast more first runs of acquired series and films on our TVN 7 channel.

Our programming staff expenses increased by PLN 6,122, or 40.8%, to PLN 21,121, from PLN 14,999 in the corresponding period of 2007. The increase in programming staff expenses is partly because we created an in-house film and series script development and production unit to produce films and series where we own all rights, and partly attributable to an 18.1% increase in programming related salaries on average.

We also recorded an increase in the costs of goods and services sold of PLN 3,373, primarily resulting from increased volumes of merchandise sold by Mango Media and partly due to the cost of services we deliver to the ‘n’ DTH platform.

As a percentage of net revenue, our cost of revenue increased in the three months ended December 31, 2008 to 49.1% compared to 48.3% in the corresponding period of 2007.

Selling expenses. Our selling expenses decreased by PLN 1,251, or 3.0%, to PLN 40,311 for the three months ended December 31, 2008, from PLN 41,562 in the corresponding period of 2007. This decrease resulted primarily from a decrease of PLN 1,575 in marketing expenses in our TVN channel, due to a shift in the timing of our TVN autumn schedule marketing campaign, which took place in August and September in 2008, compared to September and October in 2007. The decrease in selling expense is also partly due to a lower level of impaired accounts receivable than in the corresponding period of 2007. This was partly offset by an increase in staff expenses of PLN 3,562, due to both salary and headcount increases.

As a percentage of net revenue, our selling expenses decreased to 6.8% in the three months ended December 31, 2008, from 8.0% in the corresponding period of 2007.

General and administration expenses. Our general and administration expenses increased by PLN 4,573, or 13.4%, to PLN 38,650 for the three months ended December 31, 2008 compared with PLN 34,077 in the corresponding period of 2007, partly due to an increase in staff expenses of 13.6%, to PLN 22,497, from PLN 19,807 in the corresponding period of 2007, due to increases in both headcount and salaries, and partly due to an increase in other administrative costs of PLN 1,341.

As a percentage of net revenue, our general and administration expenses were 6.5% in the three months ended December 31, 2008 and 2007.

Operating profit. Operating profit increased by PLN 28,690, or 14.8% to PLN 222,097 for the three months ended December 31, 2008, from PLN 193,407 in the corresponding period of 2007. This increase was primarily due to the fact that the increase in our revenue was significantly higher than the increase in operating expenses.

Our operating margin in the three months ended December 31, 2008 increased to 37.5% from 37.1% in the corresponding period of 2007.

Investment income, net. We recorded investment income, net of PLN 66,217 for the three months ended December 31, 2008, compared to investment income, net of PLN 7,756 in the corresponding period of 2007.

This increase was primarily due to the foreign exchange gains of PLN 29,270 we recorded in the three months ended December 31, 2008, mainly on Euro denominated loans due to us by 'n' DTH platform, compared to foreign exchange gains of PLN 6,526, in the three months ended December 31, 2007, and partly due to revaluation gains on our Dollar currency options of PLN 24,793, reflecting the depreciation of PLN against Dollar during the three months ended December 31, 2008.

Finance expense, net. We recorded finance expense net of PLN 106,222 for the three months ended December 31, 2008, compared to finance income net of PLN 32,029 in the corresponding period of 2007.

We recognized foreign exchange losses on our Senior Notes of PLN 170,844 in the three months ended December 31, 2008, compared to foreign exchange gains of PLN 45,672 in the corresponding period of 2007. We also recorded a net gain of PLN 128,873 on our Euro currency options entered into to hedge potential foreign exchange losses on our Senior Notes.

The increase in finance expense, net was also partly due to higher revaluation losses on the prepayment options embedded in our Senior Notes. We recorded a non-cash loss on our embedded options of PLN 26,127, compared to a loss of PLN 12,910 in the corresponding period of 2007. The losses are primarily due to a decrease in the market price of our Senior Notes from 103.57 as of September 30, 2008 to 84.0 as of December 31, 2008.

Our interest expense increased by PLN 10,823 to PLN 37,138 in the three months ended December 31, 2008, from PLN 26,315 in the corresponding period of 2007. This increase results primarily from PLN 11,906 of interest expense on our PLN Bonds and partly from PLN 2,176 of interst expense on our Loan Facility. This was partly offset by withholding tax on our Senior Notes of PLN 4,363 recognized in December 2007 with respect to the entire 2007. In 2008 we recognized this cost on a monthly basis.

Share of loss of associate. Our share of loss of associate amounted to PLN 75,383 in the three months ended December 31, 2008. This amount represented primarily our share in the net loss of the 'n' DTH platform for the three months ended December 31, 2008, which amounted to PLN 75,398 and was mainly due to unrealized foreign exchange losses on revaluation of Euro denominated loans due to us.

Profit before tax. Our profit before tax decreased to PLN 106,709 for the three months ended December 31, 2008, from PLN 169,143 in the corresponding period of 2007. Excluding our share of the losses of 'n' DTH platform, our profit before tax was PLN 182,107. This decrease results partly from our share in the net loss of 'n' DTH platform and partly from higher finance expense, net. The decrease was partly offset by higher operating profit and higher investment income.

Income tax benefit/charge. For the three months ended December 31, 2008, we recorded a total income tax charge of PLN 19,075, compared to an income tax charge of PLN 33,299 in the corresponding period of 2007. The effective tax rate decreased to 17.9% for the three months ended December 31, 2008, from 19.7% in the corresponding period of 2007. This decrease results partly from higher tax deductions recognized under tax relief obtained by Onet in a special economic zone and partly from one-off interest and penalties receivable but not received from tax authorities. Additionally our effective tax rate was decreased by lower non-tax deductible costs related to our stock option plan.

Net profit. Our net profit was PLN 87,634 for the three months ended December 31, 2008, compared to PLN 135,844 in the corresponding period of 2007. Excluding the impact of revaluation of embedded options and our share in the net loss of 'n' DTH platform, our net profit increased by PLN 19,948, or 13.6%, to PLN 166,249 in the three months ended December 31, 2008, from PLN 146,301 in the corresponding period of 2007.

The table below summarizes net profit and adjusted net profit for the three months ended December 31, 2008 and 2007:

	Three months ended December 31,	
	2008	**2007**
	PLN	**PLN**
Net profit as reported	87,634	135,844
Share in the net loss of 'n' DTH platform, net of tax	57,452	-
Impact of embedded options, net of tax	21,163	10,457
Net profit excluding embedded options and our share in the net loss of 'n' DTH platform	166,249	146,301

Results by Business Segment

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

The table below sets forth summarized financial results by segment for the three months ended December 31, 2008 and 2007:

	Television Broadcasting & Production		Online		Unallocated		Total	
	Three months ended December 31, 2008	**Three months ended December 31, 2007**	**Three months ended December 31, 2008**	**Three months ended December 31, 2007**	**Three months ended December 31, 2008**	**Three months ended December 31, 2007**	**Three months ended December 31, 2008**	**Three months ended December 31, 2007**
Revenue from external	531,491	469,342	60,807	52,279	-	-	592,298	521,621
Inter-segment revenue	5,046	3,999	3,115	1,800	(8,161)	(5,799)	-	-
Total revenue	**536,537**	**473,341**	**63,922**	**54,079**	**(8,161)**	**(5,799)**	**592,298**	**521,621**
Segment result	219,921	188,972	14,074	11,988	(11,900)	(7,553)	222,097	193,407
Segment result excluding stock option plan expense	226,659	194,837	15,545	15,354	(10,665)	(5,796)	231,539	204,395
EBITDA*	235,115	203,955	19,691	16,815	(11,901)	(7,555)	242,905	213,215
EBITDA* excluding stock option plan expense	241,853	209,820	21,162	20,181	(10,668)	(5,799)	252,347	224,202
EBITDA* margin	43.8%	43.1%	30.8%	31.1%	-	-	41.0%	40.9%
EBITDA* margin excluding stock option plan expense	45.1%	44.3%	33.1%	37.3%	-	-	42.6%	43.0%

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

Unallocated expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities.

Television Broadcasting and Production

The table below sets forth summarized financial results of our Television broadcasting and production segment for the three months ended December 31, 2008 and 2007:

	Three months ended December 31,							
	2008				2007			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	410.571	212.658	51,8%	53,4%	365.876	181.775	49,7%	51,4%
TVN 24	52.496	21.505	41,0%	43,0%	48.176	19.245	39,9%	41,9%
Other television channels	74.679	(2.480)	(3,3%)	(2,9%)	61.445	3.105	5,1%	5,4%
Total	**537.746**	**231.683**	**43,1%**	**44,6%**	**475.497**	**204.125**	**42,9%**	**44,5%**
Consolidation adjustment (inter and intra segment)	(1.208)	3.432	-	-	(2.156)	(170)	-	-
Total segment	**536.538**	**235.115**	**43,8%**	**45,1%**	**473.341**	**203.955**	**43,1%**	**44,3%**

Television broadcasting and production revenue in the three months ended December 31, 2008 increased by PLN 63,197, or 13.4%, to PLN 536,538, compared to PLN 473,341 in the corresponding period of 2007. This increase was primarily due to an increase of PLN 34,828 in the net advertising revenue of our TVN channel, primarily due to an effective price increase of 22.5% in the price of GRP's sold. This increase was partially offset by an 9.6% decrease in the volume of inventory sold. Our TVN channel also recorded a 44.7% increase in sponsoring revenue due to an increase in the number of sponsored shows and an increase in sponsoring prices.

TVN 24 increased its revenue by PLN 4,320, or 9.0%, mainly due to an increase in subscription fees from satellite and cable operators, which increased by 61.7% to PLN 21,974 in the three months ended December 31, 2008, from PLN 13,588 in the corresponding period of 2007, primarily due to an increase in the number of subscribers by 0.9 million (not in thousands) on average. This was partly offset by a decrease of PLN 822 in advertising revenue and a decrease of PLN 2,390 in sponsoring revenue.

Our other channels revenue increased by PLN 13,234, or 21.5%, to PLN 74,679 for the three months ended December 31, 2008. This increase was primarily attributable to an increase in advertising revenue of PLN 4,421 in our TVN 7 channel, an increase of PLN 2,579 in subscription fees from satellite and cable operators in our TVN Turbo and TVN Style channels, higher by PLN 2,152 total revenue generated by our TVN CNBC Biznes channel and an increase of PLN 4,094 in teleshopping revenue.

EBITDA increased by PLN 31,160, or 15.3%, to PLN 235,115 in the three months ended December 31, 2008, from PLN 203,955 in the corresponding period. TVN channel EBITDA excluding stock option plan expenses, increased by 16.6% to PLN 219,200, with an EBITDA margin, excluding stock option plan expenses, of 53.4%. EBITDA, excluding stock option plan expenses for TVN 24 increased by 11.8% to PLN 22,573, from PLN 20,192 in the corresponding period of 2007, and EBITDA margin, excluding stock option plan expenses, was 43.1%.

Other television channels recorded a loss of PLN 2,480 at the EBITDA level for the three months ended December 31, 2008, compared to a profit of PLN 3,105 in the corresponding period of 2007. The decrease in profitability is primarily due to the launch of our TVN Warszawa channel. Excluding the start up losses of this channel and EBITDA of our TVN Med channel, which we ceased to operate in 2008, other television channels increased EBITDA by 140.6% to PLN 10,842, from PLN 4,505.

Online Segment

The table below sets forth summarized financial results of our Online segment for the three months ended December 31, 2008 and 2007:

	Three months ended December 31,							
	2008				2007			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	58,898	21,545	36.6%	46.5%	53,489	22,091	41.3%	54.9%
Other	10,117	363			2,480	(5,521)	-	-
Total	**69,015**	**21,908**	**31.7%**	**47.5%**	**55,969**	**16,570**	**29.6%**	**47.4%**
Consolidation adjustment (inter and intra segment)	(5,093)	(2,217)	-	-	(1,890)	244	-	-
Total segment	**63,922**	**19,691**	**30.8%**	**44.9%**	**54,079**	**16,815**	**31.1%**	**49.7%**
Total segment - cash	**54,392**	**24,448**	**-**	**44.9%**	**46,127**	**22,933**	**-**	**49.7%**

Online revenue increased by PLN 9,843, or 18.2%, to PLN 63,922 in the three months ended December 31, 2008, from PLN 54,079 in the corresponding period of 2007. Online cash revenue (revenue excluding barter revenue) increased by PLN 8,265, or 17.9%, to PLN 54,392 partly due to an increase in cash revenue in Zumi.pl of PLN 5,327. Revenue of our Internet vortals, presented above as ‘Other’ increased by PLN 7,637, or 308% to PLN 10,117 in the three months ended December 31, 2008, from PLN 2,480 in the corresponding period of 2007 and represented revenue of our new products such as Zumi.pl, TVN24.pl and Plejada.pl.

Segment EBITDA increased by PLN 2,876, or 17.1%, to PLN 19,691 in the three months ended December 31, 2008. EBITDA margin decreased to 30.8% from 31.1% in the corresponding period of 2007. Online cash EBITDA (EBITDA excluding barter and stock option plan expenses) was PLN 24,448, compared to PLN 22,932 in the corresponding period of 2007.

Segment cash EBITDA margin was 44.9%, compared to 49.7% in the corresponding period of 2007. EBITDA of our Internet vortals presented above as 'Other' increased by PLN 5,884 to PLN 363 in the three months ended December 31, 2008, primarily due an improvement in the profitability of Zumi.pl, our online directory service launched on April 12, 2007.

Unallocated

The unallocated items consist primarily of head office expenses, the portion of stock option plan expenses which is not allocated to television broadcasting and production and Online segment and elimination of intersegment revenue and costs. Unallocated loss was PLN 11,900 in the three months ended December 31, 2008, compared to PLN 7,553 in the corresponding period of 2007. The increase is primarily due to a higher level of cross-promotion activities between our segments, partly offset by lower cost of consulting services for corporate purposes.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue, net. Our net revenue increased by PLN 342,580, or 22.0%, to PLN 1,897,309 in 2008, from PLN 1,554,729 in 2007. This increase resulted primarily from an increase in our advertising revenue of 22.0%, an increase in sponsoring revenue of 32.8% and an increase of 32.8% in subscription fees from satellite and cable, as well as an increase of 176.7% in revenue from the sale of goods and services. These increases were offset by a decrease of 33.1% in call television revenue. Excluding the results of Mango Media, our net revenue increased by 20.2% to PLN 1,846,606.

During 2008, advertising revenue increased by PLN 265,653, or 22.0%, to PLN 1,475,252, from PLN 1,209,599 in 2007.This increase was primarily due to an increase in the revenue of our TVN channel which recorded an increase of PLN 187,175, or 19.9%, in net advertising revenue largely due to an increase in the proportion of rate card sales to total sales to 70.0%, from 28.7% in 2007. Rate card prices tend to be higher than GRP prices. We recorded an effective increase of 29.4% in the price of GRPs sold. This was partially offset by a 7.1% decrease in the volume of inventory sold. Our other television channels contributed PLN 37,067 more in advertising revenue. This increase resulted primarily from increases in advertising revenue of PLN 14,846 and PLN 13,902, in our TVN 7 and TVN 24 channels respectively, mainly due to price increases. Onet.pl increased its advertising revenue 18.1%, or PLN 23,495, resulting primarily from increased sales volumes.

During 2008, non-advertising revenue increased by PLN 76,927, or 22.3% to PLN 422,057, from PLN 345,130 in 2007. The increase was primarily due to a 32.8% increase in sponsoring revenue, a 32.8% increase in subscription fees from satellite and cable and a 176.7% increase in the revenue from sale of goods. This increase was partly offset by a 33.1% decrease in call television revenue. Sponsoring revenue increased by PLN 33,727, or 32.8%, primarily due to an increase in the number of sponsored shows and a price increase. Subscription fees from satellite and cable operators increased by PLN 31,166 or 32.8%, primarily due to an increase in the number of subscribers for our pay channels, which on average increased by approximately 1.1 million (not in thousands) in 2008 compared with 2007. As prices per subscriber are denominated in Euro and Dollar, this increase was partly offset by lower PLN/EUR and PLN/USD exchange rates during the year. Our revenue from the sale of goods increased by PLN 26,618, or 176.7%, to PLN 41,678 in 2008, from PLN 15,060 in 2007.

This increase resulted primarily from an increase in the volume of merchandise sold by Mango Media, which more than doubled in 2008 compared to 2007. Excluding the results of Mango Media, our non-advertising revenue increased 14.1% to PLN 376,042.

The decrease in call television revenue of PLN 21,111, or 33.1% was partly due to our decision to shut down TVN Gra, our call television channel, and partly due to the replacement of call television slots on our TVN channel with our week day morning show *Dzień Dobry TVN*, which resulted in an increase in our aggregated revenue.

Cost of revenue. Cost of revenue increased by PLN 148,730, or 18.2%, to PLN 967,153 in 2008, from PLN 818,423 in 2007. The increase in cost of revenue primarily reflects our decision to strengthen our TVN channel spring and autumn schedules to improve our market position in terms of audience share as well as our share of the net advertising market. Excluding the results of Mango Media, our cost of revenue increased by 16.2% to PLN 937,091.

Our amortization of locally produced content increased by PLN 85,021, or 20.2%, to PLN 506,655 in 2008, from PLN 421,634 in 2007. This increase mainly reflects our decision to broadcast first runs of successful shows such as *Got Talent*, *Who Wants to be a Millionaire*, *Clever* and *You Can Dance*, and *Teraz albo nigdy* during the spring and autumn seasons instead of second runs of locally produced shows. We also supported our schedule with more second runs of local productions in comparison with 2007. The average cost per hour of our production has increased partly due to the fact that we now produce relatively more big entertainment shows and drama series, which are relatively more expensive and partly because we have started to produce in high definition. The increase also partly results from expenses related to our news services. In 2008, we recorded expenses related to our news helicopter and new regional units which support our daily evening news program *Fakty* and other news programs. We also aired more news programs and recorded an increase in the number of live shows broadcast on our TVN 24 news channel, as well as live coverage from events such as the Olympic Games and the EURO 2008 football championships. The increase was also partly due to the launch of our TVN CNBC Biznes channel in August 2007.

Our programming staff expenses increased by PLN 18,539, or 34.3%, to PLN 72,640, from PLN 54,101 in 2007. The increase in programming staff expenses was partly because we created an in-house film and series script development and production unit to produce films and series where we own all rights. It is also due to an increase in programming-related salaries of 12.8% on average during the year.

As a percentage of net revenue, our cost of revenue decreased in 2008 to 51.0% compared to 52.6% in 2007.

Selling expenses. Our selling expenses increased by PLN 25,320, or 20.0%, to PLN 151,772 for the twelve months ended December 31, 2007, from PLN 126,452 in 2007. This increase was partly due to increased marketing of our TVN channel spring and autumn programming schedules, partly due to marketing expenses related to the re-launch of our TVN 7 channel and increased marketing of our TVN Turbo channel. We also increased marketing of Onet.pl and Zumi.pl, mainly using barter arrangements. Staff expenses increased by 34.6%, mainly due to an increase in the number of employees, in particular new sales people hired to sell new channels such as TVN CNBC Biznes and TVN Warszawa, as well as our online directory service, Zumi.pl. Excluding the results of Mango Media, our selling expenses increased by 16.3% to PLN 144,587.

As a percentage of net revenue, our selling expenses decreased to 8.0% in 2008, compared to 8.1% in 2007.

General and administration expenses. Our general and administration expenses increased by PLN 22,793, or 18.1%, to PLN 148,801, in 2008 compared with PLN 126,008 in 2007. Excluding the impact of a favorable VAT adjustment made in 2007, our general and administration expenses increased by PLN 20,493, or 16.0%. This increase results partly from a PLN 9,846 increase in personnel costs, driven by an increase in headcount, and a 7.6% increase in salaries on average. The increase in general and administration expense also results partly from a PLN 5,104 increase in rental and related costs, as we rented and furnished additional office space to house new business units and incurred higher maintenance costs related to our current premises. This increase is also partly related to changes in accounting estimates related to the calculation of retirement benefits in 2007 as well as the treatment of certain software licenses as operating costs in 2008, when previously these licenses had been treated as assets capitalized in the balance sheet and amortized.

As a percentage of net revenue, our general and administration expenses decreased to 7.8% in 2008, from 8.1% in 2007.

Operating profit. Operating profit increased by PLN 149,863, or 31.1%, to PLN 631,875 for 2008, from PLN 482,012 in 2007. This increase was primarily due to the increase in revenue partially offset by higher operating expenses. Excluding the results of Mango Media, our operating profit increased by 29.6% to PLN 622,847.

Our operating margin in 2008 increased to 33.3%, from 31.0% in 2007.

Investment income, net. We recorded investment income, net, of PLN 81,090 for 2008, compared to investment income, net, of PLN 19,344 in 2007. This increase results partly from a gain on our USD currency options of PLN 22,672, due to a depreciation of the PLN/USD exchange rate during 2008, partly from an increase in interest income of PLN 19,643, primarily because of interest income on loans granted to 'n' DTH platform and partly due to interest recognized on treasury bills we purchased in 2008. We also recognized foreign exchange gains of PLN 33,404, primarily on EUR denominated loans due to us from 'n' DTH platform, compared with foreign exchange gains of PLN 13,973, primarily on acquired programming rights, in 2007.

Finance expense, net. We recorded finance expense, net of PLN 170,973 for the twelve months ended December 31, 2008, compared to finance expense, net of PLN 204,124 in 2007.

We recognized a loss on the revaluation of embedded debt prepayment options of PLN 20,447 in 2008, compared to a loss of PLN 107,617 in 2007. As of December 31, 2008, the value of these options is nil.

Our interest expense amounted to PLN 112,768 in 2008, compared to PLN 94,763 in 2007. The increase results primarily from interest of PLN 24,776 on our PLN Bonds and partly from the interest expense on our Loan Facility.

We recognized foreign exchange losses on our Senior Notes of PLN 130,605 in 2008 compared to foreign exchange gains of PLN 58,562 in 2007. We also recorded a net gain of PLN 100,558 on our Euro currency options entered into to hedge potential foreign exchange losses on our Senior Notes.

Share of loss of associate. Our share of loss of associate amounted to PLN 94,440 in 2008. This amount represented primarily our share in the net loss of 'n' DTH platform between June 25 and December 31, 2008, which amounted to PLN 94,455 and comprised primarily our share of the operating losses of PLN 41,602 and PLN 43,214 of unrealized foreign exchange losses on revaluation of Euro denominated loans due to shareholders of ITI Neovision.

Profit before tax. We recorded a profit before tax of PLN 447,552 for 2008, compared to PLN 297,232 in 2007. This increase resulted primarily from the increase in operating profit and lower loss on our embedded options valuation. Excluding the results of Mango Media and our share of the losses of ‘n’ DTH platform, our profit before tax was PLN 533,011.

Income tax charge. For 2008, we recorded a total income tax charge of PLN 83,876, compared to PLN 53,924 in 2007. Our effective tax rate is 18.7%, compared to 18.1% in 2007.

Net profit. We recorded a net profit of PLN 363,676 for 2008, compared to PLN 243,308 in 2007. Excluding the impact of revaluation of embedded options and our share in the net loss of ‘n’ DTH platform, our net profit increased by PLN 126,269, or 38.2% ,to PLN 456,747 in 2008, from PLN 330,478 in 2007.

The table below summarizes net profit and adjusted net profit for the twelve months ended December 31, 2008 and 2007:

	Twelve months ended December 31,	
	2008	**2007**
	PLN	**PLN**
Net profit as reported	363,676	243,308
Share in the net loss of ‘n’ DTH platform, net of tax	76,509	-
Impact of embedded options, net of tax	16,562	87,170
Net profit excluding embedded options and our share in the net loss of ‘n’ DTH platform	456,747	330,478

Business Segment Results

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

The table below sets forth summarized financial results by segment for the twelve months ended December 31, 2008 and 2007:

	Television broadcasting & production		Online		Unallocated		Total	
	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
Revenue from external customers	1,700,923	1,399,351	196,386	155,378	-	-	1,897,309	1,554,729
Inter-segment revenue	6,567	8,110	9,869	7,108	(16,436)	(15,218)	-	-
Total revenue	1,707,490	1,407,461	206,255	162,486	(16,436)	(15,218)	1897,309	1,554,729
Segment result	635,630	498,544	34,866	19,345	(38,621)	(35,877)	631,875	482,012
Segment result excluding stock option expense	662,257	519,928	42,636	35,808	(32,948)	(28,892)	671,945	526,845
EBITDA*	696,363	554,671	55,521	35,308	(40,506)	(35,877)	711,378	554,102
EBITDA* excluding stock option plan expense	722,992	576,055	63,291	51,771	(34,835)	(28,892)	751,448	598,934
EBITDA* margin	40.8%	39.4%	26.9%	21.7%	-	-	37.5%	35.6%
EBITDA* margin excluding stock option plan expense	42.3%	40.9%	30.7%	31.9%	-	-	39.6%	38.5%

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

Unallocated expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities.

Television Broadcasting and Production

The table below sets forth summarized financial results of our Television broadcasting and production segment for the twelve months ended December 31, 2008 and 2007:

	Twelve months ended December 31,							
	2008				2007			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	1,277,046	607,803	47.6%	49.7%	1,077,756	494,756	45.9%	48.1%
TVN 24	177,183	64,544	36.4%	38.8%	141,130	47,561	33.7%	36.1%
Other television channels	259,459	22,991	8.9%	9.3%	197,105	14,470	7.3%	7.8%
Total	**1,713,688**	**695,338**	**40.6%**	**42.4%**	**1,415,991**	**556,787**	**39.3%**	**41.3%**
Consolidation adjustment (inter and intra segment)	(6,198)	1,025	-	-	(8,530)	(2,116)	-	-
Total segment	**1,707,490**	**696,363**	**40.8%**	**42.3%**	**1,407,461**	**554,671**	**39.4%**	**40.9%**

Our television broadcasting and production revenue in 2008 increased by PLN 300,029, or 21.3%, to PLN 1,707,490, compared to PLN 1,407,461 in 2007.

This increase was primarily due to an increase in the revenue of our TVN channel, which recorded an increase of PLN 187,175, or 19.9%, in net advertising revenue largely due to an increase in the proportion of rate card sales to total sales to 70.0%, from 28.7% in 2007. Rate card prices tend to be higher than GRP prices. We recorded an effective increase of 29.4% in the price of GRP's sold. This was partially offset by a 7.1% decrease in the volume of inventory sold. Sponsoring revenue in our TVN channel increased by PLN 33,163, to PLN 107,469.

TVN 24 increased its revenue by PLN 36,053, or 25.5%, mainly due to an increase in subscription fees from satellite and cable operators, which increased by PLN 24,817, primarily due to an increase of 1.0 million (not in thousands) in the average number of subscribers and partly due to an increase in advertising revenue of PLN 13,902. Our other channels' revenue increased by PLN 62,354, partly due to teleshopping activities conducted by Mango Media, which contributed PLN 27,224 to the increase and partly due to a 24.4% increase in our other channels' advertising revenue. TVN 7 advertising revenue increased by PLN 14,846 and TVN Style by PLN 4,276. Our TVN CNBC Biznes channel's total revenue increased by PLN 6,914.

EBITDA increased by PLN 141,692, or 25.6%, to PLN 696,363 in 2008, from PLN 554,671 in 2007. EBITDA margin increased to 40.8%, from 39.4% in 2007. EBITDA margin excluding stock option plan expenses, increased to 42.3%, from 40.9% in 2007. Our other television channels' EBITDA increased by PLN 8,521, or 58.9%. Other television channels recorded a profit of PLN 22,991 at the EBITDA level in 2008, compared to a profit of PLN 14,470 in 2007. Excluding start up losses of TVN Warszawa other television channels increased

EBITDA by PLN 16,706, or 115.4%, to PLN 31,178 in 2008 from 14,472 in 2007. Our other channels' EBITDA in 2008 was also affected by a one-off impairment charge of the programming library.

Online Segment

The table below sets forth summarized financial results of our Online segment for the twelve months ended December 31, 2008 and 2007:

	Twelve month ended December 31,							
	2008				2007			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	187,235	61,973	33.1%	42.7%	162,694	48,880	30.0%	43.8%
Other	26,855	(5,822)			3,455	(14,799)		
Total	**214,090**	**56,151**	**26.2%**	**37.6%**	**166,149**	**34,081**	**20.5%**	**36.4%**
Consolidation adjustment (inter and intra segment)	(7,835)	(630)	-	-	(3,663)	1,227	-	-
Total segment	**206,255**	**55,521**	**26.9%**	**38.1%**	**162,486**	**35,308**	**21.7%**	**38.0%**
Total segment - cash	**179,625**	**68,362**	**-**	**38.1%**	**135,139**	**51,384**	**-**	**38.0%**

Online revenue increased by PLN 43,769, or 26.9%, to PLN 206,255 in 2008, from PLN 162,486 in 2007. Online cash revenue (revenue excluding barter revenue) increased to PLN 179,625, from PLN 135,139 in 2007, partly due to an increase in Onet.pl cash advertising revenue of PLN 21,359 and partly due to an increase in Zumi.pl cash advertising revenue of PLN 15,482. Revenue of our Internet vortals presented above as 'Other' increased by PLN 23,400, or 677%, to PLN 26,855 in 2008, from PLN 3,455 in 2007, and represented revenue of new products such as Zumi.pl, TVN24.pl and Plejada.pl.

Segment EBITDA increased to PLN 55,521. Online cash EBITDA (EBITDA excluding barters and stock option plan expenses) was PLN 68,362. Segment cash EBITDA margin was 38.1% as compared with 38.0% in 2007. Our Internet vortals classified as other significantly improved their profitability, with losses decreasing from PLN 14,799 in 2007 to PLN 5,822 in 2008, primarily due to improvements in the profitability of Zumi.pl.

Unallocated

The unallocated items consist primarily of head office expenses, the portion of stock option plan expenses which are not allocated to television broadcasting and production and online segment and elimination of intersegment revenue and costs. Unallocated loss was PLN 38,621 in 2008, compared PLN 35,877 in 2007. The increase is primarily due to a higher level of cross-promotion activities between our segments and a higher level of staff expenses in our general corporate and administration departments, primarily in information technology and accounting and controlling. These increases were partly offset by a reversal of impairment of property, plant and equipment of PLN 1,885.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following analysis has been derived from our 'Annual report for the fiscal year ended December 31,2008' and was based on our 'Consolidated Financial Statements as of and for the year ended December 31, 2007'. Where necessary, in our 'Consolidated Financial Statements as of and for the year ended December 31, 2008' we have adjusted comparative figures or figures presented in previously issued financial statements to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented revenue, operating profits, net results or shareholders' equity.

Revenue, net. Our net revenue increased by 33.5% to PLN 1,554,729 for the twelve months ended December 31, 2007, from PLN 1,165,027 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our net revenue increased by 25.3% to PLN 1,391,233, from PLN 1,110,737 in the corresponding period of 2006.

During the twelve months ended December 31, 2007, advertising revenue increased by 28.5% to PLN 1,209,599, from PLN 941,585 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our advertising revenue increased by 21.7% to PLN 1,089,548, from PLN 894,933 in the corresponding period of 2006. This increase was primarily due to an average effective price increase of 17% and a 3% increase in the volume of inventory sold. We increased the proportion of rate card sales from 16% in 2006 to 29% in 2007. Rate card prices tend to be higher than GRP prices. Our rate card prices increased by 6% in 2007, whereas the price per GRP increased by 13%. Other channels contributed PLN 20,252 more in advertising revenue during the twelve months ended December 31, 2007 than in the corresponding period of 2006.

During the twelve months ended December 31, 2007, non-advertising revenue increased by 54.5% to PLN 345,130, from PLN 223,442 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our non-advertising revenue increased by 39.8% to PLN 301,685, from PLN 215,804 in the corresponding period of 2006. The increase was primarily due to a 52.5% increase in subscription fees from satellite and cable operators which increased to PLN 94,905 in the twelve months ended December 31, 2007, from PLN 62,236 in the corresponding period of 2006. The increase in subscription revenue is primarily due to an increase in the number of subscribers for our pay channels, which on average have increased by more than one million subscribers. In addition we recorded a 37.5% increase in sponsoring revenue, mainly due to increased sponsoring of films and locally produced series and talk shows. We also recorded revenue of PLN 26,740 for services which we provide to the 'n' satellite platform, compared to PLN 3,625 in the corresponding period of 2006, and PLN 4,550 of revenue for cinema and DVD distribution of our movie *Świadek Koronny*.

Cost of revenue. Cost of revenue increased by 29.3% to PLN 817,907 in the twelve months ended December 31, 2007, from PLN 632,385 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our cost of revenue increased by 21.8% to PLN 743,553, from PLN 610,632 in the corresponding period of 2006. This increase was partly due to an increase of PLN 87,660 in local production and co-production amortization, mainly because we broadcast more and better quality local shows , which are relatively more expensive than the average shows broadcast in the prior year, and partly because we released to cinema our movie *Świadek Koronny* in February 2007 and launched four new channels in autumn 2006 and in 2007. The increase in cost of revenue was also due to an increase in staff expenses of PLN 21,392, of which PLN 4,383 related to employees who provided services to the 'n' DTH platform. In addition we employed over 130 new staff during the course of 2007, mainly to enhance local production, including news. We also recorded an increase of PLN 11,080 in the amortization of acquired programming due to more expensive acquired movies and series being broadcast as well as an increase in the number of hours of acquired programming on our TVN and TVN 7 channels and an increase in our royalty expense due to increased revenue. These increases were partially offset by a decrease of PLN 7,295 in stock option plan expenses.

As a percentage of net revenue, our cost of revenue decreased in the twelve months ended December 31, 2007 to 52.6%, compared to 54.3% in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our cost of revenue was 53.4% of our net revenue compared to 54.9% in the corresponding period of 2006.

Selling expenses. Our selling expenses increased by 61% to PLN 126,968 for the twelve months ended December 31, 2007, from PLN 78,862 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our selling expenses increased by 42.3% to PLN 88,865, from PLN 62,467 in the corresponding period of 2006. This increase was partly related to an increase of 45.5% in marketing and research expenses due to increased expenditure on promotion of our spring and autumn schedules on our TVN channel, the re-launch of our TVN Turbo channel and the launch of our new business channel TVN CNBC Biznes. Additionally we recorded an increase of 29.4% in staff expenses mainly due to an increase in the number of employees in sponsoring and sales support departments. These increases were partially offset by a decrease in stock option plan expenses. Impaired accounts receivable increased by PLN 4,124 due to a higher doubtful debts provision.

As a percentage of net revenue, our selling expenses increased to 8.2% in the twelve months ended December 31, 2007, compared to 6.8% in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our selling expenses were 6.4% of our net revenue compared to 5.6% in the corresponding period of 2006.

General and administration expenses. Our general and administration expenses increased by 20.4% to PLN 126,008 for the twelve months ended December 31, 2007, compared with PLN 104,676 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our general and administration expenses increased by 6.3% to PLN 98,916, from PLN 93,035 in the corresponding period of 2006. This increase was primarily related to an increase in staff expenses of PLN 8,860 resulting from an increase in the number of employees needed to support our growth and an increase in medical care costs, IT costs and office supplies. This increase was partially offset by a decrease in stock option plan expenses of PLN 9,131.

As a percentage of net revenue, our general and administration expenses decreased to 8.1% in the twelve months ended December 31, 2007, from 9% in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our general and administration expenses were 7.1% of our net revenue compared to 8.4% in the corresponding period of 2006.

Operating profit. Operating profit increased by 38.3% to PLN 482,012 for the twelve months ended December 31, 2007, from PLN 348,515 in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our operating profit increased by 33% to PLN 457,879, from PLN 344,323 in the corresponding period of 2006. This increase was primarily due to the increase in revenue, partially offset by higher operating expenses.

Our operating margin in the twelve months ended December 31, 2007 increased to 31% from 29.9% in the corresponding period of 2006. Excluding the results of Grupa Onet and Mango Media, our operating margin increased to 32.9% compared to 31% in the corresponding period of 2006.

Investment income, net. We recorded investment income, net, of PLN 19,344 for the twelve months ended December 31, 2007, compared to investment income, net, of PLN 54,059 in the corresponding period of 2006.

Due to repayment of the ITI Media Bond on July 31, 2006, we had no accrued interest income on the ITI Media Bond for the twelve months ended December 31, 2007, compared to PLN 34,074 for the corresponding period of 2006. ITI Media Bond refers to the bond that our indirect controlling shareholder, ITI Media Group B.V., issued to us on December 2, 2003 and which it repaid on July 31, 2006. Additionally we recorded foreign exchange gains of PLN 13,973 mainly on purchased programming, in the twelve months ended December 31, 2007, compared to foreign exchange gains of PLN 19,378, mainly on the ITI Media Bond, in the corresponding period of 2006. In the twelve months ended December 31, 2007, we also recorded an impairment of our investment in Polskie Media in the amount of PLN 6,308.

Finance expense, net. We recorded finance expense net of PLN 204,124 for the twelve months ended December 31, 2007, compared to finance expense net of PLN 68,277 in the corresponding period of 2006.

The substantial increase in our finance expense is due to losses of PLN 107,617 on the revaluation of the embedded options in our Senior Notes, compared to a revaluation gain of PLN 32,660 in the corresponding period of 2006. The losses are primarily due to a decrease in the price of our Senior Notes from 113 as of December 31, 2006, to 104 as of December 31, 2007.

Our interest expense on the Senior Notes amounted to PLN 94,763 in the twelve months ended December 31, 2007, compared to PLN 92,423 in the corresponding period of 2006, mainly due to recognition of withholding tax on interest paid of PLN 4,363, resulting from a change in the applicable tax regulations. Additionally, we recognized foreign exchange gains on our Senior Notes of PLN 58,562 in the twelve months ended December 31, 2007, compared to foreign exchange gains of PLN 6,369 in the corresponding period of 2006, resulting mainly from a strengthening of the Złoty to Euro exchange rate between December 31, 2006 and December 31, 2007. This was offset by a loss of PLN 54,450 on fair value changes of financial instruments compared to a loss of PLN 5,302 in the corresponding period of 2006, because in November 2007 we incurred the cost of early settlement of foreign exchange option collars of PLN 40,725.

We incurred a guarantee fee of PLN 2,961 to ITI Group in respect of guarantees issued on our behalf to programming suppliers compared to PLN 6,999 incurred in the corresponding period of 2006.

Profit before tax. Our profit before tax decreased by 11.1% to PLN 297,232 for the twelve months ended December 31, 2007, from PLN 334,297 in the corresponding period of 2006. This decrease resulted primarily from recognition of the fair value loss on embedded option in our Senior Notes partially offset by a significant increase in operating profit.

Income tax charge. For the twelve months ended December 31, 2007, we recorded a total income tax charge of PLN 53,924, compared to PLN 75,472 in the corresponding period of 2006. The effective tax rate decreased to 18.1% for the twelve months ended December 31, 2007 from 22.6% in the corresponding period of 2006. This resulted mainly from Onet's investment tax relief related to its operations in a special economic zone claimed in the period.

Net profit. Our net profit decreased by 6% to PLN 243,308 for the twelve months ended December 31, 2007, from PLN 258,825 in the corresponding period of 2006. This decrease resulted primarily from the recognition of revaluation losses on the embedded options in our Senior Notes partially offset by a significant increase in operating profit and a decrease in our income tax charge. Excluding the losses on the embedded option, our net profit increased by PLN 98,108 to PLN 330,478.

The table below sets forth summarized financial results by segment for the twelve months ended December 31, 2007 and 2006:

	Twelve months ended December 31,	
	2007	2006
	PLN	PLN
Net profit including revaluation of embedded options	243,308	258,825
Impact of embedded options, net of tax	87,170	(26,455)
Net profit excluding revaluation of embedded options	330,478	232,370

Business Segment Results

Our business comprises two distinct segments, television broadcasting and production and online segment, and we currently report these two business segments. We rely on an internal management reporting process that provides revenue and operating results for the period by segment for making financial decisions and allocating resources.

The table below sets forth summarized financial results by segment for the twelve months ended December 31, 2007 and 2006:

	Television broadcasting & production		Online		Unallocated		Total	
	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Revenue from external customers	1,399,351	1,107,469	155,378	57,558	-	-	1,554,729	1,165,027
Inter-segment revenue	8,110	3,268	7,108	2,243	(15,218)	(5,511)	-	-
Total revenue	1,407,461	**1,110,737**	162,486	**59,801**	(15,218)	**(5,511)**	**1,554,729**	**1,165,027**
Segment result	498,544	**372,757**	19,345	**10,433**	(35,877)	**(34,675)**	**482,012**	**348,15**
Segment result excluding stock option plan expenses	519,928	408,137	35,808	21,006	(28,892)	(23,691)	526,845	405,452
EBITDA*	554,671	418,493	35,307	17,430	(35,877)	(35,967)	554,102	399,956
EBITDA* excluding stock option plan expenses	576,055	453,874	51,770	28,003	(28,892)	(24,991)	598,934	456,886
EBITDA* margin	39.4%	37.7%	21.7%	29.1%	-	-	35.6%	34.3%
EBITDA* margin excluding stock option plan expenses	40.9%	40.9%	31.9%	46.8%	-	-	38.5%	39.2%

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

Unallocated expenses include head-office expenses that arise at the Group level and are not directly allocated to segment expenses and elimination of intersegment expenses. Such expenses include cost of functions such as: financial reporting and budgeting, internal audit, investor relations, legal, administration, IT and central management. Allocation is based on estimated time investment of each function individually in non-segment activities.

Television Broadcasting and Production

The table below sets forth summarized financial results of our Television broadcasting and production segment for the twelve months ended December 31, 2007 and 2006:

	Twelve months ended December 31,							
	2007				2006			
	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	EBITDA % excluding stock option plan expense
TVN channel	1,077,756	494,756	45.9%	48.1%	911,619	406,731	44.6%	46.8%
TVN 24	141,130	47,561	33.7%	36.1%	101,793	7,342	7.2%	20.9%
Other television channels	197,105	14,470	7.3%	7.8%	104,096	6,064	5.9%	6.6%
Total	**1,415,991**	**556,787**	**39.3%**	**41.3%**	**1,117,508**	**420,137**	**37.6%**	**40.5%**
Consolidation adjustment (inter and intra segment)	(8,530)	(2,116)			(6,771)	(1,644)		
Total segment	**1,407,461**	**554,671**	**39.4%**	**40.9%**	**1,110,737**	**418,493**	**37.7%**	**42.2%**

Our television broadcasting and production revenue in the twelve months ended December 31, 2007 increased by 26.7% to PLN 1,407,461, compared to PLN 1,110,737 in the corresponding period of 2006. This increase was primarily due to an 18.2% increase in revenue of our TVN channel, which recorded an increase of PLN 166,130 in net advertising revenue, partly due to an increase in the proportion of rate card sales to total sales to 29% from 16% in 2006. Rate card prices tend to be higher than GRP prices. Additionally we recorded an increase of 13% in the price of GRP's sold and a 6% increase in the rate card price. We sold 3% more of our inventory in 2007 than in 2006. Additionally, our TVN channel recorded a 32% increase in sponsoring revenue in 2007, as compared to 2006, due to an increase in the number of sponsored shows and an increase in sponsoring prices. TVN 24 increased its revenue by 39% in 2007, mainly due to an increase in advertising revenue of PLN 27,399 and a 22% increase of PLN 9,136 in subscription fees from satellite and cable operators. Our other channels' revenue increased by 89.4% to PLN 197,105 mainly due to an increase in subscription fees from satellite and cable operators, which increased to PLN 43,317 in 2007, from PLN 19,781 in the corresponding period of 2006, and a 34% increase in advertising revenue to PLN 84,266. The increase in subscription revenue for all our pay channels was primarily due to an increase in the number of subscribers for our pay channels, which on average have increased by more than one million subscribers. We also recorded revenue of PLN 26,714 for services which we provide to the 'n' DTH platform, and PLN 4,550 of revenue for cinema and DVD distribution of our movie *Świadek Koronny*.

Segment result increased by 33.7% to PLN 498,544 in the twelve months ended December 31, 2007, from PLN 372,757 in the corresponding period of 2006. This increase mainly resulted from the increase in revenue.

Segment EBITDA excluding stock option plan expenses increased by 26.9% to PLN 575,750 in the twelve months ended December 31, 2007, from PLN 453,874 in the corresponding period of 2006. EBITDA margin, excluding stock option plan expenses, decreased to 40.9% from 42.2% in the twelve months ended December 31, 2006. Our TVN channel EBITDA, excluding stock option plan expenses, increased by 21.4% to PLN 518.069, and the EBITDA margin, excluding stock option plan expenses was stable at 48.1% in 2007 and 2006. EBITDA, excluding stock option plan expenses, for TVN 24 increased to PLN 50,934, from PLN 21,264 in the corresponding period 2006. Our other television channels EBITDA, excluding stock option plan expenses, increased to PLN 14,470, from PLN 6,064 in 2006.

Online Segment

The table below sets forth summarized financial results of our Online segment for the twelve months ended December 31, 2007 and 2006:

	Year							
	2007				2006			
	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense	Revenue	EBITDA	EBITDA %	Cash EBITDA % excluding stock option plan expense
Onet.pl	162,694	48,880	30.0%	41.0%	59,801	18,895	31.6%	66.1%
Other	3,455	(14,799)	-	-	-	-	-	-
Total	**166,149**	**34,081**	**20.5%**	**36.4%**	**59,801**	**18,895**	**31.6%**	**66.1%**
Consolidation adjustment (inter and intra segment)	(3,633)	1,226	-	-	0	(1,465)	-	-
Total segment	**162,486**	**35,307**	**21.7%**	**38.0%**	**59,801**	**17,430**	**29.1%**	**62.4%**
Total segment - cash	**135,139**	**51,383**		**38.0%**	**48,629**	**30,328**		**62.4%**

Online segment revenue were PLN 162,486 in the twelve months ended December 31, 2007. Onet cash revenue (revenue excluding barter revenue) were PLN 135,013, compared to PLN 48,629 in 2006. Segment EBITDA was PLN 35,307 in the twelve months ended December 31, 2007. Online cash EBITDA (EBITDA excluding barters and stock option plan expenses) was PLN 51,383 and cash EBITDA margin was 38.0%.

Unallocated

The unallocated items consist primarily of head office expenses, the portion of stock option plan expenses which are not allocated to television broadcasting and production and online segment and elimination of intersegment revenue and costs. Unallocated loss was PLN 35,877 in the twelve months ended December 31, 2007, compared to a loss of PLN 34,675 in the corresponding period of 2006.

Liquidity and Capital Resources

Historical Overview

Historically, we have funded our capital requirements primarily through a combination of (i) cash generated from our operations, (ii) borrowings under credit facilities made available by third parties, and (iii) the Senior Notes and PLN Bonds. For further discussion of our borrowings, please see Note 24 to our audited consolidated financial statements appended to this annual report.

The table below summarizes our cash flows for 2006, 2007 and 2008:

	Year ended December 31,			
	2006	**2007**	**2008**	**2008**
(in thousands)		**PLN**		**Euro** [(1)]
Cash generated from operations.............	452,391	507,669	725,951	173,989
Net cash generated from operating activities...................................	437,331	419,959	615,354	147,482
Net cash used in investing activities.........	(762,327)	(174,751)	(813,388)	(194,945)
Net cash generated from/(used in) financing activities...................................	348,832	(239,912)	271,513	65,074
Increase in cash and cash equivalents....	23,836	5,296	73,479	17,611

(1) For the convenience of the reader, we have converted Złoty amounts for the year ended December 31, 2008 into Euro at the rate of PLN 4.1724 per €1.00 (the effective NBP exchange rate, Złoty per Euro, on December 31, 2008). 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 Generated from Operations

Cash generated from operations increased by PLN 218,282 to PLN 725,951 in 2008, from PLN 507,669 in 2007. We attribute the increase was primarily due to an increase in EBITDA of PLN 157,276 and a decrease in working capital of PLN 96,401, partly offset by an increase in unaired locally produced programming inventory of PLN 16,094 and higher payments to acquire programming rights of PLN 11,701.

Cash generated from operations increased by PLN 55,278 to PLN 507,669 in 2007, from PLN 452,391 in 2006. We attribute the increase was primarily due to an increase in EBITDA of PLN 154,146 partially offset by an increase in payments to acquire programming rights of PLN 53,163 and a decrease in working capital of PLN 47,598.

Net Cash Generated from Operating Activities

Net cash generated from operating activities includes all cash generated from operations and also reflects cash paid for taxes. Net cash generated from operating activities amounted to PLN 615,354 for 2008, compared to PLN 419,959 for 2007. The attribute the increase to the increase in cash generated from operations, partially offset by higher tax paid of PLN 22,887.

Net cash generated from operating activities amounted to PLN 419,959 for 2007, compared to PLN 437,331 for 2006. We attribute the decrease to a significant increase in tax payments to PLN 87,710, from PLN 15,060 in 2006.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to PLN 813 388 in 2008, in comparison to PLN 174,751 in 2007. The increase in net cash used in investing activities mainly related to the acquisition of a minority stake in 'n' DTH platform for a total consideration of EUR 95,000, but was also partly due to our investment of surplus cash of PLN 349,729 in Polish government short-term treasury bills.

Net cash used in investing activities amounted to PLN 174,751 in 2007, in comparison to PLN 762,327 in 2006. Net cash used in investing activities in 2007 included PLN 49,561 related to the acquisition of Mango Media, and an increase in payments to acquire property plant and equipment of PLN 29,441, primarily related to the purchase of our television and broadcasting equipment and software.

Net Cash Generated by Financing Activities

Net cash generated by financing activities amounted to PLN 271,513 in 2008, compared to net cash used in financing activities of PLN 239,912 in the corresponding period of 2007. Net cash generated by financing activities in 2008 represents primarily proceeds from the issuance of PLN bonds of PLN 498,670 as well as from our Loan Facility of PLN 158,608, partly offset by a dividend paid of PLN 171,196, interest paid on our Senior Notes and PLN Bonds and the repurchase of Senior Notes with a total nominal value of Euro 20,000 and short-term treasury bills.

Total cash and cash equivalents, excluding restricted cash, that we held as of December 31, 2008 amounted to PLN 184,867 and, as of December 31, 2007, amounted to PLN 110,372. We hold cash and cash equivalents on bank deposit in Poland in Złoty, Euro and Dollars.

Future Liquidity and Capital Resources

We expect that our principal future cash needs will be to finance our Share Buyback Program, which we define and describe in more detail elsewhere in this annual report, investment through loans or equity in the 'n' DTH platform and capital expenditures relating to television and broadcasting facilities, Internet infrastructure and equipment, the launch or acquisition of new channels and Internet businesses and to fund debt service on our Senior Notes and PLN bonds. We believe that our existing cash balances, liquid available for sale assets, loan facility and cash generated from our operations will be sufficient to fund these needs.

The table below sets forth the components of our gross debts, cash and cash equivalents and available for sale securities as of December 31, 2008:

	Value	Coupon/ effective interest	Maturity
Senior Notes (nominal value*)……………………………………...	897,066	9.50%	2013
PLN Bonds (nominal value)……………………………………...	500,000	WIBOR 6m + 2.75%	2013
Pekao Loan…………………………………………………………..	110,000	WIBOR 6m + 1.00%**	2011
Overdraft………………………………………………………………	48,723	WIBOR 1m + 1.00%**	2011
Accrued interest on long term debt………………………………...	7,658	-	-
Mango Media bank loan…………………………………………….	10	-	-
Total debt……………………………………………………………	**1,563,457**	**-**	**-**
Cash at bank and in hand…………………………………………..	131,316	-	-
PLN denominated Polish treasury bills…………………………..	38,671	6.30%	February 18, 2009
PLN denominated Polish treasury bills…………………………..	14,880	5.95%	February 18, 2009
Cash and cash equivalents……………………………………….	**184,867**	**--**	-
PLN denominated Polish treasury bills……………………………	69,616	6.15%	February 11, 2009
PLN denominated Polish treasury bills……………………………	36,797	6.15%	February 11, 2009
PLN denominated Polish treasury bills……………………………	24,834	6.20%	February 18, 2009
PLN denominated Polish treasury bills……………………………	24,616	6.30%	April 15, 2009
PLN denominated Polish treasury bills……………………………	24,616	6.30%	April 15, 2009
PLN denominated Polish treasury bills……………………………	12,800	6.30%	April 15, 2009
PLN denominated Polish treasury bills……………………………	97,870	6.05%	May 27, 2009
PLN denominated Polish treasury bills……………………………	24,467	6.10%	May 27, 2009
Total…………………………………………………………………	**500,483**	**--**	**-**
Net debt ……………………………………………………………	**1,062,974**	**--**	**-**

*This value represents outstanding nominal value of our Senior Notes, which amounts to EUR 215,000 multiplied by the rate of PLN 4.1724 per €1.00 (the effective NBP exchange rate, Złoty per Euro, as of December 31, 2008).
** Margin depends on our consolidated Net debt to EBITDA ratio and may increase to a maximum of 1.6 if net debt to EBITDA ratio is equal or greater than 2.5.

Financing Activities

The ratio of consolidated net debt (defined as total borrowings (nominal amount of principal and accrued interest thereon) net of cash and cash equivalents (excluding restricted cash), liquid available for sale financial instruments and bank deposits with maturity over three months, to consolidated shareholders' equity was 0.6x as of December 31, 2008, and 0.5x as of December 31, 2007.

Our consolidated net debt to EBITDA ratio increased to 1.5, from 1.3 in 2007. This increase is primarily due to our acquisition of a 25% plus one share stake in 'n' DTH platform for Euro 95,000. Net debt represents the nominal value of borrowings payable at the balance sheet date including accrued interest less cash and cash equivalents and liquid available for sale financial instruments. EBITDA is calculated for the last twelve months and is defined as net profit/(loss), before depreciation and amortization (other than programming rights), impairment charges on property plant and equipment and intangible assets, finance expense, investment income, share of loss of associate and income tax charge.

Our current liabilities amounted to PLN 468,348 at December 31, 2008, compared with PLN 348,100 at December 31, 2007. The increase is mainly due to the fact that we drew down our overdraft facility and partly due to an increase in trade payables and other liabilities and accruals.

Our borrowed funds exluding accrued interest as of December 31, 2008 consisted of PLN 855,432 of indebtedness represented by the Senior Notes, PLN 498,539 of indebtness represented by PLN Bonds and PLN 158,608 of indebtness represented by Loan Facility and Overdraft.

Senior Notes

TVN Finance, our wholly-owned subsidiary, issued Senior Notes in an aggregate principal amount of €235,000 pursuant to an indenture dated December 2, 2003, as amended and supplemented by a supplemental indenture dated March 26, 2004, a second supplemental indenture dated June 16, 2004 and a third supplemental indenture dated August 31, 2006 by and among TVN, TVN Finance, TVN 24, Grupa Onet and JPMorgan Chase Bank, as trustee, registrar and transfer and principal paying agent. We refer to the indenture, together with the three supplemental indentures, as the “Indenture”.

The Senior Notes mature on December 15, 2013 and bear interest at the rate of 9.5% per annum. Interest is payable semi-annually in arrears on June 15 and December 15 of each year. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by TVN S.A. and Grupa Onet. Under certain circumstances, TVN S.A.’s other subsidiaries may be required to guarantee the Senior Notes in the future. If TVN Finance is unable to make payments on the Senior Notes when they are due, the guarantors must make them instead.

On February 8, 2008, we repurchased Senior Notes with a nominal value of Euro 10,000 for an amount of Euro 10,200 (PLN 36,587). On October 24, 2008, we repurchased Senior Notes with a nominal value of Euro 10,000 for an amount of Euro 9,400 (PLN 34,141). We accounted for the repurchase as a derecognition of the corresponding part of our Senior Notes liability.

Optional Redemption

The Senior Notes may be redeemed in whole or in part at any time on or after December 15, 2008, at a redemption price equal to their principal amount plus a redemption premium. The Senior Notes are also redeemable upon the occurrence of certain tax events.

Change of Control

The Senior Notes have a put option, which may be exercised by the holders of the Senior Notes at a purchase price of 101% of the nominal value if a change of control takes place. 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 plc.

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 Senior Notes may declare all the outstanding 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 Senior Notes will become due and payable without any declaration or other act by the holders of the Senior Notes.

PLN Bonds

On June 23, 2008, we issued PLN denominated bonds with a nominal value of PLN 500,000. We issued 5,000 bonds (not in thousands) of a nominal value of PLN 100,000 (not in thousand), with a redemption date of June 14, 2013, and with a right for us to request early redemption on either the third or fourth anniversary of the issue. The interest on the bond is calculated and paid in cash semi-annually, on the Bond nominal value, at a variable interest rate equal to 6m WIBOR plus 2.75%.

Loan Facility

We have a loan facility of PLN 200,000 with Bank Pekao S.A., the purpose of which is to finance our general corporate and working capital needs including capital investments and other capital expenditures. The facility expires on June 30, 2011. The loan bears interest at six month WIBOR, LIBOR or EURIBOR (depending on loan's currency) plus margin which is currently 1%. The loan has been secured on TVN S.A.'s trade receivables up to the equivalent of EUR 25,000. The loan is also guaranteed by Grupa Onet. and Mango Media Sp. z o.o. – TVN S.A.'s subsidiaries. As at Decemeber 31, 2008, PLN 168,526 was outstanding under our credit facility mainly in the form of the revolving loan and the overdraft and partly guarantees issued by the bank on our behalf.

As of December 31, 2008, the following amounts were used under our credit facility:

- PLN 110,000 in the form of a revolving loan.
- PLN 48,723 in the form of an overdraft; and
- Euro 2,026 and PLN 1,351 in the form of guarantees issued by the bank on our behalf

Commitments and Off-Balance Sheet Arrangements

The following table summarizes in Złoty the contractual obligations, commercial commitments and principal payments we were obligated to make as of December 31, 2008 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.

	Year ending December 31						
	2009	2010	2011	2012	2013	thereafter	Total
	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Operating leases							
Satellite transponder leases ……..	29,083	34,315	34,315	15,016	-	-	112,729
Other technical leases…………….	6,600	6,600	6,600	6,600	6,600	-	33,000
Operating leases – other………….	45,010	38,345	35,937	33,758	29,119	63,369	245,538
Programming rights………………..	118,293	175,180	173,667	196,812	178,833	51,737	894,522
Total operating leases…………..	**198 986**	**254,440**	**250 519**	**252 186**	**214 552**	**115 106**	**1 285 789**
Commitments to purchase equipment and software (2)………	1,304	-	-	-	-	-	**1,304**
Total cash commitments ……….	**200,290**	**254,440**	**250 519**	**252 186**	**214 552**	**115 106**	**1,287,093**
Barter commitments (1)…………..	3,466	-	-	-	-	-	3,466
Total cash commitments and other obligations ………………..	**203,756**	**254,440**	**250 519**	**252 186**	**214 552**	**115 106**	**1,290,559**

(1) As of December 31, 2008, pursuant to barter agreements, we had contractual commitments outstanding amounting to PLN 3,466, settlement of which will be in form of advertising and is intended to be rendered on arm's-length terms and conditions and at market prices.

(2) Additionally we have an undertaking to invest PLN 215,782 in the special economic zone in Kraków by December 31, 2017. On December 31, 2008 the remaining commitment amounted to PLN 167,080.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with IFRS as adopted for use in the European Union.

You should examine Note 4 to our financial statements for the year ended December 31, 2008 appended to this annual report for a discussion of critical accounting estimates and judgments.These critical accounting policies are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS, with no need for management's judgment in their application. There are also areas in which the exercise of management's judgment in selecting an available alternative would not produce a materially different result.

Disclosure Relating to Market Risks

Our activities expose us to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on our financial performance. We use derivative financial instruments to hedge certain risk exposures when we consider hedging instruments to be cost effective.

We conduct financial risk management under policies that our Management Board and Supervisory Board approve. Our Treasury Policy establishes the rules to manage financial risk and liquidity, through determination of the financial risk factors to which we are exposed to and their sources. Details of the duties, activities and methodologies used to identify, measure, monitor and report risks as well as forecast cash flows, finance maturity gaps and invest free cash resources are contained in approved supplementary written instructions.

The following organizational units within our financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team, and accounting and reporting team. The risk committee is composed of the vice-president of the Management Board and heads of the teams within our financial department. The risk committee meets monthly and, based on an analysis of financial risks, recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. The financial planning and analyzing team measures and identifies financial risk exposure based on information reported by operating units generating exposure. The liquidity management team analyzes risk factors, forecasts our cash flows, and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors accounting implications of hedging strategies and verifies settlements of the transactions.

Market Risk Related to our Senior Notes

The price of our Senior Notes depends on our creditworthiness and on the relative strength of the bond market as a whole. We recognize as an asset the value of early redemption options embedded in the Senior Notes and this valuation largely depends on the quotation of the Senior Notes. Therefore, we are exposed to decreases in the market price of the Senior Notes.

The Senior Notes are listed on the Luxembourg Stock Exchange, and the fair value of embedded options that we recognized on the balance sheet date reflects the Senior Notes quotation on the last value date available from Reuters prior to the balance sheet date.

Foreign Currency Risk

Our revenue is primarily denominated in Złoty. Foreign exchange risk arises mainly from our liabilities with respect to the Senior Notes and related embedded prepayment options, and loans to associates, all of which are denominated in Euros and liabilities to suppliers of foreign programming rights, satellite costs and rental costs, all of which are denominated in Dollars or Euros. Other costs are predominantly denominated in PLN.

Our policy with respect to management of foreign currency risks is to cover known risks in a cost efficient manner, and we do not trade in financial instruments. Following evaluation of our exposures, we enter into derivative financial instruments to manage these exposures. We may enter into call options, swaps and forward exchange agreements to manage currency exposures. Regular and frequent reporting to management is required for all transactions and exposures.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to interest rate risk arises on interest bearing assets and liabilities. Our main interest bearing items are the Senior Notes and PLN Bonds and loans to associates. As the Senior Notes are at a fixed interest rate, we are exposed to fair value interest rate risk with respect to these Notes. Since we carry the Senior Notes at amortised cost, the changes in fair values of these instruments do not have direct impact on valuation of the Senior Notes in the balance sheet.

We issued PLN Bonds with a nominal value of PLN 500,000 on June 23, 2008. The PLN Bonds are at a variable interest rate linked to WIBOR and therefore expose us to interest rate risk. At December 31, 2008, if WIBOR interest rates had been 75 basis points ("b.p.") higher/lower with all other variables held constant, post-tax profit for the year would have been PLN 141 lower/higher.

Loans to associates are at a variable interest rate linked to EURIBOR and therefore expose us to interest rate risk. At December 31, 2008, if EURIBOR interest rates had been 100 b.p. higher/lower with all other variables held constant, post tax profit for the year would have been PLN 876 higher/lower.

As of December 31, 2008, we had PLN treasury bills at carrying value of PLN 315,616, which are subject to fair value interest rate risk. The carrying value of each instrument is based on a price provided by Reuters. If WIBOR interest rate had been 75 b.p. higher/lower, as at December 31, 2008, fair value reserve in equity would have been 474 lower/higher.

We do not consider it cost effective to use financial instruments to hedge or otherwise seek to reduce interest rate risk.

Credit Risk

Financial assets, which potentially expose us to concentration of credit risk consist principally of trade receivables, loans to associate and related party receivables and foreign currency options. We place our cash and cash equivalents, bank deposits and current available for sale financial assets and foreign currency options with financial institutions that we believes are credit worthy based on current credit ratings. We do not consider our current concentration of credit risk as significant.

We perform ongoing credit evaluations of our customers' financial condition and generally do not require collateral from our customers. We require clients with poor or no history of payments with us, with low value committed spending or assessed by us as not credit worthy to pay before service is rendered. We extend credit to customers with a good history of payments and significant spending which we consider credit worthy based on internal or external ratings. We perform ongoing evaluations of market segments focusing on our customers' liquidity and creditworthiness and our credit policy is appropriately adjusted to reflect current and expected economic conditions.

We define credit exposure as total outstanding receivables (including overdue balances) and we monitor the exposure regularly on an individual basis by paying counterparty. We make the majority of our sales through advertising agencies (70% of the total trade receivables as of December 31, 2008), which manage advertising campaigns for advertisers and pay us once they receive payment from the customer. Our top ten advertisers account for 16.0%, and the single largest advertiser for 2.0%, of sales for the year ended December 31, 2008. 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 we cooperate are subsidiaries and branches of large international companies of good reputation. To the extent that it is cost-efficient, we mitigate credit exposure with a trade receivable insurance facility from a leading insurance company.

We do not expect any significant losses with respect to amounts included in the trade receivables at the balance sheet date from non-performance by our customers as at December

31, 2008. We do not expect any losses with respect to derivative financial assets attributable to credit risk.

We do not consider credit risk associated with loans to associate as significant.

Liquidity and Capital Resources

We maintain sufficient cash to meet our obligations as they become due and have available to us additional funding through a credit facility. We monitor regularly expected cash flows. We expect that our principal future cash needs will be capital expenditures relating to acquisitions, dividends, share buyback, capital investment in television and broadcasting facilities and equipment, debt service on the Senior Notes and PLN Bonds and the launch of new thematic channels. We believe that our cash balances, liquid available for sale assets, cash generated from operations and existing credit facility will be sufficient to fund these needs. However, due to the current liquidity crisis in the banking sector, external financing is unavailable at reasonable conditions for a longer period of time, or our operating cash flows are negatively affected by an economic slow-down or customers' financial difficulties, we will review our cash needs to ensure that we can meet our existing obligations for the foreseeable future.

As of December 31, 2008, we had cash and cash equivalents, liquid available for sale financial instruments and committed unutilized credit facilities totaling PLN 531,957 our, as compared to PLN 282,652 at December 31, 2007.

Derivative Financial Instruments and Hedging Activities

We carry derivative financial instruments on our balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. We designate certain derivatives as either (i) a hedge of the fair value of a recognized asset or liability ("fair value hedge"), (ii) a hedge of a highly probable forecast transaction ("cash flow hedge"), or (iii) a hedge of a net investment in a foreign operation, on the date a derivative contract is entered into.

We record changes in the fair value of derivatives that are designated and qualify as fair value hedges, in the income statements, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. We apply fair value hedge accounting for hedging foreign exchange risk on borrowings. We recognize the gain or loss relating to the effective and ineffective portion of derivatives in the income statement within finance expense.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in equity. We recognize the gain or loss relating to the ineffective portion immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, we transfer the gains and losses previously deferred in equity from equity and include them in the initial measurement of the cost of the asset or liability. Otherwise, we transfer amounts deferred in equity to the income statement and classify them as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under our risk management policies, do not qualify for hedge accounting under the specific rules in International Accounting Standard 39 – “Financial Instruments: Recognition and Measurement” (IAS 39). We recognize changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, we transfer the cumulative gain or loss that was reported in equity immediately to the income statements.

We document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. We also document our assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

We separate embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Summary of Certain Differences between IFRS and U.S. GAAP

We have prepared and presented the financial information included in this annual report in accordance with IFRS. Certain differences exist between IFRS and U.S. GAAP which might be material. We summarize these differences below. We have not reconciled the differences between IFRS and U.S. GAAP in our consolidated financial statements and related footnote disclosures and have not quantified any such differences. Accordingly, we cannot assure you that the following summary of differences between IFRS and U.S. GAAP is complete. Investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the financial information included in this annual report.

Consolidation

Generally, more entities are consolidated under IFRS. IFRS focuses on a control-based model, with consideration of risks and rewards where control is not apparent. Consolidation is required under IFRS when an entity has the ability to control the financial and operating policies of another entity to obtain benefits. US GAAP is much more detailed, can be influenced by form and has many more exceptions. US GAAP utilizes a dual consolidation decision model, first assessing a variable interests model and then a voting control model. In respect of entities evaluated as variable-interest entities consolidation is based on economic risks and rewards and decision-making board has no role in consolidation decision. Consolidation of non-variable-interest entities is assessed based on voting and other decision-making rights.

US GAAP is undergoing considerable changes in converging with IFRS in this area.

Joint-ventures

For jointly controlled entities, IFRS provides an option for proportional consolidation. The proportional method is only allowed under US GAAP for unincorporated entities in certain industries.

Business combinations

Current differences in the definitions of a business may result in more transactions being accounted for as business combinations under IFRS. Those differences will, in substance, be eliminated upon the convergence of US GAAP with IFRS in this area. Upon the adoption of new US guidance, many historical differences will become eliminated.

Effective for fiscal years after December 15, 2008, FASB Statement No. 141(R), Business Combinations, introduces significant changes in the accounting for and reporting of business acquisitions and noncontrolling interests in a subsidiary. FAS 141(R) continues the movement toward (1) greater use of fair value in financial reporting and (2) transparency through expanded disclosures. It changes how business acquisitions are accounted for under US GAAP and will affect financial statements at the acquisition date and in subsequent periods. Additionally, FAS 141(R) will affect the annual impairment test of goodwill from an acquisition that closed both before and after the effective date of FAS 141(R).

IFRS 3 (Revised) is applied prospectively to business combinations occurring in the first accounting period beginning on or after July 1, 2009. The business combinations standards (FAS 141(R) and IFRS 3 (Revised)) are very close in principles and language, with two major exceptions: (1) full goodwill and (2) the requirements regarding recognition of contingent assets and contingent liabilities.

Upon adoption of these new standards almost all of the current differences in the initial accounting for business combinations will be eliminated. Significant differences will remain in subsequent accounting. Different requirements for impairment testing and accounting for deferred taxes are among the most significant.

Acquired in-process research and development is generally expensed at the acquisition date under US GAAP and is capitalized under IFRS. Upon the adoption of FAS 141 (R), US GAAP will be similar to IFRS.

Goodwill and impairment testing

There are differences between the definition of the levels at which goodwill is assigned and tested for impairment. Under IFRS goodwill is assigned to a single or group of cash-generating units (CGU) whereas under US GAAP goodwill is assigned to an entity's reporting units.

There are also differences in the impairment testing methodologies that could create variability in the timing and extent of recognized impairment losses.

Goodwill impairment testing under IFRS is performed under a one-step approach: the recoverable amount of the CGU (i.e., the higher of its fair value minus costs to sell and its value in use) is compared with its carrying amount. Any excess of the carrying amount over the recoverable amount is recognized in operating results as the impairment loss. The impairment loss is allocated first to goodwill and then on a pro rata basis to the other assets of the CGU to the extent that the impairment loss exceeds the book value of goodwill.

Goodwill impairment testing under US GAAP is performed under a two-step approach, first step being comparison of the fair value and the carrying amount of the reporting unit, including goodwill. If the fair value of the reporting unit is less than the carrying amount, step two is completed to determine the amount of the goodwill impairment loss, if any. Goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill is the difference between the fair value of the reporting unit and the fair value of the various assets and liabilities included in the reporting unit. Any loss recognized is not permitted to exceed the carrying amount of goodwill. The impairment charge is included in operating income.

Impairment of nonfinancial assets

The IFRS-based impairment model may lead to the need to recognize impairments of non-current assets held for use earlier than would be required under US GAAP. There are also differences related to such matters as what qualifies as an impairment indicator and how recoveries in previously impaired assets are accounted for. The reversal of impairments is prohibited under US GAAP. IFRS permits reversal of impairments if certain criteria are met.

Internally developed intangibles

US GAAP prohibits, with very limited exceptions, the capitalization of both research and development costs. Development costs are capitalized under IFRS if certain criteria are met.

Financial assets

Under US GAAP, various specialized pronouncements provide guidance for the classification of financial assets. IFRS has only one standard for the classification of financial assets and requires that financial assets be classified in one of four categories: assets held for trading or carried at fair value, with changes in fair value reported in earnings; held-to-maturity financial assets; available-for-sale financial assets and loans and receivables.

There are fundamental differences in the way US GAAP and IFRS assess the potential derecognition of financial assets. IFRS focuses on whether a qualifying transfer has taken place, whether risks and rewards have been transferred and, in some cases, whether control over the asset in question has been transferred. US GAAP focuses on whether an entity has surrendered control over an asset, including the surrendering of legal and effective control.

Unlisted equity investments generally are carried at cost (unless either impaired or the fair value option is elected) under US GAAP in contrary to IFRS where fair value measurement generally prevails.

The total change in fair value of available-for-sale debt securities (net of tax effects) is recorded under US GAAP within other comprehensive income. The treatment of foreign exchange gains and losses on available-for-sale debt securities creates more income statement volatility under IFRS which requires any fair value change portion associated with foreign exchange gains/losses to be recognized in the income statement.

Effective interest rate of financial assets that are carried at amortized cost is generally based under US GAAP on contractual cash flows during the contractual life of the asset. IFRS refers to estimated cash flows and expected life of the asset.

Loans and receivables may be carried at different amounts under US GAAP and IFRS.

Impairment of financial assets

IFRS focuses on trigger events that affect the recovery of the cash flows from the asset regardless of the entity's intent. US GAAP takes into account the entity's intent and ability to hold the security in determining whether or not it is impaired. Furthermore, when held-to-maturity debt securities are impaired under both models, the amount of impairment may differ.

Under US GAAP an investment in debt securities is assessed for impairment if the fair value is less than cost. An analysis is performed to determine whether the shortfall in fair value is temporary or other than temporary. If impairment does exist, the impairment loss under US GAAP is always based on the difference between the debt security's carrying value and its fair market value.

If an impairment of a held-to-maturity debt security does exist, IFRS requires that the impairment loss be measured based on the present value of future cash flows as calculated with the original effective interest rate. IFRS also allows the impairment loss to be, as a practical expedient, based on fair value.

Impairments of loans held for investment measured under US GAAP are permitted to be reversed; however, the carrying amount of the loan can at no time exceed the recorded investment in the loan. However, reversals of impairment losses for debt securities classified as available-for-sale or held-to-maturity securities are prohibited.

Derivative financial instruments – foreign exchange options

IFRS requires an increased level of hedge effectiveness testing and detailed measurement than is required under US GAAP. There are a number of similarities between the effectiveness-testing methods that are acceptable under US GAAP and those that are acceptable under IFRS. At the same time, important differences exist in areas such as the use of the shortcut method and the matched-terms method.

US GAAP does not permit a hedge of a portion of the time period to maturity of a hedged item.

Derivative financial instruments – embedded prepayment options

US GAAP and IFRS require separation of derivatives embedded in hybrid contracts when the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract, when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and when the hybrid instrument is not measured at fair value through profit or loss.

There are a series of detailed differences between US GAAP and IFRS related to the treatment of certain types of embedded derivatives. For example, there are differences in relation to what is meant by closely related, the need to reassess whether an embedded derivative needs to be separated and treatment of calls in debt instruments.

Debt issue costs

When applicable, the balance sheet presentation of transaction costs (separate asset versus a component of the instrument's carrying value) differs under the two standards. IFRS prohibits the balance sheet gross up required by US GAAP.

Under US GAAP when the liability is not carried at fair value through income, transaction costs are deferred as an asset.
In accordance with IFRS when the liability is not carried at fair value through income, transaction costs are deducted from the carrying value of the financial liability and are not recorded as separate assets. They are accounted for as a debt discount and amortized using the effective interest method.

Revenue recognition

In many regards, IFRS and US GAAP are supported by similar principles. But US GAAP uses additional layers of rules in its guidance. For instance, US GAAP provides highly prescriptive revenue recognition guidance, including a significant number of standards issued by the various standard setting bodies in the US. These highly detailed standards often dictate industry-specific accounting. By comparison, IFRS has just two primary revenue standards and a handful of revenue related interpretations that capture all revenue transactions. The broad principles laid out in IFRS are generally applied without elaboration and without exceptions for specific industries.

Broad-based differences in the accounting for the provision of services may impact the timing of revenue recognition. Differences involving the separation of multiple deliverable arrangements into components, and the allocation of consideration between those components, may impact the timing of revenue recognition. Where differences exist, revenue may be recognized earlier under IFRS.

One of the most common general revenue recognition issues has to do with the determination of when transactions with multiple deliverables should be separated into components and with the way revenue gets allocated to the different components. US GAAP focuses on detailed separation and allocation criteria, whereas IFRS focuses on the economic substance of the transactions. For example, US GAAP separation criteria indicate that vendor-specific objective evidence of fair value is preferable in all circumstances in which it is available. When it is not available, third-party vendor objective evidence may be used. IFRS is not as restrictive in terms of how to obtain sufficient evidence of fair value. For example, IFRS allows the use of cost plus a reasonable margin to determine fair value, which is typically not allowed for US GAAP purposes.

The accounting for customer loyalty programs may drive fundamentally different results. The IFRS requirement to treat customer loyalty programs as multiple-element arrangements in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer would be acceptable for US GAAP purposes. Many US GAAP reporting companies, however, use the incremental cost model, which is very different from the multiple-element approach required under IFRS. In this instance the implication is that IFRS generally results in the deferral of more revenue and profit.

When services-based transactions include a right of refund the revenue can potentially be recognized earlier under IFRS. A right of refund may disallow recognition of revenues from a service arrangement under US GAAP until the right of refund expires.

In accounting for advertising-barter transactions if the fair value of assets submitted in an advertising-barter transaction is not determinable, US GAAP requires the transaction to be recorded based on the carrying amount of advertising surrendered, which likely will be zero. Advertising-barter transactions should be recognized under IFRS with reference to the fair value of services provided.

New Accounting Pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2009. Our assessment of the impact of these new standards and interpretations is set out below.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation".

The amendments were published on February 14, 2008 and are effective for annual periods beginning on January 1, 2009 with earlier application permitted. The amendments require entities to classify as equity puttable financial instruments and instruments or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Additional disclosures are required about the instruments affected by the amendments. The amendments will not affect our financial statements.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate".

The amendments were published on May 22, 2008. The amendments to IFRS 1 allow first time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. Additionally, when an entity reorganizes the structure of its group by establishing a new entity as its parent (subject to specific criteria), the amendments require the new parent to measure cost as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization. The new requirements will apply for annual periods beginning on January 1 2009, with earlier application permitted. These amendments will not affect our financial statements.

IFRIC 15 – "Agreements for the Construction of Real Estate".

The interpretation was issued on July 3, 2008. It applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue", and when revenue from the construction should be recognized.

The interpretation is effective for annual periods beginning on January 1, 2009, and is to be applied retrospectively. The interpretation will not affect our financial statements.

IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation".

The interpretation was issued on July 3, 2008. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 provides guidance on (1) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; (2) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and (3) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. IFRIC 16 is effective for annual periods commencing on or after October 1, 2008. The interpretation will not affect our financial statements.

IFRS Improvements.

The IASB has issued "IFRS Improvements", which amend 20 standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes. The majority of the amendments will be effective from annual periods starting on January 1, 2009. We will adopt the changes in accordance with transition provisions. We are currently analyzing the impact of the amended standards on our financial statements.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items".

The amendment was published on July 31, 2008. It provides additional guidance on what can be designated as a hedged item. Entities are required to apply the amendment retrospectively for annual periods beginning on or after July 1, 2009, with earlier application permitted. The amendment will not affect our financial statements.

IFRIC 17 – "Distributions of Non-cash Assets to Owners".

The interpretation was issued on November 27, 2008. IFRIC 17 standardizes practice in the accounting treatment of distribution of non-cash assets to owners. The interpretation clarifies that: (1) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (3) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 is to be applied prospectively for annual periods beginning on or after July 1, 2009. Earlier application of IFRIC 17 is permitted. The interpretation will not affect our financial statements.

IFRIC 18 – "Transfers of Assets from Customers".

The interpretation was issued on January 29, 2009. IFRIC 18 is particularly relevant to the utility sector as it clarifies the IFRS requirements for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing supply of goods or services. The interpretation should be applied prospectively to transfers of assets from customers received on or after July 1, 2009. The interpretation will not affect our financial statements.

Additionally, the following standards and IFRIC Interpretations are applicable in the future and were discussed in our annual financial statements for the year ended December 31, 2007:

- *IFRS 8 "Operating Segments", applicable on or after January 1, 2009.*
- *Amendments to IAS 23 "Borrowing Costs", applicable on January 1, 2009.*
- *Amendments to IAS 1 "Presentation of financial statements", applicable on January 1, 2009.*
- *Revision to IFRS 3 "Business Combinations" and amendment to IAS 27 "Consolidated and Separate Financial Statements", applicable on or after July 1, 2009.*
- *Amendment to IFRS 2 "Share-based Payments", applicable on January 1, 2009.*
- *IFRIC 13 "Customer Loyalty Programmes".*
- *IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".*

At the date of preparation of this report, the European Union had not adopted the following standards and IFRIC interpretations:

- *Revision to IFRS 3 "Business Combinations" and amendment to IAS 27 "Consolidated and Separate Financial Statements".*
- *IFRIC 12 "Service Concession Arrangements".*
- *Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation".*
- *Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate".*
- *IFRIC 15 "Agreements for the Construction of Real Estate".*
- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".*
- *IFRS "Improvements"*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items".*
- *IFRIC 17 "Distributions of Non-cash Assets to Owners".*
- *IFRIC 18 – "Transfers of Assets from Customers".*

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We are committed to ensuring that our corporate governance is transparent and meets applicable Polish and international standards. We comply with all the best practices as established and published by the Warsaw Stock Exchange in 2007.

In accordance with Polish corporate law, we conduct our decision-making process through general meetings of shareholders, a management board and a supervisory board. These governing bodies are governed by the applicable provisions of the Polish Companies Commercial Code, our Articles of Association and internal rules of procedure of the management board and the supervisory board.

The management board is responsible for the day-to-day management of our business. The management board must have at least three members, including a president and at least one vice-president. The members of the management board are appointed by the supervisory board for a renewable term of three years, and may be removed or suspended by the supervisory board only for cause. Our management board members were appointed by the supervisory board for a joint three year term on May 10, 2007. Resolutions of the management board are passed by a simple majority of votes of the members present at a meeting where there is a quorum or by a written resolution without holding a meeting, provided that all members of the management board have been notified of the content of any such proposed resolution. The president of the management board casts the deciding vote in the event of a tie. Our Articles of Association provide that the presence of at least half of the members of the board constitute a quorum.

The principal function of the supervisory board is to supervise the management board. The supervisory board may consist of from seven to eleven members, each of whom is elected for a renewable term of three years. The terms of the members of the current supervisory board, who were appointed as of June 8, 2006 by the resolution of an annual shareholders' meeting held on that day, will terminate upon the approval of our 2008 financial statements by the annual general shareholders' meeting.

Our Articles of Association provide that the presence of at least half of the members of the supervisory board constitutes a quorum. Resolutions of the supervisory board may be passed either by the vote of a simple majority of votes of the members present at a meeting, where there is a quorum or by a written resolution, provided that all members have been duly notified.

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

Our supervisory board includes six independent board members. For a discussion of our supervisory board's related parties policy, see Item 7, "Major Shareholders and Related Party Transactions" herein.

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

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

Management Board

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

Name	Age	Position	Year first appointed	Year appointed for the current term	Year term expires
Piotr Walter..............	42	President Chief Executive Officer	1999	2007	2010
Karen Burgess...........	42	Vice President Chief Financial Officer	2001	2007	2010
Edward Miszczak.......	53	Vice President Programming	1999	2007	2010
Łukasz Wejchert........	35	Vice President Online	2006	2007	2010
Tomasz Berezowski...	49	Board Member Technical	2003	2007	2010
Olgierd Dobrzyński....	38	Board Member Business Development	2006	2007	2010
Waldemar Ostrowski	47	Board Member Research	2001	2007	2010
Adam Pieczyński.......	52	Board Member News	2006	2007	2010
Jarosław Potasz........	46	Board Member Production	2001	2007	2010
Piotr Tyborowicz........	40	Board Member Sales	2000	2007	2010

Piotr Walter has been our President and Chief Executive Officer since July 2001. From 1999 to 2001, Mr. Walter served on our management board as Marketing Director. Between 1991 and 1999, Mr. Walter held various positions at ITI Film Studio. Mr. Walter is the son of Mariusz Walter, Executive Vice Chairman and member of the Executive Committee of ITI Holdings S.A.. Mr. Walter is a graduate of Columbia College in Chicago and the International Institute for Management Development in Lausanne.

Karen Burgess has been our Vice President and Chief Financial Officer since November 2001. Previously, Ms. Burgess was a partner at PricewaterhouseCoopers, where she worked for 13 years. Ms. Burgess is a qualified Chartered Accountant and graduated from the University of Pretoria.

Edward Miszczak has been our Vice President since 1999 and is primarily responsible for programming. From 1997, Mr. Miszczak was President and Chief Executive Officer at TV Wisla. Prior to joining us in 1997, Mr. Miszczak was a Vice President at the largest Polish commercial radio station, RMF FM. Mr. Miszczak is a graduate of Jagielloński University in Kraków.

Łukasz Wejchert has been our Vice-President, responsible for multimedia, since August 2006. He worked for the ITI Group since 1997. Between 2002 and 2004 he was a Vice-President of Grupa Onet, and he became its President in 2004. He started his professional career in 1995 at ING Bank. Łukasz Wejchert is the son of Jan Wejchert, Executive Chairman of ITI Holdings S.A.. Mr. Wejchert is a graduate of the Finance and Economy Faculty at Portobello Business College (Dublin).

Tomasz Berezowski has been our Management Board member and has been our Technical Director since the beginning of 2003. From 1999 to 2003, he managed his own business. From 1997 to 1999, Mr. Berezowski served as Vice President and Technical Manager at TV Wisla and Broadcast Operation Manager at TVN. Before 1997, he was Technical Manager at RMF FM. Mr. Berezowski is a graduate of Kraków Polytechnic.

Olgierd Dobrzyński has been our Management Board member, responsible for Business Development, since August 2006. Since 2003 he was a Member of the Management Board of TVN 24 being also responsible for development of new thematic channels of TVN Group. Between 1999 and 2001 he was the founder and shareholder of CT Creative Team S.A. Mr. Dobrzyński is a graduate of the Management Faculty at Warsaw University and he also studied Finance at Franklin & Marshall College and at the University of Southern Indiana, in the United States.

Waldemar Ostrowski has been our Management Board member responsible for strategic analysis, marketing and on-air promotion since 2001. Prior to joining us in 1997, Mr. Ostrowski held a position as a Strategic Planner and Research Manager for the advertising agency J. Walter Thompson and for the newspaper Gazeta Wyborcza. Mr. Ostrowski is a graduate of the University of Warsaw.

Adam Pieczyński has been our management board member, responsible for News and Information, since August 2006. He worked for TVN 24 since 2000, and from 2005 as President of the Management Board. Prior to joining us from 1994 until 2000, he was Chief Editor of *Wiadomości*, the main news bulletin of Telewizja Polska S.A. Mr. Pieczyński is a graduate of the neofilology faculty at Warsaw University.

Jarosław Potasz has been our management board member responsible for production since 2001. Prior to joining us in 1995, Mr. Potasz served as a Vice President and Director of Gazeta Krakowska Publishing Company. Mr. Potasz is a graduate of the Mechanics and Engineering Faculty of Kraków Polytechnic.

Piotr Tyborowicz has been our management board member, responsible for sales, since 2000. From 1997 to 2000, Mr. Tyborowicz served as one of our sales managers. Prior to joining us in 1997, Mr. Tyborowicz served as sales manager at Publi Polska. Mr. Tyborowicz is a graduate of the Catholic Academy of Warsaw.

Compensation

The table below sets out the management board compensation comprising base salary and bonuses actually paid during the year ended December 31, 2008 (in PLN):

Name	Salary	Bonuses (1)	Total
Piotr Walter	1,245	800	2,045
Karen Burgess	1,120	540	1,660
Edward Miszczak	843	390	1,233
Łukasz Wejchert	846	492	1 338
Tomasz Berezowski	527	175	702
Olgierd Dobrzyński	605	142	747
Waldemar Ostrowski	518	175	693
Adam Pieczyński	638	191	829
Jarosław Potasz	540	175	715
Piotr Tyborowicz	523	-	523
Total	**7,405**	**3,080**	**10,485**

(1) Bonuses paid for 2007 during 2008.

Share based payments

All members of our management board participate in stock option plans introduced in December 2005 ("stock option plan I") and July 2006 ("stock option plan II"). Under the terms of stock option plan I, awards of share options were made in three tranches in December 2005, September 2006 and September 2007, subject to certain vesting conditions being met. Under the terms of stock option plan II, awards of share options are made in four tranches. All tranches have been already granted, subject to certain vesting conditions being met. The Remuneration and Related Party transactions Committee recommended and the Supervisory Board approved the number of options granted to management board members.

Further details of the stock options plans are presented below.

The table below summarizes the number of share options allocated to each of the management board members:

Name	Total number of options granted up to December 31, 2008 (not in thousands)	Total number of options vested up to December 31, 2008 (not in thousands)
Piotr Walter	622,600	435,820
Karen Burgess	526,290	377,555
Edward Miszczak	526,290	377,555
Łukasz Wejchert	577,065	430,805
Tomasz Berezowski	336,030	241,065
Olgierd Dobrzyński	314,115	219,150
Waldemar Ostrowski	336,030	241,065
Adam Pieczyński	314,115	219,150
Jarosław Potasz	336,030	241,065
Piotr Tyborowicz	336,030	241,065

The following table presents shares (not in thousands) owned directly or indirectly by our Management Board members as of December 31, 2008:

Name	Number of shares
Piotr Walter	20,000
Karen Burgess	138,735
Edward Miszczak	75,300
Łukasz Wejchert	515,805
Tomasz Berezowski	0
Olgierd Dobrzyński	939
Waldemar Ostrowski	45,089
Adam Pieczyński	0
Jarosław Potasz	78,450
Piotr Tyborowicz	0

Supervisory Board

Our Articles of Association include independence criteria for supervisory board members. An independent supervisory board member is defined as a person who meets all of the following criteria:

(a) is not our employee;

(b) has not been our management board member during the three years preceding appointment to our supervisory board;

(c) is not a person close to a member of our supervisory or management boards or a senior officer employed by us;

(d) does not obtain any compensation from us or our affiliated companies other than supervisory board related compensation;

(e) holds less than 5% of our shares;

(f) is not a person close to any of our shareholders who hold 5% or more of our shares (applicable to those shareholders who are natural persons); and

(g) is not an employee or a member of a governing body of any of our shareholders who hold 10 % or more of our shares, or is not connected with such shareholder in any other substantial manner.

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

Name	**Age**	**Position**	**Year first appointed**	**Year appointed for the current term***
Wojciech Kostrzewa	48	Chairman of the supervisory board Member of the related party transactions and remuneration committee	2005	2006
Bruno Valsangiacomo	53	Deputy Chairman of the supervisory board Member of the audit committee	1999	2006
Arnold Bahlmann	56	Independent member of the supervisory board Member of the related party transactions and remuneration committee	2005	2006
Romano Fanconi	43	Member of the supervisory board	2004	2006
Paweł Gricuk	44	Independent member of the supervisory board Member of the audit committee Member of the related party transactions and remuneration committee	2005	2006
Paweł Kosmala	58	Member of the supervisory board	2008	2008
Wiesław Rozłucki	61	Independent member of the supervisory board Member of the audit committee	2007	2007
Andrzej Rybicki	60	Independent member of the supervisory board	2006	2006
Markus Tellenbach	48	Independent member of the supervisory board	2008	2008
Aldona Wejchert	39	Member of the supervisory board	2007	2007
Gabriel Wujek	56	Independent member of the supervisory board	2008	2008

*Term expires at the General Shareholders Meeting at which the 2008 consolidated financial statements of the Company are approved.

Wojciech Kostrzewa, is the President and CEO of ITI Holdings. Between 1988 and 1991 he was employed at the Kiel Institute for the World Economy as a Research Economist. From 1989 to 1991 he was an advisor to the Polish Minister of Finance, Prof. L. Balcerowicz. Between 1990 and 1995 he held a position of President of the Polish Development Bank. In 1996, Wojciech Kostrzewa was appointed as Deputy President of BRE Bank S.A. and in May

1998, became its President, which post he held until November 2004. Between January 2002 and November 2004, he was Executive Member of the Regional Management Board of Commerzbank AG where he was responsible for the all operations of Commerzbank in Central and Eastern Europe. Since 2007 he has been the Vice President of Polish Confederation of Private Employers Lewiatan. He is also a Member of the Polish Business Roundtable. He is an economics graduate from Kiel University in Germany.

Bruno Valsangiacomo, joined the ITI Holdings in 1991 as Founding Shareholder and holds the position of Executive Vice Chairman. He was also appointed the Supervisory Board of TVN and member of the Audit Committee of TVN. He is an experienced entrepreneur and investor in various industries. He started his career in corporate banking and worked for 20 years at major institutions in Switzerland such as UBS (1972 to 1982) and Banque Paribas (1982 to 1991). In 1991 Bruno Valsangiacomo founded FFC Fincoord Finance Coordinators Ltd., Zurich, an investment banking and advisory firm. He has successfully structured, negotiated, launched and implemented several complex businesses and ground-breaking financial transactions. Since 1991 his strong entrepreneurial focus is media and entertainment in Poland and he specializes in other industries such as finance, FMCG, pharma and construction engineering. He is a graduate of the School of Economics and Administration in Zurich.

Arnold Bahlmann, is a senior advisor to Permira, Europe's largest private equity fund. For more than 20 years he worked in various positions within Bertelsmann AG, starting in 1982 as Head of Strategic Planning. He finished his career at Bertelsmann in 2003 as President and CEO of Bertelsmann Springer and member of the Executive Board of Bertelsmann AG. Arnold Bahlmann also serves as a member of the supervisory board of YOC AG, Senator Entertainment AG, Germany 1 Ltd., Business Gateway AG and Telegate AG. He graduated from Cologne University, where he also obtained a doctorate.

Romano Fanconi, joined the ITI Group in 1995 and holds the position of Corporate Secretary. He heads the Corporate Administration Services in ITI Group responsible for company administration, contract management, tax structures, due diligence coordination, financial analysis, preparation of business plans and other support services. Previously he held various positions in banking (at UBS and Credit Suisse). He holds a Bachelors degree from the Lucerne School of Economics, Business and Administration.

Paweł Gricuk, is the President of Petrolinvest S.A. In the years 1993-2005, he was working at J.P.Morgan in London. Pawel Gricuk also serves as a member of the supervisory board of Bioton S.A. He is a an economics graduate from the University of Łódź and graduated from the Beijing University of Foreign Studies.

Pawel Kosmala in 1974 he started his professional career at Paged, the foreign trade company. Between 1987-1992 he was a commercial counselor to the Polish Embassy in the Republic of Ireland. From 1992 to 1995 he served as President of Seabridge Poland, the international shipping company. In 1995 he joined ITI Holdings as a president of Chio Lilly Snack Foods, one of the leading Polish potato chips and snack food producers. Between 2002 and 2006 Pawel Kosmala was President of Grupa Onet.pl SA, the public company listed on the Warsaw Stock Exchange, which is running the biggest Polish Internet portal Onet.pl. Pawel Kosmala acts as Vice Prsident of ITI Corporation Sp. z o.o. since 2001. He is a member of the Supervisory Board KP Legia Warszawa S.S.A and as of June 2007 he is also a member of the Board of Directors of ITI Holdings SA. He is a graduate from SGGW in Warsaw and completed finance and HR seminars for senior executives at London Business School.

Andrzej Rybicki is the Chief Executive Officer of Advanced Digital Broadcast Holdings S.A. group of companies ("ADB Group") as well as the Chairman of its Board of Directors. He founded the Group in 1995. Prior to that, Mr. Rybicki held several technical, business and marketing positions at Nokia Corp. and Salora OY between 1974 and 1978, Blonder-Tongue Laboratories, Inc. between 1979 and 1988, and was an engineering director at General Instruments Corp. between 1988 and 1990. From 1990 to 1996, Mr. Rybicki served as marketing director for STMicroeletronics' Asia Pacific region where he initiated and led the effort of business and product development of the world's first highly integrated, complete chipset for digital TV set-top boxes. He obtained an MSc in Electronics Engineering from the Technical University of Poznan.

Markus Tellenbach in 2007 founded and continues currently to serve as Chairman of the Board of Directors of Convers Media. Mr. Tellenbach served as a director of SBS Broadcasting from December 2002 until March 2007. He joined SBS in February 2001 as Chief Operating Officer, was appointed President of the Company in September 2001 and became Chief Executive Officer of SBS Broadcasting in August 2002. Prior to joining SBS Broadcasting, Mr. Tellenbach was Chief Executive Officer of KirchPayTV GmbH & Co and Chief Executive Officer of Premiere World, Germany's leading pay TV operator. From 1994 to 1999 Mr. Tellenbach served as Managing Director of Vox Fernsehen, a national commercial broadcaster in Germany jointly owned by Bertelsmann, Canal Plus and News Corporation.

Aldona Wejchert has been the president of the Supervisory Board of Multikino Sp. z o.o. and ITI Film Studio Sp. z o.o. since 2005. Between 1996 and 2003 she was the managing director and vicepresident of Multikino S. A., the first Polish multiplex operator. In 2003 she was appointed as president of the company. She is a graduate of the Warsaw School of Economics. She completed her education at the London Business School in Great Britain.

Wiesław Rozłucki, PhD graduated from the Foreign Trade Faculty of the Warsaw School of Economics in 1970. He has a PhD in economic geography. Between 1973 and 1989, he worked as a researcher at the Polish Academy of Sciences. During 1979-1980 he studied, as a British Council scholar, at the London School of Economics. Between 1990 and 1994, he was an adviser to the Minister of Finance, a director of the Capital Markets Department in the Ministry of Privatisation and a member of the Polish Securities and Exchange Commission.
Between 1991 and 2006, during five terms, Dr.Rozłucki was the President of the Management Board of the Warsaw Stock Exchange. He was also the chairman of the Supervisory Board of the National Depository for Securities and a board member of the World Federation of Exchanges and the Federation of European Securities Exchanges.
Rozłucki, PhD has been actively engaged in the corporate governance movement in Poland. He is the chairman of the Programming Council of the Polish Institute of Directors, Harvard Business Review Polska as well as a board member of L.Paga Foundation. He is also a member of supervisory boards of large public companies including Telekomunikacja Polska, TVN, Polimex-Mostostal and BPH Bank. He runs a strategic and financial consultancy, acting as a senior adviser to Rothschild Polska and Warburg Pincus International.

Gabriel Wujek is a partner in the law firm Radzikowski, Szubielska i Wspólnicy sp.k., a part of a New York-based law firm Chadbourne & Parke LLP. Since January 1, 2004 until December 31, 2007, he was the managing partner of Chadbourne & Parke LLP's Warsaw office. During the period 1990-2003 he was partner in the Chicago based U.S. law firm Altheimer & Gray and managing partner of the Warsaw office of Altheimer & Gray. Between 1986 and 1990, he was deputy director and director of Legal Department at the Ministry of Foreign Economic Relations of the Republic of Poland. From 1980 to 1985, he was the legal adviser of the commercial section of the Polish Embassy in New York City.

From 1973 to 1999 he was member of the Faculty of Foreign Trade at the Warsaw School of Economics. He is an arbitrator at the Arbitration Court of the Polish National Chamber of Commerce and at the Arbitration Court at the Polish Confederation of Private Employers Lewiatan.
Mr. Wujek is graduate of the Faculty of Law and Administration of the Warsaw University, a doctor of law and the author of many publications on commercial and business law and international investments.

Board Committees

We have established two supervisory board committees, an Audit Committee and a Remuneration and Related Party Transaction Committee, each comprised of three supervisory board members, of which two are independent board members.

Audit Committee

Our audit committee responsibilities are defined in the Audit Committee Charter approved by the supervisory board. The audit committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information and reviews the effectiveness of our internal control and risk management system as well as the effectiveness of the internal audit function. Additionally the audit committee recommends to the supervisory board the appointment, and assesses the performance, of the external auditor.

In performing its duties, the audit committee maintains an effective working relationship with the supervisory board, management board, management and the external and internal auditors.

The audit committee consists of three supervisory board members – currently Wiesław Rozłucki (chairman), Paweł Gricuk and Bruno Valsangiacomo. Two of its members are independent board members, and the members have appropriate qualifications and experience in accounting and finance.

The audit committee meets regularly. The Chief Financial Officer and representatives of external and internal audit attend the meetings by invitation. In 2008 the audit committee met six times.

Remuneration and Related Party Transaction Committee

The Remuneration and Related Party Transaction Committee's responsibilities are clearly set out in our Supervisory Board regulations and include reviewing related party transactions, reviewing compensation of management and supervisory board members and making recommendations on these to the full board.

The Committee currently comprises Wojciech Kostrzewa (chairman), Arnold Bahlmann and Paweł Gricuk.

The Committee was established on June 17, 2005 and met three times during 2008 to review our stock option plan, management board members remuneration and various related party transactions. Details of our stock option plan are presented below, and details of related party transactions, are presented in Item 7, “Major Shareholders and Related Party Transactions, Related Party Transactions”, below.

Compensation

The table below sets out supervisory board compensation, comprising payments for the year ended December 31, 2008 (excluding compensation for fourth quarter of 2008 which we have accrued but not paid):

Name	Remuneration (thousand PLN)
Wojciech Kostrzewa	192
Bruno Valsangiacomo	156
Arnold Bahlmann	108
Romano Fanconi	72
Pawel Gricuk	144
Paweł Kosmala	47
Sandra Nowak	21
Wiesław Rozłucki	132
Andrzej Rybicki	72
Markus Tellenbach	47
Aldona Wejchert	72
Gabriel Wujek	63
Total	**1,126**

Share ownership

The table below sets out shares held by each of the supervisory board members as of December 31, 2008:

Name	Number of shares
Wojciech Kostrzewa	100,000
Bruno Valsangiacomo	660,417
Arnold Bahlmann	106,330
Romano Fanconi	32,000
Paweł Gricuk	-
Paweł Kosmala	-
Wiesław Rozłucki	-
Andrzej Rybicki	-
Markus Tellenbach	-
Aldona Wejchert	-
Gabriel Wujek	-

Termination Benefits of Supervisory and Management Board Members

Under Polish law, the employee members of our management board are entitled to receive their entire compensation for a statutory special period, known as a termination period, after being notified that their employment is to be terminated. All of our management board members have six-month termination periods. All members of our management board have entered into non-competition agreements with us which entitle them to continued compensation following their termination, which is calculated as a specific percentage of the remuneration they received during an agreed period immediately prior to their termination. None of our supervisory board members are entitled to any benefits upon termination of their service.

Employees

As of December 31, 2008, we had 2,304 full-time employees. Of that number, 357 were employed in management and administration, 1,061 in production and programming, 78 in the marketing department, 371 in the technical department and 437 in the sales department. The increase over 2007 results mainly from an increase in the number of staff to support further growth of our business. None of our employees is a member of a trade union nor do they fall within the scope of any collective bargaining or similar arrangement. We believe that our relations with our employees are good.

As of December 31, 2007, we had 1,798 full-time employees. Of that number, 320 were employed in management and administration, 830 in production and programming, 73 in the marketing department, 290 in the technical department and 285 in the sales department.

As of December 31, 2006, we had 1,382 full-time employees. Of that number, 210 were employed in management and administration, 683 in production and programming, 73 in the marketing department, 220 in the technical department and 196 in the sales department.

Stock Option Plan

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

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

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

The stock option plans are designed to motivate highly qualified personnel, including top management, key employees and co-workers, our management board members and management board members of our subsidiaries to contribute to the value of the Company over the long term perspective by granting them rights to purchase series "C" and "E" shares. A total of up to 9,870,000 series "C" and 5,948,005 series "E" shares will be issued in order to enable participants to exercise their rights to purchase shares.

The exercise price of the options in a given tranche is determined in the stock option plan rules. Stock option plan participants will have the right to exercise their options in a given tranche at the following prices upon service vesting conditions being met:

Stock Option Plan I

Stock option plan participants will have the right to exercise their remaining options in a given tranche at the following prices upon service vesting conditions being met:

Tranche	Number of options	Exercise price	Service vesting period
C1	384,060	PLN 8.66	vested
C2	1,669,330	PLN 9.58	vested
C3	3,479,210	PLN 10.58	until January 1, 2009
Total	**5,532,600**		

Stock Option Plan II

Stock option plan participants will have the right to exercise their remaining options in a given tranche at the following prices upon service vesting conditions being met:

Tranche	Number of options	Exercise price	Service vesting period
E1	217,730	PLN 8.66	vested
E2	282,135	PLN 9.58	vested
E3	1,337,516	PLN 10.58	vested
E4	2,441,065	PLN 11.68	until April 1, 2009
E4	2,833,670	PLN 11.68	until January 1, 2010
Total	**7,112,116**		

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

The total cost of stock option plan I is PLN 74,124 and has been accounted for in the period starting from the fourth quarter of 2005 through the end of 2008. In this regard we recognized operating expenses of PLN 43,593 in 2006, PLN 21,453 in 2007 and PLN 8,481 in 2008.

The estimated total cost of stock option plan II is PLN 110,101. Of the total fair value of options granted with respect to E series, the value of PLN 70,775, less the part attributable to vested options granted under the original share option scheme existing in Grupa Onet that was modified at acquisition and included in the cost of acquisition, will be accounted for in the period starting from July 31, 2006 and ending March 31, 2009. The balance of PLN 39,326, relating to E options granted on December 18, 2007, will be accounted for in the period starting from December 18, 2007 and finishing December 31, 2009. We recognized operating expenses of PLN 23,379 in 2007, PLN 31,589 in 2008 and will recognize PLN 21,740 in 2009.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The table below shows the ownership of TVN S.A. shares as of December 31, 2008:

Shareholder	Number of Shares	% of Share Capital	Number of Votes	% of Votes	
	(2)	(2)	(2)	(2)	(3)
Strateurop International B.V. (1)	180.355.430	51,60%	180.355.430	51,60%	52,40%
N-Vision B.V. (1)	23.048.635	6,59%	23.048.635	6,59%	6,65%
Cadizin Trading&Investment (1)	10.001.400	2,86%	10.001.400	2,86%	2,89%
ITI Impresario (1)	1.400	0,00%	1.400	0,00%	0,00%
Other shareholders	136.108.549	38,95%	136.108.549	38,95%	38,06%
TOTAL:	**349.515.414**	**100,00%**	**349.515.414**	**100,00%**	**100,00%**

(1) *Entities controlled by ITI Holdings.*
(2) *Including treasury shares.*
(3) *Excluding treasury shares.*

Pursuant to the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and may exercise their voting rights in person or by written proxy. Each share is entitled to one vote at the general meeting of shareholders.

Pursuant to the Polish Commercial Companies Code, one or more shareholders representing at least 1/10 of our outstanding share capital may request an extraordinary general meeting of shareholders and submit particular matters for the agenda of the next meeting. Such request must be filed with the management board in writing at least one month before the proposed date of the next general meeting of shareholders. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the requesting shareholders may convene such meeting, after obtaining prior approval of the registry court. The registry court shall appoint the chairman of such meeting.

Below we present significant change in the ownership of our shares by our major shareholders during the past three years.

On November 23, 2007 and December 27, 2007 we were informed that our direct shareholder N-Vision B.V. (N-Vision) had transferred respectively 72,140,965 and 7,150,000 (not in thousand) of our registered shares as an in kind contribution to our other shareholder Strateurop International B.V. (Strateurop) in exchange for newly issued shares in Strateurop.

As a result of the above mentioned transactions, N-Vision reduced the number of our shares held to 37,261,960 (not in thousand), representing 10.73% of our share capital and votes, whereas Strateurop increased the number of our shares held to 178,597,985 (not in thousand), which represented 51.44% of our share capital and votes.

On February 29, 2008 N-Vision transferred 10,000,000 (not in thousand) of our registered shares as an in kind contribution to the share capital of Cadizin Trading & Investments Limited (Cadizin) in exchange for newly issued shares in Cadizin.

After the transaction, N-Vision held 27,261,960 (not in thousand) of our registered shares representing 7.85% of our share capital and votes, whereas Cadizin held 10,000,000 (not in thousand) of our shares representing 2.88% of our share capital and votes.

On April 11, 2008 N-Vision transferred 1,757,445 (not in thousand) of our shares as an in kind contribution to the share capital of Strateurop in exhchane for newly issued shares.

Changes in our shareholding structure between Strateurop, N-Vision and Cadizin were aimed to optimize the investment holding structure at the ownership level above those entities. Those changes did not affect ultimate shareholding in TVN S.A. as all these companies are directly or indirectly owned by the same entity.

Related Party Transactions

We are a 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 2008 these arrangements have related to: (i) loans and guarantees; (ii) leases of office and space; (iii) broadcasting and production services; (iv) rental of equipment; (v) purchases and sales of programming; and (vi) consulting services.

Our supervisory board has adopted a policy aimed at regulating transactions between us and related parties. Related parties would include our major shareholders and their affiliates, our supervisory and management board members, and our employees and their respective immediate family members. The related party transactions policy provides that the terms of each agreement between us and a related party shall be no less favorable to us than terms which could have been obtained in a transaction on an arm's-length basis with an unrelated party. The related party transactions policy also provides that (i) agreements that have a value in excess of €150,000 (not in thousands) and are concluded with related parties who are individuals and (ii) agreements that have a value in excess of €500,000 (not in thousands) with related parties that are legal entities must be approved by a resolution passed by a majority vote of our supervisory board, including the affirmative vote of a majority of the independent members of our supervisory board, with "independent" being defined by reference to the "Best Practices in Public Companies" of the Warsaw Stock Exchange.

Furthermore, in a shareholders meeting held on May 10, 2005, we established a related party transaction and remuneration committee of the supervisory board. The responsibilities of the related party transactions and remuneration committee are, among other things reviewing the terms and conditions of related party transactions to ensure that such transactions are in accordance with our policies for related party transactions.

Management, Financial and Other Services

On July 22, 2004, we entered into a services agreement (the "Services Agreement") with ITI Services AG, or ("ITI Services"), a member of the ITI Group, for certain management, sales, financial advisory and other services.

The Services Agreement was further extended on April 28, 2005, December 23, 2005, and October 23, 2006 to cover the services provided by ITI Corporation and Market Link Sp. z o.o. ("Market Link"), members of the ITI Group to TVN S.A. and Grupa Onet.

Under the Services Agreement, ITI Services, ITI Corporation and Market Link have agreed to provide us with certain services related to sales and procurement support, market and industry research, information technology, accounting and financial management, human resources, legal counsel, investor relations, and other areas. We and ITI Services and ITI Corporation will review the scope and quality of the services annually.

Under the Services Agreement we have agreed to pay ITI Services, ITI Corporation and Market Link an annual services fee in the amount of up to €3,000 in consideration for (i) the above-referenced services, and (ii) an annual guaranty fee equal to 3% of the amount of any of our or our subsidiaries' obligations guaranteed or otherwise financially supported by or on behalf of ITI Services.

In addition, we have agreed to reimburse ITI Services and ITI Corporation and Market Link for reasonable costs and expenses that they incur in connection with the provision of the services or guarantees. However, for so long as the terms of the Indenture limits the annual fees that we pay to the ITI Group to €3,000, the aggregate amount of the services fee, the guaranty fee, amounts paid for the reimbursement of costs and expenses and any other amounts we pay to ITI Services, together with any other fees and related expenses we or any restricted subsidiary (as defined in the Indenture) pay to any member of the ITI Group, is limited to €3,000. The Services Agreement expires on December 31, 2009. However, beginning on January 1, 2005, the performance of each party's obligations under the Services Agreement shall be subject to the approval by our supervisory board of an annual budget that includes moneys payable thereunder.

In its decision dated December 12, 2006, our supervisory board approved the delivery of services by ITI Services and ITI Corporation for 2007, and in a resolution passed on December 17, 2007, for 2008. Our supervisory board, in the resolution passed on December 11, 2008, approved continuance of the of Services Agreement in 2009, in consideration of annual services fee in the amount not exceeding €1,760.

Lease of Office and Studio Space

We lease land, office and studio space pursuant to lease and sublease agreements from certain ITI Group companies, most significantly, Poland Media Properties SA and Diverti Sp. z o.o.

Sublease of Premises

On March 14, 1997, we entered into a sublease agreement with ITI Poland Sp. z o.o. for 3,850 square meters of space for a term expiring on March 31, 2007 relating to the premises at ul. Augustówka 3 in Warsaw. We used these premises for all our activities. This agreement was terminated on October 24, 2006 and replaced with the following agreements:

- a sublease agreement, dated October 24, 2006, with Brel-An Sp. z o.o. and ITI Poland Sp. z o.o., subleasing business premises located at Augustówka 3, Warsaw, for a period of 10 years (from November 1, 2006 until October 31, 2016) and for a monthly fee of €63,000 (not in thousands).

- a lease agreement, dated October 24, 2006, with ITI Poland Sp. z o.o. leasing a television studio located at Augustówka 3, Warsaw for a period of 10 years (from November 1, 2006 until October 31, 2016) with a monthly fee in the amount of €12,000 (not in thousands).

Poland Media Properties is the legal successor of ITI Poland Sp. z o.o.

Lease of Premises from Diverti Sp. z o.o. (**legal successors of** ***Media Business Centre Sp. z o.o.*****)**

On October 27, 2003, we entered into two lease agreements with Media Business Centre Sp. z o.o. for a total of 3,993 square meters of space for terms expiring in 2007 and 2013, respectively, relating to premises at ul. Wiertnicza 166 in Warsaw. We use these premises for all our activities. On August 11, 2006 these agreements were terminated and replaced by an agreement for 10 years with Multikino S.A. The rights and obligations resulting from the agreement with Multikino were transferred to Diverti Sp. z o.o., a company incorporated as a result of a spin-off from Multikino S.A.

During the period 2003 - 2008, this agreement was amended several times to reflect additional space we occupied and, by the end of 2008, the total amount of rental space was 9,946.46 square meters. The monthly fee under this agreement is €221,000 (not in thousands) and PLN 65,000 (not in thousands), that covers office and studio space as well as parking places, plus a maintenance fee of PLN 322,000 (not in thousands). .

Investment in 'n' DTH Platform

On June 25, 2008, we acquired from our dominant shareholder, ITI Media Group N.V., 25% of the share capital plus one share of Neovision Holding B.V., a company registered in Amsterdam, the Netherlands, the sole shareholder of ITI Neovision, which owns and operates 'n' DTH platform in Poland for a total cash consideration of EUR 95,000. The consideration of EUR 95,000 included a pro-rata share of shareholder loans granted to ITI Neovision and the option to purchase at market value additional 25% of Neovision Holding B.V. share capital after three or four years from our initial investment.

We classified our investment as an investment in an associate and accounted for it using the equity method. In our consolidated financial statements, we split the total investment between investment in an associate and loans receivable from an associate. The value attributed initially to the investment in associate reflects the purchase price paid to ITI Media Group less the fair value of loans acquired. We estimated the fair value of loans receivable based on a valuation model with the key inputs being credit spread and market interest rates.

The loans bear interest at 8.25% p.a., have nominal values of €25,100 , €4,500 and €5,700 and are due for repayment on December 31, 2015, April 5, 2011 and July 19, 2011 respectively. Interest is accrued and payable at maturity using an effective interest rate of 9.45% with respect to loans repayable on December 31, 2015, and 9.84% with respect to loans repayable on April 5 and July 19, 2011.

Based upon the ITI Neovision business plan and the projections available at the date of acquisition, we agreed to participate pro-rata in financing ITI Neovision funding needs in form of further intercompany loans. As of December 31, 2008, the amount of the loans extended to ITI Neovision since the acquisition amounted to PLN 28,180.

Transactions with ITI Neovision

Our Revenues.

We broadcast 'n' DTH platform and TNK advertising spots on our television channels, as well as advertise the services on our Internet sites. Our total revenue from advertising of 'n' and TNK amounted to PLN 18,883 in 2008.

ITI Neovision distributes our channels on 'n' DTH platform and on the TNK service. Our total revenue from the distribution licence fees for our channels amounted to PLN 14,046 in 2008.

We provide to ITI Neovision broadcasting services (including playout, uplink, back up systems, multiplexing), archive services, IT support and maintenance and television scheduling services.

We also rent television production equipment to ITI Neovision based on a commercial price list.

Additionally, we sub-rent to ITI Neovision Studio space and equipment, and sublicense production software mainly for the purposes of nSport channel.

We provide to ITI Neovision television production services (including realization, graphics, cameramen, editing) as well as lease television equipment and other facilities of our regional offices.

Our total revenue from the broadcast, rental, television production and other related services amounted to PLN 26,626 in 2008.

Our Costs.

ITI Neovision produced sport news programs for both TVN 24 and TVN Fakty news bulletin for a remuneration of PLN 2,000.

In 2008 ITI Neovision rent its 'n' DTH platform decoders to our TVN Med subscribers and provided to us other related services for a remuneration of PLN 1,788.

Loan Agreements with ITI Neovision

On June 25, 2008, in connection with purchase of minority stake in Neovision Holding B.V. we purchased a corresponding pro-rata interest in the loans granted to ITI Neovision with a nominal value of €35,300. The loans bear interest at 8.25% per annum, have nominal values of €25,100 , €4,500 and €5,700 and are due for repayment on December 31, 2015, April 5, 2011 and July 19, 2011, respectively.

After the acquisition we have additionally granted to ITI Neovision loans in the total amount of €8,180 or PLN 28,180, which expire on June 30, 2015 and bear interest of 8.25% per annum.

Related Party Transactions with Members of the TVN Group

Loan Agreements with GOPH BV

In connection with purchasing 82.3% of GOPH BV from the ITI Group, we granted a loan to GOPH BV. In 2008 the loan bears interest of 8.25% per year and is due for repayment on December 31, 2016. Between 2006 and 2008, we signed further loan agreements for the total amount of PLN 160 and €20 with maturity dates on December 31, 2010 and December 31, 2010 respectively. The amount of all loans outstanding as of December 31, 2008 was PLN 88,970 (including accrued interest).

Senior Notes Guarantee Fee Agreement with Grupa Onet

On August 31, 2006 we signed a Third Supplemental Indenture Guarantee Fee Agreement with Grupa Onet. Based on this agreement Grupa Onet acts as a guarantor and as such has all of the rights and is subject to all of the obligations and agreements of a guarantor under the Indenture. We pay a fee of PLN 470 per year to Grupa Onet for the guarantee.

Guarantee Fee Agreement with Grupa Onet

On June 30, 2008, we signed a Loan Facility Guarantee Fee Agreement with Grupa Onet. Based on this agreement. Grupa Onet acts as guarantor of a Loan Facility provided to us by Bank Pekao SA up to a maximum amount of PLN 270,000. We pay a guarantee fee to Grupa Onet in the amount of PLN 540 per year. This agreement will expire on June 30, 2011.

Guarantee Fee Agreement with Mango Media

On June 30, 2008, we signed a Loan Facility Guarantee Fee Agreement with Mango Media. Based on this agreement Mango Media acts as guarantor of a Loan Facility provided to us by Bank Pekao SA up to a maximum amount of PLN 270,000. We pay a guarantee fee to Mango Media in the amount of PLN 540 per year. This agreement will expire on June 30, 2011.

ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements and Other Financial Information

Financial Statements

The financial statements filed as part of this annual report are included on pages F-1 to F-72

Legal Proceedings

Currently there are no legal proceedings pending against us, with a value exceeding 10% of our equity.

Share Buyback Program

On October 30, 2008 our shareholders approved a share buyback program to acquire and voluntarily redeem our shares (the "Share Buyback Program"). The Share Buyback Program allows us to purchase up to 35 million shares (not in thousands), but not more than 10% of our share capital as calculated on the last day of the Share Buyback Program. The program ends on December 31, 2009, and our shareholders approved the designation of a maximum amount of PLN 471,750 to finance the Share Buyback Program. The first tranche of PLN 50,000 of the Share Buyback Program commenced on November 17, 2008. By December 31, 2008, we had purchased 2,956,170 (not in thousands) shares for a total consideration of PLN 37,428. By January 21, 2009 we had purchased in total 3 903 188 (not in thousands) shares at an average price of PLN 12,81 per share within the first PLN 50.000 tranche. On February 5, 2009 the second tranche of PLN 50,000 of Share Buyback Program was commenced. Between the date of the commencement of the second tranche and the date when this annual report was prepared we purchased 728,134 shares (not in thousands) for a total amount of PLN 7,691.

Dividend Policy

Subject to our operating results, capital investment requirements, the terms of the Indenture and statutory distributable reserves, we intend to recommend that between 30% and 50% of our annual net profits, adjusted for the impact of revaluation of the embedded option in our Senior Notes, be used to pay dividends.

We paid a dividend of PLN 171,180 (or PLN 0.49 per share) on June 12, 2008.

Reconciliation of our 2008 results to our recent forecast.

The table below provides comparison of our consolidated financial results for the year ended December 31, 2008 and updated forecast of our 2008 results published on November 7, 2008.

	Actual results 2008	**Updated 2008 forecast of results**
Revenue increase	22%	20%-22%
EBITDA margin	37.5%	37%
Capital expenditure *	185,633 zł	180,000 zł
Share in the net loss of 'n' DTH platform	94,455 zł	45,000 zł

** Defined as an increase of gross book value of our fixed and other intangible assets*

Our financial results for 2008 are in line with forecast we announced previously, with an exception for the higher share in the net loss of 'n' DTH platform. This increase results mainly from a significant influence of the depreciation of PLN/EUR exchange rate on the valuation of euro denominated shareholders loans granted to 'n' DTH platform by us and by entities from ITI Group. Part of our share in the 'n' DTH platform losses is offset by foreign exchange revaluation gains of PLN 35 million recognized by us on loans we granted to 'n' DTH platform. Our effective share in the 'n' DTH platform losses was PLN 59 million compared with PLN 45 million announced previously..

Significant Changes

Other than those events described in Item 5. and other items in this annual report, there have not been any significant changes to our financial condition or results of operations since December 31, 2007.

ITEM 9. THE OFFER AND LISTING

Listing Details and Markets

On December 30, 2003, our Senior Notes were listed on the Luxembourg Stock Exchange. The Senior Notes are traded on the over-the-counter market, and there is no active public trading market for them.

On December 7, 2004, our shares were listed on the regulated market on the Warsaw Stock Exchange.

As of December 29, 2006, a 1:5 share split was effective. We decreased the nominal value of each of our shares from PLN 1 to PLN 0.2, and increased the number of shares to 343,508,455 (not in thousands) as of the date.

As of December 31, 2008, the number of shares of TVN S.A. amounted to 349,515,414 (not in thousands), this number includes 2,956,170 treasury shares. The share capital of TVN S.A. accounts for PLN 69,903.

The price history is set forth in the tables below:

(PLN not in thousands)	Highest share price during the month	Lowest share price during the month
July 2008	18.28	14.20
August 2008	19.47	17.12
September 2008	18.50	15.05
October 2008	18.46	10.60
November 2008	14.79	11.02
December 2008	13.95	12.10

(PLN not in thousands)	Highest share price during the quarter	Lowest share price during the quarter
First quarter ended March 31, 2007	29.28	22.30
Second quarter ended June 30, 2007	27.90	21.00
Third quarter ended September 30, 2007	24.40	19.50
Fourth quarter ended December 31, 2007	26.60	21.06
First quarter ended March 31, 2008	26.75	20.47
Second quarter ended June 30, 2008	24.40	15.75
Third quarter ended September 30, 2008	19.47	14.20
Fourth quarter ended December 31, 2008	18.46	10.60

(PLN not in thousands)	Year ended December 31, 2004	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008
Share price at end of period	7.84	15.60	24.90	25.00	13.46
Average share price during period	7.60	10.24	20.17	24.36	18.56
Highest share price during period	8.20	16.40	26.60	29.28	26.75
Lowest share price during period	6.88	7.40	15.10	19.50	10.60

ITEM 10. ADDITIONAL INFORMATION

Articles of Association

This summary describes certain material provisions of our Articles of Association as well as information on our share capital, our ordinary shares, the Polish Commercial Companies Code and other regulations which are material for our operation. This description does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the Polish Commercial Companies Code and other applicable regulations in effect on the date of this annual report.

TVN Sp. z o.o. was incorporated on May 22, 1995 and was entered in the commercial register maintained by the District Court for the city of Warsaw, Commercial Court, XVI Commercial and Registration Division, under the RHB no. 43929. On June 12, 2001, the Registry Court entered TVN Sp. z o. o., into the National Court Register under number KRS 0000018906.

On July 2, 2004, the extraordinary general meeting of shareholders of TVN Sp. z o.o. unanimously adopted Resolution No. 12 transforming TVN Sp. z o.o. into a joint-stock company, TVN S.A. This transformation was officially registered on July 30, 2004, by entering TVN S.A. on that date in the Register of Entrepreneurs maintained by the Registry Court under number KRS 0000213007.

Share Capital

Our share capital is divided into 349,515,414 registered and bearer ordinary shares, Series A, B, D, C1, E1 and E2, with a nominal value of 20 groszy each (of which 180,355,430 are registered shares and 169,159,984 are bearer shares).The series C shares were issued pursuant to the Resolution of TVN General Shareholders Meeting dated June 8, 2006, with a conditional increase of share capital of up to 9,870,000 (not in thousands) shares of C series in respect of the employee share option scheme. The series E shares were issued pursuant to the Resolution of TVN General Shareholders Meeting, dated September 26, 2006, with a conditional increase of share capital of up to 8,781,675 (not in thousands) shares of E series in respect of the employee share option scheme.

Pursuant to §7 Section 1 of our Articles of Association, our management board may, within three years from January 1, 2008, increase our authorized share capital one or more times, currently by an aggregate amount up to PLN 15,000,000 (not in thousands) i.e., by 75,000,000 (not in thousands) shares (assuming the nominal value remains 20 groszy per share). The authorization to increase the share capital includes shares being acquired in exchange for a contribution in-kind and the possibility of the issuance of subscription warrants exercisable within the three-year period referred to above (see §7 Sections 2 and 3 of the Articles). Pursuant to §7 of Section 4 and §21 of Section 2.8 of our Articles of Association, resolutions of the management board on (i) the indication of the date of opening and ending of the subscription, (ii) the setting of the issue price, (iii) the allotment of shares in exchange for in-kind contribution, and (iv) the issue of subscription warrants, require the consent of our supervisory board.

The Issue of Shares

An increase in our share capital may be affected by an issuance of new shares or an increase of the nominal value of the existing shares, and requires the adoption of a resolution by a qualified majority of three-quarters the votes of the shareholders in a general meeting.

The provisions of the Polish Commercial Companies Code, in addition to an ordinary share capital increase, provide for (i) a share capital increase with the use of funds from our reserve capital or from the supplementary capital within the limits defined by the law, (ii) a share capital increase within the value of the authorized capital, and (iii) a conditional share capital increase.

Transfer of Shares

Our shares are freely transferable and are not subject to any restrictions apart from the limitations arising out of our Articles of Association, the Commercial Companies Code, the Broadcasting Act, the Act on Trading in Financial Instruments, and the Act on Public Offering, Radio and Television Broadcasting Act and other provisions of law the material provisions of which are summarized below.

Pursuant to §10, section 1 of our Articles of Association, the disposal of our registered shares requires the prior written consent of the Management Board. The Management Board shall notify a shareholder on granting or refusing to grant consent within 30 days following the receipt of a written notice from the shareholder intending to dispose of the shares, specifying the number of shares to be disposed of and the price for the shares to be disposed of. If the management board refuses to grant the consent for the disposal of the shares, it shall designate within two months following the date of receipt of the notice, a purchaser who may only purchase such shares at a price that cannot be lower than the average price for the last 30 trading days on the Warsaw Stock Exchange plus 7.5% of the price set forth in the notice, unless a different price has been agreed to by the transferring shareholder and the purchaser designated by the management board.

The agreement on transfer of the shares to the purchaser designated by the Management Board shall be executed, and the price for the shares shall be paid by the purchaser, within 14 days following the date of designation by the management board, unless the purchaser and transferring shareholder agree to other terms. In the event the purchaser designated by the management board does not purchase the shares within the requisite time period, a shareholder may sell the shares to another person or effect a conversion of registered shares into bearer shares without management board consent. The limitations concerning the disposal of our shares set forth in §10, section 1 shall not apply to the disposal of our registered shares for the benefit of certain of our affiliates.

Pursuant to §10, section 2 of our Articles of Association, as long as there are laws limiting the maximum number of our shares which may be acquired by foreign entities, having their residence or statutory seat in a country which is not a member country of the EEA, the disposal of the registered Series A Shares may be made only for the benefit of a natural person being resident in a member country of the EEA or a legal person or organizational entity not being a legal person, which has a statutory seat in a member country of the EEA, subject to the conditions set forth in our television broadcasting licenses.

Pursuant to §10, section 3 of our Articles of Association, as long as there are laws limiting the acquisition of our shares by foreign entities having their residence or statutory seat in a country which is not a member country of the EEA, the disposal of our shares for the benefit of a natural person not resident in a member country of the EEA or a legal person or organizational entity not a legal person, which does not have its statutory seat in a member country of the EEA, may be made only with the permission of the Chairman of the National Radio and Television Council.

Conversion of Registered Shares to Bearer Shares

Paragraph 9 of our Articles of Association permits conversion of our shares from registered into bearer form only upon the motion of a shareholder and requires the prior consent of our management board; provided, however, that such consent shall not be withheld if, prior to effecting the conversion to bearer form, the shareholder fulfils the procedure set forth under "Transfer of Shares" above.

Voting Rights

Pursuant to Article 412, §1 of the Polish Commercial Companies Code, shareholders may participate in the general meeting of shareholders and exercise voting rights in person or by proxy.

Pursuant to Article 411 of the Polish Commercial Companies Code, each share is entitled to one vote at the general meeting of shareholders. Pursuant to the Polish Commercial Companies code, no special voting rights are attached to our shares.

Pursuant to §13, section 4 of our Articles of Association, as long as required by law, voting rights held by foreign entities whose residence or registered office is in a country which is not a member of the EEA (including subsidiaries of such foreign entities) may not exceed 49%.

Pursuant to Article 400 of the Polish Commercial Companies Code, a shareholder or shareholders representing at least 10% of our share capital may request that an extraordinary general meeting of shareholders be convened and submit particular matters for the agenda of the next meeting of the shareholders. Such request should be filed with the management board in writing not later than one month prior to the proposed date of the next general meeting. If the management board does not convene the extraordinary general meeting of shareholders within two weeks following the filing of the request, then the shareholders may refer the matter to the registry court and convene such meeting upon authorization of the registry court. At the same time, the court shall appoint the chairman of such meeting.

Supervisory Board

Pursuant to Article 385, §1 of the Polish Commercial Companies Code, the members of the supervisory board are appointed and removed by the general meeting of shareholders.

Pursuant to Article 385, §3 of the Polish Commercial Companies Code, upon an application by shareholders representing at least 20% of our share capital, the election of the Supervisory Board shall be made at the next general meeting of shareholders by way of a vote in separate groups.

Management Board

Our management board manages our activities and represents TVN before third parties. The company may be represented by: (i) the president of the management board acting alone; or (ii) two members of the management board acting jointly.

Our management board may be composed of at least three members, including the president and at least one vice president, appointed and removed by the supervisory board,

The number of members of our management board is determined by the supervisory board.

The members of our management board are appointed for a joint three-year term.

The resolutions of our management board are adopted by a simple majority of votes cast, at the meeting, or without holding the meeting. If the resolution is adopted at a meeting of the management board, the meeting must be attended by at least half of its members. In the case of a tie vote, the vote of the president of the management board is decisive.

The following actions of the management board require prior consent of the supervisory board:

- entering into any contract with or contracting any obligation from our controlling shareholder or entity affiliated with our controlling shareholder in the amount exceeding the equivalent of Euro 500 in aggregate during the relevant financial year with the exclusion of transactions included in the approved annual budget;
- entering into or modifying any contract between us and other entities, including our subsidiaries (other than a wholly owned subsidiary), that requires us to expend or to provide goods or services having a value being more than Euro 5,000 in aggregate per financial year, or that is otherwise material to our business or our subsidiaries, provided that this provision shall not apply to programming contracts and expenditures which are included in the approved annual budget;
- making any capital expenditure for the acquisition or leasing of fixed assets not specifically included in the approved annual budget exceeding the equivalent of Euro 5,000 in aggregate per year;
- acquisition of securities or shares of any company for an amount exceeding the equivalent of Euro 5,000 in aggregate per year, except for such transactions included in the approved annual budget;
- disposal, (including lease, and tenancy) or encumbrance of our assets, the value of which exceeds Euro 5,000 in aggregate per year, except for those included in the approved annual budget;
- exercising of powers held in respect of subsidiaries with regard to permitting such subsidiaries to carry out the actions listed above; or
- undertaking other activities not specified above, other than those which are connected with our current business activities resulting in the creation of obligations or termination of third party obligations towards us, the value of which exceeds Euro 5,000 in aggregate per year not including transactions included in the approved annual budget.

Borrowing Powers

Our management board is not entitled, without the supervisory board's prior consent, to incur loans or credits or other financing for purposes other than refinancing of existing obligations greater than Euro 5,000 in aggregate per year, except for loans, credits or other financing included in the annual budget as approved.

Pre-emptive Rights.

Pursuant to Article 433, §1 of the Polish Commercial Companies Code, our shareholders have a pre-emptive right with respect to newly issued shares in proportion to the number of shares that they already hold.

A general meeting of shareholders may deprive the shareholders of their pre-emptive rights, in whole or in part, upon a resolution adopted by an 80% majority vote when such proposal has been published in the agenda of the general shareholders' meeting and the written reasons for such resolution have been presented by the management board, under Article 433, § 2 of the Commercial Companies Code.

Pursuant to Article 433, §3 of the Polish Commercial Companies Code, the provisions of Article 433, §2 of the Polish Commercial Companies Code described above are not applied if the resolution on the increase of the share capital provides that the new shares:

- are to be subscribed in whole by a financial institution (i.e. an underwriter), which shall subsequently offer such new shares to shareholders with a view to enabling them to exercise the pre-emptive right on the terms stipulated in the resolution; or

- are to be subscribed by an underwriter, where the shareholders who have the pre-emptive right have not subscribed for some or all of the shares offered to them.

Pursuant to §7, section 5 of our Articles of Association, the management board is entitled, up to the limit of our authorized capital, also in the case of the issuance of subscription warrants, to deprive the existing shareholders of their pre-emptive rights in whole or in part, subject to the prior consent of the supervisory board.

Dividends and Other Distributions.

Pursuant to Article 347, §1 of the Commercial Companies Code, our shareholders are entitled to participate in the profits presented in our audited financial statements, and so designated by the general meeting of shareholders.

Pursuant to Article 395 of the Polish Commercial Companies Code, a resolution on distribution of profits and dividend payments (or coverage of losses) may be adopted by the ordinary annual meeting of shareholders convened within six months after the end of each fiscal year.

Pursuant to Article 347, §2 of the Polish Commercial Companies Code, profits are divided in proportion to the number of shares.

§27, Section 2 of our Articles of Association authorizes the management board to make advance payment to shareholders, within a given financial year, against dividends expected as of the end of the fiscal year, if we have sufficient funds for such payment in accordance with Article 349, § 2 of the Commercial Companies Code. The payment of the advance for the expected dividend requires the consent of the supervisory board under Article 349, §1 of the Commercial Companies Code and §21, section 2 (9) of our Articles of Association.

Pursuant to Article 349, §2 of the Commercial Companies Code, we may pay such advance on the expected dividend if our financial statements for the previous fiscal year show a profit. The advance may not exceed half of the profits earned from the end of the previous financial year, according to the audited financial statements, plus reserve capital created from the profit, which may be disposed by the management board in order to pay advances, and reduced by uncovered losses and the company's own shares.

Directors' Material Interests.

Our Articles of Association do not contain any specific provisions concerning management board members' material interests. Therefore, the general rules provided by the Polish Commercial Companies Code apply.

According to Article 379 of the Commercial Companies Code and paragraph 21 Section 2(2) of our Articles of Association, in agreements between us and a member of the Management Board, as well as in a dispute with a member of the management board, we will be represented by the supervisory board or an attorney appointed by virtue of a resolution of the general meeting.

Moreover, according to Article 15 of the Polish Commercial Companies Code, the consent of shareholders is required for the execution of a credit agreement, loan agreement, guarantee agreement or any other similar agreement with a member of the management board, supervisory board, commercial proxy, liquidator or for the benefit of any of the above listed persons.

According to Article 377 of the Polish Commercial Companies Code, a member of the management board may not vote, and shall withhold from deciding in respect of any contract or arrangement in which he or she is interested, or in which his or her spouse or relatives (up to two second degree) are interested, or where any other conflict of interest exists between a member and the company.

Moreover, according to Article 380, §1 of the Polish Commercial Companies Code, a member of the management board may not, without the consent of the supervisory board, compete or participate as a partner in a partnership or a civil law partnership, or serve as a member of management of a company, or participate in any competitive legal entity as a member of its management that competes with us. The above prohibition shall also apply to participation in a competitor company if a member of the management board holds at least 10% of the shares in such company or has the right to appoint at least one member of the management board of such company.

Directors' Remuneration.

According to section 378 of the Polish Commercial Code, the supervisory board sets the remuneration of members of the management board employed under employment contracts or other contracts. The shareholders may authorize the supervisory board to establish that the remuneration of members of the management board shall also include the right to participate, in a specified manner, in the company's annual profit allocated for distribution among the shareholders.

No Age Disqualification for Directors.

Neither the Articles of Association nor the provisions of the Polish Commercial Companies Code contain any provision concerning age requirements for Directors.

Winding Up.

Under our Articles of Association, in case of winding up, the shareholders appoint, upon the supervisory board's request, liquidators among the members of the management board and determine the procedure of winding-up. As to other matters concerning winding-up not regulated by the Articles of Association, articles 459 – 478 of the Polish Commercial Companies Code apply.

According to the general rules for winding–up, our assets may be divided among shareholders after all claims of creditors are paid off or secured. The division of assets may not be performed earlier than within one year from the date of announcement of the commencement of the liquidation and notifying the creditors. The assets are divided among shareholders proportionately to their respective contribution made to the share capital.

Redemption.

Shares may be redeemed upon the shareholder's consent called, "voluntary redemption", subject to binding provisions of law. Our Articles of Association do not provide for redemption of shares without the consent of the shareholder, known as "forced redemption".

Further Capital Calls.

According to the Polish Commercial Companies Code, the shareholders of a joint stock company are obligated to make full payment for shares. Payments should be made proportionally to all the shares held.

Change of Control Provisions.

On September 22, 2004, KRRiT permitted us to trade an amount not exceeding 49% of our share capital on the Warsaw Stock Exchange. This limitation is the result of provisions contained in Article 35 of the Broadcasting Law, that provides that shareholdings of foreign entities or persons that are not EEA residents may not exceed 49% of the share capital of a broadcasting licenseholder, such as TVN S.A., or 49% of voting right in the general shareholders meeting.

The amendments made to the TVN S.A. broadcasting licenses at the time of admission to public trading on the Warsaw Stock Exchange are the most significant obstacle to a change of control. Under these amendments, our shareholders, N-Vision BV and Strateurop International B.V., must continue to hold at least 51% of the voting shares of TVN S.A.

These restrictions provide a safeguard against takeovers or a change of control, and, we believe, virtually eliminate the possibility of takeover.

Anti-takeover provisions are also included in the TVN S.A. Articles of Association.

Although all TVN S.A. shares have equal voting and dividend rights, the most effective defense mechanism operates through the registered shares. Since conversion of the shares from registered shares into bearer shares, as well as any disposition of the registered shares, requires the written consent of the management board, the management board ultimately controls any change in holding of the registered shares under Article 9 and 10 of our Articles of Association. Presently, our share capital consists of 180,355,430 registered shares, representing 51.94 % of the total share capital. In addition, at the time of any increase in the share capital, existing shareholders have pre-emptive rights, and any deprivation of the pre-emptive rights requires a resolution adopted by a vote of 80% of the share capital. In case of an increase in share capital within the authorized share capital, a resolution of the management board, acting upon the supervisory board consent, is required. However, the management board may increase the share capital by an amount of up to PLN 15,000, under Article 7 of the Articles of Association, until January 1, 2011.

Although the Polish Commercial Companies Code provides that the shareholders have the right to remove the members of the management board, our Articles of Association permit such revocation or suspension only for significant reasons. The resolution must indicate such reasons for the removal or suspension, thereby strengthening the position of the management board.

Action Necessary to Change Rights of Shareholders.

Pursuant to Article 415 of the Polish Commercial Companies Code, any amendments to the Articles of Association providing for a limitation of the rights granted to the individual shareholders requires the consent of all shareholders concerned. Any other change of the Articles of Association under the Polish Commercial Companies Code requires a resolution to be adopted by a majority of 75% of the votes at a general shareholders' meeting.

Disclosure of Shareholder Ownership Thresholds.

Chapter 4, Section 1 of the Act on Public Offering governs the obligation of the shareholders to disclose the acquisition of shares. Information about all acquisitions or dispositions of shares must be provided to the Polish Financial Supervision Authority, as well as to us, and also must be publicly announced.

The disclosure obligation covers, in particular, the following transactions:

- acquisition or disposition of shares that results in reaching or exceeding 5%,10%,15%, 20%, 25%, 33%, 50%, 75%, or 90% of the total number of voting shares;
- disposition of shares that results in a reduction to below 5%,10%, 15%, 20%, 25%, 33%, 50%, 75%, or 90% or less of the total number of voting shares if the shareholder previously owned 5%,10%, 15%, 20%, 25%, 33%, 50%, 75% or 90% of the total number of voting shares;
- acquisition or disposition of shares that results in reaching or exceeding 2% percent of the total number of voting shares, if the shareholder already owns over 10% of voting shares; and
- acquisition or disposition of the shares that results in reaching or exceeding 1% percent of the total number of voting shares at the shareholders meeting if the shareholder already owns over 33% of voting shares.

When a shareholder holds less than 33% of the total voting shares and acquires shares increasing his voting power by more than 10% of the voting shares within a period shorter than 60 days, such acquisition must be effected by a tender offer.

When a shareholder holds 33% or more of the total voting shares and acquires shares increasing his voting power by more than 5% of the voting shares within one year, such acquisition must be effected by a tender offer.

A shareholder may acquire shares exceeding a threshold of 33% of total voting shares only as a result of a tender offer to acquire shares which give the right to at least 66% of total voting shares.

The shareholder may acquire shares exceeding a threshold of 66% of total voting shares only as a result of a tender offer to acquire the residual shares.

In addition, the Polish Office for Protection of Competition and Consumers has the right to control the concentration of shareholdings. Under Article 13 of the Act on the Protection of Competition and Consumers, the Office for Protection of Competition and Consumers must be notified about the intent to enter into a transaction of share acquisition resulting in the acquisition of direct and indirect control over company, in the event that the aggregate revenue of both companies participating in the concentration, exceeds in the year preceding concentration the sum of Euro 50,000 in Poland, or the sum of Euro 1,000,000 worldwide.

Changes in Share Capital.

Any increase or decrease in share capital requires an amendment to the Articles of Association. Any amendment to the Articles of Association must be adopted by a 75% vote in accordance with Article 415 of the Commercial Companies Code.

Material Contracts

License Agreement with Warner Bros. International Television

On December 23, 2008, we entered on arm length basis into an output contract with Warner Bros. International Television Distribution Inc. under which we will purchase the rights to broadcast in Poland motion pictures and television series from Warner Bros. existing library as well as certain of their future productions over a period of four years commencing on May 1, 2009. The rights licensed under the agreement include free television, basic television and exhibition of licensed programs in High-Definition format.

License Agreement with Paramount Pictures

On December 11, 2008, we entered on arm length basis into an output type licensing contract with Paramount Pictures under which we will purchase the rights to broadcast in Poland motion pictures and television series from Paramount Pictures existing library as well as certain of their future productions over a period of five years commencing December 1, 2008. The rights licensed under the agreement include free television, basic television, pay television and subscription VOD exhibition rights.

PLN Bonds

On June 23, 2008, we issued PLN denominated bonds with a nominal value of PLN 500,000. The PLN Bonds were issued in one series consisting of 5,000 (not in thousands) unsecured bearer bonds in dematerialised form in accordance with the Polish Law on Bonds dated June 29, 1995 (Journal of Laws of 2001 No. 120, item 1300 with subsequent amendments), with a nominal value of PLN 100,000 (not in thousands) each, with a redemption date of June 14, 2013 and with a right for us to request early redemption on either the third or fourth anniversary of the issue. The interest on the bond will be calculated and paid in cash semi-annually, on the bond nominal value, at a variable interest rate equal to 6M WIBOR plus 2.75%.

The issue of the PLN Bonds was based on Article 9, point 3 of the Law on Bonds and was non-public. The issue price of one PLN Bond was equal to the PLN Bond nominal value. The PLN Bonds constitute our irrevocable, unsubordinated, unsecured and unconditional liability, and they will be equal and without priority of payment against each other and (subject to exceptions arising from the mandatory provisions of the Polish law) will rank pari passu with all our remaining current or future unsubordinated and unsecured liabilities and they will be payable upon the same rules as such liabilities.

The amount gained from PLN Bonds issue increased our cash. For information on our cash flows please refer in Point 5 of this Annual Report.

Loan Facility

On June 30, 2008, we signed a PLN 200,000 loan facility agreement with Bank Pekao S.A. We can use this amount to finance our general corporate and working capital needs including capital investments and other capital expenditures. The facility expires on June 30, 2011. The loan bears interest at 6m WIBOR, LIBOR or EURIBOR (depending on loan's currency) plus margin (1% at the moment of the loan's initiation). The loan has been secured by TVN S.A. trade receivables up to the equivalent of EUR 25,000. The loan is also guaranteed by our subsidiaries, Grupa Onet.pl S.A. and Mango Media Sp. z o.o. Each guarantor jointly and separately, irrevocably and unconditionally guarantees performance of all our obligations under the loan facility agreement up to the maximum amount of PLN 270,000 and must immediately on Bank Pekao S.A. request must pay any amount that we do not pay when due under or in connection with the agreement.

Exchange Controls

Foreign exchange transactions are regulated by the Foreign Exchange Law of July 27, 2002, which came into force on October 1, 2002. The Foreign Exchange Law~~,~~ states that, as a rule, foreign exchange transactions are permitted, however some of them are subject to the restrictions provided therein. While foreign exchange transactions with member countries of the European Union, the EEA and the Organisation for Economic Co-operation and Development (including the United States) are mostly free from foreign exchange restrictions, a more stringent legal regime applies to non-residents from third countries, i.e. all countries that are not members of the EU, EEA or OECD. Any exemption from the restrictions and obligations set forth in the Foreign Exchange Law requires a general or individual foreign exchange permit. General foreign exchange permits are granted by the minister responsible for public finance.~~.~~ Such general permits may apply to all or a specific category of entities defined by type, as well as all transactions or transactions defined by type. Consequently, certain restrictions provided in the Foreign Exchange Law are excluded by the Ordinance of the Minister of Finance on general foreign exchange permits dated September 4, 2007, effective since October 3, 2007. While the adoption of amendments to the Foreign Exchange Law as a legislative act has to go through the parliamentary process, the adoption of an amendment to the Ordinance of the Minister of Finance rests solely within the powers of the Minister of Finance.

The Foreign Exchange Law provides for the equal treatment of PLN and foreign currencies listed on a convertible currencies list in the conduct and settlement of foreign exchange transactions with parties located abroad. Accordingly, payments to persons who are non-residents of Poland (as defined therein) may be made and expressed in convertible currencies or in PLN with no difference in the treatment thereof.

Restrictions contained in the Foreign Exchange Law cover transactions with third countries, i.e. all countries that are not members of the EU, EEA or OECD, such as:

1. The transfer of domestic or foreign money by residents to third countries, in order to undertake or broaden economic activity in those countries, including the purchasing of real estate, with some exceptions, i.e. transfer of money in order to cover the expenses related to supply of services in third countries;

2. Disposing in Poland by non-residents from third countries and by international organisations of which Poland is not a member, either directly or indirectly of:

   - debentures with a maturity period of less than one year, except for debentures purchased in Poland;
   - cash claims , except for those purchased in Poland or purchased from the Polish residents, to the extent where a foreign exchange permit is not required.

3. Purchasing by residents either directly or indirectly through other persons of:

   - shares in companies seated in third countries, as well as taking up shares in such companies;
   - participation units in collective investment funds based in third countries;
   - debentures issued by non-residents from third countries;
   - foreign currency disposed of by non-residents from third countries, in exchange for other foreign or domestic currency;
   - cash claims disposed of by non-residents from third countries.

It is important to underline that the restriction on concluding agreements which result or may result in obligation to pay in foreign currency in Poland was abrogated on January 24, 2009. The above amendment reflects the abolishment of the currency principle, which was stipulated in the Polish Civil Code.

Additionally, the Foreign Exchange Law imposes certain duties. Residents are required to transfer money abroad and to make settlements with non-residents in Poland through authorised banks, if the amount to be transferred or settled exceeds the equivalent of €15,000. The obligation to make settlements through authorised banks does not relate to situations when the authorised bank is a party to the settlement.

Residents engaged in foreign exchange transactions with non-residents and entrepreneurs conducting money exchange office activities must furnish the National Bank of Poland with sufficient data on such transactions or activities to prepare the balance of payments and - the balances of the states.

Taxation

United States of America

General.

To ensure compliance with U.S. Internal Revenue Service Circular 230, taxpayers are hereby notified that: (i) any discussion of U.S. federal tax issues in this annual report is not intended or written by us to be relied upon, and cannot be relied upon by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the U.S. Internal Revenue Code of 1986, as amended, or the “Code”; (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. This summary is not a comprehensive description of all of the tax considerations that may be relevant to a holder of the notes. In particular, this summary of U.S. federal income tax matters deals only with holders that will hold notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not address the tax treatment of holders that are subject to special tax rules such as financial institutions, securities or currency dealers, brokers, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, persons holding notes as part of a hedging, straddle conversion or larger integrated financial transaction or ''U.S. Holders'' (as defined below) with a currency other than the Dollar as their functional currency. The following summary also assumes that the notes will be issued with no more than a statutorily defined minimum amount of original issue discount. If a partnership holds the notes, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership.

This summary is based upon the Code, U.S.Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect.

HOLDERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, IN ADDITION TO THE EFFECT OF ANY STATE OR LOCAL TAX LAWS OR THE LAWS OF ANY JURISDICTION OTHER THAN THE UNITED STATES OF AMERICA.

U.S. Holders.

As used herein, a ''U.S. Holder'' means a beneficial owner of a note who is for U.S. federal income tax purposes (i) a citizen or resident of the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, including the Commonwealth of Puerto Rico, the United States of America, (ii) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States of America or under the laws of the United States of America or of any political subdivision thereof, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) any trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

Interest on the Notes.

Interest on the notes will be includable in a U.S. Holder's income as ordinary income at the time the interest is accrued or received, in accordance with the U.S. Holder's method of tax accounting.

A U.S. Holder of Euro-denominated notes that uses the cash method of accounting for U.S. federal income tax purposes will realize interest income equal to the Dollar value of the interest payment, based on the exchange rate on the date of receipt, regardless of whether the payment in fact is converted into Dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment. However, a U.S. Holder may recognize foreign currency gain or loss when the U.S. Holder converts the proceeds into Dollars.

A U.S. Holder of Euro-denominated notes that uses the accrual method of accounting for U.S. federal income tax purposes will determine the amount of interest income allocable to an accrual period in Euro, and then will translate that amount into Dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may elect to convert accrued interest into Dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the part of the accrual period within each taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all Euro-denominated notes from year to year and cannot change the election without the consent of the Internal Revenue Service. A U.S. Holder that does not want to accrue interest income using the average exchange rate may make certain alternative elections. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to an accrual of that interest. This foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss.

Sale and Redemption of the Notes.

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized upon such sale (other than amounts received in respect of accrued and unpaid interest), exchange, retirement or other disposition and such U.S. Holder's adjusted tax basis in the note. The Dollar amount realized will be the value of the Euro received at the spot exchange rate on the date of disposition (or on the settlement date, if the notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). Gain or loss will be capital except to the extent attributable to accrued but unpaid interest or foreign exchange gain or loss. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. The amount paid for a note with Euro will be the Dollar value of the Euro used to purchase it at the spot exchange rate on the date of purchase.

Capital gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be long-term capital gain or loss if the note is held for more than one year. Under the current law, net long-term capital gains of individuals are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to limitations. A U.S. Holder will recognize foreign currency exchange gain or loss equal to the difference between the Dollar value of the principal amount of the note on the date of acquisition and the date of disposition (or on the settlement date, if the notes are traded on an established securities exchange and the U.S. Holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). The foreign currency exchange gain or loss cannot exceed overall gain or loss on the note. Foreign currency gain or loss generally will be ordinary income or loss. All gain or loss generally will arise from U.S. sources.

U.S. Holders should note that the Polish tax on civil law transactions, if imposed, will not be treated as creditable foreign tax for U.S. federal income tax purposes, although U.S. Holders may be entitled to deduct such taxes, subject to applicable limitations under the Code. See the discussion below "Polish Taxation—Tax on Civil Law Transactions on Transfer of the Notes".

Disposition of Euro.

A U.S. Holder will have a tax basis in Euro received on the notes equal to the Dollar value to the Euro received determined at the spot exchange rate on the date the Euro is received. A U.S. Holder will have a tax basis in Euro received on the sale, exchange or other disposition of a note equal to the Dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the Euro generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding.

In general, information reporting requirements will apply to certain payments within the United States of America of interest, and principal and to proceeds of a sale, redemption or other disposition of the notes. A ''backup withholding'' tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest, fails to certify that he is not subject to such withholding or fails to report interest and dividend income in full. In general, a U.S. Holder may comply with this requirement by providing the paying agent, broker or other intermediary with a duly completed and executed copy of IRS Form W-9. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or credit against such beneficial owner's U.S. federal income tax liability provided the required information is furnished to the IRS.

Disclosure Requirements.

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions, "Reportable Transactions", could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note. U.S. Holders considering the purchase of the notes should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the notes, including any requirement to file Internal Revenue Service Form 8886 ("Reportable Transaction Statement").

EU Directive on the Taxation of Savings Income

On June 3, 2003, the Council of the European Union adopted a Directive on the taxation of savings income under which Member States will generally be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other Member State. Exceptionally (and for a transitional period only which will end after agreement on exchange of information is reached between the European Union and certain non-European Union States) Belgium, Luxembourg and Austria will instead be required to withhold tax from such payments unless the bondholder authorizes the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. The Directive applies from July 1, 2005 onwards.

Once the directive came into force, any relevant payee receiving interest from a paying agent in a Member State will have details about them collected and verified by the paying agent. The definition of interest extends to accrued and capitalized interest and includes premiums on redemption of a note. Further, for these purposes, the term ''paying agent'' is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled to such amount.

Polish Taxation

The following is a summary of the principal Polish tax consequences for holders of the notes. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and sale of the notes or the receipt of interest and accrual of discount (including for these purposes any premium payable on redemption) on the notes or payments by the Company or TV Wisla under the guarantee. Note holders should, therefore, consult their own tax advisers regarding the tax consequences under Polish law including the application of any tax treaty between Poland and their country of residence. All references to a repurchase or redemption of the notes are to a repurchase or redemption of the notes by the issuer of the notes and shall mean a ''repurchase'' of the notes for Polish tax law purposes.

Residence.

All references to residence for the purposes of this summary are to residence for the purposes of Polish tax law. References to a ''Polish individual'' or ''Polish legal person'' are to an individual or corporation or other legal entity resident in Poland for tax purposes and references to a ''foreign individual'' or to a ''foreign legal person'' to an individual or legal person or other legal entity not resident in Poland for tax purposes.

Legal persons are deemed to be a Polish tax resident if they have a seat or a place of management on the Polish territory. Individuals are deemed to be a Polish residents if the individual either stays in Poland for more than 183 days per year or has in Poland a center of his vital interest. For the purpose of determining the residency for tax purposes the relevant double tax treaty shall be taken into account.

Polish legal persons and Polish individuals are as a rule subject to tax in Poland on their world-wide income, irrespective of the place in which such income is earned. Foreign legal persons and foreign individuals are subject to tax in Poland only on the Polish sources of income. The relevant tax treaties could modify the above principles of taxation.

Taxation of Persons Who Are Not Resident in Poland

Taxation of Interest and Discount on the Notes and Sale and Repurchase of the Notes.

Foreign individuals and foreign legal persons will not be liable to taxation in Poland on interest or discount paid or accruing on the notes nor on income arising from the sale or repurchase of the notes.

Payments under the Guarantee.

Payments made by the Company or Grupa Onet under the guarantee will be treated as being earned in Poland. It is expected (although the position is not free from doubt and will depend on how the payments under the guarantee are treated under the law of the state of New York) that payments under the guarantee by the Company will be treated for Polish tax purposes, as the same type of income as the payments which were required to be made by the issuer. In such case the payments made under the guarantee by the Company will be treated as income arising on interest or repurchase or redemption of the notes depending on the payment in respect of which the issuer has defaulted. The description above, as well as the description of the Polish tax treatment of payments under the Company guarantee in the section headed ''Polish Taxation'' is made on the assumption that this treatment is accepted by the Polish Tax Authorities.

If income from the repurchase or redemption of the notes, and/or from interest on the notes, is paid to foreign investors under the guarantee by the Company or Grupa Onet, such income will be treated as earned in Poland and will be subject to taxation in Poland unless provided otherwise under the provisions of a double tax treaty entered into between Poland and the state where the foreign individual or a legal person is a resident.

Any entity resident in Poland (including the Company or Grupa Onet) which pays interest on the notes is obliged to withhold the flat rate tax at source at the rate of 19% in respect of the individuals (Polish and foreign) and 20% in respect of foreign legal persons from such payments on the date of payment thereof. However, the rate of withholding tax may be reduced pursuant to a relevant double tax treaty provided the foreign individual or foreign legal person obtains a certificate confirming its place of residence or location of its seat, issued for tax purposes by the appropriate tax administration (a certificate of tax residence). It is uncertain under Polish law whether such withholding tax will apply to any discount on the notes.

Foreign individuals will be subject to taxation on such income in Poland at the following rates:

- income from repurchase or redemption of the notes is subject to 19% personal income tax, unless a relevant double tax treaty provides otherwise;

- interest on the notes is subject to 19% personal income tax, unless a relevant double tax treaty provides otherwise

Foreign legal persons will be subject to taxation on such income in Poland at the following rates:

- income from repurchase or redemption of the notes is subject to 19% corporate income tax, unless a relevant double tax treaty provides otherwise;

- interest on the notes is subject to 20% corporate income tax withholding at source, unless an applicable double tax treaty provides otherwise.

Tax on Civil Law Transactions on Transfer of The Notes

Tax on civil law transactions is payable on sales or transfers of the notes at a rate of 1% of the value transferred, where the transfer of the notes is treated as relating to:

- rights enforceable in the territory of Poland or

- rights enforceable abroad, if the purchaser has its residence or seat in Poland and the transfer is executed in Poland.

It is expected that the rights attributable to the notes will not be treated as rights enforceable in Poland for these purposes unless a demand had been made under the guarantee from the Company or TV Wisla. The above description of the Polish tax treatment is made on the assumption that such analysis is accepted by the Polish Tax Authorities.

Transactions made through a brokerage house, or through a bank which conducts brokerage activities, are exempted from this tax.

Gift and Inheritance Tax

Liabilities to gift and inheritance tax apply only to individuals and may arise on a gift of the notes or on an inheritance of the notes, where:

- the heir or the donee is a Polish citizen or has a permanent residence in Poland; or
- the rights attributable to the notes are treated as property rights enforceable in the territory of Poland. It is expected that the rights attributable to the notes will not be treated as property rights enforceable in Poland for these purposes unless a demand had been made under the guarantee from the Company or Grupa Onet and in this case foreign citizens will be subject to taxation irrespective of the place of their permanent stay. The above description of the Polish tax treatment is made on the assumption that the Polish Tax Authorities accept such analysis.

The amount of such tax depends on the relationship of the donor to donee or of the deceased to the heir.

Documents on Display

All the documents concerning us which we refer to in this document may be inspected at our registered office by contacting Dariusz Choryło at +48.22.856.66.14.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports as required by the Indenture is recorded, processed, summarized and reported within the time periods specified by the Indenture.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Not applicable.

ITEM 16B. CODE OF ETHICS

Not applicable.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

We entered into agreements with our auditors, PricewaterhouseCoopers Sp. z o.o., to review interim financial statement and audit annual financial statements on March 18, 2008. These agreements cover the review and audit of financial statements for the period ended June 30, 2008 and the audit of the period ended December 31, 2008.

The following table sets out a summary of accountant fees and services for the twelve months ended December 31, 2007 and 2008:

(in thousands)	**2008**	**2007**
Audit fees [1]	1,179	1,153
Tax fees [2]	-	114
Other fees...	-	85
Total fees	**1,179**	**1,352**

[1] *Audit fees are the fees for review and audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.*

[2] *This position includes fees and expenses for services rendered from January through December 31, of the fiscal year, notwithstanding when the fees and expenses were billed.*

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of TVN Group. presented as a part of this annual report are included on pages F-1 through F-71 as follows:

ITEM 19. EXHIBITS

Not applicable.

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa
Poland
Telefon +48 (22) 523 4000
Faks +48 (22) 523 4040
http://www.pwc.com/pl

Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the 'TVN Group') which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
19 February 2009

PricewaterhouseCoopers Sp. z o.o. wpisana jest do Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, pod numerem KRS 0000044655, NIP 526-021-02-28. Kapitał zakładowy wynosi 10.363.900 złotych. Siedzibą Spółki jest Warszawa, Al. Armii Ludowej 14.

MANAGEMENT REPRESENTATIONS

These consolidated financial statements of TVN S.A. and its subsidiaries (the "TVN Group") for the year ended December 31, 2008, have been prepared in order to present the financial position, financial results and cash flows in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date.

The consolidated financial statements of TVN Group for the year ended December 31, 2008 include: consolidated income statement, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes to the consolidated financial statements.

In accordance with the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodical reporting by issuers of securities, the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Group's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the principles specified in the Accounting Act.

These consolidated financial statements were authorized for issuance by the Management Board of TVN S.A. on February 19, 2009.

Piotr Walter President of the Board	Karen Burgess Vice-President of the Board	Edward Miszczak Vice-President of the Board
Jan Łukasz Wejchert Vice-President of the Board	Tomasz Berezowski Board Member	Olgierd Dobrzyński Board Member
Waldemar Ostrowski Board Member	Adam Pieczyński Board Member	Jarosław Potasz Board Member
		Piotr Tyborowicz Board Member

Warsaw, February 19, 2009

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2008

TVN Group

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TVN Information

1. Principal activity

TVN S.A. (the "Company") and its subsidiaries ("TVN Group", the "Group") operate or jointly operate thirteen television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN Lingua, TVN CNBC Biznes, TVN Warszawa, Discovery Historia, NTL Radomsko and Telezakupy Mango 24. The Group's channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group also operates Onet.pl the leading internet portal in Poland operating services such as: Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt.

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Romano Fanconi
- Paweł Gricuk
- Paweł Kosmala (appointed May 9, 2008)
- Sandra Nowak (resigned January 7, 2008)
- Wiesław Rozłucki
- Andrzej Rybicki
- Markus Tellenbach (appointed May 9, 2008)
- Aldona Wejchert
- Gabriel Wujek (appointed February 15, 2008)

4. Management Board

- Piotr Walter, President
- Karen Burgess, Vice-President
- Edward Miszczak, Vice-President
- Jan Łukasz Wejchert, Vice-President
- Tomasz Berezowski
- Olgierd Dobrzyński
- Waldemar Ostrowski
- Adam Pieczyński
- Jarosław Potasz
- Piotr Tyborowicz

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

Clifford Chance
ul. Lwowska 19
00-660 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. ("Pekao SA")
ul. Grzybowska 53/57
00-950 Warszawa

8. Subsidiaries

Television Broadcasting and Production

- TVN Finance Corporation plc
  One London Wall
  London EC2Y 5EB
  UK
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Mango Media Sp. z o.o.
  ul. Kościuszki 61
  81-703 Sopot
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa

On-line

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Dream Lab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Media Entertainment Ventures International Limited
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 05
  Malta
- SunWeb Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków

9. Joint ventures

- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa
- Discovery TVN Ltd
  566 Chiswick High Road
  London W4 5YB
  UK

10. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 44
  00-950 Warszawa
- Neovision Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands

	Note	Year ended December 31, 2008	Year ended December 31, 2007
Revenue	**6**	1,897,309	1,554,729
Cost of revenue	**7**	(967,153)	(818,423)
Selling expenses	**7**	(151,772)	(126,452)
General and administration expenses	**7**	(148,801)	(126,008)
Other operating income/(expense), net	**7**	2,292	(1,834)
Operating profit		**631,875**	**482,012**
Investment income, net	**8**	81,090	19,344
Finance expense, net	**8**	(170,973)	(204,124)
Share of loss of associate	**15**	(94,440)	-
Profit before income tax		**447,552**	**297,232**
Income tax charge	**27**	(83,876)	(53,924)
Profit attributable to the equity holders of TVN S.A.		**363,676**	**243,308**
Earnings per share for profit attributable to the equity holders of TVN S.A. (not in thousands)			
- basic	**9**	1.04	0.70
- diluted	**9**	1.03	0.69
Supplementary disclosure of impact of embedded option valuation:			
Profit attributable to the equity holders of TVN S.A.		363,676	243,308
Impact on profit, net of tax, of fair value loss on embedded option	**8,27**	16,562	87,170
Adjusted profit attributable to the equity holders of TVN S.A.		**380,238**	**330,478**

The Group presents adjusted profit to reflect the impact of non-cash fair value losses/gains arising on prepayment options embedded in its Senior Notes. The accounting for prepayment options is technical, judgmental and driven by accounting interpretations. The Group believes that presentation of net profit adjusted for this item enables a reader to better understand the Group's operating and financial performance.

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

	Note	As at December 31, 2008	As at December 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment	10	347,400	250,168
Goodwill	11	952,657	952,657
Brand	12	693,688	693,688
Other intangible assets	13	56,796	50,969
Non-current programming rights	14	154,741	127,433
Investments in associates	15	120,076	83
Loan to associate	15	179,138	-
Available-for-sale financial assets	17	7,588	7,588
Deferred tax asset	27	34,515	12,637
Other non current assets	20	5,181	4,256
		2,551,780	**2,099,479**
Current assets			
Current programming rights	14	192,676	179,523
Trade receivables	18	305,834	299,590
Available-for-sale financial assets	17	315,616	-
Derivative financial assets	19	149,865	24,267
Prepayments and other assets	20	51,286	31,600
Corporate income tax receivable		1,250	94
Cash and cash equivalents	21	184,867	110,372
		1,201,394	**645,446**
TOTAL ASSETS		**3,753,174**	**2,744,925**
EQUITY			
Shareholders' equity			
Share capital	22	69,903	69,455
Share premium		605,805	566,327
Treasury shares	23	(37,428)	-
8% obligatory reserve		23,152	22,901
Other reserves		109,048	86,833
Accumulated profit		876,474	684,245
		1,646,954	**1,429,761**
LIABILITIES			
Non-current liabilities			
9.5% Senior Notes due 2013	24	855,432	790,388
PLN Bonds due 2013	24	498,593	-
Loan facility	24	109,875	-
Deferred tax liability	27	165,679	166,578
Non-current trade payables	25	6,951	8,724
Other non-current liabilities		1,342	1,374
		1,637,872	**967,064**
Current liabilities			
Current trade payables	25	141,905	111,107
Corporate income tax payable		40,559	43,223
Accrued interest on borrowings	24	7,658	3,332
Overdraft facility	24	48,733	-
Other liabilities and accruals	26	229,493	190,438
		468,348	**348,100**
Total liabilities		**2,106,220**	**1,315,164**
TOTAL EQUITY AND LIABILITIES		**3,753,174**	**2,744,925**

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

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

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Employee share option plan reserve	Accumulated profit	Shareholders' equity
Balance at January 1, 2007	**343,508,455**	**68,702**	**499,238**	**21,323**	**77,087**	**570,815**	**1,237,165**
Profit for the year	-	-	-	-	-	243,308	243,308
Total recognized income for the year	**-**	**-**	**-**	**-**	**-**	**243,308**	**243,308**
Issue of shares	3,764,520	753	67,571	-	(35,086)	-	33,238
Share issue cost	-	-	(482)	-	-	-	(482)
Charge for the year (1)	-	-	-	-	44,832	-	44,832
Dividend declared and paid	-	-	-	-	-	(128,300)	(128,300)
Appropriation of 2006 profit – transfer to 8% obligatory reserve	-	-	-	1,578	-	(1,578)	-
Balance at December 31, 2007	**347,272,975**	**69,455**	**566,327**	**22,901**	**86,833**	**684,245**	**1,429,761**

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

	Number of shares (not in thousands)	Share capital	Share Premium	Treasury shares	8% obligatory reserve	Other reserves (*)	Accumulated Profit	Shareholders' equity
Balance at January 1, 2008	**347,272,975**	**69,455**	**566,327**	**-**	**22,901**	**86,833**	**684,245**	**1,429,761**
Fair value gain on available-for-sale assets	-	-	-	-	-	668	-	668
Deferred tax on fair value gain on available-for- sale assets	-	-	-	-	-	(127)	-	(127)
Net income recognized directly in equity	**-**	**-**	**-**	**-**	**-**	**541**	**-**	**541**
Profit for the year	-	-	-	-	-	-	363,676	363,676
Total recognized income for the year	**-**	**-**	**-**	**-**	**-**	**541**	**363,676**	**364,217**
Issue of shares (2)	2,242,439	448	39,623	-	-	(18,396)	-	21,675
Share issue cost	-	-	(145)	-	-	-	-	(145)
Dividend declared and paid (4)	-	-	-	-	-	-	(171,180)	(171,180)
Dividend cost	-	-	-	-	-	-	(16)	(16)
Purchase of treasury shares (3)	-	-	-	(37,428)	-	-	-	(37,428)
Share option plan charge for the year (1)	-	-	-	-	-	40,070	-	40,070
Appropriation of 2007 profit – transfer to 8% obligatory reserve	-	-	-	-	251	-	(251)	-
Balance at December 31, 2008	**349,515,414**	**69,903**	**605,805**	**(37,428)**	**23,152**	**109,048**	**876,474**	**1,646,954**

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

(1) On December 27, 2005 TVN S.A. introduced the TVN Incentive Scheme I based on C series of shares. On June 8, 2006 the Annual Shareholders' Meeting approved a conditional share capital increase of up to 1,974 required for execution of the TVN Incentive Scheme I.
On July 31, 2006, as part of the acquisition of Grupa Onet.pl, TVN S.A. introduced the TVN Incentive Scheme II based on E series of shares. On September 26, 2006 the Extraordinary Shareholders' Meeting approved a conditional share capital increase of up to 1,756 required for execution of the TVN Incentive Scheme II .

(2) During the year ended December 31, 2008, 2,242,439 (not in thousands) of C1, C2, E1, E2 and E3 series shares were issued and fully paid as a result of the exercise of share options granted to the participants of TVN incentive schemes.

(3) During the year ended December 31, 2008, 2,956,170 (not in thousands) shares were purchased by the Company for redemption (see Note 23). These shares are included in the total number of shares in issue as of December 31, 2008 until the Shareholders' Meeting resolves to redeem and cancel the shares.

(4) The dividend paid in 2008 amounted to 0.49 per share (not in thousands).

Included in accumulated profit is an amount of 471,750 designated for a share buyback (see Note 23) and an amount of 405,032 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The Senior Notes (see Note 24) impose certain restrictions on payment of dividends.

*** Other reserves**

	Employee share option plan reserve	Fair value reserve	Total
Balance at January 1, 2008	**86,833**	**-**	**86,833**
Issue of shares	(18,396)	-	(18,396)
Charge for the period	40,070	668	40,738
Deferred tax on charge for the period	-	(127)	(127)
Balance at December 31, 2008	**108,507**	**541**	**109,048**

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

	Note	Year ended December 31, 2008	Year ended December 31, 2007
Operating activities			
Cash generated from operations	**28**	725,951	507,669
Tax paid		(110,597)	(87,710)
Net cash generated from operating activities		**615,354**	**419,959**
Investing activities			
Acquisition of subsidiaries net of cash acquired		-	(49,561)
Acquisition of associate	**15**	(323,817)	-
Payments to acquire property, plant and equipment		(135,761)	(111,164)
Proceeds from sale of property, plant and equipment		622	779
Payments to acquire intangible assets		(21,107)	(17,685)
Purchase of available for sale financial assets	**17**	(349,729)	(2,745)
Sale of available-for-sale financial assets	**17**	39,773	-
Loans granted to associate	**15**	(28,180)	-
Payments to acquire options	**19**	(6,987)	-
Interest received		11,798	5,625
Net cash used in investing activities		**(813,388)**	**(174,751)**
Financing activities			
Issue of shares, net of issue cost	**22,33**	21,530	32,756
Share buyback, including related expenses	**23**	(37,428)	-
Dividend paid		(171,196)	(128,300)
Repurchase of Senior Notes due 2013	**24**	(70,728)	-
Payments to acquire options	**19**	(27,105)	(17,545)
Early settlement of options	**19**	5,362	(40,725)
Loan facility	**24**	110,000	(500)
Overdraft facility	**24**	48,608	-
Issue of PLN Bonds due 2013	**24**	498,458	-
Interest paid		(105,988)	(85,598)
Net cash generated by/ (used in) financing activities		**271,513**	**(239,912)**
Increase in cash and cash equivalents		**73,479**	**5,296**
Cash and cash equivalents at the start of the year	**21**	110,372	104,611
Effects of exchange rate changes		1,016	465
Cash and cash equivalents at the end of the year	**21**	**184,867**	**110,372**

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

1. TVN

These consolidated financial statements were authorized for issuance by the Management Board and Supervisory Board of TVN S.A. on February 19, 2009.

TVN S.A. (until July 29, 2004 TVN Sp. z o. o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland.

The structure of TVN Group is described in Note 31.

On June 25, 2008 the Group completed the acquisition from ITI Media Group N.V. of 25% of the share capital plus 1 share of Neovision Holding B.V. a company registered in Amsterdam, the sole shareholder of ITI Neovision Sp. z o.o. which owns and operates the 'n' direct-to-home ('DTH') platform in Poland. For a total cash consideration of EUR 95 million the Group purchased 25% of the share capital plus one share in Neovision Holding B.V. and a corresponding pro-rata interest in shareholder loans granted to ITI Neovision Sp. z o.o. (see Note 15).

On June 23, 2008 the Group completed a Bond Issue with a nominal value of 500,000 with Bank Pekao S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. (see Note 24).

On June 30, 2008 the Group entered into a 200,000 multicurrency loan facility agreement with Bank Pekao S.A. (see Note 24).

On October 15, 2008 the Group set up SunWeb Sp. z o.o., a wholly owned subsidiary of Grupa Onet.pl S.A., a developer of software for internet merchandising.

On October 30, 2008 the Shareholders' Meeting approved a share buyback program to acquire and redeem up to 35 million shares for a maximum amount of 500,000. The program commenced on November 17, 2008 and expires on December 31, 2009. As a result of the program, the Group had acquired 2,956,170 shares (not in thousands) by the end of 2008 (see Note 23).

On December 15, 2008 the Group launched TVN Warszawa, a free to air cable and satellite channel broadcasting local news and information for Warsaw.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2008 are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2007 except for new accounting policies described below and interpretations which became effective January 1, 2008.

In 2008 the Group adopted:

(i) IFRIC 11- Group and Treasury Share Transactions, an interpretation which addresses the issue of share-based payment arrangements involving an entity's own equity instruments and equity instruments of the parent. This interpretation did not impact the Group's financial statements.

(ii) Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, the amendments which introduce the possibility of certain reclassifications of financial instruments for companies applying International Financial Reporting Standards, which were already permitted under US generally accepted accounting principles (GAAP). These amendments did not impact the Group's financial statements.

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

The Group's consolidated financial statements for the year ended December 31, 2007 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Segment reporting

A business segment is a group of assets and operations that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different to those of other business segments.

Operating costs, including central administration costs are allocated to segments to which they relate.

The majority of the Group's operations and assets are based in Poland. Assets outside Poland constitute less than 10% of the total assets of all segments. Therefore, no geographic information has been included.

2.3. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date the Group ceases to have control.

2. ACCOUNTING POLICIES (CONTINUED)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The Company uses the purchase accounting method to account for transactions with entities under common control.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

2.4. Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flow on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognize its share of profits or losses from joint ventures that result from the Group's purchase of assets from a joint venture until it resells the assets to an independent party. However, a loss on a transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.5. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, including options to increase the Group's shareholding in associates that would result in business combinations, are not recognized by the Group as financial instruments.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

For available-for-sale financial assets that are non – monetary assets, the gain or loss that is recognized directly in equity includes any related foreign exchange translation component.

2.7. Exchange rates and inflation:

	PLN Exchange Rate to U.S. Dollar	**PLN Exchange Rate to Euro**
December 31, 2008	2.9618	4.1724
December 31, 2007	2.4350	3.5820

The movement in the consumer price index for the year ended December 31, 2008 amounted to 3.3% (4.0% for the year ended December 31, 2007).

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

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

2. ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful economic lives as follows:

	Term
TV, broadcasting and other technical equipment	2-10 years
Vehicles	3-4 years
Studio vehicles	7 years
Leasehold improvements	up to10 years
Furniture and fixtures	4-5 years

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. As a result of the review as of December 31, 2007, the expected remaining useful lives and residual values of some items of TV & broadcasting equipment and vehicles were adjusted. The changes in estimates were effective January 1, 2008 and resulted in a reduction of depreciation during the year ended December 31, 2008 of 1,713. No material adjustments to remaining useful lives and residual values were required as a result of the review as at December 31, 2008.

2.9. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of fair value of net identifiable assets of the acquired subsidiary at the date of acquisition and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.10. Brands

Brands acquired through business combinations, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment.

2.11. Other intangible assets

Customer related intangibles

Customer related intangibles acquired through business combinations are amortised on a straight line basis over their estimated useful life. The expected useful economic life of customer related assets recognized on acquisition of Onet is four years.

2. ACCOUNTING POLICIES (CONTINUED)

Capitalized development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangible assets are amortized on a straight line basis over their estimated useful lives. Currently the majority of capitalized development costs are amortized over three years. Development assets are tested for impairment annually, in accordance with IAS 36.

Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years.

2.12. <u>Programming rights</u>

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below:

Acquired program rights

Program rights acquired by the Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell and its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

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

2. ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the Group are amortized as follows:

Program Categories		**Number of runs**	**Percentage of amortization per run**		
			1st	**2nd**	**3rd**
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Group under own licences or under licences from third parties.

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based on the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs with second runs in prime time	60% on first showing, 40% on second showing, or 75% on first showing, 25% on second showing
Programs with second runs outside prime time	90% on first showing, 10% on second showing
Programs expected to be broadcast once	100% on first showing
Fiction series	50% on first showing, 30% on second showing, 20% on third and next showings in total or 66% on first showing, 20% on second showing, 14% on third and next showings in total

2. ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2.13. Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brand are allocated to groups of cash-generating units as identified by the Group.

Non – financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2. ACCOUNTING POLICIES (CONTINUED)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are classified as trade receivables in the balance sheet (see Note 2.16).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period the Group did not hold any financial assets in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method. Realised and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities are classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognized in equity are included in the income statement as "gains and losses from investment securities".

2. ACCOUNTING POLICIES (CONTINUED)

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of investment income, net. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Group's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.16.

2.15. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), or (2) a hedge of a highly probable forecast transaction (cash flow hedge), or (3) a hedge of a net investment in a foreign operation, on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings. The gain or loss relating to the effective and ineffective portion of derivatives is recognized in the income statement within finance expense.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

2. ACCOUNTING POLICIES (CONTINUED)

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group separates embedded derivatives from the host contracts and accounts for these as derivatives if the economic characteristics and risks of the embedded derivative and host contract are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

2.16. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.17. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks, and highly liquid non-equity investments with a maturity of less than three months from the date of acquisition. Bank overdrafts are shown in current liabilities on the balance sheet.

2. ACCOUNTING POLICIES (CONTINUED)

2.18. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.19. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2.20. Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.21. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.22. Borrowings

The Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.23. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related income tax asset is realized or liability settled.

2. ACCOUNTING POLICIES (CONTINUED)

Deferred income tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised for all deductible temporary differences arising on investments in subsidiaries, joint ventures and associates to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the Group has a legally enforceable right to offset tax assets against tax liabilities.

2.24. Tax credit

The Group recognizes deferred tax assets related to tax credits arising from operations in the special economic zone. Tax credits are subject to meeting certain conditions related to minimum levels of capital expenditures and employment. Generally, tax credits are recognized when it is highly probable that these conditions will be met, in particular when expenditure is made and if it is probable that the tax credit will be used in the future.

2.25. Employee benefits

Retirement benefit costs

The Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

Share-based plans

The Group's management board and certain key employees and co-workers are granted share options based on the rules of an incentive scheme introduced by the Group. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.26. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2. ACCOUNTING POLICIES (CONTINUED)

2.27. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services

Revenue primarily results from the sale of television and internet advertising and is recognised in the period in which the advertising is broadcast. Other revenues from sales of services primarily result from cable and satellite television subscription fees, internet users' fees and call television and are recognised generally upon the performance of service.

(ii) Sales of goods

The Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when the goods are sent to the customer. It is the Group's policy to sell the goods to the individual customers with a right to return within 10 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.28. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they become receivable. Government grants reduce the related expense if the expense would not have been incurred if the grant had not been available.

2.29. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

When the Group provides advertising services in exchange for advertising services, revenue is recognized only if the services exchanged are dissimilar and the amount of revenue can be measured reliably. Barter revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash equivalents transferred.

2.30. Advertising costs

The Group expenses advertising costs at the time of the first broadcast or publication.

2. ACCOUNTING POLICIES (CONTINUED)

2.31. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.32. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.
Incremental costs directly attributable to dividend distributions that otherwise would have been avoided are accounted for as a deduction from equity. They comprise mainly financial services.

2.33. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current period. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.34. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2009. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments were published on February 14, 2008 and are effective for annual periods beginning on January 1, 2009 with earlier application permitted. The amendments require entities to classify as equity puttable financial instruments and instruments or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Additional disclosures are required about the instruments affected by the amendments. The amendments will not affect the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

(ii) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

The amendments were published on May 22, 2008. The amendments to IFRS 1 allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. Additionally, when an entity reorganises the structure of its group by establishing a new entity as its parent (subject to specific criteria), the amendments require the new parent to measure cost as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. The new requirements will apply for annual periods beginning on January 1, 2009, with earlier application permitted. The Group will not be affected by the amendments.

(iii) IFRIC 15 – Agreements for the Construction of Real Estate

The interpretation was issued on July 3, 2008. It applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. The interpretation is effective for annual periods beginning on January 1, 2009 and is to be applied retrospectively. The Group will not be affected by the interpretation.

(iv) IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The interpretation was issued on July 3, 2008. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 provides guidance on (1) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; (2) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and (3) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. IFRIC 16 is effective for annual periods commencing on or after October 1, 2008. The interpretation will not affect the Group financial statements.

(v) IFRS Improvements

The International Accounting Standards Board has issued "IFRS Improvements", which amend 20 standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes. The majority of the amendments will be effective from annual periods starting on January 1, 2009. The Group will adopt the changes in accordance with transition provisions. The Group is currently analyzing the impact of the amended standards on the Group's financial statements.

(vi) Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items

The amendment was published on July 31, 2008. It provides additional guidance on what can be designated as a hedged item. Entities are required to apply the amendment retrospectively for annual periods beginning on or after July 1, 2009 with earlier application permitted. The Group will apply the amendments but they will not affect the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

(vii) IFRIC 17 – Distributions of Non-cash Assets to Owners

The interpretation was issued on November 27, 2008. IFRIC 17 standardizes practice in the accounting treatment of distribution of non-cash assets to owners. The interpretation clarifies that: (1) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed, (3) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 is to be applied prospectively for annual periods beginning on or after July 1, 2009. Earlier application is permitted. The interpretation will not affect the Group's financial statements.

(viii) IFRIC 18 – Transfers of Assets from Customers

The Interpretation was issued on January 29, 2009. IFRIC 18 is particularly relevant to the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing supply of goods or services. The interpretation should be applied prospectively to transfers of assets from customers received on or after July 1, 2009. The interpretation will not affect the Group's financial statements.

Additionally, the following standards and IFRIC Interpretations are applicable in future and were discussed in the Group's annual financial statements for the year ended December 31, 2007:

- *IFRS 8 – Operating Segments – applicable on or after January 1, 2009*
- *Amendments to IAS 23 – Borrowing Costs – applicable on January 1, 2009*
- *Amendments to IAS 1 – Presentation of financial statements – applicable on January 1, 2009*
- *Revision to IFRS 3 Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements - applicable on or after July 1, 2009*
- *Amendment to IFRS 2, Share-based Payments- applicable on January 1, 2009*
- *IFRIC 13 – Customer Loyalty Programmes*
- *IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

At the date of preparation of these financial statements the following standards and IFRIC interpretations were not adopted by the EU:

- *Revision to IFRS 3 Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements*
- *IFRIC 12 – Service Concession Arrangements – the interpretation will not affect the Group's financial statements.*
- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

2. ACCOUNTING POLICIES (CONTINUED)

- *IFRIC 15 – Agreements for the Construction of Real Estate*
- *IFRIC 16 - Hedges of a Net Investment in a Foreign Operation*
- *IFRS Improvements*
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items*
- *IFRIC 17 – Distributions of Non-cash Assets to Owners*
- *IFRIC 18 – Transfers of Assets from Customers*

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the vice-president of the Management Board and heads of the teams within the Group's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. Financial planning and analyzing team measure and identify financial risk exposure based on information reported by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes cost-effective hedging strategies. The accounting and reporting team monitors accounting implications of hedging strategies and verifies settlements of the transactions.

(i) Market risk

Market risk related to the Senior Notes

The price of the Senior Notes depends on the Company's creditworthiness and on the relative strength of the bond market as a whole. The Group recognizes as an asset the value of early redemption options embedded in the Senior Notes (see Note 24) and this valuation largely depends on the market price of the Senior Notes. The Group is therefore exposed to decreases in the market price of the Senior Notes.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Senior Notes are listed on the Luxembourg Stock Exchange and the fair value of embedded options recognized by the Group at the balance sheet date reflects the Senior Notes market price on the last value date available from Reuters prior to the balance sheet date. The impact of the Senior Notes market price change on the Group's assets and income statement is discussed in Note 4(vi).

Foreign currency risk

The Group's revenue is primarily denominated in Polish Zloty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the Senior Notes and related embedded prepayment options, loans to associate all denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner 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 net profit (post-tax) impact on 2008 balances of a reasonably possible EUR appreciation of 15% against the zloty (2007: 5%), with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes on EUR denominated balance sheet items is presented below:

	Year ended December 31, 2008	**Year ended December 31, 2007**
Liabilities:		
9.5% Senior Notes due 2013 including accrued interest	(109,465)	(34,227)
Trade payables	(841)	(124)
Other	(107)	(187)
Assets:		
Loans to associate	23,135	-
Embedded prepayment options	-	828

The estimated net profit (post-tax) impact on 2008 balances of a reasonably possible USD appreciation of 15% against the zloty (2007: 5%), with all other variables held constant and without taking into account derivative financial instruments entered into to mitigate USD fluctuations, on the major USD denominated balance sheet items is:

	Year ended December 31, 2008	**Year ended December 31, 2007**
Trade payables	(5,424)	(2,450)

The net profit/(loss) impact of possible foreign currency fluctuations is mitigated by derivative instruments entered into by the Group. Details of EUR and USD options which the Group had on December 31, 2008 are discussed in Note 19.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. The main interest bearing items are the Senior Notes and PLN Bonds (see Note 24) and loans to associate. As the Senior Notes are at a fixed interest rate, the Group is exposed to fair value interest rate risk in this respect. Since the Senior Notes are carried at amortised cost, the changes in fair values of these instruments do not have direct impact on valuation of the Senior Notes in the balance sheet.

PLN Bonds with a nominal value of 500,000 were issued by the Group on June 23, 2008 and are at a variable interest rate linked to WIBOR and therefore expose the Group to interest rate risk. At December 31, 2008, if WIBOR interest rates had been 75 b.p. higher/lower with all other variables held constant, post-tax profit for the year would have been 141 lower/higher.

Loans to associate are at a variable interest rate linked to EURIBOR and therefore expose the Group to interest rate risk. At December 31, 2008 if EURIBOR interest rates had been 100 b.p. higher/lower with all other variables held constant, post tax profit for the year would have been 876 higher/lower.

As of December 31, 2008 the Group had PLN treasury bills at carrying value of 315,616 which are exposed to fair value interest rate risk. The carrying value of each instrument is based on a price provided by Reuters. If WIBOR interest rate had been 75 b.p. higher/lower, as at December 31, 2008, fair value reserve in equity would have been 474 lower/higher.. Details of PLN treasury bills held by the Group are disclosed in Note 17.

Management does not consider it cost effective to use financial instruments to hedge or otherwise seek to reduce interest rate risk.

(ii) Credit risk

Financial assets, which potentially expose the Group to concentration of credit risk consist principally of trade receivables, loans to associate (see Note 15) and related party receivables. The Group places its cash and cash equivalents, bank deposits, current available for sale financial assets and foreign currency options with financial institutions that the Group believes are credit worthy based on current credit ratings (see Note 17, 19 and 21). The Group does not consider its current concentration of credit risk as significant.

The Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients 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 Group defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty. The majority of the Group's sales are made through advertising agencies (70% of the total trade receivables as of December 31, 2008) who manage advertising campaigns for advertisers and pay the Group once payment has been received from the customer.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's top ten advertisers account for 16% and the single largest advertiser accounted for 2% of sales for the year ended December 31, 2008. Generally advertising agencies in Poland are limited liability companies with little recoverable net assets in case of insolvency.

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

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

Trade receivables (net)	**December 31, 2008**	**December 31, 2007**
Receivables from advertising agencies	70%	73%
Receivables from individual customers	22%	24%
Receivables from related parties	8%	3%
	100%	**100%**

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

Trade receivables (net)	**December 31, 2008**	**December 31, 2007***
Agency A	10%	11%
Agency B	8%	6%
Agency C	8%	5%
Agency D	7%	10%
Agency E	7%	3%
Sub-total	**40%**	**35%**
Total other counterparties	60%	65%
	100%	**100%**

* 2007 figures represent comparative data for each Agency

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

Trade receivables from advertising agencies (net)	**December 31, 2008**	**December 31, 2007***
Agency Group F	16%	12%
Agency Group G	14%	20%
Agency Group H	14%	16%
Agency Group I	14%	13%
Agency Group J	2%	2%
Total other counterparties	40%	37%
	100%	**100%**

* 2007 figures represent comparative data for each Agency Group.

Management does not expect any significant losses with respect to amounts included in the trade receivables at the balance sheet date from non-performance by the Group's customers as at December 31, 2008. The Group does not expect any losses with respect to derivative financial assets attributable to credit risk.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group does not consider credit risk associated with loans to associate as significant.

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due and has available to it additional funding through a credit facility (see Note 24). Management monitors regularly expected cash flows. The Group expects that its principal future cash needs will be capital expenditures relating to acquisitions, dividends, share buyback, capital investment in television and broadcasting facilities and equipment, debt service on the Senior Notes and PLN Bonds and the launch of new thematic channels. The Group believes that its cash balances, cash generated from operations and existing credit facility will be sufficient to fund these needs. However, if following the current liquidity crisis in the banking sector external financing is unavailable at reasonable conditions for a longer period of time or the operating cash flows of the Group are negatively affected by an economic slow-down or clients' financial difficulties the Group will review its cash needs to ensure that its existing obligations can be met for the foreseeable future. As at December 31, 2008 the Group had cash and cash equivalents, liquid available for sale financial instruments and committed unutilized credit facilities totaling 531,957 at its disposal (282,652 at December 31, 2007).

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows, excluding the impact of early prepayment options. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2008			
9.5% Senior Notes due 2013	85,221	85,221	1,152,730
PLN Bonds due 2013	46,315	46,315	615,843
Loan facility	8,557	8,557	116,206
Overdraft facility	48,733	-	-
Trade payables	141,905	6,951	-
Other liabilities and accruals	133,032	1,342	-
At December 31, 2007			
9.5% Senior Notes due 2013	79,968	79,968	1,081,674
Trade payables	111,107	8,724	-
Other liabilities and accruals	94,334	1,374	-

3.2 Capital risk management

The Group's objectives when managing capital 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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see Note 24) payable at the balance sheet date including accrued interest less cash and cash equivalents and liquid available for sale financial instruments. EBITDA is calculated for the last twelve months and is defined as net profit/(loss), before depreciation and amortization (other than programming rights), impairment charges on property plant and equipment and intangible assets, finance expense, investment income, share of loss of associate and income tax charge.

	December 31, 2008	December 31, 2007
Net debt	1,062,974	734,730
EBITDA	711,378	554,102
Net debt/EBITDA ratio	1.5	1.3

The Group's strategy is to maintain its net debt/EBITDA ratio at a level not exceeding 3.5.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of available for sale financial assets is determined using industry multiples and the most recent available financial information about the investment. The fair value of options is determined based on the valuations performed by the Group's bank.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Estimated useful life of Onet.pl brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Onet.pl brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for media services,
- expected actions by competitors or potential competitions in the media via internet industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Onet.pl brand is expected to generate net cash flows for the Group, therefore the useful life of the Onet.pl brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Onet.pl brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(ii) Estimated impairment of goodwill and brand allocated to on-line cash-generating unit

The Group classifies the Onet.pl brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the on-line cash-generating unit. The Group tests annually whether the on-line cash-generating unit, including goodwill and brand, have suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the on-line cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2008 the calculation of fair value less cost to sell, in the absence of an active market for similar cash-generating units, was based on discounted free cash flows. Cost to sell was assumed at 1% of the present value of the cash-generating unit. The calculation of fair value involved the use of estimates related to cash flow projections based on financial business plans approved by management covering the period until 2013. The key assumptions included in the business plans were the annual growth rates of the total advertising market in Poland, which increase from 0% in 2009 to 12.0% in 2013, an increase in the on-line advertising market as a percentage of the total advertising market in Poland from 17% in 2009 to 34.1% in 2013, a stable share of Onet in the on-line advertising market and a discount rate of 12.2% in 2009 and further years.

In the annual impairment test performed by the Group as at December 31, 2008 cash flows beyond the period covered by the financial business plan were extrapolated using an estimated growth rate of 18% in 2014 declining to 6% in 2021 and to 4% in further years. The Group believes that the key assumptions made in testing for impairment of the on-line cash-generating unit as at December 31, 2008 are reasonable and prudent. However, if any of the key assumptions used for testing impairment were to change unfavorably, the Group

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

might have recognized an impairment. The Group would recognize an impairment if the key assumptions made in testing for impairment were to change as follows:

	Unfavorable change by*
Annual growth rate of the Polish advertising market in 2009-2013	40 b.p.
Increase in the on-line advertising market as a percentage of the total Polish advertising market in 2009-2013	70 b.p.
Share of Onet in the on-line advertising market in 2009-2013	30 b.p.
Discount rate	60 b.p.
Terminal growth	160 b.p.

* with all other variables held constant

As at December 31, 2008 fair value less cost to sell of the on-line cash-generating unit exceeded the carrying amount by 144 million.

(iii) Estimated impairment of goodwill allocated to thematic television channels

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the annual impairment test performed by the Group as at December 31, 2008 cash flows beyond the five year period were extrapolated as regards TVN 24 using an estimated growth rate of 3%. Other key assumptions used for the TVN 24 value-in-use calculations were the discount rate of 10.98% and assumptions regarding development of the business and advertising and cable market growth rate. If the revised estimated growth rate beyond the five year period was 0%, there would be still no impairment against goodwill. If the revised estimated discount rate applied to the discounted cash flows was doubled compared with management's estimates the Group would still not recognize an impairment against goodwill.

(iv) Estimated useful life of Mango brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Mango brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential competitors in teleshopping via the media industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango brand was assessed as indefinite.

At each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Mango brand. If the reviews result in a

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(v) Estimated impairment of goodwill and brand allocated to teleshopping unit

The Group classifies the Mango Media brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, have suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The Group tests the total carrying amount of the cash-generating unit and in case of impairment; write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the teleshopping cash-generating unit.

These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the annual impairment test performed by the Group as at December 31, 2008 cash flows beyond the five year period were extrapolated as regards Mango Media using an estimated growth rate of 1%. The other key assumptions used for the Mango Media value-in-use calculations was the discount rate of 13,3%. If the revised estimated growth rate beyond the five year period was 0%, there would still be no impairment against goodwill. If the revised estimated discount rate applied to the discounted cash flows was doubled compared with management’s estimates the Group would still not recognize impairment against goodwill.

(vi) Fair valuation of the embedded prepayment options

The Group calculates at each reporting date the fair value of the prepayment options embedded in the Senior Notes using the Brace-Gątarek-Musiela model. Significant inputs into the valuation model are the Senior Notes market price, benchmark bond yields and interest rate cap volatilities. The inputs are based on information provided by Reuters on the valuation date. The Senior Notes market price is quoted by Reuters based on the last value date. In the fair valuation as of December 31, 2008 the Group input into the valuation model a market price of 84.00, based on the last available value date on December 31, 2008. This resulted in a carrying amount value of the embedded options of nil. The last available Senior Notes market price provided by Reuters at the date when these financial statements were prepared was 88,01(based on a value date on February 12, 2009). Should this price be input into the valuation model the carrying value of the embedded prepayment options would still be nil.

(vii) Fair valuation of “n” brand as of June 30, 2008

The Group valued the “n” brand at the date of acquisition of Neovision Holding BV at 88,200. In the absence of applicable market benchmarks, the Group fair valued the “n” brand using the ‘relief from royalty’ income method. The ‘relief from royalty’ method assumes that the value of the brand is reflected in the present value of hypothetical future royalty payments, which the owner of the brand would have to incur, should the brand be licensed from another entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

This valuation requires the use of estimates related to sales projections for the activity run under the brand, estimation of the representative royalty rate applied on projected revenues, estimation of the discount rate and estimation of the useful life of the brand. The royalty rate used in the valuation was assumed at 2%.
The revenue projections were based on management's business plan which covered the period 2008-2017. The Group assumed the useful life of the "n" brand to be 10 years. The discount rate used in the valuation was 12.05%.

Fair value is sensitive to changes in the revenue growth and other parameters of the valuation model. A decrease of the revenue growth by 100 b.p. gives a fair value of 84,720. A royalty rate at 3% would give a fair value of 132 million. A discount rate of 11% would give a fair value of 93 million.

(viii) Estimated impairment of investment in associate

The Group tests annually whether investment in associate has suffered any impairment. The Group tests the total aggregate carrying amount of investment in Neovision Holding BV (see Note 15). The recoverable amounts of investment has been determined based on value-in-use calculations and exceeded the carrying amount as at December 31, 2008. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the annual impairment test performed by the Group as at December 31, 2008 cash flows beyond the five year period were extrapolated as regards Neovision Holding BV. using an estimated growth rate of 2%. Other key assumptions used for the Neovision Holding BV value-in-use calculations were the discount rate of 13.3% and assumptions regarding development of the business and Polish DTH market growth rate. If the revised estimated growth rate beyond the five year period was 0%, there would be still no impairment of investment in associate. The Group would recognize an impairment of investment in associate if the revised estimated discount rate applied to the discounted cash flows was 26%.

(ix) Consideration of the current economic environment

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things a lower level of capital market funding, lower liquidity levels across the banking sector, and , at times, higher inter-bank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, and on-line.

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

The television broadcasting and production segment is mainly involved in the broadcasting of news, information and entertainment shows, series and movies and comprises television channels operated in Poland. The on-line segment primarily comprises mainly Onet.pl, Poland's leading portal.

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

5. SEGMENT REPORTING (CONTINUED)

	Television Broadcasting & Production		On-line		Unallocated		Total	
	Year ended December 31, 2008	**Year ended December 31, 2007**	**Year ended December 31, 2008**	**Year ended December 31, 2007**	**Year ended December 31, 2008**	**Year ended December 31, 2007**	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Revenue from external customers	1,700,923	1,399,351	196,386	155,378	-	-	1,897,309	1,554,729
Inter-segment revenue	6,567	8,110	9,869	7,108	(16,436)	(15,218)	-	-
Total revenue	**1,707,490**	**1,407,461**	**206,255**	**162,486**	**(16,436)**	**(15,218)**	**1,897,309**	**1,554,729**
Segment result	**635,630**	**498,544**	**34,866**	**19,345**	**(38,621)**	**(35,877)**	**631,875**	**482,012**
Investment income, net (Note 8)							81,090	19,344
Financial expenses, net (Note 8)							(170,973)	(204,124)
Share of loss of associate							**(94,440)**	**-**
Profit before income tax							**447,552**	**297,232**
Income tax charge							(83,876)	(53,924)
Profit for the year							**363,676**	**243,308**
Impairment of fixed assets	-	306	-	(23)	(1,885)	-	(1,885)	283
Capital expenditures	121,905	85,451	61,728	40,602	-	-	183,633	126,053
Depreciation of property, plant and equipment	49,984	43,298	10,133	8,914	-	-	60,117	52,212
Amortization of intangible assets	10,749	12,523	10,522	7,072	-	-	21,271	19,595
Significant non-cash expenses								
Share option plan	26,629	21,384	7,770	16,463	5,671	6,985	40,070	44,832
	December 31, 2008	**December 31, 2007**	**December 31, 2008**	**December 31, 2007**	**December 31, 2008**	**December 31, 2007**	**December 31, 2008**	**December 31, 2007**
Segment assets including:	**1,293,559**	**1,084,326**	**1,660,049**	**1,621,396**	**799,566**	**39,203**	**3,753,174**	**2,744,925**
Investment in associates	-	-	98	83	119,978	-	120,076	83
Segment liabilities	**325,708**	**282,305**	**61,182**	**38,527**	**1,719,330**	**994,332**	**2,106,220**	**1,315,164**

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

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

6. REVENUE

	Year ended December 31, 2008	Year ended December 31, 2007
Revenue from advertising spot sales	1,475,252	1,209,599
Subscription fees	150,396	123,748
Revenue from sponsoring	136,576	102,849
Revenue from sales of goods	41,678	15,060
Other revenue	93,407	103,473
	1,897,309	**1,554,729**

Subscription revenue includes revenue from cable operators and internet transaction based fees. Other revenue includes mainly audiotele revenues and sales of licenses.

Included in revenues are revenues from related parties in the amount of 49,446 (year ended December 31, 2007: 43,431) (see note 32).

7. OPERATING EXPENSES

	Year ended December 31, 2008	Year ended December 31, 2007
Amortization of locally produced content	506,655	421,634
Amortization of acquired programming rights and co-production	122,860	123,712
Staff expenses	168,614	121,714
Share options granted to board members and employees	40,070	44,832
Depreciation, amortization and impairment charges	79,503	72,090
Marketing and research	70,138	59,657
Royalties	67,174	58,887
Broadcasting expenses	51,635	49,339
Cost of services and goods sold	30,899	14,082
Rental	27,439	19,521
Impaired accounts receivable	2,261	4,979
Other	98,186	82,270
	1,265,434	**1,072,717**
Average number of persons employed	**2,308**	**1,622**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2008 of 103,242 (year ended December 31, 2007: 81,622).

Amortization of locally produced content for the year ended December 31, 2008 has been reduced by grants received in the total amount of 1,365 (year ended December 31, 2007: 211).

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

7. OPERATING EXPENSES (CONTINUED)

Included in the above operating expenses is an aggregate amount of research and development expenditure of 1,333 recognized as an expense in the year ended December 31, 2008 (year ended December 31, 2007: 1,298).

Included in depreciation, amortization and impairment charges is the amount of impairment reversal of 1,885 for the year ended December 31, 2008 (charge of 283 for the year ended December 31, 2007).

8. INVESTMENT INCOME AND FINANCE EXPENSE

Investment income, net	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Foreign exchange gains, net	33,404	13,973
Fair value gain on foreign exchange options not designated as hedging instruments	16,759	-
Interest income	14,255	5,371
Fair value gain on settlement of foreign exchange options	5,913	-
Accrued interest income on loan to associate	5,767	-
Interest income from available for sale financial assets	4,992	-
	81,090	**19,344**

Finance expense, net		
Foreign exchange losses/(gains) on Senior Notes	130,605	(58,562)
Interest expense on 9.5% Senior Notes (see Note 24)	85,816	94,763
Interest expense on PLN Bonds (see Note 24)	24,776	-
Fair value (gains)/losses on financial instruments:		
- foreign exchange options – fair value hedges (Note 19)	(123,066)	-
- foreign exchange options – portion not designated as hedging instrument (see Note 19)	27,870	13,725
- foreign exchange options – early settlement of instrument	(5,362)	40,725
- embedded option (see Note 19,24)	20,447	107,617
Cost of repurchase of Senior Notes (including pre-issuance costs written off)*	2,724	-
Bank charges	2,561	2,895
Guarantee fees to related party (see 32(vi))	2,426	2,961
Interest expense on bank loan and overdraft	2,176	-
	170,973	**204,124**

* The cost reflects the premium paid on repurchase and the derecognized amount of the remaining unamortized debt issuance costs relating to the repurchased Senior Notes (see Note 24).

9. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

(i) Earnings per share for profit attributable to the equity holders of TVN S.A.

Basic

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of TVN S.A. by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company.

	Year ended December 31, 2008	Year ended December 31, 2007
Profit attributable to equity holders of TVN S.A. (in thousands)	363,676	243,308
Weighted average number of ordinary shares in issue	348,585,264	345,979,725
Basic earnings per share	**1.04**	**0.70**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options. For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2008	Year ended December 31, 2007
Profit attributable to equity holders of TVN S.A. (in thousands)	363,676	243,308
Weighted average number of ordinary shares in issue	348,585,264	345,979,725
Adjustment for share options	4,480,914	6,514,819
Weighted average number of potential ordinary shares for diluted earnings per share	353,066,178	352,494,544
Diluted earnings per share	**1.03**	**0.69**

9. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS) (CONTINUED)

(ii) Earnings per share for adjusted profit attributable to the equity holders of TVN S.A.

The Group presents adjusted profit to reflect the impact of non-cash fair value losses/gains arising on prepayment options embedded in its Senior Notes. The accounting for prepayment options is technical, judgmental and driven by accounting interpretations. The Group believes that presentation of net profit adjusted for this item enables a reader to better understand the Group's operating and financial performance.

Basic

	Year ended December 31, 2008	**Year ended December 31, 2007**
Profit attributable to equity holders of TVN S.A. (in thousands)	363,676	243,308
Impact on profit, net of tax of fair value loss on embedded option (in thousands)	16,562	87,170
Adjusted profit attributable to equity holders of TVN S.A. (in thousands)	380,238	330,478
Weighted average number of ordinary shares in issue	348,585,264	345,979,725
Adjusted basic earnings per share	**1.09**	**0.96**

Diluted

	Year ended December 31, 2008	**Year ended December 31, 2007**
Profit attributable to equity holders of TVN S.A. (in thousands)	363,676	243,308
Impact on profit, net of tax of fair value loss on embedded option (in thousands)	16,562	87,170
Adjusted profit attributable to equity holders of TVN S.A. (in thousands)	380,238	330,478
Weighted average number of ordinary shares in issue	348,585,264	345,979,725
Adjustment for share options	4,480,914	6,514,819
Weighted average number of potential ordinary shares for diluted earnings per share	353,066,178	352,494,544
Adjusted diluted earnings per share	**1.08**	**0.94**

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

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2008**	**December 31, 2007**
Freehold land	34,784	24,796
Buildings	163	172
Leasehold improvements	37,806	27,184
Television ,broadcasting and other technical equipment	183,792	159,986
Vehicles	29,724	24,009
Furniture and fixtures	8,544	8,311
Assets under construction	52,587	5,710
	347,400	**250,168**

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2007	14,539	194	64,325	283,300	31,334	16,446	1,766	411,904
Acquisition of subsidiary	-	-	139	-	81	13	-	233
Additions	12,142	-	6,311	69,646	12,464	2,691	3,973	107,227
Disposals	-	-	(1,091)	(1,687)	(1,870)	(164)	(29)	(4,841)
December 31, 2007	**26,681**	**194**	**69,684**	**351,259**	**42,009**	**18,986**	**5,710**	**514,523**
Accumulated depreciation and impairment								
January 1, 2007	1,885	13	37,083	155,365	13,485	8,085	-	215,916
Charge for the period	-	9	6,228	37,235	6,063	2,677	-	52,212
Disposals	-	-	(1,094)	(1,327)	(1,548)	(87)	-	(4,056)
Impairment	-	-	283	-	-	-	-	283
December 31, 2007	**1,885**	**22**	**42,500**	**191,273**	**18,000**	**10,675**	**-**	**264,355**
Net book value at January 1, 2007	**12,654**	**181**	**27,242**	**127,935**	**17,849**	**8,361**	**1,766**	**195,988**
Net book value at December 31, 2007	**24,796**	**172**	**27,184**	**159,986**	**24,009**	**8,311**	**5,710**	**250,168**

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2008	26,681	194	69,684	351,259	42,009	18,986	5,710	514,523
Additions	8,103	-	17,678	67,745	12,730	3,165	47,107	156,528
Disposals	-	-	(104)	(3,812)	(5,803)	(144)	(230)	(10,093)
December 31, 2008	**34,784**	**194**	**87,258**	**415,192**	**48,936**	**22,007**	**52,587**	**660,958**
Accumulated depreciation and impairment								
January 1, 2008	1,885	22	42,500	191,273	18,000	10,675	-	264,355
Charge for the period	-	9	7,046	43,595	6,540	2,927	-	60,117
Disposals	-	-	(94)	(3,468)	(5,328)	(139)	-	(9,029)
Impairment	(1,885)	-	-	-	-	-	-	(1,885)
December 31, 2008	**-**	**31**	**49,452**	**231,400**	**19,212**	**13,463**	**-**	**313,558**
Net book value at January 1, 2008	**24,796**	**172**	**27,184**	**159,986**	**24,009**	**8,311**	**5,710**	**250,168**
Net book value at December 31, 2008	**34,784**	**163**	**37,806**	**183,792**	**29,724**	**8,544**	**52,587**	**347,400**

Depreciation expense of 48,799 has been charged in cost of revenue (year ended December 31, 2007: 41,841), 1,642 in selling expenses (year ended December 31, 2007: 1,374) and 9,676 in general and administration expenses (year ended December 31, 2007: 8,997).

Impairment reversal in the amount of 1,885 has been credited to other operating income/(expense), net (year ended December 31, 2007: charge of 306 in other operating income/(expense), net and reversal of 23 in general and administration expenses).

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

11. GOODWILL

January 1, 2007	946,332
Acquisition of Mango Media	6,325
December 31, 2007	**952,657**
January 1, 2008	952,657
December 31, 2008	**952,657**

The carrying amount of goodwill is allocated to cash generating units identified by the Group:

Thematic television channels	131,704
Television production unit	12,423
On-line	802,205
Teleshopping unit	6,325
	952,657

12. BRAND

January 1, 2007	643,428
Acquisition of Mango Media	50,260
December 31, 2007	**693,688**
January 1, 2008	693,688
December 31, 2008	**693,688**

The carrying amount of brands is allocated to the following brands identified by the Group:

Onet.pl (on-line cash generating unit)	643,428
Mango (teleshopping cash generating unit)	50,260
	693,688

13. OTHER INTANGIBLE ASSETS

	December 31, 2008	**December 31, 2007**
Broadcasting licenses	7,644	8,653
Customer related intangibles	5,855	9,553
Internally generated software	6,984	5,217
Software and other	36,313	27,546
	56,796	**50,969**

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

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2007	12,728	14,792	3,486	48,632	79,638
Acquisition of subsidiary	-	-	-	20	20
Additions	12	-	3,868	14,946	18,826
Disposals	-	-	(333)	(802)	(1,135)
December 31, 2007	**12,740**	**14,792**	**7,021**	**62,796**	**97,349**
Accumulated amortization and impairment					
January 1, 2007	2,245	1,541	507	22,953	27,246
Charge for the period	1,842	3,698	1,630	12,425	19,595
Disposals	-	-	(333)	(128)	(461)
December 31, 2007	**4,087**	**5,239**	**1,804**	**35,250**	**46,380**
Net book value at January 1, 2007	**10,483**	**13,251**	**2,979**	**25,679**	**52,392**
Net book value at December 31, 2007	**8,653**	**9,553**	**5,217**	**27,546**	**50,969**

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2008	12,740	14,792	7,021	62,796	97,349
Additions	142	-	5,975	20,988	27,105
Disposals	-	-	-	(20)	(20)
December 31, 2008	**12,882**	**14,792**	**12,996**	**83,764**	**124,434**
Accumulated amortization and impairment					
January 1, 2008	**4,087**	**5,239**	**1,804**	**35,250**	**46,380**
Charge for the period	1,151	3,698	4,208	12,214	21,271
Disposals	-	-	-	(13)	(13)
December 31, 2008	**5,238**	**8,937**	**6,012**	**47,451**	**67,638**
Net book value at January 1, 2008	**8,653**	**9,553**	**5,217**	**27,546**	**50,969**
Net book value at December 31, 2008	**7,644**	**5,855**	**6,984**	**36,313**	**56,796**

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

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Amortization of 12,434 has been charged in cost of revenue (year ended December 31, 2007: 11,543), 5,075 in selling expenses (year ended December 31, 2007: 4,852) and 3,762 in general and administration expenses (year ended December 31, 2007: 3,200).

14. PROGRAMMING RIGHTS

	December 31, 2008	December 31, 2007
Acquired programming rights	172,707	187,263
News archive	12,453	12,907
Co-productions	14,306	2,273
Productions	147,951	104,513
	347,417	**306,956**
Less current portion of programming rights	(192,676)	(179,523)
Non-current portion of programming rights	**154,741**	**127,433**

Changes in acquired programming rights

	Year ended December 31, 2008	Year ended December 31, 2007
Net book value as at January 1	187,263	199,247
Additions	106,218	107,186
Amortization	(120,774)	(119,170)
Net book value as at December 31	**172,707**	**187,263**

15. INVESTMENT IN POLISH DTH "N" PLATFORM

On June 25, 2008 the Group completed the acquisition of 25% of the share capital plus 1 share of Neovision Holding B.V. ("Neovision Holding") a company registered in Amsterdam, the Netherlands from ITI Media Group N.V. ("ITI Media Group"), an entity under common control. Neovision Holding is the sole shareholder of ITI Neovision Sp. z o.o. ("ITI Neovision") which owns and operates the 'n' DTH platform in Poland. For a total cash consideration of EUR 95 million (PLN 319,628) the Group purchased 25% of the share capital plus one share in Neovision Holding and a corresponding pro-rata interest in the loans granted to ITI Neovision with a nominal value of EUR 35.3 million. As part of the transaction, the Group has also acquired options to acquire an additional 25% of shares in Neovision Holding. In accordance with the policy adopted by the Group these options are not recognized as financial instruments.

The Group has significant influence on, but not control over, ITI Neovision's operations. Accordingly, the investment is classified as an investment in an associate and accounted for using the equity method. In these consolidated financial statements the total investment is split between investment in an associate and loans receivable from an associate. The value attributed initially to the investment in associate reflects the purchase price paid to ITI Media Group less the fair value of loans acquired. The fair value of loans receivable was estimated based on a valuation model with the key inputs being credit spread and market interest rates.

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

15. INVESTMENT IN POLISH DTH "N" PLATFORM (CONTINUED)

Investment in associate	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Beginning of the year	83	83
Investment in Neovision Holding	211,819	-
Other direct costs	2,614	-
Share of loss of Neovision Holding*	(94,455)	-
Share of gain of Polskie Badania Internetu	15	-
End of the year	**120,076**	**83**

* Including amortization of 'n' brand amounting to 1,103

Loans receivable from associate	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Beginning of the year	-	-
Acquisition of loans in Neovision Holding	107,809	-
Other direct costs	1,575	-
Interest accrued	5,767	-
Loans extended after acquisition	28,180	-
Foreign exchange gains	35,807	-
End of the year	**179,138**	**-**

On December 31, 2008 the following loans were receivable from associate:

Nominal value (EUR)	**Effective interest rate**	**Maturity dates**	**Carrying value**	**Fair value**
25,073	8.58%	December 31, 2015	99,208	99,107
4,532	7.56%	April 5, 2011	24,969	25,004
5,666	7.56%	July 19, 2011	19,975	20,003
8,180	6.68%	June 30, 2015	34,986	32,057
			179,138	**176,171**

Loans receivable from associate are not past due. The Group defines maximum exposure to the credit risk with respect to the loans receivable from associate as the total nominal value receivable plus interest accrued. The maximum exposure as of December 31, 2008 with respect to loans receivable from associate was 179,138. Fair value of the loans was determined based on an internal valuation model with key inputs being credit spread and market interest rates.

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

15. INVESTMENT IN POLISH DTH "N" PLATFORM (CONTINUED)

The Group's share of the results of Neovision Holding and its aggregated assets and liabilities at book values as at December 31, 2008 are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Net result	% interest held
Neovision Holding B.V.	Netherlands	472,712	(1,155,603)	260,850	(373,412)*	25

* since the date of investment (June 25, 2008)

The fair value of aggregated assets and aggregated liabilities arising from the acquisition, determined based on a valuation as of June 30, 2008, are as follows:

	Fair value	Acquiree's carrying amount
Brand	88,200	-
Deferred tax liability on brand	(16,758)	-
Other assets	431,860	431,860
Other liabilities	(746,654)	(746,654)
Value of net liabilities assumed	**(243,352)**	**(314,794)**
The Group's share	**25%**	
Value of the Group's share of net liabilities assumed	**(60,838)**	

In the purchase price allocation process the Group identified and valued marketing related intangible assets such as the "n" brand. The fair value of the brand was estimated using the relief from royalty method. In the valuation process the Group assumed a royalty rate of 2%, weighted average cost of capital of 12.05%, brand beta of 1.06 and an estimated useful life of 10 years.

The Group did not identify other intangible assets with respect to its investment in DTH "n" platform with a potential impact on net liability value.

The associate will not be able to pay dividends to the Group until its cumulative losses are covered.

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

16. FINANCIAL INSTRUMENTS BY CATEGORY

December 31, 2008	Loans and receivables	Derivatives used for hedging	Financial assets at fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	323,204	323,204
Derivative financial instruments	-	120,515	29,350	-	149,865
Trade and other receivables	305,834	-	-	-	305,834
Loans to associate	179,138	-	-	-	179,138
Cash and cash equivalents	184,867	-	-	-	184,867
	669,839	**120,515**	**29,350**	**323,204**	**1,142,908**

December 31, 2008	Other financial liabilities	Total
Liabilities as per balance sheet		
9.5% Senior Notes due 2013	855,432	855,432
PLN Bonds due 2013	498,593	498,593
Loan facility	109,875	109,875
Accrued interest on borrowings	7,658	7,658
Overdraft facility	48,733	48,733
Non-current trade payables	6,951	6,951
Current trade payables	141,905	141,905
Other liabilities and accruals*	133,032	133,032
	1,802,179	**1,802,179**

* This amount excludes following items which are not financial liabilities: “VAT and other taxes payable”, “employee benefits”, “deferred income”.

December 31, 2007	Loans and receivables	Derivatives used for hedging	Financial assets at fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	7,588	7,588
Derivative financial instruments	-	3,820	20,447	-	24,267
Trade and other receivables	299,590	-	-	-	299,590
Cash and cash equivalents	110,372	-	-	-	110,372
	409,962	**3,820**	**20,447**	**7,588**	**441,817**

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

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

December 31, 2007	**Other financial liabilities**	**Total**
Liabilities as per balance sheet		
9.5% Senior Notes due 2013	790,388	790,388
Accrued interest on borrowings	3,332	3,332
Non-current trade payables	8,724	8,724
Current trade payables	111,107	111,107
Other liabilities and accruals*	94,334	94,334
	1,007,885	**1,007,885**

* This amount excludes following items which are not financial liabilities: "VAT and other taxes payable", "employee benefits", "deferred income".

17. AVAILABLE FOR SALE FINANCIAL ASSETS

	December 31, 2008	**December 31, 2007**
Beginning of the year	7,588	4,650
Additions	349,729	-
Sales	(39,773)	-
Fair value change through equity	668	-
Interest credited to profit or loss	4,992	-
Consolidation of subsidiary	-	193
Paid-in share capital	-	2,745
End of the year	**323,204**	**7,588**
Less: non-current portion	(7,588)	(7,588)
Current portion	**315,616**	**-**

Available for sale financial assets include:

	December 31, 2008	**December 31, 2007**
Securities quoted on active markets:		
- Treasury bills PLN	315,616	-
Securities not quoted on active markets:		
- Polskie Media S.A.	7,588	7,588
	323,204	**7,588**

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

17. AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

On December 31, 2008 the Group held the following securities quoted on active markets:

	Credit rating*	Effective interest rate	Maturity dates	Nominal value	Purchase value
Polish T-bills	A-/A2	6.15%	February 11, 2009	107,000	104,685
Polish T-bills	A-/A2	6.20%	February 18, 2009	25,000	24,411
Polish T-bills	A-/A2	6.30%	April 15, 2009	63,000	61,021
Polish T-bills	A-/A2	6.05%	May 27, 2009	100,000	96,299
Polish T-bills	A-/A2	6.10%	May 27, 2009	25,000	24,117
				320,000	**310,533**

* Credit rating provided by Standard and Poor's and Moody's

The Group defines maximum exposure to credit risk with respect to Polish treasury bills as the total carrying amount of those instruments at the balance sheet date.

The Group does not have any significant influence over the financial and operating policies of Polskie Media S.A. ("Polskie Media"). The Group estimated the fair value of its investment in Polskie Media as at June 30, 2008 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2007 and industry sales multiples. The Group assessed that there is no impairment of the carrying value as of December 31, 2008. During the year the Group monitors audience share of Polskie Media for impairment indicators. The Group's share in Polskie Media is 5.59% of the current voting interest and 6.95% of the share capital.

None of the available-for-sale financial assets is past due or impaired.

18. TRADE RECEIVABLES

	December 31, 2008	December 31, 2007
Trade receivables	290,487	297,865
Less: provision for impairment of receivables	(9,993)	(8,238)
Trade receivables – net	280,494	289,627
Receivables from related parties (Note 32 (iii))	25,340	9,963
	305,834	**299,590**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31, 2008	December 31, 2007
PLN	292,549	285,539
USD	11,008	7,471
EUR	1,763	6,343
GBP	503	198
AUD	11	39
	305,834	**299,590**

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

18. TRADE RECEIVABLES (CONTINUED)

Provision for impairment of receivables was created individually for trade receivables that were overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
Beginning of the year	8,238	7,765
Provision for receivables impaired, net change	2,293	4,979
Receivables written off as uncollectible	(538)	(4,506)
End of the year	**9,993**	**8,238**

The creation and release of provisions for impaired receivables have been included in selling expenses in the income statement.

As of December 31, 2008, trade receivables of 142,321 were past due but not impaired. The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	December 31, 2008	December 31, 2007
Up to 30 days	114,989	102,850
31-60 days	14,915	20,412
Over 60 days	12,417	3,293
	142,321	**126,555**

The Group defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables. Maximum exposure to credit risk as of December 31, 2008 was 305,834 (December 31, 2007: 299,590).

19. DERIVATIVE FINANCIAL ASSETS

	December 31, 2008	December 31, 2007
Embedded prepayment options (see Note 24)	-	20,447
Foreign exchange options EUR	126,120	3,820
Foreign exchange options USD	23,745	-
	149,865	**24,267**

Following the repurchase by the Group of the Senior Notes in 2008 (see Note 24) the valuation of the embedded prepayment options as at December 31, 2008 reflects only the remaining Senior Notes with a nominal amount of EUR 215,000. The change in carrying amounts of the prepayment options between December 31, 2008 and December 31, 2007 was recognized in the income statement (see Note 8). The valuation of embedded prepayment options as of December 31, 2008 is discussed in Note 4 (vi).

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

19. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

The Group entered into EUR put and call options to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the Senior Notes balance. The hedging strategy based on EUR put and call options had in total a notional value of EUR 225,000, a maturity date of January 15, 2009 and a PLN/EUR corridor between 3.30 and 3.60. As long as the PLN/EUR spot rate is within the corridor the fair value of the options consists of their time value only, which reflects the possibility that the options will create further gains in the future. The intrinsic value of options exists when the spot rate is outside the corridor. It basically reflects the value of the option if exercised today and is measured based on the difference between the spot rate and the respective corridor rate. The intrinsic value of the options was designated as a fair value hedge. The fair value of foreign exchange options in EUR as at December 31, 2008 was based on valuations performed by the Group's banks.

Following the repurchase of Senior Notes by the Group (see note 24), the Group has de-designated the existing hedging relationship and re-designated a new one. All the parameters of the hedging relationship remain unchanged, except for the nominal value of the Senior Notes hedged which was decreased to EUR 215,000 and the fact that only a fraction of the options corresponding to 215/225 was designated as hedging item.

As of December 31, 2008 the PLN/EUR options had an intrinsic value of 128,790. The change in fair value of the options was recognized in the income statement (see Note 8).

After the balance sheet date, between January 9 and January 13, 2009 the Group closed the foreign exchange options in EUR in the total nominal amount of EUR 210,000 and received a total premium of 91,630. The remaining balance of EUR 15,000 matured on January 15, 2009 resulting in a received premium of 9,384.

The Group entered into USD put and call options to limit the impact on the Group's net results of PLN/USD exchange rate movements in relation to payments for programming rights. The hedging strategy based on USD put and call options had in total a notional value of USD 40,479 maturity dates between March 23, 2009 and December 22, 2009 and PLN/USD corridor between 2.10 and 2.45. The Group has not designated the options for hedge accounting. The fair value of foreign exchange options in USD as at December 31, 2008 was based on valuations performed by the Group's banks.

The change in fair value of the options including premiums paid and received was recognized in the income statement (see Note 8).

Foreign exchange options were contracted with banks rated as follows (by Moody's):

	December 31, 2008	December 31, 2007
Bank rated Aa1	23,745	-
Banks rated A2	126,120	3,820
	149,865	**3,820**

The Group defines maximum exposure to credit risk with respect to derivative financial assets as the carrying amount of those assets at the balance sheet date. The maximum exposure as at December 31, 2008 amounted to 149,865 (December 31, 2007: 3,820).

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

20. PREPAYMENTS AND OTHER ASSETS

	December 31, 2008	December 31, 2007
Prepayments for programming	17,580	8,559
Inventory, less provided for	11,758	7,266
Employee settlements	3,543	3,326
Technical support	3,576	2,097
Other	20,010	14,608
	56,467	**35,856**
Less: current portion of other assets	**(51,286)**	**(31,600)**
Non-current portion of other assets	**5,181**	**4,256**

21. CASH AND CASH EQUIVALENTS

	December 31, 2008	December 31, 2007
Cash at bank and in hand	131,316	110,372
Short-term treasury bills	53,551	-
	184,867	**110,372**

(i) Cash at bank (credit rating – Standard and Poor's)**:**

	December 31, 2008	December 31, 2007
Bank rated AAA	84,420	-
Bank rated A	46,896	110,288
	131,316	**110,288**

(ii) Short term treasury bills:

	Credit rating*	Effective interest rate	Maturity dates	Nominal value	Purchase value
Polish T-bills	A-/A2	6.30%	February 18, 2009	39,000	38,428
Polish T-bills	A-/A2	5.95%	February 18, 2009	15,000	14,807
					53,235

* Credit rating provided by Standard and Poor's and Moody's

The Group defines maximum exposure to credit risk with respect to polish treasury bills as the total carrying amount of those instruments at the balance sheet date.

On January 21, 2009 the Group acquired 49,481 of Polish treasury bills maturing on April 15, 2009:

	Credit rating*	Effective interest rate	Maturity dates	Nominal value	Purchase value
Polish T-bills	A-/A2	4.55%	April 15, 2009	50,000	49,481
					49,481

* Credit rating provided by Standard and Poor's and Moody's

22. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 413,499,585 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2008 was 349,515,414 with a par value of 0.2 per share. All issued shares are fully paid and include also shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received. The shareholders structure as at December 31, 2008:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes	
	(2)	(2)	(2)	(2)	(3)
Strateurop International B.V. (1)	180,355,430	51.60%	180,355,430	51.60%	52.04%
N-Vision B.V. (1)	23,048,635	6.59%	23,048,635	6.59%	6.65%
Cadizin Trading&Investment (1)	10,001,400	2.86%	10,001,400	2.86%	2.89%
ITI Impresario(1)	1,400	0.00%	1,400	0.00%	0.00%
Other shareholders	136,108,549	38.95%	136,108,549	38.95%	38.42%
Total	**349,515,414**	**100.00%**	**349,515,414**	**100.00%**	**100.00%**

(1) Entities controlled by ITI Group.
(2) Including treasury shares.
(3) Excluding treasury shares.

As at December 31, 2008 all shares were registered by the Court.

The total number of shares as of December 31, 2008 includes 2,956,170 treasury shares (see Note 23).

During the year ended December 31, 2008, 2,242,439 shares of C and E series were issued for an amount of PLN 21,675 (in thousands).

According to the Polish Commercial Companies Code the Company cannot exercise voting rights deriving from TVN own shares.

23. SHARE BUYBACK AND REDEMPTION

On October 30, 2008 the Company's shareholders approved a share buyback program to acquire and voluntarily redeem the Company's shares. The share buyback program allows the Group to purchase up to 35 million shares but not more than 10% of the Company's share capital as calculated on the last day of the program and to spend not more than 500,000. The program expires on December 31, 2009 and the Company's shareholders approved the designation of accumulated profits in a maximum amount of 471,750 to finance the share buyback program.

The first tranche of 50,000 of the share buyback program commenced on November 17, 2008. By December 31, 2008 the Company had purchased 2,956,170 (not in thousands) shares for a total amount of 37,428.

Between January 1, 2009 and the date when these financial statements were prepared the Group purchased 947,018 (not in thousands) shares for a total amount of 12,572.

The second tranche of 50,000 of the share buyback program commenced on February 5, 2009. Between the date of the commencement and the date when these financial statements were prepared the Group purchased 728,134 shares (not in thousands) for a total amount of 7,691.

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

24. BORROWINGS

	December 31, 2008	December 31, 2007
9.5 Senior Notes due 2013	855,432	790,388
Interest accrued on Senior Notes due 2013	3,551	3,332
PLN Bonds	498,593	-
Interest accrued on PLN Bonds	2,156	-
Loan facility	109,875	-
Interest accrued on loan facility	1,951	-
Overdraft facility	48,733	-
	1,520,291	**793,720**
Less: current portion of borrowings	(56,391)	(3,332)
Non-current portion of borrowings	**1,463,900**	**790,388**

Senior Notes

On December 2, 2003 the Group via its subsidiary, TVN Finance Corporation plc, issued EUR 235,000 Senior Notes with an interest rate of 9.5%. The Notes are quoted on the Luxembourg Stock Exchange. Interest is paid semi-annually starting June 15, 2004. The Senior Notes mature on December 15, 2013. The Senior Notes are senior unsecured obligations and are governed by a number of covenants including, but not limited to, restrictions on the level of additional indebtedness, payment of dividends, sale of assets and transactions with affiliated companies. The Senior Notes are fully and unconditionally guaranteed by the Company and its principal subsidiary Grupa Onet.pl S.A. The Senior Notes are carried at amortized cost using an effective interest rate of 10.88%.

On February 8, 2008 the Group repurchased Senior Notes with a nominal value of EUR 10,000 for an amount of EUR 10,200 (PLN 36,587). On October 24, 2008 the Group repurchased Senior Notes with a nominal value of EUR 10,000 for an amount of EUR 9,400 (PLN 34,141). The Group has accounted for the repurchases as a de-recognition of the corresponding part of the Senior Notes liability. As a result, the difference between the consideration paid and the carrying amount corresponding to the Notes repurchased was recognized in the income statement within finance expense (see Note 8). The nominal value of the remaining Senior Notes is EUR 215,000.

The fair value of the Senior Notes, excluding accrued interest, as at December 31, 2008 is estimated to be PLN 753,535 or EUR 180,600 (PLN 879,650 or EUR 245,575 as at December 31, 2007). Fair value of the Senior Notes reflect its market price quoted by Reuters based on the last value date on December 31, 2008.

The Group may redeem all or part of the Senior Notes on or after December 15, 2008 at a redemption price ranging from 104.75% to 100% of nominal value.

The Group recognized an embedded financial instrument with respect to these options (see Note 4(vi) and 19).

The Senior Notes also have a put option, which may be exercised by the holders of the Senior Notes at a purchase price of 101% of the nominal value if a change of control takes place. Change of control means:

24. BORROWINGS (CONTINUED)

i) a person other than Permitted Holders become the beneficial owner of more than 35% of the voting power of the voting stock of the Company, and the Permitted Holders own a lesser % than such other person
ii) Approved directors cease to constitute a majority of the Supervisory Board,
iii) The Company sells substantially all of its assets,
iv) A plan is adopted relating to the liquidation or dissolution of the Company,
v) The Company ceases to own 100% of the shares of TVN Finance Corporation plc.

PLN Bonds

On May 26, 2008 the Group entered into an agreement with Bank Pekao S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. to conduct a Bond Issue Program (“Program”). The Program enables the Group to issue bearer, unsubordinated and unsecured bonds (“PLN Bonds”) with a maximum total nominal value of PLN 1 billion at any time. The Program can be extended up to a nominal value of PLN 2 billion.

On June 23, 2008 the Group completed the first issue of PLN Bonds with a total nominal value of 500,000 and with a variable interest rate of 6 month WIBOR plus 2.75% per annum. The interest is payable semi-annually starting December 14, 2008. The PLN Bonds are due for repayment on June 14, 2013. The PLN Bonds are unsecured obligations and are governed by a number of covenants including restrictions on disposal or inadequate use of assets. The total transaction costs of the issue amounted to 1,542 and mainly related to dealers commission and legal services. The PLN Bonds are carried at amortized cost using an effective interest rate of 9.69%.

The Group has an option to redeem all or 50% of the PLN Bonds on June 14, 2011 or on June 14, 2012 at a redemption price of 102% or 101% of the nominal value respectively. The Group assessed that the early prepayment options are closely related to the economic characteristics of the host contract (PLN Bonds) as the option exercise price is close on each exercise date to the amortized cost of the PLN Bonds. Consequently, the Group did not separate the embedded derivative.

The fair value of the PLN Bonds, excluding accrued interest, as at December 31, 2008 was estimated to be PLN 503,371. The PLN Bonds are non-public and their fair value was estimated using an internal valuation model with the key inputs being market interest rate, payment dates and credit spread.

Loan facility

Until June 30, 2008 the Group had a EUR 50,000 loan facility with Bank Pekao S.A. The facility was secured over trade receivables, other intangible assets, television and broadcasting equipment and programming rights.
On June 30, 2008 the Group entered into a PLN 200,000 multicurrency loan facility with Bank Pekao SA. The facility is available for a three year period. The facility bears interest at six-month WIBOR, EURIBOR or LIBOR (depending on loan currency) plus a margin which depends on the ratio of consolidated net debt to consolidated EBITDA of the Group and at the date of the agreement was 1%. The effective interest rate is approximated by WIBOR and applicable margin and fair value as at December 31, 2008 is approximated by the carrying amount. The facility is secured over trade receivables of TVN S.A. up to the equivalent of EUR 25 million. The loan facility is guaranteed by Grupa Onet.pl S.A. and Mango Media Sp. z o.o., wholly owned subsidiaries of TVN S.A. As of December 31, 2008 168,526 the facility had been used.

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

25. TRADE PAYABLES

	December 31, 2008	December 31, 2007
Acquired programming rights payables	65,375	68,803
Property, plant, equipment and intangible assets payables	33,885	9,034
Other trade payables	44,510	36,808
Related party payables (see note 32(iii))	5,086	5,186
	148,856	**119,831**
Less: current portion of trade payables	**(141,905)**	**(111,107)**
Non-current portion of acquired programming rights payables	**6,951**	**8,724**

26. OTHER LIABILITIES AND ACCRUALS

	December 31, 2008	December 31, 2007
VAT and other taxes payable	29,639	32,675
Employee benefits	45,175	35,520
Deferred income	21,647	27,909
Accrued production costs	14,908	11,741
Satellites	6,236	6,761
Other liabilities and accrued costs	111,888	75,832
	229,493	**190,438**

27. TAXATION

	Year ended December 31, 2008	Year ended December 31, 2007
Current tax charge	(106,780)	(78,186)
Deferred tax credit	22,904	24,262
	(83,876)	**(53,924)**

Reconciliation of accounting profit to tax charge	Year ended December 31, 2008	Year ended December 31, 2007
Profit before income tax	447,552	297,232
Income tax charge at the enacted statutory rate of 19%	(85,035)	(56,474)
Tax impact of employee share option plan costs not deductible for tax purposes (see Note 7)	(7,613)	(8,518)
Impact of tax deduction claimed and deferred in relation to operations in special economic zone	14,574	14,442
Net tax impact of other expenses not deductible for tax purposes and revenue not taxable	(5,802)	(3,374)
Tax for the year	**(83,876)**	**(53,924)**

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

27. TAXATION (CONTINUED)

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

The Group operates partially in special economic zone in Kraków and was granted a tax credit equal to 40% and 50% of investments undertaken and certain categories of staff expenses incurred in the zone. The tax credits are available until December 31, 2017 and are subject to minimum investment commitments and the creation and maintenance of a certain number of jobs. As at December 31, 2008 the remaining committed investment amounted to 167,080. In the year ended December 31, 2008 the Group claimed tax reductions in the amount of 10,775 with respect to its costs incurred in the special economic zone. The balance of 11,936 with respect to this tax credit is deferred for future tax reduction.

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2008.

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2008	December 31, 2007
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(143,178)	(144,559)
- Deferred tax (liability)/asset, net to be recovered within 12 months	12,014	(9,382)
	(131,164)	**(153,941)**

Movements in deferred tax asset	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Balance at beginning of period	12,637	6,235
Acquisition of subsidiary	-	49
Credit for the period	21,878	6,353
Balance at end of period	**34,515**	**12,637**

Movements in deferred tax liability	**Year ended December 31, 2008**	**Year ended December 31, 2007**
Balance at beginning of period	(166,578)	(174,637)
Acquisition of subsidiary*	-	(9,850)
Deferred tax debited to equity, net	(127)	-
Credit for the period	1,026	17,909
Balance at end of period	**(165,679)**	**(166,578)**

*Represents the deferred tax liability recognized mainly on Mango Media brand

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

27. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Non-deductible provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/(liabilities)	Investment in associate	Unpaid interest accrued, net	Available for sale investments	Brand and customer related assets acquired	Tax credit	Tax losses carry forward	Total
Deferred tax asset/(liability) at January 1, 2007	**2,693**	**17,570**	**(11,054)**	**(34,828)**	**(22,740)**	**-**	**(493)**	**1,198**	**(124,768)**	**352**	**3,668**	**(168,402)**
Acquisition of subsidiary	-	(471)	-	-	-	-	-	-	(9,330)	-	-	**(9,801)**
(Charged)/ credited to net profit	(1,326)	10,882	1,142	(12,108)	20,805	-	(91)	-	659	7,785	(3,486)	**24,262**
Deferred tax asset/(liability) at December 31, 2007	**1,367**	**27,981**	**(9,912)**	**(46,936)**	**(1,935)**	**-**	**(584)**	**1,198**	**(133,439)**	**8,137**	**182**	**(153,941)**
Deferred tax asset/(liability) at January 1, 2008	**1,367**	**27,981**	**(9,912)**	**(46,936)**	**(1,935)**	**-**	**(584)**	**1,198**	**(133,439)**	**8,137**	**182**	**(153,941)**
(Charged)/ credited to net profit	(3,764)	10,680	1,732	16,151	(22,032)	17,943	(2,054)	-	631	3,799	(182)	**22,904**
(Charged)/ credited to equity	-	-	-	-	-	-	-	(127)	-	-	-	**(127)**
Deferred tax asset/(liability) at December 31, 2008	**(2,397)**	**38,661**	**(8,180)**	**(30,785)**	**(23,967)**	**17,943**	**(2,638)**	**1,071**	**(132,808)**	**11,936**	**-**	**(131,164)**

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

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2008	Year ended December 31, 2007
Net profit		363,676	243,308
Tax charge		83,876	53,924
Share options granted to board members and employees	7	40,070	44,832
Depreciation, amortization and impairment charges	7	79,503	72,090
Amortization of acquired programming rights and co-production	7	122,860	123,712
Impaired accounts receivable	7	2,261	4,981
Loss/(gain) on sale of property, plant and equipment		107	(92)
Investment income and finance expense, net	8	89,883	184,780
Share of loss of associate		94,440	-
Guarantee fee	8	(2,426)	(2,961)
Payments to acquire programming rights		(139,771)	(128,070)
Change in local production balance		(43,438)	(27,344)
Changes in working capital:			
Trade receivables		(8,505)	(118,096)
Prepayments and other assets		(11,590)	(4,172)
Trade payables		16,164	(9,286)
Other short term liabilities and accruals		38,841	70,063
		34,910	(61,491)
Cash generated from operations		**725,951**	**507,669**

Acquisition of subsidiaries net of cash acquired and acquisition of associates

	Note		
Neovision Holding B.V.	15	323,817	-
Mango Media		-	49,561
		323,817	**49,561**

Non-cash transactions

Barter revenue, net		(1,564)	(1,353)
Share options granted to board members and employees	7	40,070	44,832

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

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

29. CONTINGENCIES

The Group has a remaining contingent asset in respect of VAT claim of 3,594 and interest due from the tax authorities of 12,834. A court ruling in favour of the Group was announced on April 13, 2006. On June 12, 2006 the tax authorities appealed to the Supreme Administrative Court. On October 9, 2007 the Supreme Administrative Court decided to return the case to the Administrative Court in Krakow for further review. On July 23, 2008 the Administrative Court overrode penalties imposed by the tax authorities (in the amount of 1,078 plus interest) but overruled the Group's claim with respect to the base VAT amount. The Group has already applied to the tax authorities for the return of the penalty of 1,078 plus interest which as at December 31, 2008 amounted to 1,071. The total amount of 2,149 was recognized as a receivable at December 31, 2008 with a corresponding credit to the income statement. On October 10, 2008 the Group appealed to the Supreme Administrative Court with respect to the base VAT claim.

30. COMMITMENTS

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

(i) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming as of December 31, 2008. These commitments are scheduled to be paid as follows:

Due in 2009	118,293
Due in 2010	175,180
Due in 2011	173,667
Due in 2012	196,812
Due in 2013	178,833
Due in 2014 and thereafter	51,737
	894,522

(ii) Total future minimum payments relating to operating lease agreements signed as at December 31, 2008:

	Related parties	Non-related parties	Total
Due in 2009	20,790	24,220	45,010
Due in 2010	20,778	17,567	38,345
Due in 2011	20,120	15,817	35,937
Due in 2012	20,120	13,638	33,758
Due in 2013	20,120	8,999	29,119
Due in 2014 and thereafter	52,410	10,959	63,369
	154,338	**91,200**	**245,538**

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

30. COMMITMENTS (CONTINUED)

Contracts signed with related parties relate to lease of office space and television studios from Poland Media Properties S.A. ("Poland Media Properties", previously ITI Poland S.A.) and Diverti Sp. z o.o. ("Diverti"). Diverti is a subsidiary of ITI Group. Commitments in foreign currencies were calculated using exchange rates as at December 31, 2008.

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

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the provision of satellite capacity. Under these agreements the Group is obliged to pay annual fees. These commitments are scheduled to be paid as follows:

Due in 2009	29,083
Due in 2010	34,315
Due in 2011	34,315
Due in 2012	15,016
	112,729

Additionally, the Group leases transmission sites and related services for an annual amount of 6,600.

(iii) Barter commitments

The Group has an outstanding commitment of service to broadcast advertising of 3,466 to settle sundry amounts payable recorded as of December 31, 2008 (4,598 at December 31, 2007). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(iv) Other commitments

As at December 31, 2008, the Group assumed contractual commitments of 1,304 to acquire property, plant and equipment and intangible assets (5,334 at December 31, 2007).

Additionally the Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2017. As at December 31, 2008 the remaining commitment amounted to 167,080.

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

31. GROUP COMPANIES

These consolidated financial statements as at December 31, 2008 comprise the parent company and the following subsidiaries (‘the Group‘), joint ventures and associates:

	Country of incorporation	December 31, 2008 Ownership %	December 31, 2007 Ownership %
Grupa Onet.pl S.A.	Poland	100	100
Dream Lab Onet Sp. z o.o.	Poland	100	100
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
SunWeb Sp. z o.o.	Poland	100	-
Thema Film Sp. z o.o.	Poland	96	96
TVN Finance Corporation plc	UK	100	100
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Media Entertainment Ventures Int Ltd	Malta	100	100
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Discovery TVN Ltd	UK	50	50
Neovision Holding B.V.*	The Netherlands	25	-
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

* Neovision Holding B.V. wholly owns ITI Neovision Sp. z o.o. (Poland), Neovision UK Ltd. (UK), has 99% of Cyfrowy Dom Sp. z o.o. and has 45 % joint venture in MGM Channel Poland Ltd.

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

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

32. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2008	Year ended December 31, 2007
ITI Group	6,622	8,613
ITI Neovision *	42,799	34,779
Poland Media Properties	25	39
	49,446	**43,431**

* ITI Neovision is an associate of the Group (see Note 31). The amounts disclosed in this note in relation to ITI Neovision cover also the periods when ITI Neovision was not an associate of the Group.

Revenue from the ITI Group and ITI Neovision includes mainly revenue from the exploitation of film rights, license fees, production and technical services rendered and services of broadcasting advertising, net of commissions. Poland Media Properties is controlled by certain shareholders and executive directors of the ITI Group.

Additionally the Group recognised revenue of 16,756 (10,401 in 2007) from advertising services rendered for ITI Neovision through advertising agencies.

(ii) Operating expenses:

	Year ended December 31, 2008	Year ended December 31, 2007
ITI Group	26,549	22,750
ITI Neovision	5,275	6,233
Poland Media Properties	535	584
	32,359	**29,567**

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

Operating expenses from Poland Media Properties comprise rent of office premises.

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

	December 31, 2008	December 31, 2007
Receivables:		
ITI Group	4,532	1,518
ITI Neovision	20,808	8,445
	25,340	**9,963**

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

32. RELATED PARTY TRANSACTIONS (CONTINUED)

	December 31, 2008	December 31, 2007
Payables:		
ITI Group	4,978	5,038
ITI Neovision	45	15
Poland Media Properties	63	133
	5,086	**5,186**

(iv) Other non current assets

Other non current assets include a rental deposit paid to ITI Group by TVN in the amount of 1,981.

(v) Lease commitments with related parties

See Note 30 for further details.

(vi) Other

ITI Holdings has provided guarantees in the amount of US$ 25,000 to Warner Bros. International Television Distribution and US$ 8,000 to DreamWorks in respect of programming rights purchased and broadcast by the Group. During the year ended December 31, 2008, the Group recorded finance costs of 2,426 relating to these guarantees (during the year ended December 31, 2007: 2,961).

On June 25, 2008 the Group completed the acquisition of 25% of the share capital plus 1 share of Neovision Holding from ITI Media Group (see Note 15).

(vii) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2008 amounted to 10,485 (9,863 for the year ended December 31, 2007).

	Year ended December 31, 2008		Year ended December 31, 2007	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Piotr Walter	1,245	800	1,239	593
Karen Burgess	1,120	540	1,119	353
Edward Miszczak	843	390	842	288
Jan Łukasz Wejchert	846	492	818	177
Tomasz Berezowski	527	175	539	122
Olgierd Dobrzyński	605	142	604	197
Waldemar Ostrowski	518	175	517	129
Adam Pieczyński	638	191	639	267
Jarosław Potasz	540	175	539	124
Piotr Tyborowicz	523	-	506	251
	7,405	**3,080**	**7,362**	**2,501**

*Bonuses paid for 2007
**Bonuses paid for 2006

32. RELATED PARTY TRANSACTIONS (CONTINUED)

Share based payments

Members of the Management Board of the Company participate in share incentive schemes introduced by the Group (see note 33) with the following total number of granted share options divided into four series and estimated fair value thereof recognized either as an expense or incremental cost of business combination with Grupa Onet.pl. The fair value of options granted on December 27, 2005 was estimated with reference to a share price of PLN 15.76 (not in thousands) at that date (after taking into account the effect of subsequent share split). Fair values of options granted on July 31, 2006 and December 18, 2007 were estimated with reference to share prices of (not in thousands) PLN 21.30 and PLN 24.75 respectively. For details of the share incentive scheme please refer to Note 33.

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2008*	Cumulative fair value recognized up to December 31, 2007*
Piotr Walter	622,600	7,387	5,950
Karen Burgess	526,290	6,275	5,095
Edward Miszczak	526,290	6,275	5,095
Jan Łukasz Wejchert	577,065	6,784	5,887
Tomasz Berezowski	336,030	4,007	3,253
Olgierd Dobrzyński	314,115	3,484	2,470
Waldemar Ostrowski	336,030	4,007	3,253
Adam Pieczyński	314,115	3,484	2,470
Jarosław Potasz	336,030	4,007	3,253
Piotr Tyborowicz	336,030	4,007	3,253

*Calculated as proportion of the fair value of service already rendered to the total fair value of the scheme.

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

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(viii) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2008 amounted to 1,126 (1,097 for the year ended December 31, 2007).

	Year ended December 31, 2008*	Year ended December 31, 2007
Wojciech Kostrzewa	192	165
Jan Wejchert	-	10
Bruno Valsangiacomo	156	137
Arnold Bahlmann	108	90
Romano Fanconi	72	68
Paweł Gricuk	144	121
Paweł Kosmala	47	-
Sandra Nowak	21	263
Wiesław Rozłucki	132	92
Andrzej Rybicki	72	66
Marcus Tellenbach	47	-
Mariusz Walter	-	10
Aldona Wejchert	72	56
Gabriel Wujek	63	-
Jan Adam Zieliński	-	19
	1,126	**1,097**

* Including total amount of 237 accrued for in 2008 but paid out in 2009.

33. SHARE-BASED PAYMENTS

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

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

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

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

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

	Year ended December 31, 2008		Year ended December 31, 2007	
	Average exercise price	**Outstanding options**	**Average exercise price**	**Outstanding options**
At 1 January	PLN 10.62	**14,887,155**	PLN 10.01	**15,818,005**
Granted	-	-	PLN 11.68	2,833,670
Exercised	PLN 9.67	(2,242,439)	PLN 8.83	(3,764,520)
At 31 December	PLN 10.79	**12,644,716**	PLN 10.62	**14,887,155**

Weighted average market share price during the year ended December 31, 2008 was 20.95.

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series.

The model assumes that dividends would be paid in the future in accordance with the Group's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

The remaining options are exercisable at the prices indicated below and vest after the specified period (not in thousands):

Series	Number of options	Exercise price	Service vesting period
C1	384,060	PLN 8.66	Vested
C2	1,669,330	PLN 9.58	Vested
C3	3,479,210	PLN 10.58	until January 1, 2009
	5,532,600		

Series	Number of options	Exercise price	Service vesting period
E1	217,730	PLN 8.66	Vested
E2	282,135	PLN 9.58	Vested
E3	1,337,516	PLN 10.58	Vested
E4	2,441,065	PLN 11.68	until April 1, 2009
E4	2,833,670	PLN 11.68	until January 1, 2010
	7,112,116		

All options can be exercised no later than December 31, 2011. Between January 1, 2009 and the date when these financial statements were prepared, no options were exercised.

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Independent auditor's report

To the Shareholders and Supervisory Board of TVN S.A.

We have audited the accompanying consolidated financial statements of TVN S.A. and its subsidiaries (the 'TVN Group') which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TVN Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
15 February 2008

MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodical reporting by issuers of securities, the Management Board of TVN S.A. hereby represents that:

- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Group's development, achievements, and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the principles specified in the Accounting Act.

Warsaw, February 15, 2008

TVN Group

Consolidated Financial Statements
As of and for the year ended December 31, 2007

TVN Group

Contents Page

TVN Information

1. Principal activity

TVN S.A. (the “Company”) and its subsidiaries (“TVN Group”, the “Group”) operate or jointly operate fourteen television channels in Poland: TVN, TVN 7, TVN 24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN Gra, TVN Med, TVN Lingua, TVN CNBC Biznes, Discovery Historia, NTL Radomsko and Telezakupy Mango 24. The Group’s channels broadcast news, information and entertainment shows, serials, movies and teleshopping. The Group also operates Onet.pl the leading and the most popular internet portal in Poland operating services such as: Zumi.pl, Sympatia.pl, OnetBlog and OnetLajt .

2. Registered Office

TVN S.A.
ul. Wiertnicza 166
02-952 Warszawa

3. Supervisory Board

- Wojciech Kostrzewa, President
- Jan Wejchert, President (until February 26, 2007)
- Bruno Valsangiacomo, Vice-President
- Arnold Bahlmann
- Romano Fanconi
- Paweł Gricuk
- Sandra Nowak (appointed March 6, 2007 and resigned January 7, 2008)
- Wiesław Rozłucki (appointed March 23, 2007)
- Andrzej Rybicki
- Mariusz Walter (until February 26, 2007)
- Aldona Wejchert (appointed March 6, 2007)
- Gabriel Wujek (appointed February 15, 2008)
- Jan Zieliński (until March 22, 2007)

4. Management Board

- Piotr Walter, President
- Karen Burgess, Vice-President
- Edward Miszczak, Vice-President
- Jan Łukasz Wejchert, Vice-President
- Tomasz Berezowski
- Olgierd Dobrzyński
- Waldemar Ostrowski
- Adam Pieczyński
- Jarosław Potasz
- Piotr Tyborowicz

5. Auditors

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14
00-638 Warszawa

6. Principal Solicitors

CMS Cameron McKenna
ul. Emilii Plater 53
00-113 Warszawa

7. Principal Bankers

Bank Polska Kasa Opieki S.A. ("Pekao SA")
ul. Grzybowska 53/57
00-950 Warszawa

until November 30, 2007:

Bank BPH S.A. ("BPH")
Al. Pokoju 1
31-548 Kraków

8. Subsidiaries

Television Broadcasting and Production

- TVN Finance Corporation plc
  One London Wall
  London EC2Y 5EB
  UK
- El-Trade Sp. z o.o.
  ul. Wiertnicza 166
  02-952 Warszawa
- Tivien Sp. z o.o.
  ul. Augustówka 3
  02-981 Warszawa
  (previously Newsroom Sp. z o.o.)
- NTL Radomsko Sp. z o.o.
  ul. 11 Listopada 2
  97-500 Radomsko
- Mango Media Sp. z o.o.
  ul. Kościuszki 61
  81-703 Sopot
- Thema Film Sp. z o.o.
  ul. Powsińska 4
  02-920 Warszawa

New Media

- Grupa Onet.pl S.A.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Dream Lab Onet.pl Sp. z o.o.
  ul. G. Zapolskiej 44
  30-126 Kraków
- Grupa Onet Poland Holding B.V.
  De Boelelaan 7
  NL-1083 Amsterdam
  The Netherlands
- Media Entertainment Ventures International Limited
  Palazzo Pietro Stiges 90, Strait Street
  Valetta VLT 05
  Malta

9. Joint ventures

- Polski Operator Telewizyjny Sp. z o.o.
  ul. Huculska 6
  00-730 Warszawa
- Discovery TVN Ltd
  566 Chiswick High Road
  London W4 5YB
  UK

10. Associates

- Polskie Badania Internetu Sp. z o.o.
  Al. Jerozolimskie 44
  00-950 Warszawa

	Note	Year ended December 31, 2007	Year ended December 31, 2006
Revenue	**6**	1,554,729	1,165,027
Cost of revenue	**7**	(817,907)	(632,385)
Selling expenses	**7**	(126,968)	(78,862)
General and administration expenses	**7**	(126,008)	(104,676)
Other operating expense, net	**7**	(1,834)	(589)
Operating profit		**482,012**	**348,515**
Investment income, net	**8**	19,344	54,059
Finance expense, net	**8**	(204,124)	(68,277)
Profit before income tax		**297,232**	**334,297**
Income tax charge	**23**	(53,924)	(75,472)
Profit attributable to the equity holders of TVN S.A.		**243,308**	**258,825**
Earnings per share for profit attributable to the equity holders of TVN S.A. (not in thousands)			
- basic	**9**	0.70	0.78
- diluted	**9**	0.69	0.77

Supplementary disclosure of impact of embedded option valuation			
Profit attributable to the equity holders of TVN S.A.		243,308	258,825
Impact on profit, net of tax of fair value loss/(gain) on embedded option	**17,23**	87,170	(26,455)
Adjusted profit attributable to the equity holders of TVN S.A.		**330,478**	**232,370**

The Group presents adjusted profit to reflect the impact of non-cash fair value losses/gains arising on prepayment options embedded in its Senior Notes. The accounting for prepayment options is technical, judgmental and driven by accounting interpretations. The Group believes that presentation of net profit adjusted for this item enables a reader to better understand the Group's operating and financial performance.

Piotr Walter	Karen Burgess	Edward Miszczak
President of the Board	Vice-President of the Board	Vice-President of the Board

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

Jan Łukasz Wejchert Vice-President of the Board	Tomasz Berezowski Board Member	Olgierd Dobrzyński Board Member
Waldemar Ostrowski Board Member	Adam Pieczyński Board Member	Jarosław Potasz Board Member
		Piotr Tyborowicz Board Member

Warsaw, February 15, 2008

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

	Note	As at December 31, 2007	As at December 31, 2006
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	250,168	195,988
Goodwill	**11**	952,657	946,332
Brand	**12**	693,688	643,428
Other intangible assets	**13**	50,969	52,392
Non-current programming rights	**14**	127,433	133,125
Investments in associates		83	83
Available-for-sale financial assets	**15**	7,588	4,650
Deferred tax asset	**23**	12,637	6,235
Other non current assets	**18**	4,256	4,325
		2,099,479	**1,986,558**
Current assets			
Current programming rights	**14**	179,523	158,537
Trade receivables	**16**	299,590	185,269
Derivative financial assets	**17**	24,267	128,064
Prepayments and other assets	**18**	31,600	15,619
Corporate income tax receivable		94	-
Cash and cash equivalents		110,372	104,611
		645,446	**592,100**
TOTAL ASSETS		**2,744,925**	**2,578,658**
EQUITY			
Shareholders' equity			
Share capital	**19**	69,455	68,702
Share premium		566,327	499,238
8% obligatory reserve		22,901	21,323
Other reserves		86,833	77,087
Accumulated profit		684,245	570,815
		1,429,761	**1,237,165**
LIABILITIES			
Non-current liabilities			
9.5% Senior Notes due 2013	**20**	790,388	841,856
Deferred tax liability	**23**	166,578	174,637
Non-current trade payables	**21**	8,724	9,007
Other non-current liabilities		406	1,096
		966,096	**1,026,596**
Current liabilities			
Current trade payables	**21**	111,107	143,126
Corporate income tax payable		43,223	52,681
Accrued interest on 9.5% Senior Notes due 2013	**20**	3,332	3,564
Other liabilities and accruals	**22**	191,406	115,526
		349,068	**314,897**
Total liabilities		**1,315,164**	**1,341,493**
TOTAL EQUITY AND LIABILITIES		**2,744,925**	**2,578,658**

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

	Number of shares (not in thousands) (1)	Share capital	Share Premium	8% obligatory reserve	Other reserves	Employee share option plan reserve	Accumulated profit	Shareholders' equity
Balance at January 1, 2006	**319,847,910**	**63,970**	**-**	**13,708**	**(1,205)**	**597**	**319,605**	**396,675**
Impairment of available for sale financial assets	-	-	-	-	1,760	-	-	1,760
Deferred tax on impairment of available for sale financial assets	-	-	-	-	(334)	-	-	(334)
Fair value gains on cash flow hedges, net	-	-	-	-	(273)	-	-	(273)
Deferred tax on fair value gains on cash flow hedges	-	-	-	-	52	-	-	52
Net income recognized directly in equity	**-**	**-**	**-**	**-**	**1,205**	**-**	**-**	**1,205**
Profit for the year	-	-	-	-	-	-	258,825	258,825
Total recognized income for the period	**-**	**-**	**-**	**-**	**1,205**	**-**	**258,825**	**260,030**
Issue of shares	23,660,545	4,732	499,238	-	-	-	-	503,970
Charge for the period (2)	-	-	-	-	-	76,490	-	76,490
Appropriation of 2005 profit – transfer to 8% obligatory reserve	-	-	-	7,615	-	-	(7,615)	-
Balance at December 31, 2006	**343,508,455**	**68,702**	**499,238**	**21,323**	**-**	**77,087**	**570,815**	**1,237,165**

(1) On November 29, 2006 the Extraordinary Shareholders' Meeting resolved to decrease the nominal value of shares from PLN 1 to PLN 0.2 (not in thousands). Consequently, the number of ordinary shares in issue presented in this table was multiplied by 5. This share split was registered by the court on December 12, 2006 and is reflected in this table.

	Number of shares (not in thousands)	Share capital	Share Premium	8% obligatory reserve	Employee share option plan reserve	Accumulated profit	Shareholders' equity
Balance at January 1, 2007	**343,508,455**	**68,702**	**499,238**	**21,323**	**77,087**	**570,815**	**1,237,165**
Profit for the year	-	-	-	-	-	243,308	243,308
Total recognized income for the period	**-**	**-**	**-**	**-**	**-**	**243,308**	**243,308**
Issue of shares (3)	3,764,520	753	67,571	-	(35,086)	-	33,238
Share issue cost	-	-	(482)	-	-	-	(482)
Charge for the period (2)	-	-	-	-	44,832	-	44,832
Dividend declared and paid (4)	-	-	-	-	-	(128,300)	(128,300)
Appropriation of 2006 profit – transfer to 8% obligatory reserve	-	-	-	1,578	-	(1,578)	-
Balance at December 31, 2007	**347,272,975**	**69,455**	**566,327**	**22,901**	**86,833**	**684,245**	**1,429,761**

(2) On December 27, 2005 TVN S.A. introduced the TVN Incentive Scheme I based on C series of shares. On June 8, 2006 the Annual Shareholders' Meeting approved a conditional share capital increase of up to 1,974 required for the execution of the TVN Incentive Scheme I.
On July 31, 2006, as part of the acquisition of Grupa Onet.pl, TVN S.A. introduced the TVN Incentive Scheme II based on E series of shares. On September 26, 2006 the Extraordinary Shareholders' Meeting approved a conditional share capital increase of up to 1,756 required for the execution of the TVN Incentive Scheme II (see note 30).

(3) During the year ended December 31, 2007 3,764,520 (not in thousands) of C1, E1 and E2 series shares were issued and fully paid as a result of exercising share options granted to the participants of TVN incentive schemes. Of this number, 79,778 shares were pending registration by the Court as at December 31, 2007.

(4) The dividend paid in 2007 amounted to 0.37 per share (not in thousands).

Included in accumulated profit is an amount of 642,930 being the accumulated profit of TVN S.A. on a stand-alone basis which is distributable. The Senior Notes (see note 20) impose certain restrictions on payment of dividends.

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

	Note	Year ended December 31, 2007	Year ended December 31, 2006
Operating activities			
Cash generated from operations	**24**	507,669	452,391
Tax paid		(87,710)	(15,060)
Net cash generated from operating activities		**419,959**	**437,331**
Investing activities			
Acquisition of subsidiaries net of cash acquired	**24**	(49,561)	(1,280,036)
Increase in share capital of available-for-sale investment		(2,745)	-
Payments to acquire property, plant and equipment		(111,164)	(81,723)
Proceeds from sale of property, plant and equipment		779	1,933
Payments to acquire intangible assets		(17,685)	(16,161)
Interest received		5,625	6,600
Proceeds from repayment of bond from related party		-	607,060
Net cash used in investing activities		**(174,751)**	**(762,327)**
Financing activities			
Issue of shares	**19, 30**	33,238	439,897
Share issue cost		(482)	-
Bank loan repaid		(500)	-
Dividend paid		(128,300)	-
Payments to acquire options		(17,545)	(3,455)
Early settlement of options		(40,725)	-
Interest paid		(85,598)	(87,610)
Net cash (used in)/generated by financing activities		**(239,912)**	**348,832**
Increase in cash and cash equivalents		**5,296**	**23,836**
Cash and cash equivalents at the start of the period		104,611	80,764
Effects of exchange rate changes		465	11
Cash and cash equivalents at the end of the period		**110,372**	**104,611**
Cash at bank and in hand		110,372	104,611

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

1. TVN

These consolidated financial statements were authorized for issuance by the Management Board and Supervisory Board of TVN S.A. on February 15, 2008.

TVN S.A. (until July 29, 2004 TVN Sp. z o.o.) was incorporated in May 1995 and is a public media and entertainment company established under the laws of Poland and listed on the Warsaw Stock Exchange.

The Company is part of a group of companies controlled by International Trading and Investments Holdings S.A. Luxembourg ("ITI Holdings") and its subsidiaries (the "ITI Group"). ITI Group has been active in Poland since 1984 and is the largest media and entertainment group in Poland. ITI Holdings is a Luxembourg company listed on the Luxembourg Stock Exchange.

The structure of TVN Group is described in Note 28. The main changes in the Group's structure during 2007 are described below:

On January 24, 2007 Discovery TVN Limited, a joint venture of the Group and Discovery Communications Europe Limited, was registered in the Registrar of Companies at Companies House in the United Kingdom. Discovery TVN Limited operates Discovery Historia, an encoded satellite history channel, which was launched in November 2006.

On May 23, 2007 the Group acquired 100% of the share capital of Mango Media Sp. z o.o. ("Mango Media"), a broadcaster of the satellite channel "Telezakupy Mango 24" for consideration of EUR 13,000. The Group has accounted for the acquisition of Mango Media using the purchase accounting method (see note 27).

On August 31, 2007, Newsroom Sp. z o.o. a wholly owned subsidiary of the Company changed its name to Tivien Sp. z o.o. and its seat from Krakow to Warsaw.

On September 3, 2007 the Group launched TVN CNBC Biznes, a free to air cable and satellite channel broadcasting business news.

On December 28, 2007 TVN S.A. merged with its wholly owned subsidiary TVN Turbo Sp. z o.o.

On July 31, 2006 the Group completed the acquisition of Grupa Onet Poland Holding B.V. ("GOPH BV") from ITI Group. GOPH BV is the owner of 6,622,449 (not in thousands) shares constituting 82.30% of the share capital of Grupa Onet.pl S.A. ("Onet"). As a result of a public tender offer for the remaining shares of Onet and completing a squeeze-out procedure, by December 31, 2006 the Group acquired 100% of shares in Onet. The Group has accounted for the acquisition of Onet using the purchase accounting method applied as if the business combination was achieved in one stage with the acquisition date being July 31, 2006.

As a result of the acquisition, the financial results for the year ended December 31, 2007 are not directly comparable to the results for the year ended December 31, 2006. If the acquisition had occurred on January 1, 2006 the Group, including Onet, would have recognized revenue of 1,229,898 and a net profit of 226,555 for the year ended December 31, 2006.

1. TVN (CONTINUED)

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

2. ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, issued and effective as at the balance sheet date. The accounting policies used in the preparation of the consolidated financial statements as of and for the year ended December 31, 2007 are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2006 except for new accounting policies described below and interpretations which became effective January 1, 2007.

The following standards and interpretations were adopted by the Group in 2007:

i. *IFRS 7, Financial Instruments: Disclosures, and an amendment to IAS 1 – Presentation of Financial Statements Capital Disclosures*

IFRS 7 introduces new disclosure requirements related to financial instruments. This standard does not have any impact on the classification and valuation of financial instruments in the Group's financial statements.

ii. *IFRIC 10, Interim Financial Reporting and Impairment*

The interpretation addresses the interaction between the requirements of IAS 34 Interim Financial Reporting and those in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets.

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

The Group's consolidated financial statements for the year ended December 31, 2006 prepared in accordance with IFRS as adopted by the EU are available on http://investor.tvn.pl.

2.2. Segment reporting

A business segment is a group of assets and operations that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different to those of other business segments.

Operating costs, including central administration costs are allocated to segments to which they relate.

The majority of the Group's operations and assets are based in Poland. Assets outside Poland constitute less than 10% of the total assets of all segments. Therefore, no geographic information has been included.

2. ACCOUNTING POLICIES (CONTINUED)

2.3. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date the Group ceases to have control.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The Company uses the purchase accounting method to account for transactions with entities under common control.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. Unrealized deficits on transactions between Group companies are eliminated to the extent they are not indicative of an impairment.

2.4. Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flow on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognize its share of profits or losses from joint ventures that result from the Group's purchase of assets from a joint venture until it resells the assets to an independent party. However, a loss on a transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.5. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted under the equity method and are initially recognized at cost.

The Group's share of post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6. Foreign currency

The accompanying financial statements are presented in Polish Zloty (PLN), which is the presentation and functional currency of the Company.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange applicable at the balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

For available-for-sale financial assets that are non – monetary assets, the gain or loss that is recognized directly in equity includes any related foreign exchange translation component.

2.7. Exchange rates and inflation:

	PLN Exchange Rate to U.S. Dollar	**PLN Exchange Rate to Euro**
December 31, 2007	2.4350	3.5820
December 31, 2006	2.9105	3.8312

The movement in the consumer price index for the year ended December 31, 2007 amounted to 4.0% (1.4% for the year ended December 31, 2006).

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount (the higher of fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the enterprise and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful economic lives as follows:

	Term
Buildings	up to 40 years
Leasehold improvements	up to10 years
TV and broadcasting equipment	2-10 years
Vehicles	3-4 years
Studio vehicles	7 years
Furniture and fixtures	4-5 years

2. ACCOUNTING POLICIES (CONTINUED)

Leasehold improvements are amortized over the shorter of their useful life or the related lease term. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets' residual values and useful lives are reviewed and adjusted if appropriate at least at each financial year end. The Group reviewed the expected useful lives and residual values of property, plant and equipment as at December 31, 2007. No adjustments were required.

2.9. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of fair value of net identifiable assets of the acquired subsidiary at the date of acquisition and carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there are indicators of possible impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to business segments in which it operates.

2.10. Brands

Brands acquired through business combinations, unless an indefinite useful life can be justified, are amortized on a straight-line basis over their useful lives. Brands with indefinite useful life are tested annually for impairment or whenever there is an indicator for impairment.

2.11. Other intangible assets

Customer related intangibles

Customer related intangibles acquired through business combinations are amortised on a straight line basis over their estimated useful life. The expected useful economic life of customer related assets recognized on acquisition of Onet is four years.

Capitalized development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development that can be measured reliably and that are directly associated with the production of identifiable, unique and technically feasible technology projects and know-how controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year and where management has the intention and ability to use or sell the projects and adequate resources to complete the project exist, are recognized as intangible assets. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Direct costs recognized as intangible assets include employee costs and an appropriate portion of relevant overheads. Development costs recognized as intangibles assets are amortized on a straight line basis over their

2. ACCOUNTING POLICIES (CONTINUED)

estimated useful lives. Currently the majority of capitalized development costs are amortized over three years. Development assets are tested for impairment annually, in accordance with IAS 36.

Other intangible assets

Expenditures on acquired programming formats and broadcasting licenses are capitalised and amortized using the straight line method over their expected useful economic lives:

	Term
Programming formats	5 years
Broadcasting licenses	life of the license

Other intangible assets include acquired computer software. Acquired computer software is capitalized and amortized using the straight-line method over two to three years.

2.12. Programming rights

Programming rights include acquired program rights, co-production and production costs. Programming rights are reviewed for impairment every year or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarized below:

Acquired program rights

Program rights acquired by the Group under license agreements and the related obligations are recorded as assets and liabilities at their present value when the program is available and the license period begins. Contractual costs are allocated to individual programs within a particular contract based on the relative value of each to the Group. The capitalised costs of program rights are recorded in the balance sheet at the lower of unamortized cost or estimated recoverable amount (the higher of its fair value less cost to sell and its value in use). A write down is recorded if unamortized costs exceed the recoverable amount.

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

2. ACCOUNTING POLICIES (CONTINUED)

The program rights purchased by the Group are amortized as follows:

Program Categories		**Number of runs**	**Percentage of amortization per run**		
			1st	**2nd**	**3rd**
ACQUIRED PROGRAMMING					
1	**Movies, incl. Feature Films**, Made for Television or Cable, whether first run, library or rerun.	1	100		
		2	60	40	
		3 or more	50	35	15
2	**Weekly Fiction Series**, including dramas, comedies or serials, first run or library, live action and animation.	1	100		
		2	60	40	
		3 or more	60	25	15
3	**Weekly Non-Fiction Series**, including documentary series, docu-soaps, reality and nature.	1	100		
		2	90	10	
		3 or more	90	10	0
4	**Entertainment Documentaries**. One off documentaries of less than timely topics.	1	100		
		2 or more	80	20	0
5	**Clips Shows of Comedy material**	1	100		
		2	60	40	
		3 or more	55	35	10

Programming rights are allocated between current and non-current assets based on estimated date of broadcast. Amortization of program rights is included in cost of revenue.

Capitalised production costs

Capitalised production costs comprise capitalised internal and external production costs in respect of programs specifically produced by or for the Group own licences or under licences from third parties.

Capitalised production costs are stated at the lower of cost or recoverable amount on a program by program basis. Capitalised production costs are amortized based upon the ratio of net revenues for the period to total estimated revenues, and the amortization pattern is determined individually for each program. The majority of programs are amortized as set out below:

	Percentage of amortization per run
Programs with second runs in prime time	60% on first showing, 40% on second showing, or 75% on first showing, 25% on second showing
Programs with second runs outside prime time	90% on first showing, 10% on second showing
Programs expected to be broadcast once	100% on first showing
Fiction series	50% on first showing, 30% on second showing, 20% on third and next showings in total or 66% on first showing, 20% on second showing, 14% on third and next showings in total

2. ACCOUNTING POLICIES (CONTINUED)

Capitalised production costs are allocated between current and non-current assets based on estimated date of broadcast. Amortization of capitalised production costs is included in cost of revenue.

Co-production

Programs co-produced by the Group for cinematic release are stated at the lower of cost or estimated recoverable amount. Program costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current gross revenues bears to anticipated total gross revenues.

News archive

News archives were recognized on business combination and are amortised based on their average usage in minutes per year.

2.13. Impairment of non - financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill and brand are allocated to groups of cash-generating units as identified by the Group.

Non – financial assets other than goodwill or brand that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets are acquired. Management of the Group determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling in the short-term or if so designated by management are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. During the year the Group did not hold any financial assets designated at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance

2. ACCOUNTING POLICIES (CONTINUED)

sheet date. These are classified as non-current assets. Receivables are classified as trade receivables in the balance sheet (see note 2.16).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current available-for-sale investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets as current available-for-sale investments.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year the Group did not hold any financial assets in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realised and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Group's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.16.

2. ACCOUNTING POLICIES (CONTINUED)

2.15. Derivative financial instruments and hedging activities

Derivative financial instruments are carried in the balance sheet at fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), or (2) a hedge of a highly probable forecast transaction (cash flow hedge), or (3) a hedge of a net investment in a foreign operation, on the date a derivative contract is entered into.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign exchange risk on borrowings. The gain or loss relating to the effective and ineffective portion of derivatives is recognized in the income statement within finance expense.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within finance expense. Where the forecast transaction results in the recognition of a non-financial asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged forecast transaction affects the income statement (for example, when the forecast sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group’s risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction ultimately is recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group separates embedded derivatives from the host contracts and accounts for these as derivatives under IAS 39 (revised) if the economic characteristics and risks of the embedded derivative and host contract are not closely related and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

2. ACCOUNTING POLICIES (CONTINUED)

2.16. Trade receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of settlement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or failure in payments (more than 60 days overdue) are considered as indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the trade receivable allowance account. Amounts charged to the allowance account are generally written off when the Group does not expect to recover additional cash after attempting all relevant formal recovery procedures. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.17. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits with banks, and investments with maturity of less than three months from the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on balance sheet.

2.18. Restricted cash

Restricted cash primarily represents amounts held by financial institutions as collateral on guarantees given by these financial institutions on behalf of the Group, or cash that is kept on the Group's bank accounts, which for contractual reasons may only be spent by the Group for specific purposes. Restricted cash is allocated between current and non-current assets based on contractual terms of releasing the collateral and is classified in the cash flow statement depending upon the purpose for which it had been restricted.

2.19. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares that otherwise would have been avoided are shown in equity as a deduction (net of any related income tax benefit) from the proceeds. Equity transaction costs include legal and financial services and printing costs.

Shares issued on the exercise of share options granted to the participants of TVN incentive schemes are recognized in share capital at the date when cash consideration is received by the Group.

2.20. Share premium

Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

Share premium includes the difference between the fair value of share options exercised established at the grant date, recognized through their vesting period in other reserves, and the nominal value of shares issued.

2. ACCOUNTING POLICIES (CONTINUED)

2.21. Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from shareholders equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders equity.

2.22. 8% obligatory reserve

In accordance with the Polish Commercial Companies Code, a joint-stock company is required to transfer at least 8% of its annual net profit to a non distributable reserve until this reserve reaches one third of its share capital. The 8% obligatory reserve is not available for distribution to shareholders but may be proportionally reduced to the extent that share capital is reduced. The 8% obligatory reserve can be used to cover net losses incurred.

2.23. Borrowings

The Group recognizes its borrowings initially at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of liability for at least 12 months after the balance sheet date.

2.24. Deferred income tax

Deferred income tax is provided in full using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when related income tax asset is realized or liability settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In the Group's consolidated financial statements tax assets (both current and deferred) and tax liabilities (both current and deferred) are not offset unless the Group has a legally enforceable right to offset tax assets against tax liabilities.

2.25. Investment tax credit

The Group recognizes tax credit on investments undertaken in the special economic zone when expenditure is made and if it is probable that the investment will be used in the future.

2.26. Employee benefits

Retirement benefit costs

The Group contributes to state managed defined contribution plans. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

2. ACCOUNTING POLICIES (CONTINUED)

Share-based plans

The Group's management board and certain key employees and co-workers are granted share options based on the rules of an incentive scheme introduced by the Group. The options are subject to service vesting conditions, and their fair value is recognized as an employee benefits expense with a corresponding increase in other reserves in equity over the vesting period. The proceeds received net of any directly attributable transaction costs

are credited to share capital (nominal value) and share premium when the options are exercised.

Bonus plan

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.27. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at present value of the expenditures expected to be required to settle the obligation.

2.28. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(i) Sales of services

Revenue primarily results from the sale of television and internet advertising and is recognised in the period in which the advertising is broadcast. Other revenues from sales of services primarily result from cable and satellite television subscription fees, internet users' fees and call television and are recognised generally upon the performance of service.

(ii) Sales of goods

The Group operates a teleshopping business selling goods to individual customers. Sales of goods are recognized when both the goods are received by the customer and payment received by the Group. It is the Group's policy to sell the goods to the individual customers with a right to return within 10 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.29. Government grants

Government grants related to income are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute in the period they

2. ACCOUNTING POLICIES (CONTINUED)

become receivable. Government grants are deducted in reporting the related expense if the expense might not have been incurred if the grant had not been available.

2.30. Barter transactions

Revenue from barter transactions (advertising time provided in exchange for goods and services) is recognised when commercials are broadcast. Programming, merchandise or services received as part of barter transactions are expensed or capitalised as appropriate when received or utilised. The Group records barter transactions at the estimated fair value of the programming, merchandise or services received. If merchandise or services are received prior to the broadcast of a commercial, a liability is recorded. Likewise, if a commercial is broadcast first, a receivable is recorded.

2.31. Advertising costs

The Group expenses advertising costs at the time of the first broadcast or publication.

2.32. Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between a reduction of the outstanding capital liability and interest in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment held under finance leasing contracts are depreciated over the shorter of the lease term or the useful life of the asset.

2.33. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.34. Comparative financial information

Where necessary, comparative figures or figures presented in previously issued financial statements have been adjusted to conform to changes in presentation in the current year. No amendments have resulted in changes to previously presented net results or shareholders' equity.

2.35. New Accounting Standards and IFRIC pronouncements

Certain new accounting standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been published by IASB since the publication of the annual consolidated financial statements that are mandatory for accounting periods beginning on or after January 1, 2008. The Group's assessment of the impact of these new standards and interpretations is set out below.

2. ACCOUNTING POLICIES (CONTINUED)

(i) Amendments to IAS 23 – Borrowing Costs

The amendment should be applied for annual periods beginning on or after January 1, 2009, It requires capitalization of borrowing costs attributable to qualifying assets. Qualifying assets are assets that take substantial time to get ready for their intended use or sale. It applies only to assets measured at cost. Early adoption is allowed and the Group will adopt the amendment when it draws external financing for new investments..

(ii) IFRIC 13 – Customer Loyalty Programmes

IFRIC 13 is applicable to annual periods beginning on or after January 1, 2008, earlier application is permitted. The interpretation addresses revenue accounting by entities that

grant loyalty award credits to their customers for buying goods or services. The Group's accounting policy is aligned with the Interpretation and therefore it will not affect the Group's financial statements. The Group allocates some of the consideration receivable from sales to the credits awarded and defers the recognition of revenue.

(iii) IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 was issued on July 5, 2007 to clarify the issue when the refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists. The interpretation is effective for annual periods beginning on or after January 1, 2008 with early application permitted. The interpretation will not affect the Group's financial statements.

(iv) Amendments to IAS 1 – Presentation of financial statements

An amendment to IAS 1 was issued on September 6, 2007 and is effective for annual periods beginning on or after January 1, 2009 with early application permitted. Changes require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income.

(v) Revision to IFRS 3 Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements

A revision to IFRS 3 and amendment to IAS 27 were issued on January 10, 2008 and are effective for annual periods beginning on or after January 1, 2009 with early application permitted. Changes incorporate the revised guidance on acquisitions and business combinations. The changes will not affect these financial statements. The Group will follow amendments when applicable for future transactions.

(vi) Amendment to IFRS 2, Share-based Payments

The amendment was published on January 17, 2008 and is effective for annual periods beginning on or after January 1, 2009. It clarifies that vesting conditions are service conditions and performance conditions only and that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will follow the amendment which will not affect the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

Additionally, the following standards and IFRIC Interpretations are applicable in future and were discussed in the Group's annual financial statements for the year ended December 31, 2006.:

- *IFRS 8 – Operating Segments – applicable on or after January 1, 2009*
- *IFRIC 12 – Service Concession Arrangements – applicable on or after January 1, 2008*

At the date of preparation of these financial statements the following standards and IFRIC interpretations were not adopted by the EU:

- *IFRIC 12 – Service Concession Arrangements*
- *IFRIC 13 – Customer Loyalty Programmes*
- *IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- *Amendments to IAS 23 – Borrowing Costs*
- *Amendments to IAS 1 – Presentation of financial statements*
- *Revision to IFRS 3 Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements*
- *Amendment to IFRS 2, Share-based Payments*

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

The following organizational units within the Group's financial department participate in the risk management process: risk committee, liquidity management team, risk management team, financial planning and analyzing team and accounting and reporting team. The risk committee is composed of the vice-president of the Management Board and heads of the teams within the Group's financial department. The risk committee meets monthly and based on an analysis of financial risks recommends financial risk management strategy, which is approved by the Management Board. The Supervisory Board approves risk exposure limits and is consulted prior to the execution of hedging transactions. Financial planning and analyzing team measure and identify financial risk exposure based on information reported

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

by operating units generating exposure. The liquidity management team performs analysis of the Group's risk factors, forecasts the Group's cash flows and market and macroeconomic conditions and proposes on cost-effective hedging strategies. The accounting and reporting team monitors accounting implications of hedging strategies and verifies settlements of the transactions.

(i) Market risk

Market risk related to our bonds

The price of the Senior Notes depends on the Company's creditworthiness and on the relative strength of the bond market as a whole. The Group recognizes as an asset the value of early redemption options embedded in the Senior Notes (see note 20) and this valuation largely depends on the market price of the Senior Notes. The Group is therefore exposed to decreases in the market price of the Senior Notes.

The Senior Notes are listed on the Luxembourg Stock Exchange and the fair value of embedded options recognized by the Group at the balance sheet date reflects the Senior Notes market price on the last value date available from Reuters prior to the balance sheet date as provided by Reuters. The impact of the Senior Notes market price change on the Group's assets and income statement is discussed in note 4(ix).

Foreign currency risk

The Group's revenue is primarily denominated in Polish Zloty. Foreign exchange risk arises mainly from the Group's liabilities in respect of the Senior Notes and related embedded prepayment options both denominated in EUR and liabilities to suppliers of foreign programming rights, satellite costs and rental costs denominated in USD or EUR. Other costs are predominantly denominated in PLN.

The Group's policy in respect of management of foreign currency risks is to cover known risks in a cost efficient manner 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 net profit (post-tax) impact of a reasonably possible EUR appreciation of 5% against the zloty, with all other variables held constant and without taking into account derivative financial instruments entered into for hedging purposes, on the major EUR denominated balance sheet items is:

	Year ended December 31, 2007	**Year ended December 31, 2006**
Liabilities: 9.5% Senior Notes due 2013 including accrued interest	(34,227)	(36,608)
Assets: embedded prepayment options	828	5,187

* appreciation of denomination currency results in increase of liabilities and assets and an additional net charge to income statement

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated net profit (post-tax) impact of a reasonably possible USD appreciation of 5% against the zloty, with all other variables held constant, on the major USD denominated balance sheet items is:

	Year ended December 31, 2007	Year ended December 31, 2006
Trade payables	(2,450)	(4,077)

* appreciation of denomination currency results in increase of liabilities and additional charge to income statement

Interest rate risk

The Group's exposure to interest rate risk arises on interest bearing assets and liabilities. As the main interest bearing item (the Senior Notes) is at a fixed interest rate, the Group is exposed to fair value interest rate risk. Management does not consider it cost effective to use financial instruments to hedge or otherwise seek to reduce interest rate risk.

(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 restricted cash with financial institutions that the Group believes are credit worthy. The Group does not consider the concentration of credit risk as significant. The Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. Clients 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 prepay 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 defines credit exposure as total outstanding receivables (including overdue balances) and monitors the exposure regularly on an individual basis by paying counterparty. The majority of the Group's sales are made through advertising agencies (73% of the total trade receivables as of December 31, 2007) who manage advertising campaigns for advertisers and pay the Group once payment has been received from the customer. The Group's top ten advertisers account for 15% and the single largest advertiser accounted for 2% of sales for the year ended December 31, 2007. 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 it is required and cost-efficient the Group mitigates credit exposure by use of a trade receivable insurance facility from a leading insurance company.

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

Trade receivables (net)	December 31, 2007	December 31, 2006
Receivables from advertising agencies	73%	64%
Receivables from individual customers	24%	33%
Receivables from related parties	3%	3%
	100%	**100%**

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables (net)	December 31, 2007	December 31, 2006
Agency A	11%	5%
Agency B	10%	9%
Agency C	7%	10%
Agency D	7%	8%
Agency E	6%	7%
Sub-total	**41%**	**39%**
Total other counterparties	59%	61%
	100%	**100%**

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 from advertising agencies (net)	December 31, 2007	December 31, 2006
Agency Group F	20%	20%
Agency Group G	16%	17%
Agency Group H	13%	13%
Agency Group I	12%	9%
Agency Group J	2%	2%
Total other counterparties	37%	39%
	100%	**100%**

Management does not expect any losses with respect to amounts included in the trade receivables at the balance sheet date from non-performance by the respective Group's customers as at December 31, 2007.

(iii) Liquidity risk

The Group maintains sufficient cash to meet its obligations as they become due and has available to it additional funding through a committed credit facility (see note 20). Management monitors expected cash flows. The Group expects that its principal future cash needs will be capital expenditures relating to television and broadcasting facilities and equipment, acquisitions, the debt service on the Senior Notes, dividends and the launch of new thematic channels. The Group believes that its cash balances, cash generated from operations and existing overdraft facility will be sufficient to fund these needs. As at December 31, 2007 the Group had cash and cash equivalents and committed unutilized credit facilities totaling 282,652 at its disposal (283,298 at December 31, 2006).

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The balances in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2007			
9.5% Senior Notes due 2013	79,968	79,968	1,081,674
Trade payables	111,107	8,724	-
Other liabilities and accruals	191,406	-	-

	Within 1 year	Between 1-2 years	Above 2 years
At December 31, 2006			
9.5% Senior Notes due 2013	85,532	85,532	1,242,458
Trade payables	143,126	9,007	-
Other liabilities and accruals	115,526	-	-

The Group can early repay the Senior Notes as described in the note 20. The Group has announced that it intends to exercise its early repayment option in 2008. Since the details of refinancing are not known, the tables above assume the continuance of existing conditions of external financing.

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the net debt to EBITDA ratio. Net debt represents the nominal value of borrowings (see note 20) payable at the balance sheet date including accrued interest less cash and cash equivalents. EBITDA is defined as net profit/(loss), before depreciation and amortization (other than programming rights), impairment charges on property plant and equipment and intangible assets, finance expense, investment income and income tax charge.

	December 31, 2007	December 31, 2006
Net debt	734,730	799,285
EBITDA	554,102	399,956
Debt/EBITDA ratio	1.3	2.0

The Group's strategy is to maintain debt/EBITDA ratio at a level not exceeding 3.5.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

balance sheet date. The fair value of available for sale financial assets is determined using industry multiples and the most recent available financial information about the investment. The fair value of forward foreign exchange contracts and option collars is determined based on the valuations performed by the Group's bank.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The 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 useful life of Onet.pl brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Onet.pl brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for media services,
- expected actions by competitors or potential competitions in the media via internet industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Onet.pl brand is expected to generate net cash flows for the Group, therefore the useful life of the Onet.pl brand was assessed as indefinite.

Each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Onet.pl brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(ii) Fair valuation of Onet.pl brand as of July 31, 2006

The Group valued the Onet.pl brand at the date of acquisition of Grupa Onet.pl SA and the carrying amount of the brand as at December 31, 2007 was 643,428. In the absence of applicable market benchmarks and due to the unique character of the brand, the Group fair valued the Onet.pl brand using the 'relief from royalty' income method. The 'relief from royalty' method assumes that the value of the brand is reflected in the present value of hypothetical future royalty payments, which the owner of the brand would have to incur, should the brand be licensed from another entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

This valuation requires the use of estimates related to sales projections for the activity run under the brand, estimation of representative royalty rate, estimation of the discount rate taking into account, the brand related risk factor and estimation of the useful life of the brand.

The royalty rate used in the valuation was assumed at 5.25% and represented the median of selected comparable brand license agreements.

The revenue projections were based on management's business plan which covered the period 2006-2015. The main assumptions included in the revenue projections were: compound annual growth rate of the total advertising market in Poland from 2005 to 2015 of 8.3%, the share of the on-line advertising market in the total advertising market in Poland increasing from 3% in 2005 to 20% in 2015, Onet.pl's share in the on-line advertising market of 37.8% in 2006, declining to 30% in 2015. After the projection period the growth rate of revenues was assumed to decline from 14% in 2015 to 4% in 2020. The Group assumes the useful life of the Onet.pl brand to be indefinite and the fair valuation of the brand therefore assumes indefinite growth of revenues at a level of 4%. The discount rates used in the valuation varied from 7.6% in 2006 to 9.2% in 2009 and further years. Due to the indefinite useful life of the brand, its fair value is sensitive to changes in the indefinite growth parameter. Indefinite growth at 4% gives a fair value of 643 million. Indefinite growth at 2% would give a fair value of 532 million and indefinite growth at 6%, a value of 897 million.

(iii) Fair valuation of customer related intangibles as of July 31, 2006

The Group estimated the fair value of customer related intangibles identified at the acquisition of Onet based on the average length of contractual relationships with 17 key advertising customers considered by the Group as regular and the net operating profit after tax. In calculation of the net operating profit 50% operating margin on the core customers was assumed and further decreased by the notional royalty rate of 5.25% as a charge for usage of the brand. Based on the indicated track record of the commercial relationship with the customers the Group estimated average duration of the relationship to be four years. Fair value of customer related intangibles is the sum of net operating profit after tax in the period 2006 -2009 discounted at 10.9%-12.5%.

(iv) Estimated impairment of goodwill and brand allocated to new media

The Group classifies the Onet.pl brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the new media cash-generating unit. The Group tests annually whether the new media cash-generating unit, including goodwill and brand, have suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of brand with potential write-offs against the carrying value of brand and other assets allocated to the new media cash-generating unit.

In the annual impairment test performed by the Group as at December 31, 2007 the calculation of fair value less cost to sell, in the absence of an active market for similar cash-generating units, was based on discounted free cash flows. Cost to sell was assumed at 1% of the present value of the cash-generating unit. The calculation of fair value requires the use of estimates related to cash flow projections based on financial business plans approved by management covering the period until 2012. Comparing to the market assumptions used in impairment test as at December 31, 2006 the Group revised its assumptions regarding development of the advertising market in Poland and the structure of on-line advertising. The key assumptions included in the business plans were the annual growth rates of the

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

total advertising market in Poland, which decrease from 10.7% in 2008 to 9.0% in 2012, an increase in on-line advertising market as a percentage of the total advertising market in Poland from 11.1% in 2008 to 28.3% in 2012 and the discount rate of 12.9% in 2008 and further years.

In the annual impairment test performed by the Group as at December 31, 2007 cash flows beyond the period covered by the financial business plan were extrapolated using an estimated growth rate of 20% in 2013 declining to 10% in 2018-2021 and to 4% in further years. The Group believes that the key assumptions made in testing for impairment of the new media cash-generating unit as at December 31, 2007 are reasonable and prudent. However, if any of the key assumptions used for testing impairment were to change unfavorably, the Group might have recognized an impairment. If the annual growth rate of the total advertising market in Poland was reduced by 1 p.p. in the years 2008 - 2012 the Group would recognize an impairment against the cash-generating unit of 70 million. If the increase in on-line advertising market as a percentage of the total advertising market in Poland was reduced by 1 p.p. in the years 2008 – 2012 there would an impairment against the cash-generating unit of 21 million. If the revised estimated discount rate applied to the discounted cash flows was increased by 1 p.p., compared with management's estimates, the Group would recognize an impairment against the cash-generating unit of 58 million. As at December 31, 2007 fair value less cost to sell of the new media cash-generating unit exceeded its carrying amount by 160 million.

(v) Estimated impairment of goodwill allocated to thematic television channels

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the annual impairment test performed by the Group as at December 31, 2007 cash flows beyond the five year period were extrapolated as regards TVN 24 using an estimated growth rate of 3%. Other key assumptions used for the TVN 24 value-in-use calculations were the discount rate of 10% and assumptions regarding development of the business and advertising and cable market growth rate. If the revised estimated growth rate beyond the five year period was 0%, there would be still no impairment against goodwill. If the revised estimated discount rate applied to the discounted cash flows was doubled compared with management's estimates the Group would still not recognize an impairment against goodwill. During the year the Group monitors cash-generating units against impairment indicators through the review of the actual financial results.

(vi) Estimated useful life of Mango brand

In accordance with IAS 38.90 the Group reviewed factors that need to be considered when assessing the useful life of the Mango brand such as:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- the stability of the industry in which the brand operates and changes in the market demand for teleshopping services,
- expected actions by competitors or potential competitions in the media via teleshopping industry,
- the level of maintenance expenditure required to obtain the expected future economic benefits from the brand,
- whether the useful life of the brand is dependent on the useful life of other assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Having considered the above factors, the Group concluded that there is no foreseeable limit to the period over which the Mango brand is expected to generate net cash flows for the Group, therefore the useful life of the Mango brand was assessed as indefinite.

At each reporting period the Group reviews whether events and circumstances continue to support an indefinite useful life assessment of the Mango brand. If the reviews result in a change in the useful life assessment from indefinite to finite, this change is accounted for as a change in an accounting estimate.

(vii) Fair valuation of Mango brand for the purchase price allocation as of May 23, 2007

The Group valued the Mango brand at the date of acquisition of Mango Media at 50,260. In the absence of applicable market benchmarks and due to the unique character of the brand, the Group fair valued the Mango brand using the 'relief from royalty' income method. The 'relief from royalty' method assumes that the value of the brand is reflected in the present value of hypothetical future royalty payments, which the owner of the brand would have to incur, should the brand be licensed from another entity.

This valuation requires the use of estimates related to sales projections for the activity run under the brand, estimation of the representative royalty rate, estimation of the discount rate and estimation of the useful life of the brand. The royalty rate used in the valuation was assumed at 3% and represents the median of selected comparable brand license agreements.

The revenue projections were based on management's business plan which covers the period 2007-2012. The main assumptions included in the revenue projections were: annual growth rates of revenues from 113% in 2008 to 27% in 2012. The Group assumes the useful life of the Mango brand to be indefinite and the fair valuation of the brand therefore assumes indefinite growth of revenues at a level of 1%. The discount rate used in the valuation was 10%. Due to the indefinite useful life of the brand, its fair value is sensitive to changes in the indefinite growth parameter. Indefinite growth at 1% gives a fair value of 50 million. Indefinite growth at 0.5% would give a fair value of 48 million and indefinite growth at 2%, a value of 55 million.

(viii) Estimated impairment of goodwill and brand allocated to teleshopping unit

The Group classifies the Mango Media brand acquired as an intangible asset with indefinite useful life and allocates brand and goodwill to the teleshopping cash-generating unit. The Group tests annually whether the teleshopping cash-generating unit, including goodwill and brand, have suffered any impairment, in accordance with the accounting policy stated in Note 2.13. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The Group tests the total carrying amount of the cash-generating unit and in case of impairment; write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the teleshopping cash-generating unit.

These calculations require the use of estimates related to cash flow projections based on financial business plans approved by management covering a five year period. In the annual impairment test performed by the Group as at December 31, 2007 cash flows beyond the five year period were extrapolated as regards Mango Media using an estimated growth rate of 1%. Other key assumptions used for the Mango Media value-in-use calculations were the discount rate of 10%. If the revised estimated growth rate beyond the five year period was 0%, there would still be no impairment against goodwill. If the revised estimated discount rate

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

applied to the discounted cash flows was doubled compared with management's estimates the Group would still not recognize impairment against goodwill million. During the year the Group monitors cash-generating units against impairment indicators through the review of the actual financial results.

(ix) Fair valuation of the embedded prepayment options

The Group calculates at each reporting date the fair value of the prepayment options embedded in the Senior Notes using the Brace-Gątarek-Musiela model. Significant inputs into the valuation model are the Senior Notes market price, benchmark bond yields and interest rate cap volatilities. The inputs are based on information provided by Reuters on the valuation date. The Senior Notes market price is quoted by Reuters based on the last value date. In the fair valuation as of December 31, 2007 the Group input into the model a market price of 104.50, based on the last available value on December 19, 2007. Should the Senior Notes price have decreased to 100, the price as at January 29, 2008, from 104,50 the price as at December 31, 2007, the Group estimates that the balance sheet value of the embedded prepayment option as at December 31, 2007 would have decreased by 14,947 with an additional net charge to the consolidated income statement of 12,107.

5. SEGMENT REPORTING

The Group's principal activities are television broadcasting and production, and new media.

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

The television broadcasting and production segment is mainly involved in the broadcasting of news, information and entertainment shows, series and movies and comprises television channels operated in Poland: TVN, TVN7, TVN24, TVN Meteo, TVN Turbo, ITVN, TVN Style, TVN Gra, TVN Med, TVN Lingua, TVN CNBC Biznes, Discovery Historia and Telezakupy Mango 24. The new media segment primarily comprises mainly Onet.pl, Poland's leading portal.

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

5. SEGMENT REPORTING (CONTINUED)

	Television Broadcasting & Production		New Media		Unallocated		Total	
	Year ended December 31, 2007	**Year ended December 31, 2006**	**Year ended December 31, 2007**	**Year ended December 31, 2006**	**Year ended December 31, 2007**	**Year ended December 31, 2006**	**Year ended December 31, 2007**	**Year ended December 31, 2006**
Revenue from external customers	1,399,351	1,107,469	155,378	57,558	-	-	1,554,729	1,165,027
Inter-segment revenue	8,110	3,268	7,108	2,243	(15,218)	(5,511)	-	-
Total revenue	**1,407,461**	**1,110,737**	**162,486**	**59,801**	**(15,218)**	**(5,511)**	**1,554,729**	**1,165,027**
Segment result	**492,410**	**372,757**	**19,214**	**10,433**	**(29,612)**	**(34,675)**	**482,012**	**348,515**
Investment income, net (Note 8)							19,344	54,059
Financial expenses, net (Note 8)							(204,124)	(68,277)
Profit before income tax							**297,232**	**334,297**
Income tax charge							(53,924)	(75,472)
Profit for the year							**243,308**	**258,825**
Impairment of fixed assets	306	-	(23)	514	-	-	283	514
Capital expenditures	85,451	87,551	40,602	15,406	-	-	126,053	102,957
Depreciation of property, plant and equipment	43,298	37,304	8,914	2,603	-	-	52,212	39,907
Amortization of intangible assets	12,523	8,681	7,072	2,339	-	-	19,595	11,020
Significant non-cash expenses								
Share option plan	21,384	35,381	16,463	10,573	6,985	10,976	44,832	56,930
	December 31, 2007	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**
Segment assets including:	**1,084,326**	**891,546**	**1,621,396**	**1,559,514**	**39,203**	**127,598**	**2,744,925**	**2,578,658**
Investment in associates	-	-	83	83	-	-	83	83
Segment liabilities	**282,305**	**248,496**	**38,527**	**23,358**	**994,332**	**1,069,639**	**1,315,164**	**1,341,493**

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

6. REVENUE

	Year ended December 31, 2007	Year ended December 31, 2006
Revenue from advertising spot sales	1,209,599	941,585
Revenue for sales of goods	15,060	-
Other revenue	330,070	223,442
	1,554,729	**1,165,027**

Other revenue relates mainly to amounts earned under agreements with advertisers for sponsoring certain programs, audiotele revenues, sales of licenses and subscription revenue from cable operators and internet transaction based fees.

Included in revenues are revenues from related parties in the amount of 43,431 (year ended December 31, 2006: 13,712) (see note 29 (i)).

7. OPERATING EXPENSES

	Year ended December 31, 2007	Year ended December 31, 2006
Amortization of locally produced content	421,634	308,490
Amortization of acquired programming rights and co-production	123,712	112,312
Staff expenses	127,944	74,260
Share options granted to board members and employees	44,832	56,930
Depreciation, amortization and impairment charges	72,090	51,441
Royalties	58,887	47,517
Marketing and research	53,573	36,914
Broadcasting expenses	49,798	43,805
Rental	20,490	23,780
Impaired accounts receivable	4,979	177
Other	94,778	60,886
	1,072,717	**816,512**
Average number of persons employed	**1,622**	**960**

Included in the above operating expenses are operating lease expenses for the year ended December 31, 2007 of 81,622 (year ended December 31, 2006: 72,833).

Amortization of locally produced content for the year ended December 31, 2007 has been reduced by grants received in the total amount of 211 (year ended December 31, 2006: 3,329).

Included in the above operating expenses is an aggregate amount of research and development expenditure of 1,298 recognized as an expense in the year ended December 31, 2007 (the year ended December 31, 2006: 307).

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

8. INVESTMENT INCOME AND FINANCE EXPENSE

Investment income, net	**Year ended December 31, 2007**	**Year ended December 31, 2006**
Foreign exchange gains, net	13,973	19,378
Other interest income	5,371	6,424
Interest income on related party bond (see note 29(iii))	-	34,074
Fair value gain on related party bond recognized in income statement (see note 29(iii))	-	491
Impairment of available-for-sale financial assets (see note 15)	-	(6,308)
	19,344	**54,059**

Finance expense, net		
Interest expense on 9.5% Senior Notes due 2013 (see note 20)	(94,763)	(92,423)
Guarantee fees to related party (see note 29(vii))	(2,961)	(6,999)
Fair value (losses)/gains on financial instruments:		
- embedded option (see note 17,20)	(107,617)	32,660
- foreign exchange option collars – time value of instrument (see note 17)	(13,725)	(5,302)
- foreign exchange option collars – early settlement of instrument (see note 17)	(40,725)	-
- foreign exchange forward - cash flow hedges, transfer from equity	-	86
Bank charges	(2,895)	(2,668)
Foreign exchange gains on Senior Notes	58,562	6,369
	(204,124)	**(68,277)**

9. BASIC AND DILUTED EARNINGS PER SHARE (NOT IN THOUSANDS)

(i) Earnings per share for profit attributable to the equity holders of TVN S.A.

Basic

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of TVN S.A. by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company. The weighted average number of ordinary shares for both periods presented was adjusted for a share split which took place in 2006.

	Year ended December 31, 2007	Year ended December 31, 2006
Profit attributable to equity holders of TVN S.A. (in thousands)	243,308	258,825
Weighted average number of ordinary shares in issue	345,979,725	329,830,715
Basic earnings per share	**0.70**	**0.78**

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of potential ordinary shares: share options.

For the share options a calculation was done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31, 2007	Year ended December 31, 2006
Profit attributable to equity holders of TVN S.A. (in thousands)	243,308	258,825
Weighted average number of ordinary shares in issue	345,979,725	329,830,715
Adjustment for share options	6,514,819	5,105,916
Weighted average number of potential ordinary shares for diluted earnings per share	352,494,544	334,936,631
Diluted earnings per share	**0.69**	**0.77**

9. BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

(ii) Earnings per share for adjusted profit attributable to the equity holders of TVN S.A.

The Group presents adjusted profit to reflect the impact of non-cash fair value losses/gains arising on prepayment options embedded in its Senior Notes. The accounting for prepayment options is technical, judgmental and driven by accounting interpretations. The Group believes that presentation of net profit adjusted for this item enables a reader to better understand the Group's operating and financial performance.

Basic

	Year ended December 31, 2007	Year ended December 31, 2006
Profit attributable to equity holders of TVN S.A. (in thousands)	243,308	258,825
Impact on profit, net of tax of fair value loss/(gain) on embedded option	87,170	(26,455)
Adjusted profit attributable to equity holders of TVN S.A. (in thousands)	330,478	232,370
Weighted average number of ordinary shares in issue	345,979,725	329,830,715
Adjusted basic earnings per share	**0.96**	**0.70**

Diluted

	Year ended December 31, 2007	Year ended December 31, 2006
Profit attributable to equity holders of TVN S.A. (in thousands)	243,308	258,825
Impact on profit, net of tax of fair value loss/(gain) on embedded option	87,170	(26,455)
Adjusted profit attributable to equity holders of TVN S.A. (in thousands)	330,478	232,370
Weighted average number of ordinary shares in issue	345,979,725	329,830,715
Adjustment for share options	6,514,819	5,105,916
Weighted average number of potential ordinary shares for adjusted diluted earnings per share	352,494,544	334,936,631
Adjusted diluted earnings per share	**0.94**	**0.69**

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

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**December 31, 2007**	**December 31, 2006**
Freehold land	24,796	12,654
Buildings	172	181
Leasehold improvements	27,184	27,242
Television ,broadcasting and other technical equipment	159,986	127,935
Vehicles	24,009	17,849
Furniture and fixtures	8,311	8,361
Assets under construction	5,710	1,766
	250,168	**195,988**

The Pekao SA loan facility (see note 20) is secured over television and broadcasting equipment vehicles and furniture and fixtures with a net book value of 157,812 (as at December 31, 2006: 76,819).

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2006	12,696	243	56,822	218,769	21,409	13,440	-	323,379
Acquisition of subsidiary	-	-	2,249	11,615	957	39	1,108	15,968
Additions	2,544	13	7,260	58,210	10,353	3,710	658	82,748
Disposals	(701)	(62)	(2,006)	(5,294)	(1,385)	(743)	-	(10,191)
December 31, 2006	**14,539**	**194**	**64,325**	**283,300**	**31,334**	**16,446**	**1,766**	**411,904**
Accumulated depreciation and impairment								
January 1, 2006	2,000	4	32,805	132,991	9,903	5,930	-	183,633
Charge for the period	-	9	5,300	27,318	4,864	2,416	-	39,907
Disposals	(115)	-	(1,500)	(4,980)	(1,282)	(261)	-	(8,138)
Impairment	-	-	478	36	-	-	-	514
December 31, 2006	**1,885**	**13**	**37,083**	**155,365**	**13,485**	**8,085**	**-**	**215,916**
Net book value at January 1, 2006	**10,696**	**239**	**24,017**	**85,778**	**11,506**	**7,510**	**-**	**139,746**
Net book value at December 31, 2006	**12,654**	**181**	**27,242**	**127,935**	**17,849**	**8,361**	**1,766**	**195,988**

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment

	Freehold land	Buildings	Leasehold improvements	Television, broadcasting and other technical equipment	Vehicles	Furniture and fixtures	Assets under construction	Total
Gross value								
January 1, 2007	14,539	194	64,325	283,300	31,334	16,446	1,766	411,904
Acquisition of subsidiary (see note 27)	-	-	139	-	81	13	-	233
Additions	12,142	-	6,311	69,646	12,464	2,691	3,973	107,227
Disposals	-	-	(1,091)	(1,687)	(1,870)	(164)	(29)	(4,841)
December 31, 2007	**26,681**	**194**	**69,684**	**351,259**	**42,009**	**18,986**	**5,710**	**514,523**
Accumulated depreciation and impairment								
January 1, 2007	1,885	13	37,083	155,365	13,485	8,085	-	215,916
Charge for the period	-	9	6,228	37,235	6,063	2,677	-	52,212
Disposals	-	-	(1,094)	(1,327)	(1,548)	(87)	-	(4,056)
Impairment	-	-	283	-	-	-	-	283
December 31, 2007	**1,885**	**22**	**42,500**	**191,273**	**18,000**	**10,675**	**-**	**264,355**
Net book value at January 1, 2007	**12,654**	**181**	**27,242**	**127,935**	**17,849**	**8,361**	**1,766**	**195,988**
Net book value at December 31, 2007	**24,796**	**172**	**27,184**	**159,986**	**24,009**	**8,311**	**5,710**	**250,168**

Depreciation expense of 41,841 has been charged in cost of revenue (year ended December 31, 2006: 31,762), 1,374 in selling expenses (year ended December 31, 2006: 1,030) and 8,997 in general and administration expenses (year ended December 31, 2006: 7,115).

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

11. GOODWILL

January 1, 2006	144,127
Acquisition of Onet	802,205
December 31, 2006	**946,332**

January 1, 2007	946,332
Acquisition of Mango Media (see note 27)	6,325
December 31, 2007	**952,657**

The carrying amount of goodwill is allocated to cash generating units identified by the Group:

Thematic television channels	131,704
Television production unit	12,423
New media	802,205
Teleshopping unit	6,325
	952,657

12. BRAND

January 1, 2006	-
Acquisition of Onet	643,428
December 31, 2006	**643,428**

January 1, 2007	643,428
Acquisition of Mango Media (see note 27)	50,260
December 31, 2007	**693,688**

The carrying amount of brands is allocated to the following brands identified by the Group:

Onet.pl	643,428
Mango (see note 27)	50,260
	693,688

13. OTHER INTANGIBLE ASSETS

	December 31, 2007	**December 31, 2006**
Broadcasting licenses	8,653	10,483
Customer related intangibles	9,553	13,251
Internally generated software	5,217	2,979
Software and other	27,546	25,679
	50,969	**52,392**

The Pekao SA loan facility (see note 20) is secured over intangible assets with a net book value of 12,957 at December 31, 2007 (December 31, 2006: 10,972).

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

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Changes in other intangible assets

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2006	11,834	-	-	28,143	39,977
Acquisition of subsidiary	-	14,792	1,649	3,453	19,894
Additions	894	-	1,837	17,478	20,209
Disposals	-	-	-	(442)	(442)
December 31, 2006	**12,728**	**14,792**	**3,486**	**48,632**	**79,638**
Accumulated amortization and impairment					
January 1, 2006	1,502	-	-	14,912	16,414
Charge for the period	743	1,541	507	8,229	11,020
Disposals	-	-	-	(188)	(188)
December 31, 2006	**2,245**	**1,541**	**507**	**22,953**	**27,246**
Net book value at January 1, 2006	**10,332**	**-**	**-**	**13,231**	**23,563**
Net book value at December 31, 2006	**10,483**	**13,251**	**2,979**	**25,679**	**52,392**

	Broadcasting licenses	Customer related intangibles	Internally generated software	Software and other	Total
Gross value					
January 1, 2007	12,728	14,792	3,486	48,632	79,638
Acquisition of subsidiary (see note 27)	-	-	-	20	20
Additions	12	-	3,868	14,946	18,826
Disposals	-	-	(333)	(802)	(1,135)
December 31, 2007	**12,740**	**14,792**	**7,021**	**62,796**	**97,349**
Accumulated amortization and impairment					
January 1, 2007	2,245	1,541	507	22,953	27,246
Charge for the period	1,842	3,698	1,630	12,425	19,595
Disposals	-	-	(333)	(128)	(461)
December 31, 2007	**4,087**	**5,239**	**1,804**	**35,250**	**46,380**
Net book value at January 1, 2007	**10,483**	**13,251**	**2,979**	**25,679**	**52,392**
Net book value at December 31, 2007	**8,653**	**9,553**	**5,217**	**27,546**	**50,969**

Amortization of 11,543 has been charged in cost of revenue (year ended December 31, 2006: 6,198), 4,852 in selling expenses (year ended December 31, 2006: 2,537) and 3,200 in general and administration expenses (year ended December 31, 2006: 2,285).

14. PROGRAMMING RIGHTS

	December 31, 2007	December 31, 2006
Acquired programming rights	187,263	199,247
News archive	12,907	13,360
Co-productions	2,273	1,886
Productions	104,513	77,169
	306,956	**291,662**
Less current portion of programming rights	(179,523)	(158,537)
Non-current portion of programming rights	**127,433**	**133,125**

Changes in acquired programming rights

	Year ended December 31, 2007	Year ended December 31, 2006
Net book value as at January 1	199,247	133,912
Additions	107,186	175,061
Amortization	(119,170)	(109,726)
Net book value as at December 31	**187,263**	**199,247**

15. AVAILABLE FOR SALE FINANCIAL ASSETS

	Year ended December 31, 2007	Year ended December 31, 2006
January 1	4,650	9,198
Impairment loss	-	(4,548)
Consolidation of subsidiary	193	-
Paid-in share capital	2,745	-
December 31	**7,588**	**4,650**

The Group does not have any significant influence over the financial and operating policies of Polskie Media S.A. ("Polskie Media"). Following the assessment of the regulatory environment and the financial situation of Polskie Media as disclosed in its audited financial statements for the year ended December 31, 2005 the Group recognized in profit and loss for the year ended December 31, 2006 an impairment loss of 6,308. Of this amount 1,760 was reversed from equity and 4,548 decreased the value of the investment.

The Group estimated the fair value of its investment in Polskie Media as at June 30, 2007 based on financial information available from the annual financial statements of Polskie Media for the year ended December 31, 2006 and industry sales multiples. During the year the Group monitors the audience share of Polskie Media for impairment indicators. In the absence of detailed current financial data, the Group assessed that there are no impairment indicators as at December 31, 2007.

In August 2007 the Group subscribed for 274,450 (not in thousands) new shares at issue price and par value of PLN 10 each (not in thousands) in Polskie Media for a total amount of 2,745. The Group's share in Polskie Media is 5.59% of the current voting interest and 6.95% of the share capital.

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

16. TRADE RECEIVABLES

	December 31, 2007	December 31, 2006
Trade receivables	297,865	187,636
Less: provision for impairment of receivables	(8,238)	(7,765)
Trade receivables – net	289,627	179,871
Receivables from related parties (note 29 (iv))	9,963	5,398
	299,590	**185,269**

The fair values of trade receivables, because of their short-term nature, are estimated to approximate their carrying values. Concentration of trade receivables is discussed in note 3.1. ii.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31, 2007	December 31, 2006
PLN	285,539	181,201
EUR	6,343	2,466
USD	7,471	1,573
GBP	198	10
AUD	39	19
	299,590	**185,269**

Provision for impairment of receivables was created individually for trade receivables that were overdue more than 60 days or in relation to individual customers who are in unexpectedly difficult financial situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Beginning of the period	7,765	7,899
Provision for receivables impaired, net change	4,979	904
Receivables written off as uncollectible	(4,506)	(1,038)
End of the period	**8,238**	**7,765**

The creation and release of provision for impaired receivables have been included in selling expenses in the income statement (note 7).

As of December 31, 2007, trade receivables of 126,555 were past due but not impaired. The balance relates to a number of customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

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

16. TRADE RECEIVABLES (CONTINUED)

	December 31, 2007	December 31, 2006
Up to 30 days	102,850	47,395
31-60 days	20,412	5,689
Over 60 days	3,293	675
	126,555	**53,759**

The Group defines credit exposure as total outstanding receivables. Maximum exposure to credit risk is the total balance of trade receivables less related party receivables. Maximum exposure to credit risk as of December 31, 2007 was 289,627 (December 31, 2006: 179,871).

17. DERIVATIVE FINANCIAL ASSETS

	December 31, 2007	December 31, 2006
Embedded prepayment options (see note 20)	20,447	128,064
Foreign exchange option collars	3,820	-
	24,267	**128,064**

The fair value of the prepayment options as at December 31, 2007 was calculated using the Brace-Gątarek-Musiela model. The change in fair value between December 31, 2007 and December 31, 2006 was recognized in the income statement (see note 8).

The fair value of the foreign exchange option collars as at December 31, 2007 was based on valuations performed by the Group's banks. The collars had in total a notional value of EUR 235,000, a maturity date of December 15, 2008, a PLN/EUR corridor between 3.50 and 3.70 and were entered into to limit the impact on the Group's net results of PLN/EUR exchange rate movements in relation to the Senior Notes balance. As long as the PLN/EUR spot rate is within the corridor the fair value of the option collars consists of their time value only, which reflects the possibility that the collars will create further gains in the future. The intrinsic value of collars exists when the spot rate is outside the corridor. It basically reflects the value of option if exercised today and is measured based on the difference between the spot rate and the respective corridor rate. The intrinsic value of the collars was designated as a fair value hedge. As of December 31, 2007 the collars did not have any intrinsic value. The change in fair value of the collars less the premium paid on the purchase of the collars was recognized in the income statement (see note 8).

During the year ended December 31, 2007 the Company recognized fair value losses on hedging instruments in the amount of PLN 44,195 which reflected the premium paid of 3,470 and cost of restructuring the hedging strategy from a PLN/EUR corridor between 3.80 and 4.00 to the existing one of 40,725, which was offset by fair value gains on the Senior Notes attributable to the hedged risk in the same amount.

18. OTHER ASSETS

	December 31, 2007	December 31, 2006
Prepayments for programming	8,559	1,691
Inventory, less provided for	7,266	1,301
Employee settlements	3,326	2,012
Technical support	2,097	1,469
Other	14,608	13,471
	35,856	**19,944**
Less: current portion of other assets	**(31,600)**	**(15,619)**
Non-current portion of other assets	**4,256**	**4,325**

19. SHARE CAPITAL (NOT IN THOUSANDS)

The total authorized number of ordinary shares is 413,499,585 with a par value of 0.20 per share. The total number of ordinary shares in issue as at December 31, 2007 was 347,272,975 with a par value of 0.2 per share. All issued shares are fully paid and include also shares issued on exercise of share options granted under incentive schemes (C and E series of shares) as soon as cash consideration is received. The shareholders structure as at December 31, 2007:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Strateurop International B.V. (1)	178,597,985	51.43%	178,597,985	51.43%
N-Vision B.V. (1)	37,261,960	10.73%	37,261,960	10.73%
Shares held by other shareholders	131,413,030	37.84%	131,413,030	37.84%
Total	**347,272,975**	**100.00%**	**347,272,975**	**100.00%**

(1) Entities controlled by ITI Group.

Included in the total number of shares in issue as at December 31, 2007 held by other shareholders is 79,778 shares of C1, E1 and E2 series not registered by the Court.

Shares issued on exercise of share options (C and E series) included in the share capital at the balance sheet date were registered by the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych) and are tradable on the Warsaw Stock Exchange and qualify for dividends.

During the year ended December 31, 2007 3,764,520 shares of C and E series were issued for an amount of PLN 33,238 (in thousands).

On January 16, 2008 the Court registered 79,788 shares of C1, E1 and E2 series which were not registered at the balance sheet date.

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

20. BORROWINGS

	December 31, 2007	December 31, 2006
9.5% Senior Notes due 2013	790,388	841,856
Interest accrued on Senior Notes due 2013	3,332	3,564
	793,720	**845,420**

On December 2, 2003 the Group via its subsidiary, TVN Finance Corporation plc, issued EUR 235,000 Senior Notes with an interest rate of 9.5%. The Notes are quoted on the Luxembourg Stock Exchange. Interest is paid semi-annually starting June 15, 2004. The Senior Notes mature on December 15, 2013. The Senior Notes are senior unsecured obligations and are governed by a number of covenants including, but not limited to, restrictions on the level of additional indebtedness, payment of dividends, sale of assets and transactions with affiliated companies. The Senior Notes are fully and unconditionally guaranteed by the Company and its principal subsidiary Grupa Onet.pl S.A. The Senior Notes are carried at amortized cost using an effective interest rate of 10.88%. The fair value of the Senior Notes, excluding accrued interest, as at December 31, 2007 is estimated to be PLN 879,650 or EUR 245,575 (PLN 1,017,375 or EUR 265,550 as at December 31, 2006). This is based on the last available price quoted by Reuters on that date.

The Group may redeem all or part of the Senior Notes on or after December 15, 2008 at a redemption price ranging from 104.75% to 100% of nominal value.

The Group recognized an embedded financial instrument with respect to these options (see note 17). The fair value of these options as at December 31, 2007 was PLN 20,447 (EUR 5,708). The fair value was calculated using the Brace-Gątarek-Musiela model.

The Senior Notes also have a put option, which may be exercised by the holders of the Senior Notes at a purchase price of 101% of the nominal value if a change of control takes place. Change of control means:

i) a person other than Permitted Holders become the beneficial owner of more than 35% of the voting power of the voting stock of the Company, and the Permitted Holders own a lesser % than such other person

ii) Approved directors cease to constitute a majority of the Supervisory Board,

iii) The Company sells substantially all of its assets,

iv) A plan is adopted relating to the liquidation or dissolution of the Company,

v) The Company ceases to own 100% of the shares of TVN Finance Corporation plc.

On June 30, 2005 the Group entered into a USD 17,000 loan facility with Pekao SA (previously Bank BPH S.A.). On July 26, 2006 the Group extended the loan facility to EUR 50,000. The extended facility bears interest at WIBOR, EURIBOR or LIBOR plus 1.15%. The facility is secured over trade receivables, other intangible assets, television and broadcasting equipment and programming rights with a total net book value of 431,087 as of December 31, 2007. The facility includes a number of restrictive covenants, including restrictions on additional indebtedness and the ability to extend loans. As of December 31, 2007 the facility was used in the amount of EUR 1,904 (PLN 6,820) to cover two guarantees issued by Pekao SA on the Group’s behalf.

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

21. TRADE PAYABLES

	December 31, 2007	December 31, 2006
Acquired programming rights payables	68,803	100,527
Other trade payables	45,842	45,464
Related party payables (see note 29(iv))	5,186	6,142
	119,831	**152,133**
Less: current portion of trade payables	**(111,107)**	**(143,126)**
Non-current portion of acquired programming rights payables	**8,724**	**9,007**

22. OTHER LIABILITIES AND ACCRUALS

	December 31, 2007	December 31, 2006
VAT and other taxes payable	32,675	21,591
Employee benefits	36,488	19,019
Deferred income	27,909	12,776
Satellites	6,761	3,863
Other liabilities and accrued costs	87,573	58,277
	191,406	**115,526**

23. TAXATION

	Year ended December 31, 2007	Year ended December 31, 2006
Current tax charge	(78,186)	(63,665)
Deferred tax credit/(charge), net	24,262	(11,807)
	(53,924)	**(75,472)**

Reconciliation of accounting profit to tax charge	**Year ended December 31, 2007**	**Year ended December 31, 2006**
Profit before income tax	297,232	334,297
Income tax charge at the enacted statutory rate of 19%	(56,474)	(63,516)
Tax impact of employee share option plan costs not deductible for tax purposes	(8,518)	(10,817)
Impact of tax deduction claimed and deferred in relation to investments in special economic zone	14,442	-
Impact of write down of deferred tax asset on tax losses that will not be utilised	-	(1,213)
Net tax impact of other expenses not deductible for tax purposes and revenue not taxable	(3,374)	74
Tax for the period	**(53,924)**	**(75,472)**

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

23. TAXATION (CONTINUED)

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

The Group is entitled to 40% and 50% tax reliefs on investments undertaken and certain categories of staff expenses incurred in the special economic zone in Kraków. The tax reliefs are available until December 31, 2017. In the year ended December 31, 2007 the Group claimed tax reductions in the amount of 6,637 with respect to its costs incurred in the special economic zone. The balance of 8,137 with respect to this tax relief is deferred for future tax reduction.

Management believes that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized, and consequently has recognized deferred tax assets in the amount that reflects the assumed utilization of tax losses and investment tax credits. The deferred tax amounts were calculated using the enacted tax rate of 19% as at December 31, 2007.

The deferred tax assets and liabilities are expected to be recovered:

	December 31, 2007	December 31, 2006
Deferred tax liabilities, net		
- Deferred tax liability, net to be realized after more than 12 months	(144,559)	(194,997)
- Deferred tax (liability)/asset, net to be recovered within 12 months	(9,382)	26,595
	(153,941)	**(168,402)**

Movements in deferred tax asset	**Year ended December 31, 2007**	**Year ended December 31, 2006**
Balance at beginning of period	6,235	9,196
Acquisition of subsidiary (see note 27)	49	4,736
Credit/(charge) for the period	6,353	(6,484)
Deferred tax asset write down	-	(1,213)
Balance at end of period	**12,637**	**6,235**

Movements in deferred tax liability	**Year ended December 31, 2007**	**Year ended December 31, 2006**
Balance at beginning of period	(174,637)	(45,338)
Acquisition of subsidiary* (see note 27)	(9,850)	(124,907)
Deferred tax debited to equity, net	-	(282)
Credit/(charge) for the period	17,909	(4,110)
Balance at end of period	**(166,578)**	**(174,637)**

*Represents the deferred tax liability recognized mainly on acquired brands

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

23. TAXATION (CONTINUED)

	Differences in depreciation and amortization rates for tax and accounting policies	Non-deductible provisions and accruals	Debt issuance costs	Unrealised foreign exchange differences	Derivative financial assets/(liabilities)	Interest accrued on ITI Media notes	Unpaid interest accrued, net	Available for sale investments	Brand and customer related assets acquired	Tax relief on investment	Tax losses carry forward	Total
Deferred tax asset/(liability) at January 1, 2006	**7,304**	**13,954**	**(12,084)**	**(13,351)**	**(17,575)**	**(22,827)**	**634**	**334**	**-**	**-**	**7,469**	**(36,142)**
Acquisition of subsidiary	154	414	-	-	-	-	-	-	(125,061)	-	4,322	**(120,171)**
(Charged)/credited to net profit	(4,765)	3,202	1,030	(21,477)	(5,217)	22,827	(1,127)	1,198	293	352	(8,123)	**(11,807)**
Credited / (charged) to equity	-	-	-	-	52	-	-	(334)	-	-	-	**(282)**
Deferred tax asset/(liability) at December 31, 2006	**2,693**	**17,570**	**(11,054)**	**(34,828)**	**(22,740)**	**-**	**(493)**	**1,198**	**(124,768)**	**352**	**3,668**	**(168,402)**
Deferred tax asset/(liability) at January 1, 2007	**2,693**	**17,570**	**(11,054)**	**(34,828)**	**(22,740)**	**-**	**(493)**	**1,198**	**(124,768)**	**352**	**3,668**	**(168,402)**
Acquisition of subsidiary	-	(471)	-	-	-	-	-	-	(9,330)	-	-	**(9,801)**
(Charged)/ credited to net profit	(1,326)	10,882	1,142	(12,108)	20,805	-	(91)	-	659	7,785	(3,486)	**24,262**
Deferred tax asset/(liability) at December 31, 2007	**1,367**	**27,981**	**(9,912)**	**(46,936)**	**(1,935)**	**-**	**(584)**	**1,198**	**(133,439)**	**8,137**	**182**	**(153,941)**

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

24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of net profit to cash generated from operations

	Note	Year ended December 31, 2007	Year ended December 31, 2006
Net profit		243,308	258,825
Tax charge		53,924	75,472
Share options granted to board members and employees	7	44,832	56,930
Depreciation, amortization and impairment charges	7	72,090	51,441
Amortization of acquired programming rights and co-production	7	123,712	112,312
Impaired accounts receivable	7	4,981	177
Gain on sale of property, plant and equipment		(92)	(123)
Investment income and finance expense, net	8	184,780	14,218
Guarantee fee	8	(2,961)	(6,999)
Payments to acquire programming rights		(128,070)	(74,907)
Change in local production balance		(27,344)	(21,062)
Changes in working capital:			
Trade receivables		(118,096)	(31,109)
Prepayments and other assets		(4,172)	183
Trade payables		(9,286)	(1,429)
Other short term liabilities and accruals		70,063	18,462
		(61,491)	(13,893)
Cash generated from operations		**507,669**	**452,391**

Acquisition of subsidiaries net of cash acquired

	Note	Year ended December 31, 2007	Year ended December 31, 2006
Mango Media	27	49,561	-
Grupa Onet		-	1,278,804
NTL Radomsko		-	1,232
		49,561	**1,280,036**

Non-cash transactions

	Year ended December 31, 2007	Year ended December 31, 2006
Barter revenue, net	(1,353)	(2,978)
Content rights acquired under barter agreements	-	329
Share options granted to board members and employees	44,832	56,930
Share options granted to board members and employees on acquisition of subsidiary	-	19,560

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

25. CONTINGENCIES

The Group has a contingent asset of 17,224 in a respect of VAT, penalties and interest due from the tax authorities. A court ruling in favour of the Group was announced on April 13, 2006. On June 12, 2006 the tax authorities appealed to the Supreme Administrative Court. On October 9, 2007 the Supreme Administrative Court decided to return the case to the Administrative Court in Krakow for further review. The Group expects that it is probable that this amount will be received in future but the date cannot be reliably estimated by the Group.

26. COMMITMENTS

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

(iii) Commitments to acquire programming

The Group has outstanding contractual payment commitments in relation to programming as of December 31, 2007. These commitments are scheduled to be paid as follows:

Due in 2008	75,453
Due in 2009	60,735
Due in 2010	16,842
Due in 2011	8,071
Due in 2012	2,889
	163,990

(iv) Total future minimum payments relating to operating lease agreements signed as at December 31, 2007:

	Related parties	Non-related parties	Total
Due in 2008	15,298	12,228	27,526
Due in 2009	15,300	10,074	25,374
Due in 2010	15,303	6,854	22,157
Due in 2011	15,306	6,360	21,666
Due in 2012	15,309	5,209	20,518
Due in 2013 and thereafter	55,081	13,004	68,085
	131,597	**53,729**	**185,326**

Contracts signed with related parties relate to lease of office space and TV studios from ITI Poland S.A. (“ITI Poland”) and Diverti Sp. z o.o. (“Diverti”). On June 19, 2007 Diverti took over office space management from Multikino Sp. z o.o. (“Multikino”). Multikino and Diverti are subsidiaries of ITI Group. Commitments in foreign currencies were calculated using exchange rates as at December 31, 2007.

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

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

26. COMMITMENTS (CONTINUED)

In addition to the lease agreements disclosed above, the Group has agreements with third parties for the provision of satellite capacity. Under these agreements the Group is obliged to pay annual fees. These commitments are scheduled to be paid as follows:

Due in 2008	23,856
Due in 2009	27,223
Due in 2010	27,223
Due in 2011	27,223
Due in 2012	12,780
	118,305

Additionally, the Group leases transmission sites and related services for an annual amount of 6,600.

(v) Barter commitments

The Group has an outstanding commitment of service to broadcast advertising of 4,598 to settle sundry amounts payable recorded as of December 31, 2007 (3,007 at December 31, 2006). The service to broadcast advertising will be rendered under commercial terms and conditions and at market prices.

(vi) Other commitments

At December 31, 2007, the Group assumed contractual commitments of 5,334 to acquire property, plant and equipment and intangible assets (398 at December 31, 2006).

Additionally the Group has undertaken to invest 215,782 in the special economic zone in Kraków by December 31, 2017. On December 31, 2007 the remaining commitment amounted to 190,682.

27. ACQUISITION OF MANGO MEDIA SP. Z O.O.

On May 23, 2007 the Group acquired Mango Media Sp. z o.o. ("Mango Media") for a contractual consideration of 13,000 EUR. Mango Media operates a teleshopping channel "Telezakupy Mango 24".

The Group has accounted for the acquisition of Mango Media using the purchase accounting method. Details of the value of net assets acquired and goodwill are as follows:

Purchase consideration:

Cash paid	49,353
Other direct costs	509
Total Purchase Consideration	**49,862**
Fair value of net assets acquired (see below)	(43,537)
Goodwill	**6,325**

The above goodwill is attributable to the high profitability and future free operating cash flows of Mango Media.

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

27. ACQUISITION OF MANGO MEDIA SP. Z O.O. (CONTINUED)

The fair value of assets and liabilities arising from the acquisition, determined as at May 23, 2007, are as follows:

	Fair value	**Acquiree's carrying amount**
Brand (see note 4 (vii))	50,260	-
Other intangible assets	20	1,171
Property, plant and equipment	233	233
Deferred tax asset	49	49
Trade and other receivables	1,206	1,206
Inventory	3,794	1,060
Prepayments and other assets	970	970
Cash and cash equivalents	301	301
Trade and other liabilities	(855)	(855)
Corporate income tax payable	(66)	(66)
Short term bank loans	(500)	(500)
Provisions and accruals	(2,025)	(2,025)
Deferred tax liability on fair value adjustments	(9,850)	-
Value of net assets acquired	**43,537**	**1,544**

In the period between May 23, 2007 and December 31, 2007 the Group recognized post-acquisition revenue of 18,406 and a net profit of 5,075 in respect to Mango Media.

If the acquisition had occurred on January 1, 2007 the Group, would have recognized consolidated revenue of 1,562,346 and a consolidated net profit of 244,433 for the twelve ended December 31, 2007.

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

28. GROUP COMPANIES

The consolidated financial statements of the Group at December 31, 2007 comprise the parent company and the following subsidiaries, joint ventures and associates:

	Country of incorporation	December 31, 2007 Ownership %	December 31, 2006 Ownership %
Grupa Onet.pl S.A.	Poland	100	100
Dream Lab Onet Sp. z o.o.	Poland	100	100
Tivien Sp. z o.o. (formerly Newsroom 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	-
TVN Turbo Sp. z o.o.	Poland	-*	100
TVN Finance Corporation plc	UK	100	100
Grupa Onet Poland Holding B.V.	The Netherlands	100	100
Polish Television Finance Corporation BV	The Netherlands	-**	100
Media Entertainment Ventures Int Ltd	Malta	100	100
Thema Film Sp. z o.o.	Poland	96	47
Polski Operator Telewizyjny Sp. z o.o.	Poland	50	50
Discovery TVN Ltd	UK	50	-
Polskie Badania Internetu Sp. z o.o.	Poland	20	20

* On December 28, 2007 the Company merged with TVN Turbo Sp. z o.o

** Polish Television Finance Corporation was liquidated on November 5, 2007

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

29. RELATED PARTY TRANSACTIONS

(i) Revenue:

	Year ended December 31, 2007	Year ended December 31, 2006
ITI Group	43,392	13,674
ITI Poland S.A. (“ITI Poland”)	39	38
	43,431	**13,712**

Revenue from the ITI Group includes mainly revenue from the exploitation of film rights, license fees, production and technical services rendered and services of broadcasting advertising, net of commissions.

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Operating expenses:

	Year ended December 31, 2007	Year ended December 31, 2006
ITI Group	28,983	29,942
ITI Poland	584	4,109
	29,567	**34,051**

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

Operating expenses from ITI Poland comprise rent of office premises. ITI Poland is controlled by certain shareholders and executive directors of the ITI Group.

(iii) Bond receivable from related party

The income from the bond represents interest accrued on a bond issued by ITI Media Group N.V. ("ITI Media Group") and acquired by the Group on December 2, 2003. On July 31, 2006, following the acquisition of Grupa Onet.pl from ITI Media Group the bond was prepaid by ITI Media Group in full. The effective interest rate on the bond in the year ended December 31, 2006 was 10.02%.

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

	December 31, 2007	December 31, 2006
Receivables:		
ITI Group	9,963	5,398
Payables:		
ITI Group	5,053	6,052
ITI Poland	133	90
	5,186	**6,142**

(v) Other non current assets

Other non current assets include a rental deposit paid to ITI Group by TVN in the amount of 1,981.

(vi) Lease commitments with related parties

See note 26 for further details.

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Other

ITI Holdings has provided guarantees in the amount of US$ 25,000 to Warner Bros. International Television Distribution and US$ 8,000 to DreamWorks in respect of programming rights purchased and broadcast by the Group. During the year ended December 31, 2007, the Group recorded finance costs of 2,961 relating to these guarantees (during the year ended December 31, 2006: 6,999).

(viii) Management Board compensation

Short-term employee benefits

Management Board cash compensation for the year ended December 31, 2007 amounted to 9,863 (7,843 for the year ended December 31, 2006).

	Year ended December 31, 2007		**Year ended December 31, 2006**	
	Base salary	*Bonuses**	*Base salary*	*Bonuses***
Piotr Walter	1,239	593	1,043	436
Karen Burgess	1,119	353	1,084	216
Edward Miszczak	842	288	697	212
Jan Łukasz Wejchert	818	177	272	-
Tomasz Berezowski	539	122	457	82
Olgierd Dobrzyński	604	197	410	197
Waldemar Ostrowski	517	129	518	101
Adam Pieczyński	639	267	581	176
Jarosław Potasz	539	124	481	88
Piotr Tyborowicz	506	251	549	243
	7,362	**2,501**	**6,092**	**1,751**

*Bonuses paid for 2006
**Bonuses paid for 2005

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Share based payments

Members of the Management Board of the Company participate in share incentive schemes introduced by the Group (see note 30) with the following total number of granted share options divided into four series and estimated fair value thereof recognized either as an expense or incremental cost of business combination with Grupa Onet.pl.

	Total number of share options granted (not in thousands)	Cumulative fair value recognized up to December 31, 2007*	Cumulative fair value recognized up to December 31, 2006*
Piotr Walter	622,600	5,950	3,414
Karen Burgess	526,290	5,095	3,027
Edward Miszczak	526,290	5,095	3,027
Jan Łukasz Wejchert	577,065	5,887	3,604
Tomasz Berezowski	336,030	3,253	1,933
Olgierd Dobrzyński	314,115	2,470	1,694
Waldemar Ostrowski	336,030	3,253	1,933
Adam Pieczyński	314,115	2,470	1,694
Jarosław Potasz	336,030	3,253	1,933
Piotr Tyborowicz	336,030	3,253	1,933

*Calculated as proportion of the fair value of service already rendered to the total fair value of the scheme.

(ix) Supervisory Board compensation

Supervisory Board cash compensation for the year ended December 31, 2007 amounted to 1,097 (605 for the year ended December 31, 2006).

	Year ended December 31, 2007	Year ended December 31, 2006
Wojciech Kostrzewa	165	80
Jan Wejchert	10	66
Bruno Valsangiacomo	137	80
Arnold Bahlmann	90	63
Romano Fanconi	68	64
Paweł Gricuk	121	69
Sandra Nowak	263	-
Wiesław Rozłucki	92	-
Andrzej Rybicki	66	30
Mariusz Walter	10	56
Aldona Wejchert	56	-
Jan Adam Zieliński	19	67
Maciej Żak	-	30
	1,097	**605**

30. SHARE-BASED PAYMENTS

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

(i) TVN Incentive Scheme I introduced on December 27, 2005, based on C series of shares

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

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

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

	Year ended December 31, 2007		Year ended December 31, 2006	
	Average exercise price	Outstanding options	Average exercise price	Outstanding options
At 1 January	PLN 10.01	**15,818,005**	PLN 9.66	**9,870,000**
Granted	PLN 11.68	2,833,670	PLN 10.58	5,948,055
Exercised	PLN 8.83	(3,764,520)	-	-
At 31 December	PLN 10.62	**14,887,155**	PLN 10.01	**15,818,055**

Weighted average market share price during the year ended December 31, 2007 was 25.01.

The total fair value of the options granted was estimated using a trinomial tree model and amounted to 74,124 with respect to C series and 110,101 with respect to E series. The total fair value of options granted to acquire C series of shares will be accounted for in the period starting from December 27, 2005 and finishing December 31, 2008. Of the total fair value of options granted with respect to E series, the value of 70,775 less the part attributable to vested options granted under the original share option scheme existing in Grupa Onet.pl modified at acquisition and included in the cost of acquisition will be accounted for in the period starting from July 31, 2006 and finishing March 31, 2009. The balance of 39,326 relating to E options granted on December 18, 2007 will be accounted for in the period starting from December 18, 2007 and finishing December 31, 2009.

Significant inputs into the option valuation model for the options granted on December 18, 2007 were share price of PLN 24.75 (not in thousands), money market interest rates and interest rate swap rates provided by Reuters, the exercise price of 11.68 (not in thousands), the number of options, maximum option life (until December 31, 2011), expected option termination ratio of 0%, expected intrinsic value of an option when exercised of PLN 4 (not in thousands) per option and price volatility of 36.50%. Volatility was calculated based on an annualized logarithmic rate of return based on daily prices since the shares were first listed on December 7, 2004. The model assumes that dividends would be paid in the future in accordance with the Group's dividend policy. Fair valuation of options granted before January 1, 2007 assumed that no dividends would be paid in the future. The stock option plan is service related.

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

30. SHARE-BASED PAYMENTS (CONTINUED)

The remaining options are exercisable at the prices indicated below and vest after the specified period:

Series	Number of options	Exercise price	Service vesting period
C1	463,300	PLN 8.66	vested
C2	3,479,210	PLN 9.58	until January 1, 2008
C3	3,479,210	PLN 10.58	until January 1, 2009
	7,421,720		

Series	Number of options	Exercise price	Service vesting period
E1	233,140	PLN 8.66	vested
E2	340,055	PLN 9.58	vested
E3	1,617,505	PLN 10.58	until April 1, 2008
E4	2,441,065	PLN 11.68	until April 1, 2009
E4	2,833,670	PLN 11.68	until January 1, 2010
	7,465,435		

All options can be exercised no later than December 31, 2011.

Between January 1, 2008 and the date when these financial statements were prepared, 19,410 of E1 and E2 series options were exercised and as a result 19,410 new ordinary shares were issued. These shares were registered by the court at the date of the preparation of these financial statements.